Kiribati National Audit Office

Promoting Transperancy and Accountability

For the Parliament and People of Kiribati

Auditor-General Report on The Accounts of the Government of the Republic of Kiribati for the Year Ended 31 December 2009

Part 2: Revenue and Expenditure Government of Kiribati Ministries.

August 2012

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1. Synopsis

Based on the result of the audit, the same old issues were still detected in most accounts disclosed in the 2009 Annual Account. There was still a lack or poor reconciliation on almost all of accounts in particular, major Bank accounts, Deposit accounts and Government major and miscellaneous revenue and expenditure accounts, which was surely due to the problem in using Attaché accounting software by accounting staff at MFED and at other Ministries.

Also, poor commitment of staff, of about 40%, towards their duties and responsibilities and their non-compliance with relevant provisions of the Financial Regulation were other major causes of the repetitive same old problems.

Although we do not deny the fact that some Accounting Staff, of 60%, at MFED and other ministries had made a lot of effort in producing the annual account on time, it is with regret to mention that such good work was not actually fully reflected in the quality of the account being provided for audit.

In view of the above, I have to mention that the 2009 Annual Account, except the RERF, contained substantial and material misstatements that resulted in an Adverse Opinion as stated in my Audit Report on Part 1 of same.

Date: 20 August 2012

Ms. Matereta Raiman

Auditor General

2. EXECUTIVE SUMMARY

2.1. 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 2009. Major audit findings uncovered while auditing revenue and expenditure are fully detailed below. Audit reports on some of ministries for 2009 carried out during 2010 were also included in the report

The 2009 Annual Account was submitted for audit on the 30th June 2010, but due to various significant errors detected during the pre-test and having to await submission of supporting documents not ready at the time, the original account was then returned for adjustment. It was in October 2010 when the adjusted 2009 Annual Account was finally submitted and the audit commenced.

2.2. Audit Scope and methodology

The audit was conducted in accordance with generally accepted auditing standard and the international auditing standard applicable to Kiribati.

Audit has been conducted in accordance with section 114 of the Constitution. Our audit aimed to find out how well ministries/offices have utilized or managed their approved budget for 2009 per Cap 79 and focused mainly on the comparison of the following:

1. Revenue estimate against actual revenue collections,
2. Expenditure estimate against actual amount spent, and
3. Supplementary Appropriations approved and the revised budget.

Large variances noted from the comparison are further examined by obtaining relevant source or accounting documents from MFED and other ministries concerned.

2.3. 2009 Expenditure and Revenue Budget

As normally practiced in all democratic countries worldwide, Government has to prepare and approve a budget for each year. As usual the budget, after being prepared by individual ministries/office and approved by Cabinet, is normally debated and finally approved by Te Maneaba ni Maungatabu at the end of each year. In its session held in December 2008, Te Maneaba Ni Maungatabu approved the 2009 expenditure and revenue budget of $88,399,287 and $62,094,211[1], respectively.

2.4. 2009 Approved Supplementary Budget

It is likely that ministries would face insufficient budget during the year due to unexpected, but necessary, expenses that government should finance. During 2009 only three ministries/offices (Maneaba ni Maungatabu; MCTTD and MLPID) as well as Debt Servicing; and Subsidy requested ***for supplementary appropriation amounted to $1,901,611 and therefore has increased the 2009 original budget expenditure from $88,399,287 to $90,300,898.*** It was noted however that, despite

[1] Kiribati Government 2009 Budget as approved by Te Maneaba ni Maungatabu in December 2009

these supplementary appropriations, the actual overall expenditure still exceeded the revised budget by over $1.5m net[2].

2.5. Findings

The audit of the 2009 accounts and in particular, the audit of revenue and expenditure in respect of Ministries/Offices had highlighted the following audit findings.

Note: The term Accountable Officer (AO) has been used in this report[3] as the officer responsible.

2.5.1. *Unauthorised Expenditure*

According to the 2009 annual account, seven ministries/offices together with the debt servicing account have exceeded their revised budget as follows:

Names	Revised Budget	Actual Expenditure[4]	Over or unauthorised
Support to the Beretitenti	$1,107,353	$1,120,686	$13,333
Public Service Office	$1,064,281	$1,084,064	$19,783
Judiciary	$1,462,396	$1,477,935	$15,539
Ministry of Foreign Affairs	$1,127,964	$1,190,849	$75,751
Maneaba ni Maungatabu	$2,360,475	$2,812,012	$451,537
Ministry of Health and Medical Services	$14,606,800	$14,613,551	$108,999
Ministry of Education	$21,532,278	$21,634,323	$102,045
Ministry of Finance & Economic Development	$2,541,401	$2,624,340	$82,939
Debt Servicing Expenses	$2,532,998	$3,102,113	$569,115
Other Government exp	$12,434,080	$13,206,535[5]	$772,455
Total over/unauthorised			**$2,211,496**[6]

2.5.2. *Other Government Expenses*

As highlighted in the table above, the total unauthorised expenditure was over $2.2 m ($10 m in 2008) and 37.86 % of the over expenditure relates to Other Government Expense amounted to $772,455.

2.5.3. *Maneaba ni Maungatabu/ Debt Servicing Expenses*

The second largest contributors for the overspending above were: the Debt Servicing Expense and Maneaba ni Maungatabu. All outputs for the Maneaba ni Maungatabu: Administration and Support Services, Parliamentary Meetings and Parliamentary Committee, were reportedly overspent by $219,132; $225,060 and $7,346 respectively. Refer to **Appendix B** for more details.

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[2] Over Expenditure $2,211,496 less Saving of $701,707– refer to page 3 and 68 herein

[3] Under the Public Finance (Control and Audit) Ordinance 1974 the accountable officer is any public officer appointed under the provisions of the ordinance and charged with the duty of accounting for any service in respect of which moneys have been appropriated. This is normally the Secretary of the Ministry.

[4] These figures excluded credit postings mentioned at paragraph 2.5.7 below, hence not the same as Actual Expenditure disclosed in the 2009 Annual Account

[5] This audit figure is derived by adding credit entries of $2,433,172, $1,350,$3,360 and $120 disclosed in Other Government Expenditure

[6] This over-expenditure excludes saving of $701,707

The Debt servicing consists of: government ADB loan repayments; Financing commission and interest charges ($832,780), local purchase ($83,115) and overseas purchases ($1,363,348). It was noted that most ADB loan repayments exceeded the budget, which is alright provided repayment made is not for other government loans. On the other hand, loan repayments for other ADB Loans such as: No. 724, 922 and 1039, fall short of the budget. In other words, their budget provisions were not fully utilized.

Of great concern is the variance of ADB loan repayment disclosed in Statement No XIII and the Management Information Report of $161,517. Please refer to Part 1 for further details. It was also noted, however, that Debt Servicing expense was down significantly by 95% when compared to 2008 figure.

2.5.4. *Ministry of Health and Medical Services and Ministry of Education*

The third largest contributors to the above unauthorised expenditure are the Ministry of Health and Medical Services and Ministry of Education. As per table above, the MHMS and MET both contribute about 5 % to the unauthorised expenditure

2.5.5. *Other Ministries / Offices with unauthorised expenditure*

Other ministries/offices with unauthorised expenditure are: Office of Te Beretitenti, Public Service Office, Judiciary, Foreign Affairs and MFED. These unauthorized expenditures simply reflect the Ministries' inability to comply with section 30 (3) (b) of Cap 79 (i.e. Budget passed by the Maneaba ni Maungatabu).

2.5.5.1. Recommendation:

I have to reiterate that strictly complying with the provisions of Cap 79 and the Budget as already approved by the Maneaba ni Maungatabu is of paramount importance and thus all Accounting Officers are obliged to operate within the approved budget.

2.5.6. *Supplementary Appropriation approved too excessive.*

The approved supplementary appropriation for Ministry of Communication, Transport and Tourism has been partly used nor used up at all. MCTT was reported in the last audit report as one of the ministries that never used up its approved supplementary budget. It thus advisable that future request from MCTT should be carefully calculated prior being submitted for approval by the Maneaba ni Maungatabu. Refer 2.15 below for details.

2.5.6.1. Recommendation

AO must submit to the MFED the exact amount required for their supplementary budget so as to save ploughing out further funds from the RERF and interests that would have accrued but for the excess withdrawal.

2.5.7. *Understatement of Actual Expenditure/Revenue*

As in my last audit report, included in the actual expenditures in respect of some ministries were credits figures, which have been incorrectly posted, causing the understatement of the 2009 actual expenditure by over $2 millions, a deviation from FR. 67.

According to an analysis of these credit postings, most of them relate to adjustments required from previous years such as adjustment for returned cheques for 2004 to 2006 and reimbursement of charter cost for RS Teanoai of $33,742 for 2009 which was treated as an expense instead of KPS's revenue.

Similarly, in 2008 the Cash at bank and on Hand included KPF Clearing account of -$2,433,171.56, which was deemed incorrect and was therefore adjusted in 2009, causing a credit balance figure for KPF expenditure account - an output under Other Government Expenses account. This also contravenes FR.9.7

Thus, such credit postings or mis-postings (refer **Appendix D**) have therefore distorted or understated the expenditure for ministries concerned together with Other Government Expenses account and contravened FR 9.7 (2011). Taking into account such error, the actual expenditure for 2009 should have been increased from $89,031,948 to $91,810,763. Refer to **Appendix B** for details of Actual Expenditure for each ministry.

On the other hand, some ministries/offices had been using their revenue to finance their operational expenses, while others erroneously posted their expenses to their revenue. The total payment of $766,071.87[7] included in Ministries'/Offices' revenue has therefore reduced the consolidated total revenue to $87,580,090 and at the same time, understated total expenditure by $91,810,763,. Consequently both the revenues and the expenditure of these ministries/offices have been understated and incorrectly reported in the Annual Account.

2.5.7.1. Recommendation

AO must ensure that no credit/debit figures are posted as actual expenditures/revenue and adjustments for previous years should not be "mixed up" with recurrent expenditure/revenue. This is not accrual accounting and therefore expenses/revenue incurred/earned in previous years, when paid/received in budget year, will be regarded as current spending/revenue.

2.5.8. *Poor Revenue Collection*

Despite rules and regulations in respect of revenue collection, most ministries have not been very efficient in collecting their revenue as per approved revenue estimate**.** These regulations resemble internal controls over the collection of revenue and they were also designed for effective and efficient collection of government revenue. Further, another most common problem that leads to poor revenue collection relates to the poor performance of staff concerned either in their commitment towards their job or the failure in ensuring proper and regular monitoring of staff performance.

Thus the problem of poor revenue collection stems from the inability of most ministries to comply with such regulations. Consequently, revenue from land lease/rent, which I believe it should be able to reduce Land rent government paid to land owners, has not been properly managed nor monitored regularly.

As can be observed the crux of such problem - poor revenue collection, stemmed from the poor performance of staff and Accounting officers to ensure effective and efficient collection of all revenue, which is also a direct deviation from rules and regulations in respect of collection of revenue or part IV of the Financial Regulation.

2.5.9. *Ministries suffering problems with "Attaché"*

One of the major causes of the irregularities stated above relates to the use of Attaché software accounting package by staff at MFED and at other Government Ministries. Unfortunately, staff have had not been given proper training on the Attached accounting software. As a result, no Accounting staffs, either at the Ministry of Finance, or at other ministry could apply all different

[7] This is total payment appeared in Ministries' revenue Refer to **Appendix E**

modes of the Attache accounting package. As a consequence producing a meaningful and accurate financial statement at the end of the fiscal year was therefore not possible. **This is evidenced by the poor quality of the 2009 sets of account submitted for audit.**

Unless all staff involved in the Accounting Division within MFED are properly trained on how to work with such software accounting package, generating and producing a more realistic, meaningful and accurate Government Annual Account, a vital document for deliberation on economic decisions-making, would not be possible.

Recommendation:

To ensure all staff operating the Attaché program are well trained on all features of the software. Other alternative programs could be considered if problems currently encountered with the Attache program still continue.

2.5.10. *Financial Regulation not being strictly complied with*

As confirmed the proper system of internal controls was being put in place, but they had been neglected or illusively forgotten. Specifically, some of these internal controls, stipulated under the relevant provision of Financial Regulation, had not been regularly followed by those staff concerned. Complying with such regulation would contribute a lot to generating a reliable and accurate financial report.

Recommendation

To consider conducting a workshop on the Financial Regulation for all accounting staffs and a copy of such regulation be readily made available and accessible to all concerned.

2.5.11. *Lack of Responses from Ministries to Audit Management Reports for this year 2009*

It was noted with great concern that only three ministries/ offices out of nineteen had sent their responses after the end of audit consultation through ministries and recently, three ministries just submitted after the meeting of all ministries with the Accountant General and Auditor General. Such responses from MFED and all Ministries would be necessary to show that each ministry/ office had gone through the audit findings and recommendations towards implementation and actions for inclusion in this report.

Recommendation

All Ministries should go through the audit findings and recommendations diligently and provide proper responses to Audit Management Reports every year.

3. GOVERNMENT MINISTRIES

Apart from the audit scope above, a comparative analysis of revenues and expenditure for 2009 and 2008, in respect of all ministries/offices' outputs and other government expenses as disclosed in the management report together with the result of the audit carried out in some ministries / offices are provided below.

3.1. OFFICE OF TE BERETITENTI

3.1.1. *Revenue*

The actual and revenue estimate of the above office is shown in the table below.

	2009	2008
Estimate	4,038	0
Actual	3,177	648
(Over)/Under	861	(648)

The revenue for the Office of Te Beretitenti (OB) of $3,177, as shown in the table above was a collection from house rent paid by Secretaries, AGs, PSC Chairman, Clerk to Parliament, Speaker of the House and Commissioner of Police for occupying government's houses.

As confirmed, OB was not made aware of such arrangement and did not even involve with budget preparation for such revenue output. It appears that the Accounting Division at MFED has been incorporating such output in the OB revenue budget and collecting such revenue on behalf of OB but without officially informing the OB about such revenue. As verbally advised by the Senior Accountant for OB there was no submission for such revenue when preparing OB's budget for 2009.

In fact Secretaries and all those referred to above occupying government house are liable to pay rent and therefore OB should properly account for such revenue collection.

The number of government houses being occupied by government top officials of more than 10 does not commensurate with the amount of rent received as stated above.

3.1.1.1.1. Recommendation:

Review such estimated revenue and properly account for payment of house rent from Secretaries and other government top officials currently occupying government houses in accordance with relevant Financial Regulation and please let the Senior Accountant at the OB maintain and control such revenue account.

3.1.2. *Expenditure*

Presented below is a comparison between the estimate and the actual expenditure in respect of the Office of Te Beretitenti for 2009.

	2009	2008
Estimate	1,107,353	1,083,617
Actual	1,120,686	1,004,894
(Over)/under	(13,333)	78,723

The OB reported a net overrun of $13,333 (saving in 2008 of $78,723) at year ended 31 December 2009. The external travel of over $16,000 is the bulk of the over-spent and this was detailed in Appendix B of the report.

It should be noted, however, that overspending contravenes relevant sections of Part IX of the Financial Regulation or the 2009 Appropriation Act.

3.2. PUBLIC SERVICE OFFICE (PSO)

The approved estimate and the actual expenditure in respect of the Public Service Office (PSO) for 2009 and 2008 are presented below.

Expenditure

	2009	2008
Estimate	1,064,281	1,052,441
Actual	1,084,062	1,049,592
(Over)/under	(19,783)	2,849

The Public Service Office reported a net overspent of $19,783, which was caused by the overspent in overseas training and direct purchase (local) of $64,219 and $11,677 respectively and these outputs are under Human Resource Management.

According to a management information report outputs one and two were overspent as per **Appendix B.**

Again, it should be clearly noted that the overspending contravenes relevant sections of Part IX of the Financial Regulation or the 2009 Appropriation Act.

3.3. JUDICIARY

3.3.1. *Revenue*

Given below is the comparison of the approved estimate against actual revenue collected for 2009 and 2008.

	2009	2008
Estimate	210,000	69,000
Actual	5,915,614	277,481
(Over)/under	(5,705,614)	(208,481)

As shown in the above table, the Judiciary’s collection for 2009 far exceeded its revenue estimate by $5,705,614 (2008: $208,481). This substantial revenue collection, more than $5m related to the court fine in respect of foreign Fishing boat found illegally entering and fishing in Kiribati Exclusive Economic zone.

However, it was noted the Judiciary is the only Office been granted approve to operate a specific “Transit Account” where all court fines received are credited in this account and out of which all like claims would be paid. Such treatment unfortunately, unless an amendment to legalise such had been made, contravened FR 167 (1971) or FR 9.7 (2011).

Appendix A of this report shows a shortfall in one of its revenue outputs.

3.3.2. *Expenditure*

	2009	2008
Judiciary		
Budget	1,462,396	1,435,946
Actual	1,478,011[8]	1,341,353
Under/(Over)	(15,615)	94,593

As summarised above, the Judiciary's actual expenditure for 2009 was up 10 % when compared to 2008. The net overspent involves various outputs and the major contributor for such overspent was the allowance. Please refer to Appendix B for details.

The Judiciary had not been operating or strictly adhering to the 2009 Appropriation Act as evidenced from the above table.

Again, the Judiciary had therefore contravened relevant sections of Part IX of the Financial Regulation as well as the 2009 Appropriation Act.

3.4. KIRIBATI POLICE AND PRISON SERVICES

3.4.1. *Revenue*

The approved estimate and the actual revenue in respect of Police and Prison for 2009 and 2008 are presented below.

	2009	2008
Budget	29,413	58,200
Actual	75,916 [9]	36,796
Under/(Over)	(46,503)	21,404

The 2009 approved revenue estimate for the Police and Prison, in particular revenue estimate for hire of patrol boat, was unrealistic as actual revenue collected can be as high as $30,000. For instance, 15 % of a total reimbursement from the Judiciary of $33,742 far exceeds the budget figure of $763. The revenue received from hire of patrol boat as per management report valued at only $60 during the whole year was deemed a miss-posting and the estimated revenue of $763 was deemed unrealistic. Thus the revenue from hire of patrol boat did not seem to have been properly accounted for nor properly estimated.

Given the number of sea incidents and the possibility of illegal fishing in our waters each year the revenue estimate for the hire of the patrol boat should therefore be estimated at $10,000 or more

3.4.2. *Expenditure*

Presented below is the comparison of the approved and the actual expenditure in respect of the Police and Prison.

	2009	2008
Budget	6,719,915	6,627,210

[8] $76 Cr an adjustment from previous years added
[9] Includes $33,742 reimbursement from High Court

Actual	6,705,689[10]	6,602,774
Under/(Over)	14,226	24,436

The Police and Prison reported a net saving of $14,226 (2008: $24,436), reduced from $47,968 due to the adjustment of credit posting to actual expenditure of $33,742.

3.4.3. *Other Audit Findings*

The audit of the Police and Prison for years 2006 to 2009 was also conducted and some irregularities were revealed as follows:

3.4.3.1. Scope

Our audit was based on cash counting, bus ticket counting and the examination of accounting records or documents as well as the internal controls within the system. Details of the findings are listed below.

3.4.3.2. Overall

Overall it was found that there were some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

3.4.3.3. Findings

Control over Bus tickets

Audit found after checking the register for the year 2006 to 2009 that some staff did not sign off the register. Also the officer who issued out bus tickets failed to remind those commuters to sign the register. For future compliance note that the bus tickets should be issued once they have signed off the register.

Recommendation

It is therefore recommended that issuing bus tickets to those respective officers be made once they sign off their name in the register and the responsible officer be reprimanded if commuters did not sign off the register.

