THE REPORT OF THE AUDITOR GENERAL

ON THE GOVERNMENT OF KIRIBATI ANNUAL ACCOUNT

PART II- Ministries Recurrent revenues & Expenditures for year ended 31 December 2022

Central Government Division
KIRIBATI AUDIT OFFICE

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PART II- Recurrent Revenues and Expenditures for the year ended 31 December 2022

1. ACKNOWLEDGEMENT

I would like to extend my sincere gratitude to the Central Government Audit team at the Kiribati Audit Office for their hard work and dedication, which were instrumental in the successful completion of our comprehensive report. Despite the challenges encountered, your commitment to excellence was unwavering.

I would also like to express my deep appreciation to the Senior Responsible Officers and teams across various Government Ministries for their support and cooperation throughout this process. Your dedication has been invaluable in enhancing the quality of our audits.

A heartfelt thank you goes to the Accountant General and his team at the Ministry of Finance—including the Heads of Divisions, accountants and all supporting staff—who assisted our auditors in addressing their numerous requests. Your efforts, whether directly or indirectly, contributed significantly to the successful completion of this detailed report. This accomplishment would not have been possible without your collaborative support.

Kam rabwa.

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Eriati T Manaima
Auditor General
(Kiribati Audit Office)

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2. ACRONYMS

DSA	Daily Subsistence Allowance
ER	Establishment Register
FA	Form A
FR	Financial Regulations
FY	Financial Year
GL	General Ledgers
ICT	Information Computer Technology
JUD	Judiciary
KAO	Kiribati Audit Office
KEC	Kiribati Embassy of China
KHC	Kiribati High Commission (Fiji)
KPS	Kiribati Police Service
KV20	Kiribati 20 Years Vision
LC	Leadership Commission
LPO	Local Purchase Order
MCIA	Ministry of Culture and Internal Affairs
MEHR	Ministry of Employment and Human Resources
MELAD	Ministry of Environment, Lands and Agriculture Development
MFAI	Ministry of Foreign Affairs & Immigration
MFED	Ministry of Finance Economic Development
MFMRD	Ministry of Fisheries Marine and Rural Development
MHMS	Ministry of Health & Medical Services
MICT	Ministry of Information Communication & Transport
MISE	Ministry of Infrastructure and Solar Energy
MLPID	Ministry of Line and Phoenix Islands Development
MNM	Maneaba ni Maungatabu (House of Parliament)
MOE	Ministry of Education
MOJ	Ministry of Justice
MTCIC	Ministry of Tourism, Commerce, Industry and Cooperative
MWYSA	Ministry of Women Youth and Sport
NCS	National Conditions of Services
OAG	Office of Attorney General
OB	Office of 'Te Beretitenti' or President
PSC	Public Service Commission
PSO	Public Service Office
PVs	Payment Vouchers
RERF	Revenue Equalization Reserve Fund
RV	Revenue Voucher
SMM	Senior Management Meeting

3. EXECUTIVE SUMMARY

3.1. Scope Of Work

This audit engagement focuses on the control and management of Government's Recurrent Revenue and Expenditure for the financial year ended 31st December 2022 in compliance to the existing and relevant laws and policies, Public Finance (Control and Audit) Ordinance, Appropriation Act or Approved Budget 2022, Procurement Act 2002, Government's Financial Regulations 2011 and National Conditions of Services (NCS).

3.2. Key Audit Findings

Listed below are the summaries of common non-compliance key findings across government ministries and divisions:

3.2.1. Approved Budget review 2022

Revenue shortfall- The overall review of actual government revenues against estimated revenues for all government ministries clearly highlights that the revenue target was not achieved, resulting in a shortfall of $71 million. Total government estimated revenue was $305 million, whereas the actual revenue reached only $233 million. The major contributing factor to this revenue shortfall is the non-achievement of fishing license revenues, amounting to $62 million. *(Refer Table 4.1., page 10)*

Huge remaining approved budget balance- Across ministries, from small to large, there was a consistent pattern of significant huge savings total to over $5 million. This indicates that the approved funds for the year 2022 were not fully utilized by ministries. *(Refer Table 4.1., page 10)*

3.2.2. Audit of Ministries Recurrent account 2022

During the audit of ministries recurrent account 2022, the audit revealed common issues in the control of revenues and expenditures as listed below:

- Lack of monthly reconciliation of revenues and expenditures
- Weaknesses in the control of purchased assets to verify and record them upon arrival.
- Invoices are not certified and still they are processed as payments
- Non maintenance and update of asset register
- Purchased assets were not in use (idle)
- Lack of supporting programs for external travels
- Non provision of transfer forms to support transfers within outputs.

4. RECURRENT ACCOUNT 2022 (Ministry of Finance and Economic Development, 2022)

Code	Account	Expenditure				Revenue			
		Original Budet	2022 Revised Budget	2022 Actual	(Over/Under)	Original Estimate	2022 Revised Estimate	2022 Actual	Over/Under)
9	OB	2,831,252	2,831,252	2,815,572	15,680	0	0	0	0
10	PSO	1,384,182	1,384,182	1,376,613	7,569	0	0	0	0
11	JUD	2,961,407	2,961,407	2,822,804	138,603	386,200	386,200	249,878	-136,322
12	KPS	11,446,977	11,446,977	11,278,795	168,182	69,500	69,500	169,626	100,126
13	PSC	379,326	379,326	370,971	8,354	0	0	0	0
14	MFAI	3,594,536	3,594,536	3,383,194	211,342	30,240	30,240	86,720	56,480
15	MIA	3,274,670	3,274,670	3,182,557	92,112	1,046	1,046	7,140	6,094
16	MELAD	4,746,990	4,746,990	4,723,964	23,026	966,955	966,955	461,921	-505,034
17	MM	7,032,996	7,032,996	6,368,111	664,886	7,050	7,050	8,283	1,233
18	MCICT	3,121,412	3,121,412	2,926,138	195,274	72,554	72,554	101,548	28,994
19	KAO	1,090,264	1,090,264	955,424	134,840	13,500	13,500	73,250	59,750
20	OAG	1,107,900	1,107,900	897,120	210,780	850	850	181	-669
21	MFMRD	4,248,362	4,248,362	4,193,002	55,360	200,000,000	200,000,000	141,020,386	-58,979,614
22	MHMS	27,760,405	27,760,405	27,377,729	382,676	104,000	104,000	188,728	84,728
23	MOE	36,285,748	36,285,748	35,251,218	1,034,530	303,350	303,350	368,450	65,100
24	MICTTD	4,522,247	4,522,247	4,018,309	503,938	2,289,233	2,289,233	2,234,622	-54,611
25	MFED	5,471,487	5,471,487	5,010,707	460,780	99,940,542	99,940,542	87,176,944	-12,763,598
26	MWYSA	2,162,262	2,162,262	2,143,600	18,662	20,490	20,490	33,583	13,093
27	MISE	4,376,408	4,376,408	4,210,173	166,236	60,000	60,000	166,674	106,674
28	MEHR	6,423,420	6,423,420	6,008,025	415,396	176,169	176,169	265,352	89,183
29	MLPID	4,896,824	4,896,824	4,694,198	202,626	645,900	645,900	774,036	128,136
38	MOJ	3,009,344	3,009,344	2,663,184	346,160	90,700	90,700	186,165	95,465
37	LC	461,376	461,376	252,620	208,756	0	0	0	0
	TOTAL	**142,589,795**	**142,589,795**	**136,924,028**	**5,665,768**	**305,178,279**	**305,178,279**	**233,573,487**	**-71,604,792**

Table 4.1. Ministries Recurrent Account 2022

AUDIT FINDINGS FOR GOVERNMENT MINISTRIES RECURRENT ACCOUNT 2022

5. OFFICE OF TE BERETITENTI (OB)

5.1. Background Information

Office of Te Beretitenti has 6 main divisions such as admin, state house, communication unit, meteorological, strategic national policy, and cabinet secretariat. The main goals of the ministry are to facilitate Cabinet meetings, provide high-quality advice to the President and Cabinet, ensure excellence in policy papers, maintain communication with ministries, inform the public about government policies, manage Commissions of Inquiry, oversee the Parole Board and Honors and Awards Commission, enhance meteorological services, and coordinate national risk management (National Economic Planning Office, 2022). According to the government Establishment Register (ER) 2022, OB has total of 74 permanent positions (Public Service Office, 2022).

Findings & Analysis

5.2. Review of Approved Budget 2022

OB Recurrent Expenditures Account 2022 by divisions

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
901	Admin	1,296,137	1,296,137	1,287,765	8,372
902	State House	280,978	280,978	278,752	2,225
903	Communication & Relation	82,220	82,220	80,987	1,233
904	Meteorological	755,073	755,073	752,552	2,521
905	Strategic Policy	216,665	216,665	216,178	488
906	Cabinet	200,179	200,180	199,337	842
	Total	**2,831,252**	**2,831,252**	**2,815,572**	**15,680**

(Ministry of Finance and Economic Development, 2022)

5.2.1. No transfer forms provided.

The audit noted that no transfer form provided to support huge transfers of $94,750 to external travel code 227 and $100,942 to water for division 01 to 06.

AUDIT RECOMMENDATIONS: Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised.

Management Response

No response received.

6. MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION

6.1. Background Information

MFAI is one of the government ministries with 4 main divisions such as Immigration located at Headquarter Tarawa and three overseas missions Kiribati High Commission in Fiji, Kiribati Embassy in Beijing China and Kiribati Embassy to the United Nations. The main objectives are to provide immigration services through processing of travel documents and enforcing immigration legislations to protect national security, strengthen bilateral relations with the Government of Fiji including providing consular services to nationals in Fiji , to enhance bilateral relations with the Government of the People's Republic of China (PRC) and to promote and advocate national interests at the United Nations and represent Kiribati as accredited mission to the United States of America (National Economic Planning Office, 2022). According to ER 2022, there are 67 permanent positions with MFAI (Public Service Office, 2022).