The responsible accounting officers should be reprimanded for non compliance with provisions of FR and Cap 19.

3.4.3.4. Control over LPO and GRR register book

3.4.3.4.1. Findings

Audit found that accounting registers or records: register for LPO and GRR for 2006 to 2009 have not been maintained nor even provided during the audit.

Specifically, receipts books stated below were noted to have not been recorded in the Form 'A' register maintained by MFED.

[10] Exclude $33,742 credit posting being reversed or added back

Date of issue	GRR #	IRV#
20/02/06	543601-543800	76840
23/07/07	638601-638800	72274
5/07/07	645001-645200	
05/07/07	645201-645400	
12/11/08	716801-717000	
12/11/08	717201-717400	
21/10/08	726201-726400	

It was further noted that the above receipts books and those without IRV number were not even recorded by the MFED. This means that KPS has been obtaining such GRRs without recording them in the register at MFED. Also the Receipt Books listed below were not recorded in the MFED Register:

Year	Receipt#
2007	637201-637400
"	637601-637800
"	645201-645400
"	648601-648800

The current system in place is that Ministries/offices have to purchase their accounting records or books from the Printing Division of MCTTD and has to be recorded in the register at MFED. This internal control system over receipt books seems to have not been strictly adhered to and thus contradict relevant section of the Financial Regulation. FR 92 (2) is relevant.

3.4.3.4.2. Recommendation

It is recommended that KPS should properly maintain a separate LPO and GRR register in order to keep track those used and un-used accounting document relating to a particular accounting period and the same time a new Receipt Books be recorded in the MFED register.

To reprimand officer concerned and replace her/him by a more reliable officer.

3.4.3.5. Control Over Revenue

3.4.3.5.1. Findings

It was noted that there was a lack of control over the following revenues:

- **Hire of Brass Band and Police Clearance.**
    - No register maintained to record receipts for hiring neither the Brass Band nor the issuance of the Police Clearance.

- **Arrears of Revenue:**
    - No register for the Arrears of Revenue.
    - No Journal Voucher (JV) issued by OB/ PSO for hire of patrol boat for the Presidential tour and Ministerial tour and listed as Arrears of Revenue.

- No returns of Arrears of Revenue submitted to the MFED, which is a direct deviation from FR 65 (1) and (2).
- No follow-up actions on the arrears of revenue totalling $21,863.60 FR 64 (1) has therefore not been complied with

3.4.3.5.2. Recommendation:

It is recommended that KPS should open its Register for the Brass Band as well as maintaining a record for the issuance of Police Clearance. The register should show the total revenue collected during the year and provide the list of outstanding revenue. It is also recommended that KPS should prepare and submit their Returns of Arrears of Revenue to the MFEP on a regular basis and arrange recovery for arrears of revenue whenever possible.

That the Accountant General places more close surveillance on a regular basis the performance of his accounting officers and to quickly take remedial actions to remove and replace the officers concerned.

3.4.3.6. Control over Staff Annual Leave Grants

3.4.3.6.1. Findings

Verification on the staff leave grants revealed that there was a very poor control system over payment of leave grants during the years 2008 and 2009 resulting in substantial amount of irregular payments as follows:

- There were improper payments of Leave Grants totalling, $13,874.35. These improper payments was made due to the failure of the temporary accounting staff to strictly adhere to relevant financial regulations and thus causing the irregularities as follows :
  - Audit confirmed that one of the authorizing officers had approved the total payment of $2,500.00 without checking whether such leave grant had already been paid or not. There could be more cases like this but we still cannot find more Payment Vouchers available. Furthermore, the total of $1,125.00 was also signed or approved by another officer.

  - Some payments of leave grants valued at $5,125.00 were signed by her without first obtaining the proper authority from those respective payees.

  - Some signature listings attached to the Payment Vouchers were not signed by the concerned payees. Further there was no receipt attached to indicate the monies had been receipted or returned to the MFED and also the receipt of telmos was not attached.

- Audit found that some officers had been given wrong rates to calculate and claim for their Leave Grants. In actual fact, they should be entitled to single rates instead of a married rate given that their spouses are also working at other organization. As a result, there was an overpayment of $3,250.00 found. Please check and if agreed arrange to recover this overpayment from the officers concerned according to the list attached.

3.4.3.6.2 Recommendation:

It is highly recommended that the Accounting Officer/ (s) (AO) should approve the Payment Vouchers after checking the accuracy of all supporting documents in accordance with the Financial Regulation (FR) 163. KPS Management is hereby advised to arrange recovery of the above double payments of leave grant totalling to $13,874.35 without any further delay. It is also recommended *that all these necessary documents such as application letters for leave grant should be sighted and approved by AO first and copy of payment vouchers or list of staff names and their signatures, etc should be properly kept in the officer's personal files (PFs) for future references to avoid double claims. Furthermore, the AO should first clarify and note on their application letters the applicable rate for leave grant payments***.** *In regard to the overpayment of $3,250.00 KPS Management is again advised to check those officers applicable rate and also arrange settlement as soon as possible. Finally, AO should ensure that no temporary staff in positions that handle cash.*

To ensure no temporary staff is placed in revenue cashier's position and where they are involved with issuing of bus tickets, to be checked regularly to avoid issuing of tickets without getting recipients signing in the register.

To reprimand Senior Accountants for the faults of her/his subordinate staff.

3.4.3.7. Control over Stores

3.4.3.7.1. Findings

Audit observed that there was a poor control over stores under each responsible officer within different divisions. The anomalies noted during the examination of the stores were as follows:

Control over Stores-Ration (Betio Prison)

- The ration book or register was not adequately maintained since 2006 until 2009. However, data for ration were stored in a computer. It was noted that during the period from September 2009 to January 2010, there was no recording for the number of quantities/ ration purchased and consumed. Because of the absence of a proper register, we therefore unable to confirm whether the goods have been taken into account or not.
- The audit found that the monthly returns to be prepared and submitted to HQ was not made on a regular basis.
- No proper handing over made between the outgoing officer and the officer taking over which contradicts **Store Regulation 131 - 132**.
- The audit found that there were stock or goods damaged to be written off.
- No stocktaking performed on a monthly basis or yearly in accordance with SR 135
- Some goods or stock were not entered in the ration book/ register.

Control over Stores-(Betio Police)

- No register maintained. The absence of this register precludes us to satisfy ourselves whether all goods ordered on LPO have been accounted for or not.
- No proper handing over between the officer handing over and the officer taking over.
- No stocktaking carried out on a monthly basis or yearly.

Control over Stores-Tools (Bairiki Prison)

- No register maintained.

Control over Stores-Tools for Patrol Boat.

- Unable to verify the number of tools/ equipment ordered on LPOs as a result of not quoting the LPO# and PV# in the Register.
- Not performing a stock take on a monthly basis or yearly.

3.4.3.7.2. Recommendation

The Commissioner of Police (AO) should fulfil his responsibilities as required under the Stores Regulation Chapter 2 Section 11 and SR 161. Also control should be strengthened by the Accountant General as officers placed in Ministries including Police are accountable to him.

3.4.3.8. Vote Ledger

3.4.3.8.1. Findings

As evidenced, the Vote Ledger was not maintained up to date from the year 2006 to 2009. In this regard, controlling and monitoring of all expenses from time to time under their respective codes against the budget allocations will not be possible and will ultimately lead to overspending.

3.4.3.8.2. Recommendation:

KPS should maintain the vote ledger up to date in order to help minimize the problem of overspending. Senior Accountant of KPS should comply with **Financial Regulation 169 and Accounting Form 10**. By copy of this report, the Accountant General is hereby notified that the vote ledger/ book had been inadequately maintained.

3.5. PUBLIC SERVICE COMMISSION (PSC)

3.5.1. *Expenditure*

The comparison of the approved and the actual expenditure of the Public Service Commission (PSC) are presented below.

	2009	2008
Budget	217,923	214,928
Actual	204,895	219,601
Under/(Over)	13,028	(4,673)

The actual expenditure in respect of PSC for 2009 was below its estimate by $13,028 (2008: net overspent of $4,673). Thus PSC's saving was resulted from the remaining or unused balances of its 12 subheads at the end of the year.

3.6. MINISTRY OF FOREIGN AFFAIRS & IMMIGRATION (MFAI)

3.6.1. *Revenue*

Given below is the approved and the actual revenue collection in respect of the ministry for years 2008 and 2007.

	2009	2008
Budget	208,000	175,000
Actual	48,821	227,456
Under/(Over)	159,179	(52,456)

The collection for 2009 is about 78% less than the 2008 total revenue collection. The actual revenue for this ministry of $48,821 is the reflection of a poor commitment towards adhering to rules and regulations regarding revenue collection. The Ministry or staff concerned had failed to comply with Part IV of the Financial Regulation, and in particular FR 4.33 and 4.34 (2011), which are very relevant. Certainly, strictly complying with these sections would have prevented such under collections reported above from occurring.

3.6.2. *Expenditure*

The comparison of the approved estimate against the actual expenditure in respect of the Ministry of Foreign Affairs and Immigration is presented below.

	2009	2008
Budget	1,127,964	1,104,618
Actual	1,203,715	974,586
Under/(Over)	(75,751)	130,032

As can be seen from the above table, the ministry has been unable to operate within its 2009 approved budget and thus resulted in a net overspent of $75,751. More details on the ministry's overspent individual subheads can be seen at Appendix B of this report.

Again the Ministry had contravened relevant sections of Part IX of the Financial Regulation or the 2009 Appropriation Act.

3.6.3. *Other Audit Findings*

Overall it was found that there are some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

3.6.3.1. Cash Counting of Kiribati High Commission (KHC) Fiji as at 11th November 2010

A physical counting revealed the petty cash remaining balance of FD$50.25 on the 11th November 2010 under the custody of the Senior Accountant (SA). After checking, it was found that the total payment was FD$149.65 and the actual balance of the petty cash should be FD$200.00. Cash counting for cash collected by Senior Accountant (SA), valued at only FD$25.00 and receipted on RR No 549176 was also carried out.

It was noted however, that the SA maintained her cash book by using the accounting software namely: 'Access' in her standalone computer, which differs with the MFED accounting software program 'Attache'. In any circumstance, if the KHC automated cash book may be corrupted all the financial transactions will be lost therefore, it is therefore necessary to have a good backup system.

The Accountant General (AG) is now kindly requested to review the KHC computerized accounting system and to ensure it is aligned with that of MFED accounting software. Finally, KHC should be well-equipped with a trustworthy or reliable computer backup system.

3.6.3.2. 2009 Revised Expenditure Budget

The preparation of KHC budget for 2009 follows the normal procedure. The KHC had revised its budget during the year from its original of $326,556 to $347,236.40. Thus the actual expenditure of $243,678.5 (including salary: $40,940) at year end 31 December 2009 was far below its revised budget. This has resulted in an excess budget of $103,557.90 or 53 % of all KHC outputs contribute to such excess.

The December 2009 expenditure statement does not disclose the actual expense for KHC salary. However, the management report for 2009 disclosed the salary actual expenditure of $40,940.

Further, KHC total expenditure for 2009 when compared with Finance record disclosed in the 2009 Annual account revealed some variances as shown in the table 1 below:

Table 1

Output	KHC : Actual Expenditure	Finance: Actual Expenditure	Difference
Purchase Overseas	$29,066	$27,436	$1,630
Re-location	1,500	3,000	1,500
Water	2,166	-698.00	2,864
One off expense/overseas	7,031	000.00	7,031

Since we can gather proper supporting documents for KHC figures, we therefore consider them correct. On the other hand, the actual expenditure as per 2009 Annual Account (or Finance) should be amended accordingly.

In addition, it was noted that several outputs as per Expenditure Statement do not match with their Account statement as per table2 below:

Table 2

Outputs Name	Account Statement	Expenditure Statement	Variance
Wages and Contract	81,594.59	86,245.19	-4,650.6
Internal Travel & Trans	20,359.65	14,493.5	5,866.15
External Travel	33,426.51	36,562.86	-3,136.35
Direct Purchase	38,356.64	36,090.33	2,266.31
Purchase Overseas	50,325.77	48,442.77	1,883.00
Allowances	60,567.76	60,133.59	434.17

Recommendation

Review your outputs balances as per table 1 and reconcile them with the figure provided by the Accountant General. Review your Expenditure Statement and amend it according to your individual Account Statement.

3.6.3.3. Monthly Bank Reconciliation

During the audit, it was found that the monthly bank reconciliation statement was only completed up to end of March 2010 and the rest of the months BR have not yet completed from April 2010 to October 2010 respectively. Senior Accountant mentioned that she is the only one who held responsible to do all accounting works and no other Account Clerk appointed assisting her in the KHC office. However, since the monthly bank reconciliation statement is deemed very useful for internal controls over cash, it should be prepared on a regular basis. It is also the only reliable source document or record that can provide you with current detailed information about the actual cash balance at bank.

On the other hand, it was noted that staff responsible for preparing a monthly bank reconciliation statement has done a well-done job. During the audit the bank reconciliation statement was noted up-to–date for 2009. The bank reconciliation statement for the 31 December 2009 showed a balance of F $394,674.33 which is equivalent to AU$$236,804.60 (at a standard exchange rate of 0.6).

Further, during 2009, KHC received funding of F$25,714.29 (or AUD$14,428.57) from French Embassy, but as confirmed from one of the Senior Accountants, the Accountant General was never informed of such funding.

Because of a lack of proper reconciliation of bank balances, both MFED and KHC disclosed different bank balances of -$1,5m and $236,804 respectively

Recommendation

- That the MBR be maintained up to date without any further delay.
- Accountant General has to adjust the bank balance for KHC disclosed in the 2009 Annual from Account from -$1.5m to $236,804.60.
- Due to its isolation from Tarawa and in order to save costs and any inconveniences in transferring funds from the Fiji Bank back to the Consolidated Bank Account in Tarawa, KHC should be given differential treatment in Cap 79 that would at same time not contravene section 8.
- Advice on external funding to KHC be communicated to the Accountant General and
- Reconciliation of bank account records for both MFED and KHC be carried out on a regular basis and current work schedule of the Senior Accountant need be assessed as to whether a support officer need be repatriated or existing staff within the KHC could assist with the reconciliation task.

3.6.3.4. KHC Imprest System

It was noted with concern that Senior Accountant did not maintain the proper imprest register nor consistent with the GOK special imprest system. Audit check on some selected payments vouchers for special imprest revealed that there were numerous payment vouchers being raised for official overseas trips, but without using proper imprest forms such as: Travelling Claim and Combined Imprest and PV form. Special imprest issued or retired were not documented using the prescribed forms. Below are some of the PVs relating to imprest payments which deemed improper as they are not in line with the current practice by the Government officials when applying for imprests. Senior

Date	PV Ref	FD$
6/5/09	22/05	1,515.00
73/5/09	73/05	1,325.00
18/6/09	58/06	4,067.00
29/8/09	85/08	2,943.63
No date	21/11	460.00 (refund)

As KHC is outside of Kiribati, this does not mean it should implement it own procedures for issuing special imprest. The KHC should adopt the same system for issuance of imprest as in the case of Government official travelling overseas from Tarawa. The normal Special Imprest and Travelling Claim forms should be used when drawing of retiring special imprest. At this stage, I could not be able to verify all travelling claims by those officers of KHC due to the absence of the special imprest register.

Further, it was noted during the audit that most special imprests drawn by KHC staff for attending meetings overseas and for official duties in Nadi were remained unretired. According to the monthly expenditure ending 31/12/2009, special imprests remained outstanding are detailed below:

PV Number	Date	Amount
82/09	11/17/09	$3,332.00
95/09	9/30/09	$2,403.00

80/03	3/20/09	$1,836.00
37/11	11/6/09	$1,128.00
86/02	2/17/09	$1,558.00
27/01	1/13/09	$1,916.00
37/09	9/10/09	$11,997.00
93/01	1/30/09	$2,562.00
71/10	10/23/09	$3,079.12

As detailed above, the total amount of unretired special imprest for 2009 was $33,878.12.

Additionally, all special imprests drawn by KHC staff for attending other official duties in Nadi, apart from attending meetings, were noted not retired. It should be emphasized that all special imprests drawn should be retired and follow the normal procedures/practice for retiring special imprest, regardless of an amount drawn.

Recommendation

That the imprest register should be opened as soon as possible and provide evidence that that the above special imprests have actually been retired by staff concerned.

3.6.3.5. No Supporting Documents

The following payment vouchers were noted to have no supporting documents attached for verification purposes.

PV 69/05 - FD$6,510.00
PV 73/09 - FD$49,970.00

Recommendation

It is therefore recommended that KHC should provide those required documents such as receipts or invoices for my audit.

3.6.3.6. Improper Payments of Leave Passage for 4 Adult fares

It was noted with great concern that the payment of leave passage for four adults in respect of the former First Secretary's family deemed improper. It is very difficult for the auditors to verify the validity of the amount of FD$6,250.00 as per PV No 110/12. This is mainly because there was no calculation shown with the conversion rate used including those supporting evidences for audit. According to the current ruling as per PSO circular or letter ref E20/1 of 21st April 2009, it states that in the case of her entitlement for leave passage she should be granted for two adults' fares that is the officer and her spouse. In actual fact, the leave passage payment payable to an airline travelling to her home island should be calculated for 2 adults only.

Nevertheless, after making consultation with the Ministry of Foreign Affairs and Immigration (MFAI), it has come to our notice that the officer had gone overseas instead, to pursuing her study with her family without the proper endorsement of PSO. In light of the current procedure, all overseas trainings for MBA and Postgraduates, should be first considered by the employer and thereafter approved by the Human Resource Development Committee (HRDC). In view of this shortcoming, I would assume that either the officer failed to fill in the application form or the employer did not recommend her to undertaking such overseas training.

Thus, the payment of this leave passage seemed improper given the fact that no supporting documents attached to the Payment Voucher as well as PSO has not yet regularized her training. As confirmed from Salary Section at MFED, the officer is still continued to get pay.

3.6.3.7. Payment of Transport cost during the Wedding-$200

It was further noted that KHC had paid $200 for a transport cost in respect of one of its First Secretary named above during her wedding. Apparently, such payment is deemed improper since it is a private/personal expense and not related to official expenses.

Recommendation

1) MFAI should arrange disciplinary action against the officer for her failure to comply with the existing training procedures and
2) Provide clarification or justification that the above payment is payable by KHC, otherwise recovery should be made from the staff concerned
3) Why was she paid 4 adults fares? Recoveries should be made for the 2 extra adult fares and disciplinary action need be imposed on staff authorising excessive payment.

3.6.3.8. Compensation Claims from BPC Fund without the PV Reference Numbers and Dates Shown on the Payment Vouchers

It was found that these payment vouchers have no PV reference and the date appeared which contradicts the accounting disclosure requirement as follows:

Purpose of payment	FD$
Compensation claims from BPC fund	16,656.00
Compensation claims from BPC	4,164.00
Compensation claims from BPC	4,164.00

Furthermore, the above payees have already signed their monies on compensation claims from BPC fund. As far as I know, I am not fully aware of any payment being made in relation to all applications for compensation claims from BPC as they are still held with MLHRD for further action. This should be regarded as a public issue which involves many people.

Recommendation

I would recommend that all payment vouchers should be completely filled out by the responsible officer before they approved and passed on for payment. I would also recommend that all payment vouchers should be entered first in the PV register before the money is paid out.