Findings & Analysis

6.2. Approved Budget Review

MFAI Recurrent Expenditures 2022 by divisions

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1401	Admin	1,067,092	1,067,092	1,044,293	22,800
1402	Immigration	366,683	366,683	361,407	5,276
1403	KHC	718,754	718,754	707,134	11,619
1404	Beijing	599,759	599,759	569,461	30,299
1405	New York	842,249	842,249	700,899	141,349
	Total	**3,594,536**	**3,594,536**	**3,383,194**	**211,342**

(Ministry of Finance and Economic Development, 2022)

6.2.1. Approved Budget huge remaining balance

The audit noted that MFAI had huge saving of $211,343 and major savings come from division 05- New York mostly on housing and allowances of $162,172 and $180,384 respectively.

AUDIT RECOMMENDATIONS: The Ministry should avoid having huge savings at the end of the year. According to the Appropriation Act 2022, remaining approved funds may mean that there are activities not yet performed during the year.

Management Response

No response received.

6.1.1. No transfers forms provided.

The audit had found number of huge transfers within divisions 01-05, however identified only three significant transfers and had requested for transfer forms but no supporting forms had been provided to support these transfers:

Division	Code	Amount Transferred
01 Admin	250 Local Services	$56,280
	205 Overtime	$40,810
04 Mission in Beijing	227 External	$88,000

AUDIT RECOMMENDATIONS: Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised to be made.

Management Responses

No response received.

6.3. MFAI Headquarter Office Tarawa

6.3.1. Entertainment – No license attached.

The audit found one PV# TR0592/07 MFA158/14/22 amounted $3,040 did not attached a valid license to confirm that the catering service exists.

AUDIT RECOMMENDATIONS: In the control of expenses, FR 9.2, 'all expenses should be committed with due economy'. Therefore, the audit recommends that all Licenses should always be attached to payment to ensure the existence of catering service.

Management Responses

No response received.

6.4. Kiribati High Commission (Fiji)

6.4.1. Background Information

The Kiribati High Commission in Fiji operates under the Ministry of Foreign Affairs with main objective is to enhance bilateral relations with the Fijian government and provide consular services to Kiribati nationals in Fiji. According to Establishment Register 2022 it consists of 22 permanent positions. Financial reports were recorded in Fijian dollars but were converted to AUD when submitted to the Ministry of Finance.

6.4.2. Untimely of revenue review and deposits

Our examination of selected revenues Form A 001/22 to 008/22 indicates that these revenues were not reviewed and deposited in a timely manner. This is evident by the time differences between the date of receipt and review date prior to deposit.

AUDIT RECOMMENDATIONS: Revenue collection should be reviewed and deposited in a timely manner i.e. daily or weekly.

Management Responses

KHC agrees that revenue collected should be deposited daily. However, since there are only two account staff in the office (Third Secretary – Senior Account and Assistant Accountant), including the fact that collections are minimal and not daily, weekly deposits make more sense. Weekly deposits started in 2023 and has been maintained since then. *(KHC management responses 2022, received 29/04/24)*

6.4.3. Lack of revenue reconciliation

Visa Fees	AUD Actual 2022 (GL)	FJD Actual 2022 (KHC)
Balance as per Finance (GL)	2,633.13	4,213.01
Balance as per KHC	83.13	133.01
Variance	2,550.00	4,080.00

The audit notes that the two offices' records on visa fees code C14030000010 as per table above did not match, indicating a lack of revenue reconciliation.

AUDIT RECOMMENDATIONS: Reconciliation of revenues should be performed on a monthly basis to avoid variances in the records between KHC and Ministry of Finance.

Management Response

The 2022 Database was never completed by the former Third Secretary (TS) and this created difficulties in reconciling revenue in the past. Since then, and with improvement in database management, reconciliation has greatly improved. Going forward and in line with the recommendation of the audit report, monthly reconciliation will be observed and maintained. *(KHC management responses 2022, received 29/04/24)*

6.4.4. Lack of payments supporting documentations

The audit is unable to verify payment vouchers (PVs) for January to June 2022 due to the lack of supporting documentations. Upon our review, we believed that these payments were not filed in a timely manner. Our review indicates that only transactive receipts were attached while no invoices or other relevant attachments.

AUDIT RECOMMENDATIONS: Payment vouchers should always be attached with invoices and other relevant documentations and provided during the audit.

Management Response

The case of missing invoices highlighted in the report happened during the Covid pandemic when KHC accounting staff, like the rest of the staff, were working remotely from their homes. Payments made during this time by the former Third Secretary/Senior Accountant were, in many cases, online payments and invoices and indeed supporting documents had most likely been missed out at the time. However, with covid19 in the past and a new accounting team in place, KHC had made considerable improvements to address this issue. *(KHC management responses 2022, received 29/04/24)*

6.4.5. Lack of supporting documents for overtime claims

The review of 10 overtime claims showed that these payments were not supported with logbooks for drivers and securities, and attendance sheets for entitled staff. The absence of logbooks and attendance sheets may impact on the credibility and validity of the overtime claims submitted by these staff.

<u>AUDIT RECOMMENDATIONS:</u> Overtime claims that are not supported with logbooks for drivers and securities and timesheet for entitled staff should not be entertained.

Management Response

Since this audit report, the movement of the vehicle in question and the driver have been properly recorded in the logbook and KHC has made it a policy not to pay out the driver's overtime claim where the latter is not supported by logbook data. *(KHC management responses 2022, received 29/04/24)*

6.4.6. High Office Rental while premises is not that satisfactory.

Office rental was paid under Local Services Code E1403-250 with a monthly rent of FJD 7,800 (AUD 4,875). Despite the high rental cost, the responsible officer stated that the premises itself and the location are not satisfactory. The audit observed that one heavy rain, the downstairs office is consistently flooded with water caused from the weak drainage, resulting in mud accumulation, unpleasant odours, and damage to other office belongings.

<u>AUDIT RECOMMENDATIONS:</u> Other options to change location of office is highly recommended to look for good and convenient space for the KHC office.

Management Response

The decision made by KHC to rent/lease 64 Extension Street as temporary office space was not done with haste. In fact, it was the only available building conveniently located with the sufficient room for KHC staff at the time. No one could have known that it can be easily affected (flooded) during heavy rain. But that was in the past. KHC has now vacated 64 Extension Street and moved (15 February 2024) to 15 Vinod Place at Riffle Range. This is the Kiribati government's property reserved for the First Secretary, a position which is now vacant, so there will be no more rent. The plan is to use the current address as office and have the incoming reside in a rented (but cheaper) when he/she arrives. *(KHC management responses 2022, received 29/04/24)*

6.4.7. Invoices are not certified.

The audit noted with concern that there are invoices still not yet certified in 2022 before payment is processed as per list below:

PV No.	Invoice Number	AUD (GL)	FJD (KHC)
KHC PV219/22	11957	5,781.24	9,249.98
KHC PV219/22	12041	109.38	175.01
KHC PV219/22	11921	403.98	646.37
KHCPV229/22	12054	4,029.38	6,447.01
	Total	**10,323.98**	**16,518.37**

<u>AUDIT RECOMMENDATIONS:</u> Invoices should be certified before payment is processed, this is one control to ensure that correct items and cost as per invoices are checked against the order.

Management Response

The issue of invoices not being certified happened in the past and should no longer be a concern anymore. *(KHC management responses 2022, received 29/04/24)*

6.4.8. The signed contract (original) could not be sighted.

The review of contracts for staff paid under wages 2022, the audit noted that one of the original contracts for Assistant Account is misplaced, instead the e-copy is provided which is not signed. This is an indication of poor filing as originals (signed contracts) are important to support wages payments.

AUDIT RECOMMENDATIONS: KHC needs to improve filing system by maintaining important documents such as contracts to support wages payment.

Management Response

The issue of lack of maintenance of a filing system by KHC is not an issue anymore as this important activity has now been incorporated into the normal accounting system of KHC by the new accounting team. *(KHC management responses 2022, received 29/04/24)*

6.5. Kiribati Embassy in China (Beijing)

6.5.1. Background Information

The Kiribati Embassy in China is a division under the Ministry of Foreign Affairs which was opened in March 2022. This office was based in Beijing China with only four staff, ambassador, first secretary, executive assistant and driver. The main purpose of the embassy is to enhance bilateral relations with the Government of the People's Republic of China (PRC). In financial reporting, the embassy used yuan currency known as Renminbi (RMB) and this was converted to AUD when the reports were sent to the Ministry of Finance.

6.5.2. Non reporting of direct transfers in the cash book

Bank reconciliation was performed on a monthly basis however, the cash book was not matched with the reconciliation. The main cause relates to the non-reporting of direct transfers.

AUDIT RECOMMENDATIONS: Management needs to include bank direct transfers in the cash book to ensure that cash book balance agree with bank statements.

Management Responses

KEC fully acknowledges the advice of ensuring that cash book balance agree with bank statements by including bank direct transfers in the cash book. This is well noted and has been implemented. *(KEC management responses 2022, received 27/03/24)*

6.5.3. No cash book for Beijing USD Bank account

The audit noted that cash book is not yet prepared for the Beijing USD Bank account which is important to maintain by the mission for the reconciliation of bank account.

AUDIT RECOMMENDATIONS: Management needs to prepare cash book for the Beijing USD Bank account for the purpose of bank reconciliation on a regular basis.

Management Responses

KEC regrets that Treasury/MFED never advised the Embassy to generate such cash book for KEC's USD bank account. Consequently, KEC has developed a USD bank account cash book immediately after the Audit advised covering the months where KEC received transfers from MFED. *(KEC management responses 2022, received 27/03/24)*

6.5.4. Local Services- Health insurance is not yet specified in the contract.

The audit noted that PV#EC45/22'1719746 is a payment of health insurance iro Ambassador and First Secretary amounted $23,731.30 (¥112,764.02) to Fosun Health. This payment was paid under local service output but was not yet included in the contract.

AUDIT RECOMMENDATIONS: Management needs to discuss at higher level the importance of inclusion of health insurance in the Ambassador's contract just to comply with the requirement of diplomatic stay in China.

Management Responses

KEC acknowledges the absence of health insurance coverage/article in the Ambassador's and FS's contracts, whilst there are provisions for these in the recurrent budget, and deeply welcomes this advice. Consequently, KEC will flag this with Headquarters/MFAI accordingly, so that health insurance is present in the next/new contract and for future references. *(KEC management responses 2022, received 27/03/24)*

6.5.5. Lack of important details in the asset register

The review of asset register 2022 showed that there are important details not included in the register such as, date of purchase, cost of item, brand or type or asset (colour, serial no. etc) which are important to ensure that assets are properly recorded and safeguarded.