3.6.3.9. GRR Books, Other Accountable Records and Documents Register

Audit found that the Senior Accountant did not maintain a proper register to record all GRRs stock received from MFED. It is also useful to record the date when the GRR books issued out to whom and returned when they fully used up. As mentioned by SA, the register has not been maintained for the fact that the volume of revenue transactions is very minimal, which do not require more orders of GRR books from MFED regularly. This contradicts the Government Financial Regulations.

The following GRR books are fully used together with the unused ones:

GRR books	Date From	Date To		Status
253651 – 253850	1/7/06	31/1/07	`	Fully Used
253851 – 253050	31/7/07	20/6/08		Fully Used
507601 – 507800	20/6/08	24/6/09		Still in Use
549001 – 549200	8/7/09	10/11/09		Still in Use

Recommendation

It is strongly recommended that the register should be opened to record the movement of the GRRs following the above serial numbers of receipts.

3.6.3.10. KHC Staffs – Permanent and Contracts Appointment

It was noted that there are twelve staffs working for the Kiribati High Commission including the High Commissioner of which only three permanent staffs and the rest are still on contract basis. Audit found out after test checking KHC' s staff PFs that most of the contract agreements for those staffs such as the High Commissioner, Executive Assistant, etc., have been expired and should be renewed immediately. For example, one of the contract agreements in respect of the security officer was expired on 13th March 2010. As clearly noted from the past audit, these staffs are still working on contract basis for many years.

As you may aware, it is the current policy that all contract appointments should be processed through the PSC for approval while temporary appointment is approved by PSO. Therefore, MFAI is hereby reminded to ensure that all contract posts existing in the KHC should be reviewed and renewed periodically in a proper manner.

Recommendation

I strongly recommend that all the contract positions should be reviewed and if necessary they should to be considered as permanent in line with the GOK recruitment procedures.

3.6.3.11. Fuel and Repair cost

All KHC vehicles are re-fuelled at Total Fiji limited by a driver using a credit facility. The charge from Total Fiji Limited, on average, was over $1,400 a month. It was also noted that KHC vehicles can be re-fuelled by any KHC staff and then KHC reimburses them with fuel cost they paid for out of their pockets.

It was also reported that the former KHC driver was fired for a misused of public fund involved with re-fuelling of KHC's vehicles. The amount involved with this misappropriation of public fund had not been disclosed.

Additionally, the repair cost for KHC' vehicle: CD 110 for 2009 only was over $11,000. Included in this amount was the cost of 9 new tyres valued at: $2,800. The first four (4) new tires were purchased in July while the other 5 in November 2009. Indeed, the cost of repair for CD110 is deemed too expensive.

Recommendation:

Re-fuelling vehicles should be made by using a credit facility only and the driver has to ensure all vehicles are with enough fuel at all the time during working days. Payment for fuel by individual staff be ceased. KHC Management should have a fair idea of fuel consumption for different kind of trips run by all vehicles as a monitoring arm to deter former malpractice from recurring.

Loss of fund involved with the former driver be disclosed for recording purposes and the vehicle: CD110 be disposed of so as to avoid huge payment for repair cost and justification for the purchase of 9 new tyres be provided.

3.6.3.12.MOH Statement of Receipts and Payment for 2009

KHC also handles the disbursements of allowance for referrals patient in Fiji. Payments are normally made to Caregiver and patients themselves. Caregivers are appointed by the MOH and raise charges for their services for the referral patients to KHC. Services of caregiver includes, transporting referral patients from Nadi to Suva and back to Nadi, per diem while in Nadi and medical expenses. Caregiver also receives allowance for accommodating referral patient.

The cash outlay involved in this activity was quite substantial and thus needs to be well recorded or accounted for. The total amount remitted to KHC and the total payment from such remittances could not be ascertained and verified unless a statement of receipts and payments is provided. Such statement should disclose the amount wired to KHC and the individual payments made from such remittances to patients, caregivers and others.

It was also noted with concern that MOH funds administered by KHC had also been used to purchase a laptop computer. Refer to PV 6/07 of 2 July 2009. It is very clear that the purpose of MOH funds, managed by KHC, is to cater for referral patients allowance and other related expenses. Thus the purchase of the said laptop was deemed improper.

Recommendation:

The Senior Responsible officer should provide statement of receipts and payments for MOH funds remittance. Payment of other cost unrelated to referral patient expenses should not be allowed.

To rotate caregiver responsibility as there are other I-Kiribati people with homes in Nadi and who could also deliver same quality service.

To review current rate and claims lodged by current Caregiver.

3.6.3.13. MOE and PSO Statement of Receipts and Payments for 2009

KHC is entrusted with the disbursement of students' allowances sponsored by the Kiribati Government. Students are categorized as either in-service or pre-service student. Funds for in-service students and pre-service are wired to KHC bank account on a periodic basis by PSO or MOE respectively.

Government companies also send their staff for training at USP or other institutions in Fiji and their allowance is also taken care of by the KHC.

It was observed that statement of receipts and payments for local sponsorship were not available. These document details out the total amount actually sent to KHC bank account and amount paid to students.

Recommendation:

Provide statement of receipts from GOK and payments for local sponsored students studying in Fiji. As with MOH, this Ministry and PSO should also do regular reconciliations so as to agree with funds still remaining in the bank account of KHC at each year end.

3.7. MINISTRY OF INTERNAL & SOCIAL AFFAIRS (MISA)

3.7.1. *Revenue*

Given in the table below is the comparison of the actual revenues collected with the approved estimate for the ministry for 2009.

	2009	2008
Budget	77,400	65,272
Actual	47,482	45,903
Under/(Over)	29,918	19,369

According to the 2009 Revenue Budget, MISA is expected to collect revenue from the following activities/ outputs as details in table below

	Budget	Actual	Variance
Charter to Banaba	11,000	1,661	9,339
Social Welfare	400	2,188	-1,788
Civil Registration	46,000	40,399	5,601
KNYC Maneaba	10,000	0	10,000
Sport Complex	10,000	3,234	6,766
Total	**77,400**	**47,482**	**29,918**

As reflected in the table above, there was no revenue generated from KNYC and only $3,324 was received from Sport Complex against its budget of $10,000. Thus as stated earlier there could be various reasons for this. For instance, sea fare for the trip to Banaba was not collected from all passengers while most passengers have been allowed to travel without paying his/ or her sea fare. In this case, there was no monitoring and controlling of sea fare collection system in place. MFED's figure and MISA's revenue figure are not reconciled prior to posting in the account. That is the failure of senior accounting staff to supervise the performance of those responsible for entering data at Accounting Division within MFED.

Finally as mentioned in Para 2.6.1 above, the Ministry or staff concerned had failed to comply with Part IV of the Financial Regulation, and in particular FR 4.33 and 4.34 (2011), which are very relevant. Certainly, strictly complying with these sections would have prevented such under collections reported above from happening.

3.7.2. *Expenditure*

The comparison of approved expenditure estimate against the actual for MISA for years 2009 and 2008 is presented in the table below.

	2009	2008

Budget	2,830,033	3,150,355
Actual	2,801,857	3,102,545
Under/(Over)	28,176	47,810

The ministry reported a net savings of $28,176 and $47,810 for years 2009 and 2008 respectively. Despite the net saving noted above, overruns on some of its individual subheads were also reported as detailed in **Appendix B.**

3.8. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURE DIVISION (MELAD)

The ministry's approved revenue estimate and its actual revenue collection for 2009 are summarised below.

3.8.1. *Revenue*

	2009	2008
Budget	251,900	216,200
Actual	96,313	312,525
Under/(Over)	155,587	(96,325)

The revenue collection for 2009 was not encouraging when compared with previous years. As highlighted above the ministry's actual collection for 2009 was only 40% of the total budget, hence a shortfall of 60%. In contrast, the collection for 2008 exceeded the estimated revenue by $96,325. There are various reasons for such a significant shortfall in revenue collection. Of particular concern is the revenue from Sublease rents and Leases of which only 13 % of the total budget: $195,000 was collected. This may indicate lack of commitment by the AO in fulfilling her/his obligations in collecting revenue as stipulated under Part IV of the Financial Regulation.

Also included in the revenue was the debit balance of $10,396.85 being payments of land rent, raised at the Land division, but being wrongly posted to revenue. Adjusting such mis-posting will lead to having a new revenue and expenditure balance. Thus the ministry's collection of $96,313 and its expenditure have therefore been understated by $10,396.85, refer to **Appendix A** of this report.

Additionally, the revenue collected from DNE Administrative of $6,888 was not budgeted for and therefore it could be another misallocation and being erroneously included as one of the Ministry's revenue collected during 2009.

Finally, I have to comment that the total revenue estimate for Land lease of $195k was noted not commensurating with the MLPID's record for the arrears of revenue from land lease of over $800k for 2009. That is, the ministry should anticipate its 2009 revenue estimate from land lease to be over $275K, and devoted most of its effort in ensuring that such arrears of revenue together with current revenue budget are collected during 2009. As mentioned earlier the ministry has collected only 13 % which demonstrated slackness of AO concerned in collecting revenue.

3.8.2. *Expenditure*

The Ministry's actual expenditures for 2009 and 2008 are presented below.

	2009	2008

Budget	2,733,389	2,692,155
Actual	2,707,950	2,586,153
Under/(Over)	25,439	106,002

The ministry's actual expenditure for 2009 and 2008 were below the estimate by $25,439 and 106,002 respectively.

3.9. MANEABA NI MAUNGATABU

3.9.1. *Revenue*

Presented below is the actual collection of revenue versus the estimate.

	2009	2008
Budget	5,000	2,500
Actual	1,927	3,700
Under/(Over)	3,073	(1,200)

The actual revenue collected for 2009 was less than the budget by $3,073, whilst in 2008 the collection exceeds the budget $1,200. The Maneaba ni Maungatabu only source of revenue was a rental of its canteen.

3.9.2. *Expenditure*

The comparison of the actual expenditure with the estimate for 2009 and 2008 is presented in the table below.

	2009	2008
Budget	2,360,475	2,266,482
Actual	2,812,012	2,422,081
Under/(Over)	(451,537)	(155,599)

As highlighted above, the 2009 actual expenditure for Te Maneaba ni Maungatabu exceeded its estimate by $451,537 despite its approved supplementary budget of $85,461. This is even worse than last year's overspent and thus oversight roles of parliament would now be subject to questions. Please refer to Appendix B for details of such overspent.

3.10. MINISTRY OF COMMERCE INDUSTRY & COOPERATIVE (MCIC)

3.10.1. *Revenue*

The revenue collection for MCIC for 2009 and 2008 is summarised below.

	2009	2008
Budget	26,600	32,260
Actual	37,299	34,697
Under/(Over)	(10,699)	(2,437)

Whilst the ministry revenue collection for 2009 of $37,299 is over the estimate by $10,699, it revenue collection for Rental of Industrial Centre was only $40 against its estimated revenue of $2,600. However, according to the ministry's record for rental lease payment, the total amount received/collected was $3,940. Thus MFED's record and MCIC were differed. Thus such revenue collection had therefore been mis-allocated when posted by staff concerned at the Accounting

Division at MFED. This is not surprising as the lack of reconciliation of records between MFED and Ministries was a common weakness as reported in last audit report and still unaddressed to date.
The continuous existence of such error, lack of reconciled balances between MFED and Ministries, was resulted from the limited knowledge and skill of those accounting staff at the Accounting Division at MFED when working with the current Software Accounting package – Attache.

3.10.2. *Expenditure*

The ministry's actual expenditure and its estimate is summarised below.

	2009	2008
Budget	1,117,259	1,115,966
Actual	1,053,836[11]	1,062,923
Under/(Over)	63,423	53,043

The ministry reported a net saving of $63,423 at end of 2009, which was consistence with last year's trend. It deems appropriate that the ministry's future expenditure budget should not go beyond $1.03m

3.10.3. *Other Audit Issues*

The audit of the Ministry on its operation for years 2006 to 2009 was conducted during June to September 2011 in accordance with the relevant statutory and normally standard

3.10.3.1. Scope

Our audit was based on cash counting, bus ticket and the examination of accounting records and document as well as the internal control within the system. Details of the findings are listed below that require your response as early as possible.

3.10.3.2. Overall

Overall it was found that there were some irregularities and system weaknesses that require your immediate action to rectify them so as to improve the system of internal controls.

3.10.3.3. Findings

3.10.3.3.1. Vote Book 2006 to 2009

Observation

Audit revealed that there was a weakness in the reconciliation between the Ministry records against the MFED records on a monthly basis for the year 2006 and 2008. As a consequence, there was an overspending of the following outputs within those years as stated below.

Year	Codes	Budget	Actual	Overspent

[11] Included a credit entry of $315, which has been added back

2006	Policy Development	379,230.00	430,129.00	(50,899.00)
	Promotion and Tourism	-	656.00	(656.00)
	Promotion of Foreign Investment	-	709.00	(709.00)
	Prom. of Comm. Indus. in. Kiritimati	100,562.00	101,099.00	(537.00)
2007	Policy Development	381,842.00	449,773.00	(67,931.00)
	Promotion and Tourism	-	375.00	(375.00)
	Protection of Rights & Fair Trading	257,223.00	304,254.00	(47,031.00)
	Prom. & Asst to Priv. Sector Dev.	338,841.00	374,418.00	(35,577.00)
	Prom. of Comm. Indus. in Kiritimati	102,626.00	116,473.00	(13,847.00)
	Services to Co-operation		1,610.00	(1,610.00)
2008	Policy Development	407,247.00	410,421.00	(3,174.00)
	Prom. Of Comm. Indus. in Kiritimati	109,222.00	110,027.00	(805.00)
	Services to Co-operation	-	400.00	(400.00)

The above codes have been overspent over the budget limits without the proper transfers or JVs and supplementary warrants.

Recommendation

That management should ensure that the vote book must be maintained up to date and also regularly reconcile all expenditures incurred to identify those outputs allocations exceeding the approved budget. The failure to maintain the vote book is a violation of the relevant provisions of the Financial Regulation. Thus the Accountant General is requested to consider an appropriate disciplinary action to be imposed against the responsible officer based on the fact that the issue had been allowed to continue.

3.10.3.3.2. Vehicle Log Book for Driver

Observation

Audit revealed that the log book for the minibus, BTC 603, was not available for audit. In the absence of the Log Book we were unable to verify the consumption of fuel, running of vehicles with the use of mileages, overtime, and whether it's officially being used or not.

Recommendation

It is therefore recommended that Management should ensure drivers maintain a log book each for recording route, quantity of fuel consumed per refueling, mileage per route, extra time (outside normal working hours) incurred by drivers, etc. Either Office Manager (OM) or Executive Assistant (EA) should periodically check the log book, say on a weekly basis.

3.10.3.3.3. Overpayment of Salaries

Observation

Audit found that there was a salary overpayment totaling $5,860.80 in respect of three (3) officers. This shows that payroll officer in the Ministry did not send the return amendment form to Salary Section at the MFED to cease those officers' salaries in a timely manner. Also, there was weakness in processing officer's salary at the time of cessation. Audit follow up has been made twice but unfortunately the Account Unit had not taken any remedial action on this issue.

Recommendation

It is therefore recommended that recovery of such overpayment should be made from those staffs concerned through salary deductions.

3.10.3.3.4. Temporary Appointment Letters were not regularized

Observation

There are two temporary staffs working who have been paid without any evidence of their temporary appointment as usual. The appointment letters for the period under review were either misplaced or actually not processed through the proper channel. The file of Temporary Assistance was not up to date and those responsible for maintaining this record failed to either ensure that such documents were filed in or the accounting staffs were not up-dated with information on officers who have no longer employed by the Ministry.

Without temporary clearance letters, such payment of wages amounted to $1,811.06 for 2009 was considered improper. The MCIC and the MFED should work together to prevent such errors from occurring. MFED should automatically cease payment of officers' wages whose appointments have been expired and the MCIC Account Unit should up date MFED on the status of their temporary employment of staffs on a regular basis. MCIC Registry Section should also maintain their temporary assistance files and to advise Accounts staff at the Salary section about those temporary appointments which are about to expire.

Recommendation

It is therefore recommended that Management should ensure that account staff should keep a proper listing of temporary staffs and so as to ensure that they have been checked and authorized by various Heads of Divisions whose temporary staffs are currently employed.

3.10.3.3.5. Overpayment of Charge Allowance

Observation

As noted, this Ministry did not take into account the officer's annual leave to reduce their charge allowance which payable to them. As evidenced, one of their staffs had been overpaid by the amount of $100.00.

Recommendation

It is therefore recommended that Management should ensure that the Office Manager of MCIC should actually review the officer's charge allowance period against his or her annual leave before they submit to MFED.

3.10.3.3.6. Register for General Revenue Receipts (GRR), Local Purchase Order (LPO) and Cash Book

Observation

As noted, no register was maintained for LPO and GRR for the year 2006 to 2009. It was also noted that the cash book was missing which related to the period from 1/01/2006 to 18/05/2009. This a deviation from FR 81

Recommendation

It is therefore recommended that MCIC should open the register for recording the GRR and LPO and also the cash book should be well kept for auditing.

3.10.3.3.7. Control over Staff Annual Leave

Observation

Annual Leave register had not been maintained and also there was no hard copies being kept in PFs or in a separate box file.

Recommendation

It is therefore recommended that MCIC should open a new register for recording and controlling the staffs' annual leaves and leave forms should be kept in PFs for future reference and audit.

3.10.3.3.8. Controls over Leave Grants

Observation

There was an overpayment of leave grants totalling $2,500.00 due to the wrong rate used to those leave grants. This total overpayment was reflected when some officers' were given a married rate instead they should be paid with the single rate. .

Recommendation

It is therefore strongly recommended that the OM of the MCIC should update all staffs' information including their personal information that helps in such payments as leave grants and leave passages.

3.10.3.3.9. Revenue

Observation

It was noted that this Ministry has three (3) streams of revenue: the Trademark and Patents Registration Fees, Rental of Industry Center and Rental for Container Storage Yard as follows.

Control over Trademark and Patents Registration Fees

There were no data or records for the actual payments of registration fees on Trademark and Patents received by MCIC for 2006 up to 2008.

Control over Rental of Industry Centre

Audit found that the ministry via staff concerned had not taken adequate steps in maintaining proper control over the rental of the Industry Centre due to the followings:

- A monthly reconciliation with the MFED was not performed and MCIC did not submit their arrears of revenue.
- The agreement between the MCIC and the tenant as specified in Clause 2 and 3 were not monitored properly
- No compliance with the Cabinet directive dated on 16th March, 2004 that all of their customers who still have outstanding debts should be taken to court.
- The total outstanding rental lease, up to March 2011 was $28,495.00 and no letters of reminders sent to the tenants for their outstanding debts nor safely kept in files for reference and auditing purposes,
- No formal sub lease agreement made between Company X and MCIC, also the audit found that Company X was given approval for a sublease of 600 meters square or 0.1483 acres to extend his building at the rate of $300.00 per year. On the contrary, Company X has been using more than 600 meter squared. Thus extra land area had been granted to Company X free of charge.

Control over Rental for Container Storage Yard

The control over rental for container storage yard was inadequate because of the followings**:**

- No subsidiary ledger card maintained for each customers
- No reminding letters issued to those customers with total outstanding debts of $2,214.10 and the process of settlement was very poor.
- The agreement between the MCIC and the tenants for payments as specified in Clause 3 was not monitored properly
- Audit found that the charge of $0.10 per day for the storage of the container was not reasonable.