AUDIT RECOMMENDATIONS: Management needs to improve asset register by including important details such as date of purchase, cost of item and brand (type, serial number etc.)

Management Responses

KEC's Asset Register was first developed in 2022 when the Team (DT and local staff) first purchased (adhering to the Procurement Act requirements) and received needed items and goods for the Embassy. Consequently, KEC is grateful to advise that the Asset Register has been revised to include the elements needed/advised and has been updated. *(KEC management responses 2022, received 27/03/24)*

6.5. Kiribati Mission to the United Nations (New York Mission)

6.5.1. Background Information

The Kiribati Mission to the United Nations is a division under the Ministry of Foreign Affairs based in New York. According to ER 2022, this office consists of 6 staff with main purpose is to promote and advocate national interests at the United Nations and represent Kiribati as accredited mission to the United States of America. In financial reporting, the mission used US dollars and this was converted to Australian dollars when the reports were sent to the Ministry of Finance.

6.5.2. Cash book review- Skipped numbers in Payment Vouchers

From a review of PV numbering, the audit noted that there are skipped or missed out payment numbers as per such as NYPV 50/22 to 53/22 and NYPV 102/22 to 105/22.

AUDIT RECOMMENDATIONS: The mission should ensure that PV numbers are not skipped, as they need to be in sequential order for payment control purposes.

Management Responses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

6.5.3. Using inconsistent exchange rate (USD to AUD)

The audit noted that the exchange rate for converting USD to AUD varied throughout the year (refer to the list below). This inconsistency resulted from the absence of a policy specifying whether to use a consistent rate throughout the year:

- Months of January to April had different rates.
- April and May shared the same rate of 1.3575.
- June to December maintained a consistent rate of 1.4338.

AUDIT RECOMMENDATIONS: The mission should consult with Ministry of Finance on the standard rate from UNFCU to be used throughout the year in the reporting of all cash transactions (In and Out). In doing this, an agreed rate can be documented as a policy.

Management Responses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

6.5.4. Using OFX (US) exchange rates as a converter instead of the Bank of UNFCU

The audit found that the mission used OFX (US) to convert currency for all payments, rather than using the rate provided by the Bank of UNFCU, its original bank, for the mission cheque account.

AUDIT RECOMMENDATIONS: The mission should use an exchange rate provided by its original bank, UNFCU, as a basis for converting foreign currencies.

Management Responses

No response provided.

6.5.5. Inactive Kiribati Mission Saving account 1031178770001.

The above bank account was inactive during the year with an opening balance of USD 739.53 (AUD 1,038.84) and closing balance of USD 629.92 (AUD 903.16). The reduced in balance relates to the deduction of bank charges.

AUDIT RECOMMENDATION: If the saving account is no longer beneficial to the mission, it should be closed to prevent ongoing bank charges from diminishing the balance and potentially resulting in overdraft.

Management Responses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

6.5.6. Allowances- Using of Inconsistent conversion rate.

The audit found that the rate used in converting AUD allowances as per the contract to USD is not consistent with the rate used when these payments are paid and reported in the cash book.

AUDIT RECOMMENDATION: Given the volatility of foreign exchange rates over time, one potential policy option could be to replace allowances specified in Australian dollars according to employee contracts with allowances in US dollars (a foreign currency). This would simplify the process of disbursing allowances by paying them out directly in US dollars, rather than converting the AUD amount to US dollars and then converting it back to AUD for reporting purposes.

Management Responses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

6.5.7. Absence of Invoice e-filing

The audit expresses concern about the absence of an invoice e-filing to support direct transfers, making it challenging to easily cross-reference payments with their respective invoices.

AUDIT RECOMMENDATION: The mission needs to Implement an electronic filing system to centralize and organize invoices received via email attachments. This system should allow for easy access and retrieval of invoices, enabling the responsible officer to efficiently cross-reference payments with their corresponding invoices. Additionally, to ensure that all payment vouchers (PVs) are accompanied by their respective invoices to enhance transparency and accountability in financial transactions.

Management Reponses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

6.5.8. Obsolete items or assets

The audit physically observed that there were many old items at the Ambassador and Deputy residence, such as office furniture, chairs, tables etc. According to the responsible officer, these things were bought a long time ago by the former Ambassador to the United Nations. Most of them were broken and could not be used anymore, requiring huge storage space.

AUDIT RECOMMENDATIONS: The audit strongly recommends following proper steps to get rid of old assets (write off). This involves sending a request to the Ministry of Finance through the Internal Audit division. It's important to include a list of obsolete items along with photos to support this process.

Management Reponses

Response was provided on the 27/03/24 by TS but not yet signed by Ambassador.