Recommendation

It is therefore strongly recommended that

- Account Unit of the MCIC must perform a monthly reconciliation on each type of revenue above.
- Returns on Arrears of Revenue should be submitted to the MFED and subsidiary ledger cards for tenant should be well maintained and kept properly.
- Account should perform better action to collect outstanding arrears or should comply with the Cabinet directive/ order dated on 16th March 2004
- Office Manager should file all work papers such as letters of reminders, the agreements and so forth.
- Whoever responsible for the sublease should check all the tenant and the acres and perform a necessary action for those who were beyond their approved acres
- The charge of $0.10 per day for the storage of the container be reconsidered

3.11. OFFICE OF THE ATTORNEY GENERAL (OAG)

3.11.1. *Revenue*

The 2009 revenue estimate and actual collection is presented below.

2009 2008

Budget	1,050	3,000
Actual	1,143	2,104
Under/(Over)	(93)	896

As can be seen from the above, the OAG has shown improvement in its collection in 2009 the budget though had decreased by less than half of the 2008 budget. There was also a shortfall in one of its revenue heads as shown in **Appendix A** of the report.

3.11.2. *Expenditure*

The actual expenditure and estimate for 2009 is summarised below.

	2009	2008
Budget	466,779	457,710
Actual	423,099	409,640
Under/(Over)	43,680	48,070

As detailed above, the actual expenditure for 2009 was just below the estimate, resulting in a net saving of $43,680. (2008: net saving of $48,070). Appendix B shows three including one irrelevant program of the OAG’s outputs which have been overspent.

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

3.12.1. *Revenue*

The local revenue collection for the ministry for 2009 compared to 2008 is appended below.

	2009	2008
Budget	154,500	99,500
Actual	175,801	93,440
Under/(Over)	(21,301)	6,060

As highlighted above the ministry revenue collected in 2009 was greatly higher than the 2008 collection. Full details of the increase in the collection could be sighted in **Appendix B.**

3.12.2. *Expenditure*

The ministry’s actual expenditure and its estimate for 2009 is summarised below.

	2009	2008
Budget	1,942,970	1,902,127
Actual	1,885,989	1,763,039
Under/(Over)	56,981	139,088

The ministry reported a net saving of $56,981 for 2009 (2008: net saving $139,088). . Again the ministry included in its management information report a program that was not stated in the 2009 approved budget.

3.12.3. *Other Audit Findings*

The audit of the MFMRD was conducted in accordance with the relevant statutory and normally auditing standards

3.12.3.1. Overall

Overall it was found that there were some irregularities and system weaknesses that require your immediate action to rectify them so as to improve the system of internal controls.

3.12.3.2. Control over Bus tickets

The audit found that the Fisheries division at Tanaea did not maintain the bus tickets register to record all bus tickets valued at $6,480.00, which were issued out from the Head Quarter MFMRD at Bairiki for the year 2008 and 2009. In the absence of such register, we were therefore unable to verify whether these bus tickets have been used officially or not. The value of the bus tickets in question was quite material and it was expected they should be properly recorded in the register. This clearly shows that the control over the bus tickets by the responsible officer was very poor as there was no periodic check made on the register.

Recommendation

It is therefore recommended that Management should ensure that the bus tickets register should be opened and maintained via postings of the issued in and out periodically. All bus tickets should be properly recorded in the register and should be signed by the respective commuters before giving out tickets. Reprimand should be considered.

3.12.3.3.Control over LPO and GRR register book

Findings

It was noted that the LPO register found to have not been maintained from the year 2008 to 2009. You should aware that the purpose of maintaining this register is mainly to control the movement of those LPOs received from the MFED and whilst the Ministry issued out some books to its division Fisheries at Tanaea. If any receipts book fully used, the responsible officer at Tanaea should return it to the head quarter for recording purposes.

Nevertheless, after checking the Form 'A' register of the MFED, it was also noted that the following GRR (General Receipt Revenue) which issued out to MFMRD still have not yet recorded meaning that they are still outstanding from the MFED's record.

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Date	GRR#
14/08/07	647201-647400
	647601-647800
15/07/08	707001-707200
	707401-707600
	707601-707800
27/08/09	786801-787000
	787001-787200

This concludes that the Ministry had taken those GRR books from the Government Print without recording them first in the MFED register. During audit, the MFMRD could not provide them for verification whether they have been actually used or not.

Recommendation

It is recommended that MFMRD should properly maintain a separate LPOs and GRRs register in order to keep track on those used and un-used books consecutively. As required, management should trace the whereabouts of those GRRs above and report them to the MFED. Secondly, if they are missing, there is an indication that the public monies could be misused. Therefore, the officer responsible for the above receipts should be given a disciplinary action.

A random check on records kept by Accounting officers should be made a priority by Internal Audit Division to avoid loss or deter abuse of public funds.

3.12.3.4. Control Over Revenue – Collection of daily cash

Findings

It was found that when the cashier at Fisheries Tanaea did not turn up, any staff could collect monies on his or her behalf from customers without given out original receipts to them. This kind of practice contradicts the Financial Regulation 31**.**

Recommendation:

It is strongly recommended that MFMRD should not allow any officer at Tanaea to collect its revenue when the cashier was not in the office. It should be noted that any customer making payment should ensure to get an original receipt (white copy) on such amount. In practice, there should be a public notice to be displayed on the notice board in front of the cash office so that all incoming customers should know what they suppose to do.

3.12.3.5. Control over the Log books

Findings

Audit found that the log books used by the drivers for those existing vehicles of the Ministry have not been reviewed and checked by the responsible Executive Assistant (EA) or the Office Manager (OM).

Although, the log book for the double cab# BTC 031 was not maintained properly, it was noted that within the period of 21/12/09 to 4/01/10, there was no recording of the millage entered in the log book. Thus, the 270 miles reflected from the finished mileages of 4730 and 5000 have not been properly taken into account.

Recommendation:

Management should remind the EA and OM to check all the log books maintained by drivers weekly. The log books should be provided for all vehicles of MFMRD and the drivers should maintain them accordingly.

3.12.3.6.4.5 Control over the Leave Grants

Findings

The audit found that one payment of the leave passages payable to one staff was not in line with **NCS H 12**. Refer to PSO letter dated 21/04/2009. Resulting from calculation of his/ her leave passage/ s, there was an overpayment of $720.00**.**

In addition, it was noted that the payments of $10,250.00 have not been fully supported with the signature listings. Therefore, we could not verify all those respective payees' signatures against their names to prove that they all received their leave grants accordingly or not.

Recommendation

The Ministry should collect the above overpayment of $720.00 from the officer concerned by way of salary deduction. Also, the Ministry should provide the signatures listing to confirm whether those beneficial payees have been correctly received their monies or not.

3.12.3.7. Control over the Payroll - Salaries

Findings

It was noted that if any adjustment required on the employees' salary increments, etc should be amended in a proper manner. Thus, there was a salary overpayment of $831.50 in respect of three officers.

Recommendation

It is recommended that all adjustments on salaries should be made in the proper manner. The above detected overpayment of $831.50 should be recovered from the officers concerned through salaries deduction from the Ministry payroll as soon as possible.

3.12.3.8. Control over Temporary Appointment/ Contract Appointment

Findings

It was noted that one of your temporary staffs was paid for the pay period on 1/08/08 without a temporary clearance. Without this document, we were unable to satisfy ourselves whether the payment of her salary was proper or not.

It was also noted that one officer retired on the 5th November 2006 and still continued to receive his salaries. The audit found that there was no contract appointment to support his continuous service from the year 2007 to 2009.

Recommendation:

The Ministry should make sure that all temporaries and contract appointments should be well evidenced with the temporary clearance from PSO and contract clearance from PSC. If temporary or contract has not been approved, the officer should cease employment immediately. Also all copies of temporary clearance and contract should be properly kept in their files for ease of reference.

3.12.3.9.4.8 Control over the Annual Leave

Findings

The audit found that the annual leave register was computerized even though the auditors were unable to check the accuracy of its postings from one year to another. However, there was no hard copy produced as well as no leave register maintained manually.

Recommendation

It is therefore recommended that the annual leave register should be maintained manually without any further delay.

3.13. MINISTRY OF HEALTH & MEDICAL SERVICES (MHMS)

3.13.1. *Revenue*

The 2009 revenue estimate and the actual collection for the ministry is summarised below.

	2009	2008
Budget	110,250	141,100
Actual	77,541	90,378
Under/(Over)	32,709	50,722

As can be seen from the above, the actual collection of revenue was down when compared with last year. This was resulted from the shortfall of revenue collected from the ministry's major revenues of 27 %, 40 % and 11% for Medical fees, Medical clearance and course fees, and Dental Sales, respectively.

Further, charges for food ration should not be included as a revenue heads since the ministry cannot charge patient or anyone accompanying the patient for their rations. Shortfall of revenues is detailed in **Appendix B** of the report.

3.13.2. *Expenditure*

The 2009 estimate and actual expenditure for the ministry is summarised below.

	2009	2008
Budget	14,606,800	14,890,094
Actual	14,613,551	17,640,681
Under/(Over)	(6,751)	(2,750,587)

The ministry's actual expenditure for 2009 exceeds budget by $6,751 net. After reviewing the management information reports, the following were noted.

1. The ministry overruns a number of its individual outputs as detailed in **Appendix B** of the report and included a negative 1 balance for output 15, which is no longer a ministry's output.

2. The ministry's actual expenditure include substantial negative figures $102,248 as detailed in **Appendix D.**

3.13.3. *Other Issues*

The annual audit of the ministry was conducted during October to December 2010, in accordance with the relevant statutory and normally auditing standards which covers the period 2007 to 2009.

3.13.3.1. Scope

Our audit was based on cash counting, bus tickets counting and the examination of accounting records or documents as well as the internal controls within the system. Details of the findings are listed below that require your response as early as possible.

3.13.3.2. Overall

Overall it was found that there were some irregularities and system weaknesses that require your immediate action to rectify them so as to improve the system of internal controls.

3.13.3.3. Findings

3.13.3.3.1. Control over Bus tickets

The audit found that most of the staff did not sign against their names and also one person can collect the bus tickets for other recipients without any form of authority which involved a value of $1,937.20. When comparing previous years records, it was also noted that the bus tickets Register for 2006 and 2007 was missing.

3.13.3.3.2. Recommendation

It is therefore recommended that Management should ensure that the bus ticket registers should be kept properly. All bus tickets should be properly recorded in the register and should be signed by those respective commuters before given out tickets.

3.13.3.4. Control over LPO and GRR Register

3.13.3.4.1. Findings

It was noted that the LPO and GRR register found to have not been maintained from the year 2006 to 2009. You should be aware that the purpose of maintaining this register is mainly to control the movement of those LPOs/ GRR received from the MFED including the issue out. Similarly, a return form will be sent to MFED on used LPOs and Receipt Books detailing their serial numbers, unused ones, etc.

Nevertheless, after checking the Form 'A' register of the MFED, it was also noted that the following GRR (General Receipt Revenue) which issued out to MOH still have not yet recorded meaning that they are still outstanding from the MFED's record as follows.

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Date	GRR#
10/07/2009	774001-200
	774201-400

This concluded that the Ministry had taken those GRR books from the Government Printery without recording them first in the MFED register. Upon enquiry it was confirmed by the Ministry of Health that they have gone astray and, as of current, are being investigated by the police.

3.13.3.4.2. Recommendation

It is recommended that the MOH should properly maintain a separate LPOs and GRRs register in order to keep track on those used and un-used books consecutively. As required, Management should trace the whereabouts of those GRRs above and report them to the MFED. If they are missing, we can assure that the public monies could be also misappropriated. MHMS should identify the officer responsible for the missing of above receipts and should be given a disciplinary action. MFED should monitor the operations of MOH closely.

3.13.3.5. Control Over Revenue – Collection of daily cash

3.13.3.5.1. Findings

It was found that there was no control or internal checks over the cash receipts book maintained by the cashier which actually records the collection of daily cash with receipts and her timely deposits with 'Form As' to MFED as required under Financial Regulation 41[12]. This required immediate punitive action by MHMS on the former revenue cashier**.**

In addition, audit confirmed that MHMS had not preparing the proper handing over certificate in line with FR 40 (2)[13]. Audit also found that the cash book, receipt books, and Form As for the years 2006 and 2007 were not available for audit verification.

3.13.3.5.2. Recommendation:

It is strongly recommended that the responsible officer in the Accounting Division should check and monitor the Revenue Cashier's cash book. It is quite essential to perform a handing over certificate if the transfer be taken place between the officer in charge and the officer taking over. Further, MOH should ensure that all accounting records and documents should be kept safely if not yet audited.

3.13.3.6. Control over the Log books

3.13.3.6.1. Findings

Audit found that there were no log books used by the drivers for those existing vehicles of the Ministry as stated below;

Types of Vehicle	**Number**	
MINISBUS	BTC	7450
	BTC	600
	BTC	597
	BTC	630
	TG	063
	TUC	7084
DOUBLE CAP	TG	025

[12] FR 41 A revenue collector shall present his/ her cash book and unused (or part used) receipt books to the responsible officer in the Accounting Division.

[13] FR 40 (2) When handing over takes place between the revenue collectors steps should taken to ensure that where possible the pay in is made immediately prior to the hand over. In the event that cash is transferred between officers a handing over certificate shall be completed and signed by both officers

	TUC	7138
	TUC	8515
	BTC	2036
	TG	048
SALOON	TUC	6161
	TUC	7781
AMBULANCE	TUC	7450
	BTC	625
	BTC	636

As a consequence, the log book for the big bus BTC 063 and the Minister Car BTC 011 was not maintained properly. It was found that the Minister Car BTC 011 used the diary as a Log Book. However, without maintaining the log books for above vehicles, we found that there was a lack of control over the consumption of fuel, running of vehicles with the use of mileages, overtimes, etc.

3.13.3.6.2. Recommendation:

Management should remind the Transport Officer to check all the log books maintained by drivers weekly. The log books should be provided for all vehicles of MHMS and the drivers should maintain them accordingly.

3.13.3.7. Control over the Leave Grants

3.13.3.7.1. Findings

Audit found that there was an overpayment of $3,000.00 for leave grants as a result of using wrong rate to calculate payments. In actual fact, they should receive a single rate of leave grants because their spouses are also working in other organization.

Recommendation

The Ministry should collect the above overpayment of $3,000.00 from the officer concerned by deducting salary through Salary Section at MFED, immediately.

3.13.3.8. Control over the Payroll - Salaries

3.13.3.8.1. Findings

As found, there was a salary overpayment totalling **$30,484.80** in respect of two officers. This relates to substantial over payment of salary totalling $26,701.80 for one of the Doctors who resigned from MHMS and migrated to NZ. In this case, his salary had not been ceased following the date of his dismissal letter by PSC effective from 21st March year 2007. This was reported by the MFED and because the officer is no longer a civil servant therefore the above overpayment be recovered from his KPF benefit.

The other staff overpayment amounting $3,783.00 for a nursing staff due to the non compliance with her approved leave without pay. Thus, MFED failed to cease payment of her salary during the period from 11/04/08 to 26/09/08.

3.13.3.8.2. Recommendation

It is strongly recommended that this huge overpayment of $26,701.80 should be urgently recovered from the officer’s KPF benefit and to be receipted back to MFED. The other overpayment of $3,783.00 should be recovered from her fortnightly salary through Salary Section of MFED, as soon as possible.

3.13.3.9. Control over the Annual Leave

3.13.3.9.1. Findings

The audit found that the annual leave register was computerized therefore the auditors were unable to check the accuracy of the postings from one year to another. However, there was no hard copy produced for audit as well as no leave register maintained manually, which would be more effective to use and for signing.

3.13.3.9.2. Recommendation

It is therefore recommended that the annual leave register should be maintained manually without any further delay.

3.13.3.10. Control over Stores

3.13.3.10.1. Findings

Audit noticed that there was a poor control over stores under each responsible officer within different Divisions. The anomalies were noted during the examination of the stores as detailed below:

3.13.3.10.2. Ration (Kitchen)

It was found that there was no ration register available for the year 2007 to 2009. This indicates that some payments made for ordering goods/ stores have not been recorded and controlled. (See Annex C). In addition, there was no proper handing over between officer handing over and the officer taking over as required under **SR 131 –132**. Further, there was no Board of Survey (BOS) carried out or even stock taking to reflect the number of stock available at the end of the year. BOS is useful for controlling the movement of issue in and issue out which should be in agreement with the balance physically counted. If there is any variance detected during the comparison the store man and woman will be responsible for it.

3.13.3.10.3. Medical drugs (Pharmacy)

Audit found that there were expired drugs valued $42,201.18 for the year 2009 and 2010 (see Annex D). In this circumstance, these drugs have no effective treatment for medical purposes due to the delay in processing timely payments to concerned suppliers and the delay in shipment schedule from overseas. Therefore, the auditors could not be able to verify the cause of those outdated medical drugs as there was no proper record to monitor them. Also, the auditors could not be able to determine the consumption of drugs for outbreak of diseases as there was no record maintained.

3.13.3.10.4. Tools (Mechanical)

Audit found that the register for the tools was not opened and maintained up to date since the previous register had gone missing.

3.13.3.10.5. Recommendation

The Secretary of MHMS (AO) should fulfil his responsibilities as required under the Stores Regulation Chapter 2 Section 11 and SR 161**.**

3.13.3.11. Vote Ledger

3.13.3.11.1. Findings

It was noted that the vote ledgers for the year 2006 to 2009 were all computerized though there was no manual record maintained. The vote book for the year 2009 could not be produced for audit because an officer who was taking over was unable to access into the automated vote ledger package. Without the maintenance of such record, we could not be able to verify the correctness of those outputs expenditure against the budget for those years under review.

3.13.3.11.2. Recommendation

It is strongly recommended that the vote book should be opened and maintained for controlling payments each year and hence avoiding over spending. AO should check all vote ledger balances before authorizing payment vouchers and to ensure that the allocation has sufficient provision.

3.13.4. *MHMS Account at Kiribati High Commission Fiji*

As at 31 December 2009, the total amount spent on referral patients and other purchases made by KHC on behalf of the Ministry of Health and Medical Services was FJ$84,823.52. Included in this sum was the cost of one laptop computer of $2,199. Whoever authorised such purchase should be disciplined.

Please also refer to section 3.6.3.12 of this report.

3.14. MINISTRY OF EDUCATION & TRAINING

3.14.1. *Revenue*

Presented below is the summary of the ministry's 2009 and 2008 revenue collection.

	2009	2008
Budget	136,070	222,850
Actual	154,503	127,047
Under/(Over)	(18,433)	95,803

As reflected above, the ministry's actual collection was up by 21 % when compared with 2008. The major revenues for this ministry are the school fees from all government high schools, including Rurubao primary school. School fees receivable from Rurubao school, according to the 2009 budget was $53,000 against actual collection of $42,074. It was also noted that revenue from sea fares on charter vessels had been under budgeted to only $12,000 when the actual collection was $39,000. Based on the discrepancies noted above the revenue estimate should be well forecasted.

3.14.2. *Expenditure*

The summary of the expenditure for 2009 in respect of MOE is presented below**.**

	2009	2008
Budget	21,532,278	21,135,346
Actual	21,634,323[14]	20,641,690
Under/(Over)	(102,045)	493,656

The Ministry reported an Over-expenditure of $102,045 net for 2009 (Saving of $493,656 in 2008). The ministry's individual overspent outputs are detailed in **Appendix B**.

3.14.3. *Other Audit findings*

I have conducted my audit in accordance with the relevant statutory and applicable auditing standard.

3.14.3.1. Scope

Our audit was based on cash counting, bus ticket and the examination of accounting records or monetary documents as well as the internal control within the system. Details of the findings are listed below that require your response as early as possible.