7. KIRIBATI POLICE SERVICES

7.1. Background Information

Kiribati Police Services (KPS) has five main divisions such as Administrative, Domestic fire services, Surveillance of EEZ, Investigation, Prosecution and Intelligence and Maintenance of Law and Order. KPS aims to promote effective legal system preserving community order and property rights, also focuses on high-quality community policing to enhance public security, foster collaboration with citizens, and maintain cost-effective operations through well-planned training initiatives. (National Economic Planning Office, 2022) According to ER there are 605 permanent positions under the KPS. (Public Service Office, 2022)

Findings & Analysis

7.2. Approved Budget Review

KPS Recurrent Expenditures 2022 by divisions

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1201	Admin	2,815,444	2,815,444	2,794,245	21,199
1202	Fire	123,966	123,966	107,408	16,558
1203	PMU	1,240,646	1,240,646	1,166,073	74,573
1204	Crime	1,049,021	1,049,021	1,010,532	38,489
1205	Law	6,217,901	6,217,901	6,200,537	17,364
	Total	**11,446,977**	**11,446,977**	**11,278,795**	**168,182**

(Ministry of Finance and Economic Development, 2022)

7.2.1. Approved budget huge remaining balance

The audit noted that KPS had an excess saving of $168,183 and major savings come from all divisions, as most of the outputs are not fully utilized during the year.

AUDIT RECOMMENDATIONS: KPS should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Saving of One hundred and sixty-eight thousand, one hundred and eighty-three dollars was the result of unpaid bills caused by delay in submitting on a timely basis or delay in clearing imprest due to no supporting. The bulk of this savings came from Division PMU, E1203 amounting Seventy-four thousand, five hundred and seventy-three dollars which was quite more than estimated for. In my view, the ship was away from port hence they have sufficient funds at the end of the year. To confirm this, KPS Database can't be retrieved as in need of an update. Our local Consult Dr. Iete Rouatu is not available for assistance when called before the Exit Meeting. *(KPS Management Responses 2022, received 01/05/2024)*

7.2.2. No transfer forms provided.

The audit had found number of huge transfers within divisions 01-05, however identified significant three transfers and had requested for transfer forms but no supporting forms had been provided to support these transfers:

Division	Code	Amount Transferred
01 Admin	227 External	61,000
03 PMW	243 Purchase of Office Equipment	68,000
04 Crime	243 Purchase of Office Equipment	316,597

AUDIT RECOMMENDATIONS: Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised to be made.

Management Responses

As mentioned, a huge transfer was made during the year within each Divisions. This was happened as to cater for KPS needs in delivering its services, more trainings for capacity build which was seen to be a success as the number of Police Officers undergoing different kinds of training from the UN, US and China is now increasing. The training was not for Headquarters staff but also for the Outer Islands police as well as Kiritimati staff. This is how savings were utilized due to the limited budget and it's the only way to meet KPS vision. *(KPS Management Responses 2022, received 01/05/2024)*

7.3. Misallocation of office vehicles

KPS purchased 4 double cabs and 1 Toyota big bus total cost of $367,038.50 (PV#TR3373). The audit concern that the two vehicles are wrongly coded under the Office Equipment 243 instead of Fixed asset code 287. The main reason relates to no budget provisions for these vehicles.

AUDIT RECOMMENDATION: It is important that all payments are coded to their correct code and all purchases are committed according to the approved budget.

Management Responses

Apology again for using the incorrect code for purchasing two vehicles under the Office Equipment (243). As previously stated KPS had no code under the Fixed Asset (287) hence the transfer made to Office Equipment as more appropriate to use. Also note that during the Budget preparation, there is no Ministry to bring up their Estimate under Fixed Asset as can be cancelled or deleted from NEPO due to reasons beyond the Ministry expectation. The KPS Mission is to bring peace, safety and security to the public hence does require its Motor Vehicles for running its service at a most efficient way. Our Way Forward is to propose a budget on Fixed Asset at a minimal amount just to cater for this kind of need as seen to be appropriate for the Service. *(KPS Management Responses 2022, received 01/05/2024)*

7.4. Idle Double Cap (vehicles)

According to the purchase of 4 double cabs above (PV#TR3373), the audit confirmed that 2 double cabs have been registered and running now while the other two were not yet used (no plate number).

AUDIT RECOMMENDATION: Purchase assets should be used when acquired because they are the need of the ministry, otherwise stays idle because it was not urgently needed. Idle assets will become damage and obsolete once not in use for a long time.

Management Responses

As stated during the Exit Meeting, the other two double caps that bear no number were given by one Supplier freely while payment can be made once funds are ready and available. Till now no payment have been processed. *(KPS Management Responses 2022, received 01/05/2024)*

8. MINISTRY OF INFORMATION COMMUNICATION & TRANSPORT

8.1. Background Information

The ministry has 8 divisions with main objective is to ensure efficient, safe, and affordable transportation across sea, air, and land, facilitated through Information Communication Technologies, Marine, Civil Aviation Authority of Kiribati, Airports Kiribati Authority, Postal Services, and Printing. (National Economic Planning Office, 2022) There are 205 number of established staff under ER 2022, including those stationed in Kiritimati Islands. (Public Service Office, 2022)

Findings & Analysis

8.2. Approved Budget Review

MICT Recurrent Revenues 2022 by divisions

Division	Details	2022 Original Est. Revenue	2022 Revised Est. Revenue	2022 Actual Revenue	Variance
2401	Admin	-1,911,233	-1,911,233	-1,565,208	-346,025
2402	Marine	-148,000	-148,000	-138,621	-9,379
2406	Kiribati Post	-122,000	-122,000	-374,449	252,449
2407	Printery	-108,000	-108,000	-156,344	48,344
	Total	**-2,289,233**	**-2,289,233**	**-2,234,622**	**-54,611**

(Ministry of Finance and Economic Development, 2022)

8.2.1. Revenue shortfall

The total revenue shortfall at the end of the year is $54k, and this relates mainly to the non-collection of JAXA income which was estimated to be $1 million collection during the year.