3.14.3.2. Overall

Overall it was found that there are some irregularities and system weaknesses that require your immediate actions to rectify them so as to improve the system of internal controls.

3.14.3.3. Vote Book

3.14.3.3.1. Vote books 2009

The audit revealed that the vote books for the following output allocations mentioned below for 2009 was not provided due to computer technical problem:

Department	Allocation	Descriptions
KTC	E231100023A	Allowances
	E231100025A	Temporary Assistance
	E231100027A	Leave Grant
	E231100028A	Transport
	E231100040A	Direct Purchase
	E231100064A	Local Purchase

3.14.3.3.2. Recommendation

It is therefore recommended that management should maintain vote books for each output and make sure that the computer should have a backup system thus to avoid the lost of the actual expenditure incurred and budget information.

[14] Includes credit entry of $26,685

3.14.3.4. Overspending of $71,439.95

The audit revealed that the total amount of $71,439.95 found to have been incurred over and above the approved provision budget as detailed below:

Head/Subhead/ Items No.	Description	Budget Provision	General Ledger (finance records)	Variance
E2311000023A	Allowance	8, 310.00	10, 305.27	-1, 995.27
E2311000024A	Overtime	26,000.00	31, 292.34	-5, 292.34
E2311000025A	Temporary	34, 112.00	43, 825.20	-9, 713.20
E2311000027A	Assistance	14, 000.00	14, 340.25	-340.25
E2311000028A	Leave grant	62, 800.00	64, 259.56	-1, 459.56
E2311000040A	Transport	95,762.00	148, 400.43	-52, 638.43
	Local Purchase	**$240, 984.00**	**$312, 423.05**	**-$71, 439.05**

3.14.3.4.1. Recommendation

I would recommend that KTC Management should ensure that there should be no overspending of payments on all allocations even though all payments must be properly authorized and controlled. As this overpayment deems substantial, it is necessary to arrange and transfer sufficient fund from other outputs or a supplementary warrant should be made as usual.

3.14.3.5. Bus Tickets

3.14.3.5.1. Bus Tickets Register

The audit found that the Bus Tickets Register for 2009 was not maintained during the audit inspection so verification of bus tickets purchased during that period could not be done. As a consequence, the total value of $1,316.70 issued out for 2008 to 2010 was not entered in the register. Also, the total value of $4,262.00 of bus tickets being counted could not be actually verified or confirmed because of the non maintenance of the register.

3.14.3.5.2. Recommendation

It is recommended that the register for recording the purchase of bus tickets and issuing out of tickets must be properly maintained, signed by the commuters, checked and kept for reference. It is also recommended that the officer responsible for the bus tickets should be answerable for above matters to provide explanation/ response.

3.14.3.6. Payroll and Salaries

Signature Listings of Salaries

Signature listings of Salaries for 2009 have not been produced for audit verification. As confirmed from MFED, the auditors could not get copies of the above as the 2009 pay details sheet was not electronically completed. As a consequence, we could not make any further examination in the absence of these signature listings in order for us to check and confirm that all staff have signed their salaries, returned salaries if no respective receivers available for signing their pays, checked letters of authority in case the beneficiary did not come to collect his/ her money.

3.14.3.6.1. Recommendation

The Account Section of KTC should be responsible to provide these signature listings for audit and ensure that no accounting records and supporting documents were missing in future if not yet audited.

3.14.3.6.2. Pay Sheets/ Details

All pay sheets/ details for 2009 were not available at the time of audit. In their absence, we could not make any examination on overtime payments, temporary assistance and payments of charge allowance for those staff concerned. Upon examination of the general ledger 2009 reveals there were payments made on the above allocations.

3.14.3.6.3. Recommendation

I would strongly recommend that Management should have a good system in place to keep or store copies of pay sheets including all monetary documents for auditing purpose.

3.14.3.7. Temporary Assistance

The audit revealed that the temporary file was not maintained and therefore the auditor could not be able to sight and verify the correctness of those temporaries' wages. In that temporary file there was no temporary appointment letter available for audit. According to verification of the general ledger, it was found that there were numerous payments relating to temporary wages.

3.14.3.7.1. Recommendation

It is recommended that all temporary appointment letters should be kept in a proper correspondence file.

3.14.3.8. Charge Allowance

The audit could not carry out examination of those officers who have received payments of charge allowance during that year. This is also mainly due to the unavailability of pay details/ sheets. As we aware, all charge allowances are automated through payroll system, therefore, we found that there were several payments made on charge allowance.

3.14.3.8.1. Recommendation

AO should make sure that all records and monetary documents should be kept properly.

3.14.3.9. Overtime

Verification of overtime payments could not be carried out as the pay sheets or details were not available. As we aware, all overtime payments were calculated electronically through payroll system so the auditor could not also be able to select overtime payments from pay sheets for test checking.

3.14.3.9.1. Recommendation

All accounting documents such as overtime sheets, log book should be kept in order to check against the pay sheets for that year.

3.15. MINISTRY OF COMMUNICATION TRANSPORT & TOURISM DEVELOPMENT

3.15.1. *Revenue*

Revenue estimate and so as actual revenue in respect of MCTTD for 2009 is presented below.

	2009	2008
Budget	817,080	885,121
Actual	1,066,634	1,134,409
Under/(Over)	(249,554)	(249,288)

The trend of the ministry's actual collection warrants an increase in its revenue budget. Since an average collection based on the table above is just over $1m thus the ministry should set its revenue estimate at $1m. Furthermore, the Ministry should review its estimated revenue on some of its revenue heads such as: the Licence for Foreign vessels, Registration of Ships, Sale of Stamps, Sundry Fees and Commission on Money Orders. The estimated revenue for these revenue heads were far below their actual collections.

Unfortunately, the Ministry still has its revenue shortfalls on some programs as per appendix A of this report

Additionally, the actual revenue collection for airport tax of $143,385 is deemed incorrect as the figure should be divisible by $20. Further details of the Ministry's shortfall of revenue for the 2009 are disclosed in Appendix A of this report.

3.15.2. *Expenditure*

The 2009 actual expenditure and estimate is summarised below.

	2009	2008
Budget	3,443,606	3,387,735
Actual	3,285,478	3,370,330
Under/(Over)	158,128	17,405

The ministry's original budget of $3,382,226 was increased to $3,443,605 following the approval of its supplementary budget valued at $61,379 during November 2009. The ministry reported net savings of $158,128 and $17,405 for years 2009 and 2008 respectively. It should be emphasised again that ministries can only submit their supplementary appropriation if and only if there will not be any sufficient fund to meet its urgent commitment. As can be seen from the above table, the Ministry did not need a supplementary budget.

The Ministry had failed to give a realistic Revenue and Expenditure forecast for the last two years.

3.16. MINISTRY OF FINANCE & ECONOMIC DEVELOPMENT

3.16.1. *Revenue*

The ministry's revenue summary is provided in the table below.

	2009	2008
Budget	455,680	890,050
Actual	1,455,403	1,091,280

Under/(Over)	(999,723)	(201,230)

As can be seen from the above table there is a substantial increase in revenue collection for 2009 when compared to 2008. As recommended in my last report MFED's revenue estimate should be increased to $1m. Instead the budget was reduced by half that provided for 2008. If it had been increased slightly above the 2008 budget, the level of over collection would have been more less the same as that of 2008.

The Ministry should review its revenue estimate on its Sundry Revenue account since its budgeted figure of $380,000 was far too low when compared to the actual collection of $1.4m. Alternatively MFED should consider opening a similar "Transit Account" that is being operated by Judiciary to cater for offsetting like transactions.

It should be noted however that such poor revenue estimate would affect the operating expenditure budget for the following year.

Further, included in the actual revenue was a debit figure of $892.16 (net) for the subhead: Interest on Loan charges DBK. This was derived from the debit adjustment of over $15,000 and related back to 2007. Such transaction is certainly a mis-allocation and adjusting it would increase the actual collection to $1,457,187.

This substantial over collection could have been avoided had my recommendation in my last audit been implemented. I have to reiterate that if the revenue is likely to be high in the years to come, then an estimate should be increased to at least $1,000,000.

3.16.2. *Expenditure*

Presented below is the summary of the estimate and actual expenditure in respect of the Ministry for 2009.

	2009	2008
Budget	2,541,401	2,473,658
Actual	2,624,340	2,562,159
Under/(Over)	(82,939)	(88,501)

The ministry reported an over-expenditure of $82,939 and $88,501 for years 2009 and 2008 respectively. More details of individual subheads over spent can be seen at **Appendix B** of this report

3.17. MINISTRY OF PUBLIC WORKS AND UTILITY

3.17.1. *Revenue*

The ministry's summary for its revenue collection and estimate is presented below.

	2009	2008
Budget	143,400	102,350
Actual	57,287	46,746
Under/(Over)	86,113	55,604

The ministry's revenue collection for 2009 was still considered inadequate even poor when compared to 2008. As evidenced from the management information reports, such poor performance stemmed from poor commitment of staff concerned to collect revenue, particularly, the revenue from Overhead charges and Service fees. As evidenced, of the total revenue estimate for Service fees of $100,000, only $143.07 was collected. Worst still, none of estimated Overhead charge of $5,000 was collected.

Again, the ministry, inter alia, needs to adequately address such poor performance by strengthening or improving its collection procedures. Shortfalls in revenue are detailed in **Appendix A** of this report.

3.17.2. *Expenditure*

The ministry summary for 2009 estimate and actual is presented below**.**

	2009	2008
Budget	2,811,911	2,748,731
Actual	2,697,314	2,448,998
Under/(Over)	114,597	299,733

As can be seen above, the ministry has been reporting net savings for 2009 and 2008 of $114,597 and $299,733 respectively. As the net saving is increasing, there is therefore a need for the ministry to consider cutting its budget. However, despite a net saving, the ministry overruns some of its individual subheads as detailed in Appendix B of the report.

3.17.3. *Other Audit Findings*

The audit of the ministry on its 2009 financial operation was conducted in accordance with the relevant statutory and applicable auditing standard.

3.17.3.1.1. Overall

Overall it was found that there were some irregularities and system weaknesses that require your immediate action to rectify them so as to improve the system of internal controls.

3.17.3.1.2. Vote Books

The audit revealed that there was a weakness in the reconciliation between the Ministry records against the MFED records on a monthly basis for the year 2006 to 2010. As a consequence, there was an overspent on the following outputs incurred within those years as stated below:

Sections	**2006**	**2007**	**2008**	**2009**	**2010**	**Total Overspending**
HQ	-2,464.55	-17,787.55	-55,533.79	-24,133.98	-19,759.06	(119,678.93)
Energy Planning	0.00	-2,200.35	-10,103.93	-1,285.01	0.00	(13,589.29)
Electrical	0.00	-875.00	-3,996.93	0.00	-1,247.00	(6,118.93)
Public Works	-12,016.19	-16,394.86	-2,503.70	-21,332.34	0.00	(52,247.09)
Joinery	-4,848.15	-7,806.98	-15,084.21	-5,115.14	-3,867.00	(36,721.48)
Water	-24,695.35	-8,104.10	-9,217.98	-3,479.76	-182.00	(45,679.19)
Civil	-24,037.32	-37,120.46	-72,015.11	-9,029.48	-15,758.65	(157,961.02)
Technical	-8,879.15	-8,900.07	-10,905.71	-31,925.74	-4,187.60	(64,798.27)
Construction	-9,546.96	-5,213.61	-34,291.89	-6,824.87	-27,041.47	(82,918.80)
Total	**(86,487.67)**	**(104,402.98)**	**(213,653.25)**	**(103,126.32)**	**(72,042.78)**	**(579,713.00)**

This means that the above codes have been overspent against the budget figures without the proper transfers/ JVs or supplementary warrants.

Recommendation

It is therefore recommended that the vote books must be maintained up to date and proper reconciliation should be made monthly to easily identify those output allocations exceeding the approved budget. Failure to maintain this vote book the Accountant General should consider an appropriate disciplinary action to be imposed against the responsible officer based on the fact that this issue was never implemented from the past.

3.17.3.1.4 Vehicle Log Book

Drivers' Log Book

The audit revealed that the ministry operated five vehicles with no log books for each. In the absence of the Log Book we are unable to verify the consumption of fuel, running of vehicles with the use of mileages, overtime, etc.

Recommendation

It is therefore recommended that Management should ensure that the drivers should have a log book each for recording the number of fuel taken, mileage, overtime of the drivers, etc. Either Office Manager (OM) or Executive Officer (EO) should periodically check the log book.

3.17.3.1.5 Salaries

Improper payments of Salaries

The salary totaling $4,649.18 was paid and signed even though the staffs concerned were no longer working within the Ministry. The staffs concerned are listed below:

PF#	pay periods	Officer received	Amount
2009507	11/03/2011 to 17/06/2011	Staff	$1,470.55
2008148	10/09/2010, 24/09/2010	Staff and no sign	$ 299.70
2008143	25/03/2011 to 17/06/2011	Staffs	$1,004.25
6540	01/04/2008, 29/02/2008	No one sign	$1,874.68
			$4,649.18

Allowing for improper payment of salary for such a period of more than a month is deemed intentional, and has therefore resulted in a misappropriation of public fund. Those staff responsible for paying out salaries for these "ghost employees" have committed a serious misconduct and deviated or carried out their job without precaution and outside of relevant clauses of Financial Regulation.

Recommendation

It is therefore recommended that confirmation on the above salaries from the above respective payees be made and appropriate disciplinary action be imposed on those staff authorized such salary payment as soon as possible. FR 9.4 (2011 Edition) should be applied in this case.

3.17.3.1.6 Temporary

Temporary appointment letter were not regularized

Two temporary staffs found to have been paid without any evidence of their temporary appointments provided for scrutiny purpose. The appointment letters for the periods under review were either misplaced or actually not processed through the proper channel. The file of Temporary Assistance was not up to date and those responsible for maintaining this record failed to either ensure that such documents were filed or the accounting staffs were not up-dated with information of those officers who had no longer employed by the Ministry.

Without the temporary clearance letters, such payment of wages amounted to $880.00 for 2007 and $2,386.00 for 2008 totaling $3,266.00 were considered improper. The MPWU and the MFED should work together to prevent such errors from occurring. In this case, MFED should automatically cease payment of the officers' wages whose appointments have been expired whereas MPWU Account Unit should up date MFED on the status of their temporary staffs. Further, the Ministry Registry Section should also maintain their temporary assistance files and to advice the Account staff regularly on those temporary appointments expiry date.

Recommendation

It is therefore recommended that Management should ensure that the Account staffs should keep a proper listing of temporary staffs in a separate file whose wages have been properly checked and authorized by various Heads of Divisions under which these temporary staff are currently employed.

3.17.3.1.7 Charge Allowance

Improper payment of Charge Allowance

Audit noted that there were staffs receiving their allowances without letter approved by AO for the year 2008 to 2009 which totalled up to $9,978.35. These payments deemed improper. Auditing of those letters with regards to officers' charge allowances was impossible as copies of payment vouchers were gone missing from files.

The registry clerks could not provide such documents upon requested for further verifications. You should be aware that the calculation of charge allowance for the periods involved should not include the number of leaves taken by the staffs concerned.

Recommendation

It is therefore recommended that Management should ensure that the OM should file all staffs' letters concerning allowances under their respective PFs and review the officer's charge allowance periods. If the officer had taken leaves during that period of charge allowance, those leaves should be deducted from the allowance and submit to the MFED for processing payment.

3.7.3.1.1 Local Purchase Order

Register of Local Purchase Order

The Account Unit failed to maintain the LPO register. However, we have obtained copies of Issue Receipts Vouchers (IRVs) from the MFED as shown below:

Year	No. of LPO (MPWU)	Finance records (IRVs)	Shortages	Surpluses
2006	29	0		29
2007	31	24		7
2008	23	26	3	
2009	31	42	11	
2010	31	38	7	
Total	**145**	**130**	**21**	**36**

In this case, the Financial Regulation Section 92 had not been observed whereby all accounting books should be recorded for a particular accounting period as well as the return forms to be sent to MFED on used and unused LPO books detailing their serial numbers.

Recommendation

It is therefore recommended that MPWU should open the register for recording the LPO and also to keep all records and documents which are not yet audited.

3.7.3.1.2 Overtime

Audit noted that the pay sheets for 2006 and 2007 were missing while pay sheets for 2009 and 2010 were not completed. For 2008 there were improper payments made as listed below:

Overtime were paid without dockets

	OVERPAID	PAY PERIOD
427021	86.48	01/04/2008
427026	52.72	01/04/2008
427713	139.95	01/04/2008
475117	32.95	25/04/2008
427716	144.67	29/02/2008
427716	125.00	23/05/2008
	289.07	23/05/2008
	141.00	23/05/2008
	$1,011.84	

Overtime should be processed once the dockets were completely filled, calculated correctly and authorized by the responsible officer.

Overpayment of overtime

PF NUMBER	PAID	DUE	OVERPAID	PAY PERIOD
427021	398.00	39.80	358.20	01/02/2008
95143	312.91	167.37	145.54	01/02/2008
96137	757.41	381.22	376.19	01/02/2008
427005	76.76	0.00	76.76	01/02/2008
	$1,545.08	**$588.39**	**$956.69**	

Missing and incomplete pay sheets

The account staffs could not be able to provide us with pay sheets. We also noticed that some pay sheets found to have not been kept properly and gone missing.

Recommendation

It is therefore recommended that the Account Unit of MWPU should check and review all payments of overtime before they distribute them to the Salary Section in the MFED. All overtime dockets should be stored in a safe place or in one box file to avoid double payments as well as pay sheets. With regard to the overpayment of $956.69, the Ministry should make a quick check and make arrangements for recovery from the concerned officers if agreed.

3.7.3.1.3 Telecom Charges

The amount of $4,280.80 deemed improper or regarded as unofficial calls for the year 2006 to 2008 as per table below:

CALL	2006	2007	2008	BALANCE
National	269.64	91.64	40.60	401.88
Overseas	88.28	392.83	199.93	681.04
Mobile	655.98	734.29	39.87	1,430.14
Radio	1105.34	349.76	312.64	1,767.74
Total				**$4,280.80**

As detailed above, there were no telecom charges for 2009 deemed improper. Thus all telephone calls should be monitored in order to minimize telecom charges and wasting of public money on private calls. The list of users should be circulated to all staffs in the Ministry for confirmation purpose. Recovery actions should be made as soon as possible.

Recommendation

It is recommended that all unofficial calls should be recovered as soon as possible and the Management should monitor all external calls to minimize telecom charges.

3.7.3.1.4 Revenue – Timbers ripping (Joinery & Construction)

The amount of $794.25 was understated and was not paid for by the timekeeper to the MPWU's cashier according to the foreman's record. After reviewing the matter, it showed the weakness of controlling the public fund and there was no internal recording system such as cashbook to record revenue collection on a timely manner.

This table shows the difference between these two records:

Timekeeper records	442.50
Foreman records	1,236.75
Variances	**$ 794.24**

Recommendation

It is strongly recommended that the MPWU – Account Unit should collect each Division's revenue at the end of the day. It is also recommended, that the timekeeper should use a Government Receipt Book rather than a sheet or paper. Each Head of Divisions especially the Joinery & Construction

Division should use the GRR books and maintain its cash receipts book to records timber revenue generated. He/ she should pay in his/ her collection to the MPWU cashier and then prepare a weekly or monthly return and to reconcile with MPWU or MFED records.

3.8 MINISTRY OF LABOUR & HUMAN RESOURCE DEVELOPMENT

3.8.3 Revenue

The summary of the ministry's revenue collection and estimate is appended below.

	2009	2008
Budget	40,530	80,140
Actual	63,266	40,405
Under/(Over)	(22,736)	39,735

As depicted in the table above, the level of actual revenue collected exceeded the budget by $22,736. The ministry had understated its revenue estimate and thus need to revise its revenue budget to at least $60,000.

3.8.4 Expenditure

Summarised below is the ministry's actual expenditure and estimate for 2009 and 2008.

	2009	2008
Budget	3,210,164	3,166,093
Actual	3,073,034	2,994,140
Under/(Over)	137,130	171,953

The ministry had been reporting a net saving of over $100K for the last two to three years. A review on the ministry's budget should be carefully forecasted as this is quite a substantial and unnecessary amount of saving.

Despite the net saving in 2009, other outputs were over-spent as per Appendix B.

3.9 MINISTRY OF LINE & PHOENIX ISLANDS DEVELOPMENT

3.9.3 Revenue

The summary of the actual revenue collection and the estimate is presented below.

	2009	2008
Budget	428,250	301,800
Actual	347,818	476,542
Under/(Over)	80,432	(174,742)

The Ministry reported a shortfall in its revenue collection for 2009 of $80,432 as opposed to last year's collection which exceeds the estimate by $174,742. Thus the collection of revenue for 2009 was considered inefficient and should be strengthen. The shortfalls are detailed in **Appendix A** of this report.

3.9.4 Expenditure

The summary of the actual expenditure and the estimate for the ministry for 2009 is appended below.

	2009	2008
Budget	3,403,741	3,293,100
Actual	3,397,085	3,339,406
Under/(Over)	6,656	(46,306)

The ministry's actual expenditure was slightly below the estimate by $6,656. The original budget of $3,352,514 was increased by $51,227 being its supplementary budget approved by Parliament in its last session held in November 2009.

Finally, as stated in the management reports, the ministry's output /subheads which had been over spent are detailed in Appendix B of the report.

3.9.5 Other Audit Findings

3.9.5.1 Scope

Our audit was based on cash counting, examination of accounting records or documents, verification of stores or fixed assets, stock cards, etc with the Ministry and its Divisions as well as the internal controls within the system. Details of the findings are listed below that requires your response as early as possible.

3.9.5.2 Overall

Overall it was found that there were some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

3.9.5.3 Management actions in relation to the last audit report

It was noted with great concern that there were no actions to those issues raised in my last audit reports and PAC for the year 2008. Thus the MLPID still failed to improve the systems within its Divisions as reflected from the audit of 2009.

3.9.5.3.1 Recommendations:

The Accounting Officer (AO) of MLPID needs to take timely action in relation to previous audit issues and to simply address such weaknesses by implementing our recommendations for the sake of improving its system of internal controls.

3.9.5.4 Board of Survey (BOS)

Under FR Section 341 Boards of Survey will be held after the close of business on the last working day and before. Furthermore under FR 342, Boards will also be appointed at irregular intervals during the year to hold surprise surveys.

3.9.5.4.1 Findings

Overall we found out that stock-taking was not undertaken annually nor BOS was conducted at regular intervals during the year.

3.9.5.4.2 Recommendations

Management (AO) should ensure that BOS should be conducted annually to gain assurance that all Government revenues, stocks etc had been managed properly.

3.9.5.5 No. 5 Bank Account Kiritimati

3.9.5.5.1 Findings

The audit was unable to check the accuracy of the No.5 Bank Account of $581,514.48 at the end of the financial year 2009 since the Bank Reconciliation statement was not properly constructed in accordance with Standard format. As disclosed in the bank reconciliation statement the opening bank balance, instead of the closing balance, had been used when bank reconciliation statement was prepared. This is absurd therefore the audit could not rely upon this bank reconciliation.

Although the cash book had not been maintained manually, only the cash receipt journal in which all receipts were posted and later deposited in the Bank account regularly. It was also noted that no cash payments journal being established therefore all cash payments transactions posted directly to the computer system called Attaché. All payments were made by cheques without the establishment of the Petty Cash System like the one in the MFED.

However, as per MFED's record, the balance of No.5 Bank account was an overdraft of over $9m at year ended 31 December 2009. Thus the Ministry and the MFED disclosed two different figures, meaning there had not been any reconciliation being made between the two. Consequently, we were unable to satisfy ourselves on the correctness of the figures produced by the two Ministries. Even the MFED did not submit the Bank Reconciliation statements in respect of the No. 5 Bank account, as annexed to the Government 2009 Annual Account.

Consequently, the above comment was one of the grounds for issuing an adverse audit opinion on the 2009 Annual account.

3.9.5.5.2 Recommendation

MLPID needs to improve a system over its No.5 account. Bank Reconciliation should be performed on a monthly basis and daily posting for cash receipts and payments should be updated. The opening of a cash payment journal is one good advantage as it will ensure that payments are properly recorded and authorized. Petty cash system should be established at the MLPID to avoid the use of cheques for small amount of payment.

3.9.5.6 Control over log books

3.9.5.6.1 Findings

The following existing Government vehicles have been used by the MLPID as allocated below:

Drivers	Vehicle Ref	Responsible Users
Driver	TC 003	Hon Minister
PS	Xmas 2	Permanent Secretary
DS	Xmas 1579	Deputy Secretary
AS	Xmas 1	Assistant Secretary

Driver	Mini bus Xmas 53	Driver
HODs	Various types	HODs

The audit found out that these Log Books have not been properly maintained by the drivers for vehicles namely, Xmas 2, Xmas 1579 and Xmas 1 while the relieving driver of the Minister's car continues to maintain his log book up to date as well as the driver of a mini bus 53. This was evidenced after checking those available books that the OM and EA did not check them and initial. In normal practice, the Log Books should be maintained and checked by those responsible OM and EA periodically. Also the log books should include the following further details- mileage taken, fuel and oil, checked by, date and signature of the checker/ reviewer.

3.9.5.6.2 Recommendation

MLPID needs to ensure that Log books for individual vehicle drivers are properly maintained and to be reviewed by the OM or EA weekly.

3.9.5.7 Control over Annual Leave

3.9.5.7.1 Findings

The audit noted with concern that outstanding leaves had been accumulated for more than three years. However, staff should take annual leave every year to make sure that no leave balance remains at the end of the year. It was also revealed that there is no leave register being opened to record leave grants paid for previous years until to date. Without a register we are not able to determine whether an employee had taken his/her leave grant for the year or not.

3.9.5.7.2 Recommendation

MLPID should advise its employees especially those with huge outstanding leaves to take their leaves immediately as there will be no more commutation entertained. We also recommend the officer in charge for leave grant should open a register and to record all leave grants paid for the year.

3.9.5.8 Control over LPOs and GRRs

3.9.5.8.1 Findings

Control over LPO and GRR is very poor since the cashier did not maintain her register to record the whereabouts of such accounting books. The audit discovered that the cashier could issue such accounting books to divisions without recording them on a register.

3.9.5.8.2 Recommendation

The Senior Accountant is highly recommended to maintain her register whenever she issued accounting books for future records and references for the Ministry.

3.9.5.9 Stores/ Fixed Assets

Under Section 10 of the Stores Regulations 1974 every person has a responsibility for the management of stores whereas the Accountable Officer (Section 11) is responsible for supervision for stores and duties of staff involved in stores. Whilst stores have to be verified at least annually

(Section 231) under section 12 the accountable officer shall not solely rely on stock verifiers or BOS but shall occasionally check stores.

3.9.5.9.1 Findings

Under Section 30 (i) Non-Expandable – long life items such as safes, furniture, and plant are to be maintained in a ledger or the contemporary system - an asset register. The audit noted with concern that control over stores for each Division, Admin & Account, Water Supply, Solar Salt, Housing, Electricity, Construction were very poor since most of them did not maintain an asset register. Stock are not properly arranged and stored on shelves items by items. This shows that there is neither stocktaking conducted annually nor BOS. Also, the above Divisions did not actually maintain stock cards for those moving items.

During the audit visit in October 2010, my office has been involved in stocktaking for every Division which included a store man, two staff from the account to ensure that the procedure of stocktaking is fairly followed. The result of entire stocktaking records were safely kept on hand by the Ministry for future references and copies were given to each respective Division. Upon some of our recommendations we were advised by the Secretary that in future audit a system would be improved with the implementation of a uniform stock card. He had asked the Senior Accountant to design a stock card to be used by each Division to indicate the movement of ‘in’ and ‘out’ stocks from the stores. He added that the system would greatly benefit the Ministry as in past practices there were inadequate stores records therefore an order was made based on the estimation of stock on hand.

3.9.5.9.2 Recommendations:

Stocktaking is very crucial so it should be conducted annually. On the other hand store man should be closely supervised by Management and stringent deterrent rules put in place to help safeguarding stock pilferage. A perpetual stock card system is necessary to keep track of those moving items.

3.9.5.10 Outstanding Imprests

Under FR Section 221, an imprest is a sum of money advanced to an officer to meet expenditure directly connected with the public service for which vouchers cannot be presented conveniently in a normal way. Further, Section 222 (a) states that standing imprests shall be retired at the end of each financial year.

3.9.5.10.1 Findings

The audit observed that there is huge outstanding imprest for the year 2009 totalling $45,895.90 not yet retired after 10 days. The audit discovered that still there were employees claiming another imprest without retiring the first one which is strictly prohibited under FR section 229. There were also cases where some employees from Tarawa claimed for their additional imprest from the MLPID and have not retired them.

3.9.5.10.2 Recommendations

Management should ensure that imprests are retired on a timely manner and strictly should not allow employees to claim their imprest if they have outstanding. It should also ensure that they should clear or pay the outstanding amount before giving them a new imprest.

3.9.5.11 Water Supply Division

3.9.5.11.1 Findings

The audit revealed a total of $146,828.36 outstanding water bills which have not been paid as at 30th September 2010. This clearly indicates that the MLPID had failed to collect these debts from customers on a timely basis as detailed below:

	$
Existing customers on Kiritimati	131,133.96
Retired and transferred customers	14,439.21
Retired customers on Kiritimati	1,255.19
Total	$146,828.36

3.9.5.11.2 Recommendations

The Ministry should take immediate action to collect those outstanding debts from those employees or otherwise arrange to disconnect the water supply. For those retired customers MLPID should arrange for recovery action from the MFED through KPF Office for automatic deduction of their KPF benefits or proceed with court actions.

3.9.5.12 Electricity Division

3.9.5.12.1 Findings

The audit found out total outstanding electrical bills of $1,021,923.55 which have not been paid by users since the year 2001 as summarized below:

	$
Domestic users	92,765.71
Commercial users	478,595.61
MLIPD	427,012.59
Move out users	23,549.64
Total	**$1,021,923.55**

3.9.5.12.2 Recommendation

The above colossal amount obviously indicates lack of control over Government revenue. For this instance MLPID should take necessary steps to fully recover the total amount as quickly as possible if nothing had been done until now. It is strongly recommended that the above outstanding should be arranged by MFED through KPF Office for automatic deduction of their KPF benefits or otherwise proceed with court actions as early as possible.

3.9.5.13 Housing Division

3.9.5.13.1 Findings

The audit noted that there were 289 houses fully occupied by employees on Kiritimati Island in 2009. In 2010 the numbers had declined by six demolished houses leaving the existing houses of 283. It was explained by the HOD that there were 29 employees still on the waiting list for vacant houses. The Permanent Secretary mentioned during the closing meeting on 28/10/10 that current houses are very old and dangerous for tenants which are not suitable to be continually used. He added that this is one of the MLPID priority projects to seek for funds from Donors via the construction of new houses.

In addition, the audit revealed a total of $18,638.19 outstanding house rents due on 24th October 2010 which are not yet received from various tenants.

3.9.5.13.2 Recommendation

MLPID should consider more houses to build in order to accommodate the needs and welfare of employees. The Ministry should also consider the safety of those employees living in old houses to explore any possible ways and means to house them temporarily. A prompt action to collect outstanding house rents should be made immediately otherwise current employees should be moved out. For those long outstanding rents due to their immediate transfer of tenants or death, etc, MLPID should arrange for write off under the discretion of the Accountant General at MFED or recovery action through the court proceedings or their KPF benefits should be affected. I would also recommend that if those current employees on Kiritimati to be transferred to Tarawa or migrate to overseas, MLPID should remind them and immediately collect their dues before the date of their departures.

3.9.5.14 Solar Salt Division

3.9.5.14.1 Findings

Revenue generated from the sales of salt to Japan and customers on the Island which included Teeraina and Tabuaeran have not been recorded by the Division. This indicates a poor system of recording daily sales collected from the solar salt.

According to a recent record obtained from the cashier there was a total amount of $1,096.00 being revenue in April 2010 and up to date. However, the audit was unable to reconcile this balance as the Solar Salt Division did not maintain its records. As a consequence, I have advised the HOD to maintain a sales journal from now onwards.

In addition there were approximately 2,000 bags of Salt (25 kg bag) which have been sacked or mound in the warehouse ready for final crushing and then sell out to customers. As the HOD explained, they are still there for marketing purpose prior waiting for Japan to place orders and other overseas countries including local customers.

3.9.5.14.2 Recommendation

MLPID need to ensure that sales from solar salt are recorded and reconciliation between the cashier and the Division records is performed regularly. MLPID should explore the possibility of spearheading the sale of salt in-country and of course overseas to generate more revenue for Government and to act as a substitute for imported salt.

3.9.5.15 Control over Revenue

3.9.5.15.1 Findings

Overall control over revenues is very poor as reflected from audits therefore there are documents which could not be located by the cashier. The cash book dated from 01/10/09 to 31/12/09 is confirmed missing as well as Form 'As' for October 2010. As a result, the correctness of the total revenue for the year ended 31/12/09 could not be determined.

3.9.5.15.2 Recommendations

MLPID should strictly maintain adequate control over cash books and other documents as these are the only means of verifying the revenue collected. The cashier should update her manual cash book on various Divisions and to be supervised by the Accountant or Senior Accountant on a regular basis.

3.10 DEBT SERVICING

The comparison of expenditure for debt servicing for 2009 and 2008 is summarised below.

	2009	2008
Budget	2,532,998	656,750
Actual	2,940,596	8,200,848
Under/(Over)	(407,598)	(7,544,098)

In analysing transactions in respect of the above account, audit noted some irregularities as follows:

1) The total budgeted figure including the supplementary valued at $2,487,998, did not match with the revised budgeted figure disclosed in the 2009 Annual Account of $2,532,998. An explanation or evidence of the increase of $45,000 need be provided for the information of Parliament.
2) Approved or budgeted amount of $83,115 catered for Purchase service local was not used up at all;
3) The total overspent of $509,441 was due to loan repayment in excess of their approved budget. Refer to Appendix B.

3.11 OTHER GOVERNMENT EXPENSES

The purpose of the above account is to cater for payment of expenses that have no direct link to ministries' activities but considered essential for the national interest. This does not require the approval of Parliament but tabled only for the information of the House. The summary for Other Government Expense account is presented below.

	2009	2008
Budget	12,434,080	13,892,278
Actual	13,206,535[15]	13,836,278
	(772,455)	56,000

The original budget for the above account was $12,344,034, but revised to $12,434,080 following Parliament approval of its supplementary appropriation during the year of $90,046, which should cater for lease arrears. However, it was noted that according to the 2009 Financial Management Report such supplementary of $90,046 was never used up at all.

Additionally, the actual expenditure includes the total negative sum of $2,438,002 related to adjustment for previous years. I have to emphasise that this is not allowed under FR 9.7(2011

[15] This figure is different with figure disclosed in the Annual Account due to credit posting of over $2m

Edition). When adding this huge negative amount back to the reported actual expenditure of $10,768,533 it should give a more realistic figure or actual expenditure of $13,206,535. Thus Other Government Expenses should be $13,206,535 and not $10,768.533 as disclosed in the 2009 Annual Account

Audit notes other anomalies in respect of other expenses as detailed below.

3.11.3 Land Lease/Rent

The actual payment for Land Lease of $3,087,201exceeds its budget by $1,260,167. Another budget for land lease of $90,046, a supplementary budget approved in November 2009 was never used up, according to the management information report 2009.

3.11.4 Salary, KPF, Pension and Contribution

This is part of the Other Government Expenses account with budgeted figure of $29,000. However, its actual expenditure was credited with $2,053,856 net (the bulk of the negative sum of $2,438,002 mentioned in Para 2.23 above), resulted in net saving of $2,082,856. Consequently, this has therefore incorrectly understated the consolidated total actual expenditure for 2009.

3.11.5 Government Building repairs and maintenance

As a usual practise, the budget for building repairs and maintenance is based on the activities to be carried during the year. That is the budget for building repairs and maintenance of $500,000 should cover expenses for all activities for each year.
Since only $454,967 was spent means that either all activities for 2009 were not carried out or the records of such activities were inadequately maintained.

3.11.6 Elderly Fund

The Elderly Fund had been estimated beyond the actual expenditure by $47,270.
However, according to our in-depth analysis of the 2009 Elderly Fund the actual expenditure was $951,880, so the unused portion of the budget was $129,980 in which $99,420 was accounted for and the $30,560 remaining balance ($14,800: 2008), was missing or not being accounted for.
Given the result of the audit on the Elderly Fund account and especially the losses for 2008 and 2009 of $14,800 and $30,560 respectively detected during the audit, the Elderly Fund had not therefore been well managed by the Ministries or staff concerned. Attached to this report is the Special Audit report on the Elderly Fund 2009. Refer to **Appendix F.**

3.12 CONTRIBUTION TO THE DEVELOPMENT FUND

Government made provision for the Development Fund contribution of $30,000 but was never used up during the year. A review on such provision whether such is necessary or not should be made so as to avoid the unnecessary budget spending.

In addition, the development fund for 2009 actual balance was confusing in that the balances disclosed in the Statement XVI (A) and Statement VI reflected a huge variance of more than $25 m.

4 Overall Recommendation

The most common problem stated above, associated with Expenditure and Revenue, could also be addressed if all staffs responsible for proper custody and scrutiny of the public fund are fully aware of the provisions of the Financial Regulations and other relevant rules and Laws of the Republic of Kiribati.

Thus apart from the problem with Attache software accounting package, all responsible officers for the financial reporting should be well-versed with Relevant provisions of the Financial Regulation.

5 Conclusion

Based on the above findings it was noted that accounts for Ministries/Offices', Subsidies', Grants and other accounts were deemed not properly recorded. This may have been due to either the inability of staff concerned to use all or relevant modules of the Attaché accounting software or the lack of commitment of staff towards their respective duties and responsibilities. This has therefore resulted in a disclosure of incorrect 2009 Annual Account balances that ultimately led to forming an adverse opinion on the accounts.