<u>AUDIT RECOMMENDATION:</u> The ministry should always work toward achieving the revenue targets to ensure the compliance to the Approved Budget 2022.

Management Responses

The Management has agreed to the findings on the MICT overall revenue shortfall in 2022 and that was due to the closure of boarders during the outbreak of Covid-19. The air service is one of the main revenues of the Ministry was affected by the lockdown back then, however, it caused so many collections on such revenues. *(MICT Management responses 2022, received 26/03/2024)*

MICT Recurrent Expenditures 2022 by divisions

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2401	Admin	1,172,178	1,172,178	1,106,457	65,720
2402	Marine	549,941	549,941	443,715	106,226
2403	Navigation	119,911	119,911	113,664	6,247
2404	Aviation	384,525	384,525	340,909	43,616
2405	Airport Services	791,153	791,153	658,494	132,659
2406	Kiribati Post	541,431	541,431	519,692	21,740
2407	Printery	359,889	359,889	295,432	64,457
2408	ICT	603,219	603,219	539,947	63,273
	Total	**4,522,247**	**4,522,247**	**4,018,309**	**503,938**

(Ministry of Finance and Economic Development, 2022)

8.2.2. Approved budget huge remaining balance

The audit noted that MICT had a huge saving of $503,938 and major savings come from all division's salaries (code 202).

<u>AUDIT RECOMMENDATION:</u> MICT should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

No Response received.

8.3. Payment control weaknesses

8.3.1. Incorrect payment amount

The audit found a difference of $1,760.00 between PV# 100/08/22 (Quotation) amounted $6,954.88 and invoice in the amount of $8,714.88.

<u>AUDIT RECOMMENDATION:</u> MICT needs to thoroughly check invoice amount prior payment is made.

Management Responses

Management acknowledges the Auditor's recommendation that there has been a lack of control in processing payments and that will need improvement and control base approach, proper checking, and review of payments. However, if we refer to the requisition form (quotation)per the PV above, and it seems that the calculation for item 2 is not completed as the unit cost of $159.00 must be multiplied by the number of quantity (4) and will come up to $636.00. However, adding those figures with the freight charge of $1,283.00 will give us the exact amount on the PV of $8,714.88. *(MICT Management responses 2022, received 26/03/2024)*

8.3.2. Non update of asset register 2022

Upon review the audit noted that the asset register is not updated as it only records January to July while no records for August to December. Further review, the audit could not sight purchased assets in 2022 due to the lack of important details assigned to each asset such as serial number and location of asset.

AUDIT RECOMMENDATION: MICT should strongly push the responsible officer to maintain and update the asset register as this is very important in recording and safeguarding all purchased assets.

Management Responses

We agree with the Auditor's finding on the Asset Register control not updated, and the following action will be taken to improve the situation. The Account Department will ensure that the Asset Register for all purchases of the Ministry must be documented well and updated. Records must detail well *(MICT Management responses 2022, received 26/03/2024)*

9. MINISTRY OF INFRASTRACTURE & SOLAR ENERGY

9.1. Background Information

MISE has 10 divisions with main objective aims at improving access to safe and sustainable water resources and sanitation facilities. (National Economic Planning Office, 2022) According to the ER 2022, the ministry currently employs a total of 215 permanent staff. (Public Service Office, 2022)

Findings & Analysis

9.2. Approved Budget Review

MISE Recurrent Expenditures 2022 by divisions

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2701	Admin	1,230,092	1,230,092	1,205,216	24,876
2702	Energy	310,198	310,198	292,334	17,864

2703	Electricity	17,481	17,481	16,218	1,263
2704	Engineering	9,326	9,326	2,313	7,013
2705	Construction	895,305	895,305	878,170	17,135
2706	Water & Sanitation	592,562	592,562	566,595	25,967
2707	Quality Control	295,659	295,659	274,870	20,789
2708	Architectural	148,478	148,478	147,257	1,221
2709	Civil Engineer	735,915	735,915	699,830	36,086
2710	Cost & Planning	141,392	141,392	127,370	14,022
	Total	**4,376,408**	**4,376,408**	**4,210,173**	**166,236**

(Ministry of Finance and Economic Development, 2022)

9.2.1. Approved budget huge remaining balance

The audit noted that MISE had an excess saving of $166,236 and major savings come from all divisions.

AUDIT RECOMMENDATION: MISE should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Management agreed with the Audit Findings that MISE had an excess saving of $166,235. The main reason for this excessive was that the Ministry had vacancy in senior positions such Senior Accountant, Energy Planner, Conventional Energy Planner, Urban Energy Planner etc. Beside these vacant positions, the ministry also had a saving from the salary deduction with a minimum of $1521.50 per pay period therefore the ministry would get a saving of $39,559 in total only for salary deduction. *(Management responses 2022, received via email 26/03/2024)*

9.3. Asset register is not yet prepared to a standard format.

The audit observed that purchased assets are not yet recorded in a proper asset register format. All purchased assets are recorded in a purchase form format and not yet transferred to the asset register.