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6 APPENDICES

6.1 Appendix A: 2009 Revenue Shortfall

Output		**Approved Budget**	**Actual**	**Shortfall**
Judiciary				
	1103	4,500	657	3,843
Total		4,500	657	3,843
Police and Prisons				
	1201	500	461	39
	1203	150	0	150
	1204	763	60	703
Total		1,413	521	892
Min of Foreign Affairs & Immigration				
	1402	150,000	15,736	134,264
	1403	40,000	11,410	28,590
Total		190,000	27,146	29,306
Ministry of Internal and Social Affairs				
	1502	11,000	1,661	9,339
	1506	46,000	40,399	5,601
	150801	10,000	0	10,000
	150803	10,000	3,234	6,766
Total		77,000	45,294	31,706
Ministry of Environment				
	160306	2,000	25	1,975
	160700	1,000	291	709
	160705	700	-9,889	10,589
Total		3,700	-9,573	13,273
Maneaba ni Maungatabu				
	1701	5,000	1,926	3,074
Total		5,000	1,926	3,074
Ministry of Commerce				
	180304	2,600	40	2,561
Total		2,600	40	2,561

Ministry of Fisheries and Marine Resources

	210301	30,000	14,615	15,385
	210304	60000	1781	58,219
Total		90,000	16,396	73,604

Ministry of Health and Medical Services

	220101	41,000	30,294	10,706
	220102	56,000	34,078	21,922
	220103	500	0	500
	221001	10,000	8,904	1,096
	221301	500	490	10
	221501	150	0	150
Total		108,150	73,766	34,384

Min of Education

	230201	53,000	42,074	10,926
	230202	7,850	3,668	4,182
	230501	17,000	11,777	5,223
	231202	500	0	500
	231203	20	0	20
Total		78,370	57,519	20,851

Ministry of Communication Transport and Tourism

	240401	6,500	97	6,403
	240501	100,000	92,665	7,335
	240502	150,000	143,385	6,615
	240504	500	0	500
	240505	2,000	1,472	528
	240506	87,000	19,215	67,785
	240701	10,000	1,138	8,862
	240703	10,000	7,429	2,571
	240705	5,000	2,867	2,134
	240707	1,000	0	1,000
	240801	85,000	10,594	74,406
	240802	20,000	5,198	14,802
	240901	130,000	88,825	41,175
	241002	3600	0	3,600
Total		610,600	372,884	237,716

Ministry of Finance

	250101	9,500	892	8,608
	250102	100	0	100
	250601	5,000	1,470	3,530
	250602	8,000	6,275	1,725
	250604	2,000	100	1,900
	250605	14,000	8,744	5,256
	250607	37,000	35,800	1,200
Total		75,600	53,281	22,319

Ministry of Works

	270201	1,000	930	71
	270502	5,000	0	5,000
	270601	2,000	1,369	631
	270703	2,000	1,683	317
	270802	100,000	143	99,857
	270901	14,500	11,933	2,567
	270903	500	2	498
Total		125,000	16,060	108,940

Ministry of Line and Phoenix Islands

	290501	2,300	953	1,347
	290701	223,000	210,252	12,748
	291201	100,000	1,320	98,680
	270703	2,000	1,683	317
Total		327,300	214,209	113,091

Total				**684,971**

6.2 Appendix B: Over Expenditure

Output	Approved Budget	Actual To Date	Over Expenditure
OB			
90130	96,849	97,022	-173
90135	171,605	187,640	-16,035
90224	8,110	14,055	-5,945
Total	276,564	298,717	-22,153
PSO			
100120	12,662	12,687	-25
100121	119,930	120,258	-328
100240	18,084	29,761	-11,677
100286	271,702	335,921	-64,219
Total	422,378	498,627	-76,249
Judiciary			
110223	173,980	190,241	-16,261
110230	37,899	41,530	-3,631
110264	7,150	8,319	-1,169
110240	31,223	33,226	-2,003
Total	250,252	273,316	-23,064
Foreign Affairs and Immigration			
140121	105,576	109,339	-3,763
140135	241,537	313,786	-72,249
140150	7,018	9,534	-2,516
140223	2,400	3,636	-1,236
140224	10,000	28,460	-18,460
140225	1,000	15,946	-14,946
140228	4,800	5,355	-555
140230	8,280	9,014	-734
140250	3,600	8,016	-4,416
140321	38,560	40,940	-2,380
140323	35,204	38,814	-3,610
140324	7,260	21,610	-14,350
140330	10,600	12,777	-2,177
140335	29,985	41,433	-11,448
140340	20,366	21,365	-999
140350	12,400	27,436	-15,036
140364	24,800	25,359	-559
140367	11808	19715	-7,907
Total	575,194	752,535	-177,341

Ministry of Internal and Social Affairs

150130	23,322	23,937	(615)
150135	90,414	95,136	(4,722)
150150	52,798	53,044	(246)
150221	248,920	266,381	(17,461)
150230	42,463	47,633	(5,170)
150327	27,975	28,116	(141)
150330	37,520	37,700	(180)
150370	0	15,533	(15,533)
150520	19,023	20,969	(1,946)
150521	259,465	259,775	(310)
150530	28,171	31,854	(3,683)
150535	27,322	36,495	(9,173)
150550	54,220	54,616	(396)
150582	985	4,525	(3,540)
150664	12,656	12,663	(7)
Total	925,254	988,377	-63,123

Ministry of Environment, Lands and Agriculture

160135	119,966	124,995	-5,029
Total	119,966	124,995	-5,029

Maneaba ni Maungatabu

170121	179,044	186,927	(7,883)
170123	9,002	12,658	(3,656)
170124	62,978	63,051	(73)
170125	4,062	15,749	(11,687)
170128	4,200	5,601	(1,401)
170130	24,292	36,767	(12,475)
170135	109,798	120,555	(10,757)
170140	23,440	52,302	(28,862)
170141	19,650	35,109	(15,459)
170150	34,804	54,102	(19,298)
170170	85,461	194,011	(108,550)
170225	743	26,190	(25,447)
170230	508,572	542,491	(33,919)
170235	239,816	327,060	(87,244)
170250	208,788	289,477	(80,689)
170255	0	61	(61)
170330	108,380	115,357	(6,977)
170350	4,998	5,587	(589)
Total	1,628,028	2,083,055	(455,027)

KNAO			
190120	17,608	17,617	(9)
190124	19,145	21,160	(2,015)
190167	19,500	28,795	(9,295)
Total	56,253	67,572	-11,310
Office of the Attorney General			
200120	5,348	11,774	-6,426
Total	5,348	11,774	-6,426
Ministry of FMRD			
210350	32,009	32,110	-101
			0
Total	32,009	32,110	-101
Ministry of Finance and Economic Planning			
250121	128,776	160,728	-31,952
250123	14,979	16,257	-1,278
250124	9,702	26,298	-16,596
250125	4,433	16,335	-11,902
250135	86,666	98,568	-11,902
250140	46,613	60,513	-13,900
250141	3,794	8,549	-4,755
250150	11,084	19,201	-8,117
250160	8,010	18,054	-10,044
250164	78,024	93,976	-15,952
250167	72,910	95,836	-22,926
250223	24,062	24,109	-47
250225	58,906	59,004	-98
250240	16,855	17,361	-506
250250	6,900	6,952	-52
250320	3,906	8,758	-4,852
250430	2,764	2,894	-130
250622	2,394	4,188	-1,794
250623	10,912	15,818	-4,906
250624	20,000	73,350	-53,350
250625	2,451	72,120	-69,669
250630	20,000	25,609	-5,609
250635	10,000	13,061	-3,061
250640	11,500	19,507	-8,007
250660	12,640	21,445	-8,805
250667	24,450	28,835	-4,385
Total	692,731	1,007,326	-314,595

Ministry of Health and Medical Services

220323	7,888	35,828	-27,940
220421	280,286	330,916	-50,630
220921	134,836	221,271	-86,435
220940	100,740	100,912	-172
220955	0	95,030	-95,030
221125	9,974	212,344	-202,370
Total	533,724	996,301	-462,577

Ministry of Education

230240	93,524	165,039	-71,515
230250	49,971	50,140	-169
230264	21,401	22,301	-900
230321	4,057,666	4,088,050	-30,384
230324	0	13,663	-13,663
230330	23,249	32,132	-8,883
230350	24,500	161,670	-137,170
230367	49,195	50,735	-1,540
230430	28,051	28,268	-217
230567	6,114	8,674	-2,560
230850	2,406,052	2,412,467	-6,415
231055	1,189,706	1,588,130	-398,424
231140	148,276	148,400	-124
231360	20,460	22,746	-2,286
231364	17,705	18,417	-712
231427	2,635	2,719	-84
Total	8,138,505	8,813,551	-675,046

Ministry of Works

270624	6,580	7,166	-586
270630	53,915	54,389	-474
270950	111,700	111,937	-237
Total	172,195	173,492	-1,297

Ministry of Labor

280225	7020	13,400	-6,380
Total	7,020	13,400	-6,380

Ministry of Lines and Phoenix			
290130	210,163	216,408	-6,245
290867	688,489	704,211	-15,722
290928	26,979	27,386	-407
290940	18,274	18,689	-415
290950	4,000	4,713	-713
290964	3,000	3,033	-33
Total	950,905	974,440	-23,535
Debt Servicing			
300102	42,000	222,009	-180,009
300104	45,000	46,040	-1,040
300107	125,000	227,997	-102,997
300108	607,535	832,780	-225,245
300155	1,363,348	1,363,498	-150
	0	161,517	-161,517
Total	2,182,883	2,853,841	-670,958
Other Government Expenses			
310150	250000	264,151	-14,151
315390	1,917,080	3,087,201	-1,170,121
315650	0	1,060	-1,060
315850	22,000	22,757	-757
319650	1058000	1,105,270	-47,270
	0	90046	-90,046
Total	3,247,080	4,570,485	-1,323,405
Total			**-4,317,616**

6.3 Appendix C: Savings

Savings

	$
Contribution to Development	30,000
Police and Prison	14226
PSC	13028
MISA	28176
MELAD	25439
MCIC	63423
OAG	43680
MFMRD	56981
MCIT	158128
MWPU	114597
MLHRD	137130
MLPID	6656
KNAO	10,243
Total	**701,707**

6.4 Appendix D: Credit postings or Mis-postings

Amount		**Code**	**-**	
-120		31-96-30		
-3,360		31-96-23		
-2,433,172		31-51-20		Adjustment for KPF clearing account for 2008. Impact: distort 2009 account
-1,350		31-32-70	-2,438,002	
-1,226		28-03-59	-1,226	Relates to 2005: Impact distort 2009 recurrent expenditure
-57		27-08-35		Reversal entry for 2005 uncollected cheques: Impact distort 2009 recurrent exp
-1,542		27-08-25		Credit posting for over provision? Unclear
-539		27-02-24	-2,138	
-51		23-11-68		Stale cheques for 2004: Impact- distort 2009 recurrent expenditure
-23,079		23-10-25		Posting revenue to expenditure
-2,370		23-7-21		Posting revenue to expenditure
-1,185		23-6-64	-26,685	Adding revenue to expenditure outputs: not allowed under FR
-97,650		22-11-95		Reversal entry for 2006 uncollected cheques: Impact distort 2009 recurrent exp
-411		22-11-41		Adjustment for 2006 stale cheque
-4,187		22-6-45	-102,248	Credit posting raised from previous JVs posted in error.
-315		18-03-24	-315	Ok
-698		14-03-68		Adjustment of credit balance appeared in E1401. Impact; distort 2009 recurrent expenditure
-10,607		14-02-40.		Clearance of misposting which is incorrect
-1,561		14-02-20	-12,866	Correction of misposting deemed incorrect
-20,599		012-4-50	-20,599	$33,742 should be credited to revenue adjustment: Debit E12 code Credit Police Reference code
-76		011-3-82	-76	Relates to 2008
-2,604,155			**-2,604,155**	

6.5 Appendix E

OB	49.86
Judiciary	606,244.22
Police & Prison	1,377.00
Ministry of Foreign Affairs	6,585.00
Minis try of Environ	55,040.91
Ministry of Commerce	780.00
Ministry of fisheries	981.00
Ministry of Health	1,624.50
Ministry of Education	6,661.10
Ministry of Communication & Transport	2,424.00
Ministry of Finance	71272.82
Ministry of Public Works	304.90
Ministry of Labor	3443.80
Ministry of Lines & Phoenix	9282.76
Total	**766,071.87**

6.6 Appendix F

SPECIAL AUDIT REPORT OF THE AUDITOR GENERAL ON THE ELDERLY FUND (MISA) FOR THE YEAR 2008 AND 2009

4. Executive Summary

4.1. Audit Findings

- We were unable to obtain the policy/ guidelines from the officers responsible on how the Elderly Fund managed and operated. Further we noticed that there is a lack of systems in place, no proper structure, no budget included in MISA **(paragraph 5.3.1.1)**
- The actual total expenditure of $951,880 incurred in 2009 on senior citizens benefits was down by $40,600 or 4% as compared with $992,480 in 2008 **(paragraph 5.3.3.1)**
- IC Clerks did not check first all components of monthly returns before submitted and write a covering letter explaining the DWs amount, the actual spending, the balance and all supporting document be attached **(paragraph 5.3.4.1)**
- Returned Allowance in the amount of $106,720 and $99,420 in 2008 and 2009, respectively **(paragraph 5.3.5.1)**
- Statement of Expenditure since 2004 have not been prepared and submitted for audit **(paragraph 5.3.6.1)**.
- Vote books found to have not been prepared for each IC but only one vote ledger **(paragraph 5.3.7.1)**
- No Monthly Reconciliation of the Elderly Fund with the MFED **(paragraph 5.3.8.1)**
- Some senior citizens collected their allowance without their names listed at BTC **(paragraph 5.3.9.1)**
- Monthly returns from some ICs not yet submitted to the Fund MISA **(paragraph 5.3.10.1)**
- No proper official registration forms for members to fill **(paragraph 5.3.11.1)**

4.2. Recommendations:

- MISA or Management of the Elderly Fund should review the current system and structure so that the fund will be managed and operated effectively and efficiently as one of the dedicated divisions of MISA **(paragraph 5.3.1.2)**
- It is recommended that management should be able to explain the cause of decrease in elders' population or the trend of $40,600. Also Management should establish the form namely certificate of elderly transfer to cater for the movement of elders from one place to another **(paragraph 5.3.3.2)**
- All Clerks should be given full responsibility or accountability to ensure that all monthly returns be submitted timely together with a covering letter of form to be filled **(paragraph 5.3.4.2)**.
- We could not satisfy ourselves whether the returned allowances are properly receipted to the State Fund or not **(paragraph 5.3.5.2)**
- The Expenditure Statement of the Fund should be submitted for audit every year **(paragraph 5.3.6.2)**
- The Fund should open separate vote ledger for each IC for proper controlling of the Fund regularly **(paragraph 5.3.7.2)**
- The Fund should reconcile its monthly expenditure statement with the MFED on a timely basis **(paragraph 5.3.8.2)**
- No payment of allowance if the senior citizens failed to register their names with the Fund in the first place **(paragraph 5.3.9.2)**
- Late monthly returns from those ICs need to be addressed and defaults should be reprimanded or otherwise **(paragraph 5.3.11.2)**
- Management should regularly check all ICs list of senior citizens before sending DWs. Also, we recommend that the Elderly Fund should introduce the use of official registration forms, photograph of elders, etc for future improvement **(paragraph 5.3.12.2 & 5.3.13)**

SPECIAL AUDIT REPORT OF THE AUDITOR GENERAL ON THE ELDERLY FUND (MISA) FOR THE YEAR 2008 AND 2009

5. INTRODUCTION

I have conducted my audit on the Elderly Fund records for the first time relating to the year 2008 and 2009 in accordance with the relevant statutory and normally accepted auditing standards. The main purpose of this audit is to check or verify the accuracy of the elderly fund payments to those registered senior citizens throughout Kiribati in accordance with Section 114(3) of the Constitution and Section 41 of the Ordinance.

Specifically under Section 41 of the Ordinance (CAP 79), I have the power to make a special report at any time, on any matter concerning my powers and duties under the Ordinance.

Our main role or duty is to ensure that the actual expenditure against the approved provision or warrant of the fund every year should be controlled and audited as it involves substantial expenses of public fund.

5.1.1. *SCOPE*

Our audit was based on the examination of accounting records and documents relating to the year 2008 and 2009 as well as the internal controls that are in place. The Elderly Fund is under the Recurrent Expenditure Output - E3196-50A.

Details of my findings on the records/ documents of the Elderly Fund and other related issues are listed below that requires response.

5.1.2. *NATURE AND DESCRIPTION OF THE FUND - E3196-000050A*

It was explained by the Elderly Fund staffs that the purpose of establishing the fund is specifically to cater for allowances or benefits of all registered senior citizens aged 70 years old and over in Kiribati. As noted, its budget each year has not been included as part of the MISA recurrent budget and at the same time the Accounting Warrant (AW) issued out to MISA on the actual amount to be spent. The fund was classified under MFED as Other Expenses and Purchase Services Local. A responsible coordinator mentioned that the office will be required to issue out the Department Warrant (DWs) to all councils according to the payment arrangements mentioned in paragraph 3.2.4 below. This elderly allowance**16** should be paid out on a monthly basis to those existing senior citizens who have reached the age of 70 years old and over every month. It is the responsibility of the Elderly Fund to submit the DWs to all ICs and PVs to TUC and BTC together with a list of those qualified senior citizens.

On a regular basis, those councils on outer islands including KUC, BTC and TUC are required after processing payments to submit their returns to the Elderly Fund, which incorporates a list of those senior citizens signing their allowances or not, copies of DWs, PVs, RRs, etc.

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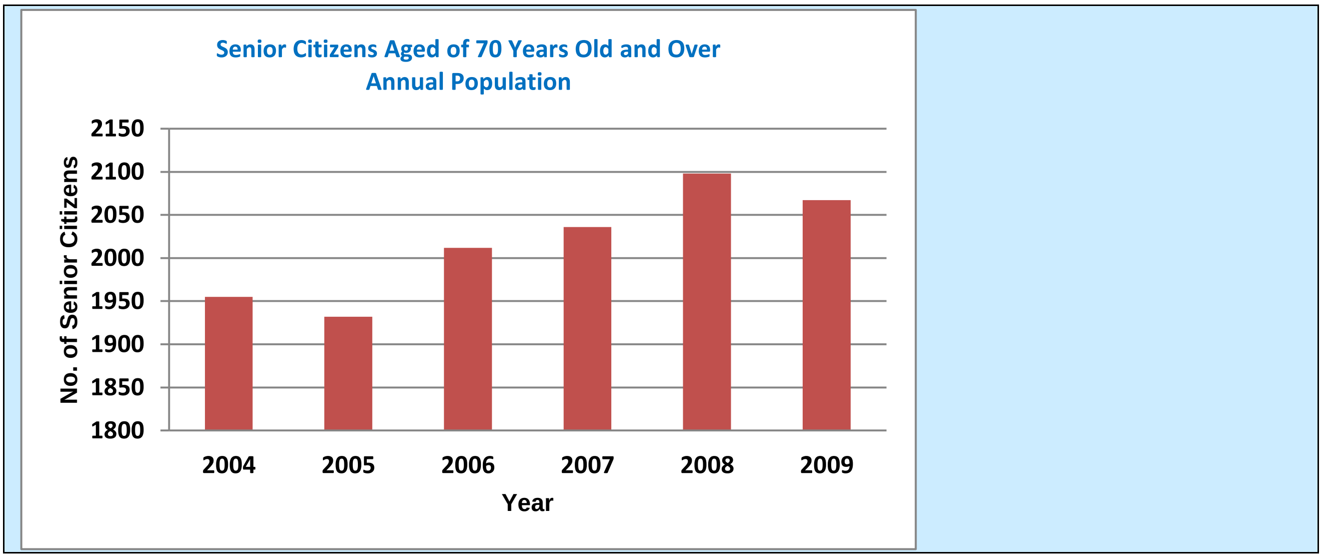
[16] The normal rate per head is only $40.00 every month or $480.00 per annum

5.1.3. *ANNUAL POPULATION OF SENIOR CITIZENS*

The chart below shows the population of senior citizens registered and qualified to receive the allowances from the year 2004 to 2009 as per MISA record (Elderly Fund). This bar chart simply reflects the number of registered members from the year 2004 to 2009 as shown below for your information and perusal.



As you may have noted, the number of senior citizens has gradually increased from 2006 to 2008 and gone down by 31 in 2009. The populations for the years under review were **2098** and **2067** in 2008 and 2009, respectively.

5.2. OVERALL

Overall it was found that there were some irregularities and system weaknesses that require immediate action to rectify so as to improve the system of internal controls.

5.3. FINDINGS

5.3.1. *Administration of the Fund*

5.3.1.1. Observation

The current coordinator was very new as just recently recruited this year following the retirement of former coordinator. The other staff was a clerical officer appointed since its first establishment. The two staffs are now working in the fund to oversee the administration and operation of the Fund. The Elderly fund is continually operating as a temporary division of MISA. Until now, its budget is not included in MISA but included as Other Expenses under MFED. It was explained by the current coordinator that they found difficulties to easily arrange necessary and urgent expenses for the fund in the absence of its own budget.

During the time of audit, we were unable to obtain the policy/ guidelines from the officers responsible on how the elderly fund is being managed and operated. This guideline or an operation manual will be surely useful for staff compliance and auditing purposes. I have read some of the fundamental sources of information from the cabinet papers and of previous years' reports on its operation but such information should be compiled in a booklet and used as guidelines for future development of the fund.

Further, we noticed that there was a lack of systems in place, no proper structure and follow-up to control this substantial expenditure.

The Elderly Fund was fully funded by GOK from the time of its inception in 2004 until now.

5.3.1.2. Recommendation

In view of its sustainability or ongoing concern, it is therefore recommended that the Management or the Ministry concerned should as a matter of urgency prepare the fund's guidelines and so as to review the current structure and control systems. I would also recommend that the Fund should be operated as one of the dedicated divisions in MISA.

2.3.1.3 Management Response

Unfortunately, we do not have our own set of guidelines that is formally written or typed. We used or referred to previous reports which was prepared by the former coordinator as our guideline on the arrangement system of payment from elderly funds. We would be working with the Secretary on the formulation of the elderly Fund guidelines.

5.3.2. *Finance*

5.3.3. *Actual Expenditures for 2008 and 2009 against the Approved Warrants*

5.3.3.1. Observation

Audit has been carried out to verify the accuracy and correctness of the payment on the senior citizens allowance for the year 2008 and 2009 against the approved warrants or budget. Accordingly, the actual warrant approved and issued out on AWs to MISA by MFED was $1,068,000 for 2008 and 2009. Furthermore, it was noted that the budget figures as shown in the table below for 2008 and 2009 was more than the Accounting Warrants figures by $46,000 and $12,100 respectively. The actual expenditures for both years are confined within the AWs limit.

Detailed hereunder is the actual expenditure on the senior citizens benefits of each Island Council for both years under review:

	ISLAND	2008 Budget $	2008 Dept. Warrant $	2008 Actual Expenditure $	Returned Allows $	Variance/ Unused Allows $	2009 Budget $	2009 Dept Warrant $	2009 Actual Expenditure $	Returned Allows $	Variance/ Unused Allows $
1	Makin		21,320	19,480	1,840			18,960	16,600	2,360	-
2	Butaritari		40,600	33,000	4,400	3,200		43,320	38,640	1,360	3,320
3	Marakei		37,800	36,000	1,800			39,440	32,560	3,800	
4	Abaiang		58,440	54,880	3,560			62,000	57,320	4,680	
5	North Tarawa		31,240	25,920	5,320			26,040	22,720	3,320	
6	TUC		340,480	306,000	34,480			352,600	317,220	35,380	
7	BTC		150,640	136,160	14,480			147,920	136,920	11,000	
8	Maiana		42,120	37,600	4,520			38,320	33,160	5,160	
9	Abemama		41,360	38,120	3,240			37,600	33,960	4,200	560
10	Kuria		16,480	15,400	1,080			17,400	14,920	1,440	320
11	Aranuka		11,840	10,200	1,640			10,600	9,360	1,240	
12	Nonouti		39,960	34,520	5,440			41,100	39,140	1,960	
13	Tabiteuea North		45,400	43,120	2,280			43,800	39,120	4,680	
14	Tabiteuea South		20,640	17,640	3,000			19,120	9,600	1,520	3,160
15	Onotoa		29,160	23,920	3,040	2,200		25,640	21,120	2,760	
16	Beru		40,040	35,520	4,520			41,200	38,040	3,160	
17	Nikunau		28,760	24,360	2,200	2,200		25,240	16,840	1,760	1,800
18	Tamana		22,000	20,360	1,640			18,840	16,800	2,040	
19	Arorae		31,680	29,720	1,960			31,440	17,800	1,160	7,440
20	Banaba		1,720	360	200	1,160		2,080	1,160	400	160
21	Kiritimati		37,760	34,600	3,160			37,040	26,000	1,760	9,280
22	Tabuaeran		17,440	11,600	2,240	3,600		16,560	11,360	3,800	1,400
23	Teraina		7,120	4,000	680	2,440		9,320	1,520	480	3,120
	TOTAL EXPENDIITURE	1,068,000	1,114,000	992,480	106,720	14,800	1,068,000	1,105,580	951,880	99,420	30,560

From the above table, it was noted that the total expenditure of $951,880 incurred for the year 2009 was down by 4% or $40,600 as compared to 2008 of $992,480. Such decrease indicates that the number of **85**[17] senior citizens do not exist either they died, migrated overseas or the figures are incorrect and relevant documents need to be reviewed. Please note that after comparing the above decrease of 85 with the population decrease of 31 as shown in the above chart, a huge variance of 54 ($25,920) is noted. Upon consultation with the staff, the new coordinator mentioned that she could not be able to specifically explain the cause of this reduction. We could not also find out the cause of the decrease of $40,600 in absence of the supporting documents available such as the elderly transfer certificate to overseas or death certificate from CRO.

In addition, I found out from above table that some ICs reflected the unused allowances of $14,800 in 2008 and $30,560 in 2009 as not included among the returned allowances (see paragraph 3.2.5 below). We assumed that the monies could be misappropriated on the basis that no supporting documents/ receipts provided.

5.3.3.2. Recommendation

I would recommend that Management should be able to explain the main cause of the decrease or increase in the number of elders or the trend of payments from one year to another. I would also recommend that Management should regularly review the list of existing senior citizens in Kiribati with its records for each IC in order to agree with the actual payment. Management should establish a form namely 'Certificate of Elderly Transfer' instead of a written letter as a source of reference to foster the movement of any senior citizen from time to time.

5.3.3.3 Management Response

We have established to provide ICs with copies of the new transfer certificates during the ICC workshop in July 2010. These certificates should be produced upon an elder's movement to keep track of his/ her whereabouts at certain time and payment purposes as well. We have already issued these certificates to those elders transferring to outer islands and also received several transfer certificates from elders moving to South Tarawa.

5.3.4. *Use of DWs for Payment of Senior Citizens Allowances on Outer Islands*

5.3.4.1. Observation

After having gone through the Elderly Fund Report[18], it reflects that there were changes to alleviate the problems of complaints from elders on the late payments, missing allowances, new applicants have to wait longer, etc as confronted from previous years. Listed below are the new payment arrangements or process of DWs effective from 2007 by means of improving and eliminating the above mentioned problems.

1. ***BTC and TUC are to remain monthly by cheques because of their convenient or proximity to the Ministry***
2. ***Quarterly DWs for all Island Councils including Kiritimati, Tabuaeran, Teeraina and Banaba because of transportation problems.***

Such payment of allowances sent in DWs have been properly processed in the Account Section of MISA and approved by the Permanent Secretary (PS) in line with the above arrangements. From

[17] The decrease in senior citizens numbers is calculated by $40,600 divided by ($40*12 months) per person without knowing the actual outstanding allowance.

[18] Report on Senior Citizens Allowance for 2007

the report, it was observed that there had been no more problems confronted prior to the implementation on those new changes above.

For all DWs, every IC is expected to submit the monthly return to MISA and MFED after processing payment of allowances for scrutiny. It should be the sole responsibility of the Clerks to ensure that all components of the monthly returns on the elderly payment of allowances such as supporting documents need to be checked first before submitting the returns. Also, it should be compulsory by the Clerk to prepare a covering letter or the form filled for inclusion in the monthly returns. The letter explains the quarterly DWs number, date and amount, the actual monthly spending and supporting documents should be attached, a copy of DW sent should be returned back after usage and the letter properly signed by the Clerk.

5.3.4.2. Recommendation

I strongly recommend that all Clerks should be given responsibility or accountability to ensure all monthly returns submitted to MISA and MFED timely. If there is no covering letter or form filled to be included in the returns then that monthly returns will be incomplete so the coordinator should remind the concerned Clerk immediately.

5.3.4.3 Management Response

We use and send DWs to outer islands on a quarterly basis while we provide monthly cheques to TUC and BTC due to their proximity to the Ministry. We have reminded our Clerks during ICC workshop to check that all copies of monthly receipts, list of elders, payment vouchers be returned to MISA and MFED. The Clerk would endorse these documents with a covering letter. We have also adopted a new system on payment of funds to elders in BTC and TUC. The system includes returning of unclaimed allowance to Elderly Fund Unit whereby reconciliation of money returned with the amount of unclaimed funds is carried out in the presence of the Assistant Treasurer from TUC and BTC. EFU staff would be responsible for returning and receipting the returned allowance to MFED. Also EFU is in charge of raising PVs and cashing cheques for both urban councils and distribute it to the Assistant Treasurers.

5.3.5. *Returned Allowances*

5.3.5.1 Observation

It was evidenced that there are returned allowance totalling, $106,720 for the year 2008 and $99,420 for 2009 as reflected in the table above. These allowances have not been paid out due to the non-existence of those senior citizens on the islands. As clearly highlighted in the table above, there is a likelihood that quite a number of senior citizens are moving from the outer islands to TUC, BTC and KUC (urban areas) and other places. In light of those returned allowances, we noticed that the amount warranted to each IC was more than the number of senior citizens existing on the island. It shows that the Elderly Fund staff did not regularly review and update the number of senior citizens. In fact, no one had ever been sent to all ICs to check properly the number of senior citizens living on the island. This could lead to unexpected fraudulent errors and other financial risks to the public fund.

We could not satisfy ourselves whether these returned allowances have been correctly receipted back to the State Fund on outer islands or not. In this case some ICs did not submit their returns (refer to paragraph 2.3.11 below).

5.3.5.2 Recommendation:

Because of the returned allowance balances for both years are quite material, I would therefore recommend that the Management of the Fund should carry out a thorough survey on the number of those existing senior citizens so that the returned allowance balances could be eliminated and continually controlled.

5.3.5.3 Management Response

We based our calculation for payments of elders' allowances on our monthly returns from island councils. Although we have accommodated the number of elders on each island based on these returns, but due to unforseen movement of elders we are not always perfect with our calculations. Another problem is the prolonged submission of returns to the Ministry. These problems are the main causes of excess returned unclaimed allowances.

5.3.6. *Audit of the Fund Expenditure Statement*

5.3.6.1. Observation

As the Elderly Fund will be included in the Recurrent Expenditure of MISA and the amount is quite substantial, a special annual audit should be carried out. This audit is the first ever done.

Noted also was total actual expenditure for TUC and BTC form the bulk of payments representing 45% for 2008 ($442,160 of $992,480) and 48% for 2009 ($454,140 of $951,880. There is a likelihood that elders are migrating to Tarawa to be closer to the source of payment and the living is better. The annual approved budget is based on the estimated elders' population and varies from year to year. The amount involves is quite material and paid out of public fund.

5.3.6.2. Recommendation

Due to the fact that this Elderly Fund is fundamental in the eyes of the public, I would recommend that the Financial Statement should be prepared for the year 2010 and submitted for audit.

5.3.6.3 Management Response

We are currently working with the Account Section of MISA on the preparation of the financial statement of this fund.

5.3.7. *Vote ledger*

5.3.7.1. Observation

Audit test reveals that there is only one vote ledger used for controlling the transfer or movement of fund or DWs to all ICs. The total warrant as per AWs should be first allocated to each IC according to the number of senior citizens available on the Island. After checking this single vote ledger, we could not easily find out how much monies spent for each IC and the provision available. To measure the actual payments or DWs, it is more acceptable via financial disclosure to use one vote ledger for each IC rather than one for all ICs. The purpose of each vote ledger to maintain separately is to cater for the transfer of senior citizens if the provision of one IC is not sufficient. This means that those who actually moved out from other ICs, the receiving IC will be able to seek approval for the transfer of some provisions.

5.3.7.2. Recommendation

It is recommended that the vote ledger should be opened for each IC to adequately control the movement of the fund from MISA to ICs. By copy of this report the Ag. Accountant General is hereby requested to assist the fund in establishing the vote ledgers and review the current system of the Elderly Fund as soon as possible.

5.3.7.3 Management Response

We have already created a vote ledger for each Island Council for the current year only to record all payments and returns made by each island.

5.3.8. *Reconciliation of Elderly Fund records with MFED*

5.3.8.1 Observation

During audit, we found some discrepancies between the MFED figures (general ledger) and the Fund vote ledger. It shows that there is a lack of reconciliation between both Ministries. According to MFED Financial Management Report, it was noted that the actual expenditure for the year 2008 was $911,260 whereas MISA $992,480. This shows that there is a different of $81,220 resulting from the non reconciliation monthly between two Ministries. In addition, some ICs failed to submit their returns to both Ministries and so as the Elderly Fund did not reconcile its monthly expenditure statement with the MFED records.

5.3.8.2 Recommendation:

It is recommended that the Fund should reconcile its monthly statement with the MFED and remind those ICs to send their monthly returns to both MISA and MFED as early as possible.

5.3.8.3 Management Response

No reconciliation of EFU records with MFED has been made so far therefore we would definitely make arrangement with MFED as soon as possible.

5.3.9. *Un-Listed Elders for BTC*

5.3.9.1. Observation

According to audit of BTC senior citizens, it was detected that some senior citizens were not entitled to receive payment of such allowance. These elders' names found to have not been registered first with the Civil Registration Office before they claimed for the allowances. The list of names can be provided to those demanding a copy.

5.3.9.2. Recommendation:

It is strongly recommended that there will be no payment of allowance to any senior citizen if they have not yet registered their names and provided relevant documents for confirmation of 70 years of age. Management should obtain confirmation from BTC Clerk how the above named senior citizens did not comply with the normal procedures or otherwise arrange recovery from those people, immediately.

5.3.9.3 Management Response

For your information we do not allow island councils to pay unregistered or unlisted elders without approval. The Assistant Treasurers of BTC and TUC are aware of this and they would inform any unlisted elder to visit our office first to obtain a consent letter from us before they could make any payment. Unfortunately, the names that appeared on unlisted sheet are actually those elders on a transfer case.

5.3.10. *Monthly Returns on Senior Citizens Allowances from ICs*

5.3.10.1. Observation

It was noted with concern that the monthly returns on all payments of senior citizens' allowances have not been submitted by the following ICs to the Elderly Fund MISA for recording purpose since the year 2009 until to date.

No.	Name of Council	Month
1	Tabiteuea South	September, October, Nov. and December
2	Kiritimati	April, May and June
3	Tabuaeran	June only
4	Teeraina	April, May, Jun, Jul, Aug, Sept, Oct, Nov & Dec.
5	Nikunau	September, October and December
6	Arorae	Aug, Sept, November & December
7	Banaba	September, October and November

This indicates that the responsible officer or the clerk had failed to remind those staff involved to compile and submit returns. As a result, the fund staff could not check the accuracy of the amount sent on DWs whether they are fully paid to those registered elders on outer islands or not. We would assume that there are errors or frauds within those ICs mentioned above failing to submit the monthly returns.

In addition, the coordinator mentioned that she had sent several reminders to those ICs for their returns but still they have not submitted them. According to the guidelines[19] prepared by MISA regarding the payments of such elders' allowances on outer islands, those responsible officers should act accordingly. I noted that under Sections 4.1 and 4.2 of the Guidelines, these officers (the treasurer and the assistant welfare officer) are fully responsible for the payments of allowances on their islands.

5.3.10.2. Recommendation

It is recommended that the Island Councils staff responsible should be disciplined for their failure to send the required returns in time. It is also recommended that the guidelines should be reviewed in order to include a clause for the monthly returns to MISA and MFED without further delay. The Treasurer should not be involved with the distribution of payments of allowances to

[19] Kaetieti (Guidelines) ibukin Kabwakaan aia Mwane Kaara – 2004

the elders and instead the assistant treasurer should undertake this task with the assistant welfare officer.

5.3.11.3 Management Response

Prolonged submission of monthly returns has also affected the management of Elderly Fund. We have urged our Clerks to ensure that all returns be submitted on time that is 15th day of each month. Unfortunately, there seemed to be no improvement on the matter. Some Clerks complained that timely submission of returns could be hindered by the continuous movement of elders from one village to another within the island, lack of fuel for transport and remoteness of elders' residences. The Secretary is aware of this and will decide on his disciplinary actions.

5.3.11. *Registration of Senior Citizens for Membership and Controlling of the Fund*

5.3.11.1. Observation

I noticed that all senior citizens profiles are lacking from the Elderly Fund records. Upon registration once the birth certificates produced, the name of those senior citizens should be listed and filed in a box file according to their Islands where they lived. The following weaknesses highlighted should be promptly considered in order to improve and control the payment system and so as to eliminate and avoid risks.

- *a)* ***A proper registration form was not prepared and filled up by senior citizens.***
- *b)* ***Lack of registry system or database properly put in place for the smooth running of the fund***
- *c)* ***No ID number and photograph of all senior citizens were taken for proper identification***
- *d)* ***No finger prints for all senior citizens shown while signing on the payment returned.***
- *e)* ***Processing of fake birth certificates without any confirmation from the Civil Registration Office.***
- *f)* ***No certificate of transfers issued out for those senior citizens leaving the country to migrate in overseas countries or moving to Urban Councils or other ICs (inclusive Kiritimati).***
- *g)* ***No side visit of the fund's officers to check and count the numbers of elders living on all ICs.***

Moreover, it will be of great assistance if all PFs are opened for all registered senior citizens whereby all related correspondence for each member are filed and placed or stored manually for ease of reference.

5.3.11.2. Recommendation

I recommend that Management of the fund should review and check the names of all senior citizens throughout Kiribati to ensure that all registered citizens' names are still existed. I would also recommend that the registration form for those qualified members should be used as an official form and duly signed including each respective senior citizen's photograph for proper identification (ID) and finger print for signing the allowance.

5.3.12.3 Management Response

We have established registration forms for eligible members and distributed them to most of the ICs. At the moment we are working with new applicants only i.e. we fill out their forms when they produced their birth certificates to us. We assume that other ICs are also doing the same thing.

5.3.12. *A special recommendation for future improvement:*

Since the population of UCs in Tarawa is nearly half of the total number of senior citizens, I would strongly recommend that the new changes should include the followings into the current system and structure of the Elderly Fund:

- ***design the new registration forms to be filled up by all senior citizens living in both urban councils***
- ***take photograph ID of every senior citizen or request them to provide Elderly Fund with a passport photo size including their finger prints***
- ***prepare a 'certificate of elderly transfer' to be signed by the clerk and mayor when the senior citizens will be moving out of the place***
- ***open their personal files (PFs) individually***
- ***CRO should provide a death certificate to the fund as soon as possible for cancelation of the deceased elder's name from the list and put in the appropriate PF.***

It is quite imperative to improve the system for Urban Councils before moving to the outer islands.

6. Conclusion

In conclusion, on behalf of the audit team, I would like to thank the MISA and those staffs involved for without their assistance we would have not completed this assignment successfully.