AUDIT RECOMMENDATION: MISE should transfer all purchased assets in the purchase form register and to record these in a standard asset register.

Management Responses

MISE agreed with the audit findings on the purchased and issuance of Equipment, Furniture and Fittings are not properly recorded in the asset register. However, it should be noted that MISE have records of purchasing of Asset and were recorded on Account shared folder on Purchase Form 2022, but this need to be strengthened and updated occasionally as some issued and purchased Equipment, Furniture and Fittings were for MISE divisions such as Constructions and Civil. Therefore, to strengthen the recording of Asset Register MISE divisions such as Construction and Civil should have any updated Asset Register to ensure that they would record and update all their asset properly. *(MISE Management responses 2022, received via email 26/03/2024)*

10. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURE DEVELOPMENT

10.1. Background Information

The Ministry consist of four main divisions the Admin, Environment & Conservation Division, Lands and Agriculture division. The main goals of the ministry are to improve environment, land administration, to provide agricultural and livestock services. (National Economic Planning Office, 2022) The total number of permanent positions is 213 under ER 2022. (Public Service Office, 2022)

Findings & Analysis

10.2. Approved Budget Review

MELAD Recurrent Revenue Account 2022 by divisions:

Division	Details	2022 Original Est. Revenue	2022 Revised Est. Revenue	2022 Actual Revenue	Variance
1602	ECD	-18,300	-18,300	-24,243	5,943
1603	Lands	-838,655	-838,655	-362,027	-476,628
1604	Agriculture	-110,000	-110,000	-75,652	-34,348
	Total	**-966,955**	**-966,955**	**-461,921**	**-505,034**

(Ministry of Finance and Economic Development, 2022)

10.2.1. Revenue Shortfall

The audit noted that total revenue shortfall is $505,034 as per table above and the main cause relates to the slow collection of subleases rent and leases in the amount of $469,271.

AUDIT RECOMMENDATION: The ministry should always work toward achieving the revenue targets to ensure the compliance to the Approved Budget 2022.

Management Responses

The estimates amount is targeted to be met as the revenue for Land lease rent. Management continues to improve the collection. A scoping project to reform the Land Management Division is currently ongoing. *(MELAD Management responses 2022, received 19/03/2024)*

MELAD Recurrent Expenditure Account 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1601	Admin	961,293	961,293	956,806	4,487
1602	ECD	964,115	964,115	963,695	420
1603	Lands	1,168,806	1,168,806	1,156,078	12,728
1604	Agriculture	1,652,776	1,652,776	1,647,385	5,390
	Total	**4,746,990**	**4,746,990**	**4,723,964**	**23,026**

(Ministry of Finance and Economic Development, 2022)

Management Responses

Management continued to manage its annual budget however the spending is directed to cater for important commitment or need of the ministry. The transfer is to cater for external travel expenses which is also important to the Ministry as member states and avail the opportunity as well to search for funding from donors. The other major expense is for the payment for two vehicles which are also essential needs for the ministry for its operation. *(MELAD Management responses 2022, received 19/03/2024)*

10.3. Unauthorized Advance from the Consolidated Funds

The audit found one salary payment PV# TR177/01/22 amounted $4,809.40 in respect of various contracted labors at the Bikenibeu and Temwaiku farm. This should be paid from the Chinese fund however was financed from the recurrent under local services. Advances from the Consolidated Funds or of other public funds was repealed in the Public Finance (Control and Audit) (Amendment) Act 1993.

AUDIT RECOMMENDATION: Financing project activities from the recurrent account should be strictly avoided by ministries as this had been repealed in the Public Finance (Control and Audit) (Amendment) Act 1993.

Management Responses

The wages of the labors should be paid from the Chinese fund allocated for the farms hence there were no budget in the wages code under ALD. The funds were late to received hence the utilization of the budget from the Recurrent. *(MELAD Management responses 2022, received 19/03/2024)*

11. MINISTRY OF EMPLOYMENT & HUMAN RESOUCES DEVELOPMENT

11.1. Background Information

Ministry of Employment Human Resources Development consists of four main divisions, Admin, Labour, KIT and MTC with main purpose is to expand employment opportunities for all I-Kiribati at national and international market with relevant trainings offered by Institutions at KIT and MTC. (National Economic Planning Office, 2022) According to ER 2022, the ministry has 200 permanent positions. (Public Service Office, 2022)

Findings & Analysis

11.2. Approved Budget Review

MEHR Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2801	Admin	968,679	968,679	905,752	62,927
2802	Labour	595,730	595,730	547,700	48,030
2803	KIT	2,218,758	2,218,758	2,088,820	129,938

2804	MTC	2,640,253	2,640,253	2,465,753	174,501
	Total	**6,423,420**	**6,423,420**	**6,008,025**	**415,395**

(Ministry of Finance and Economic Development, 2022)

11.2.1. Approved budget huge remaining balance

The audit noted that MEHR had huge savings of $415,395 and major savings come from all divisions, particularly KIT and MTC divisions.

AUDIT RECOMMENDATION: MEHR should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Response was provided on the 07//05/2024 but not yet signed by Secretary.

12.MINISTRY OF EDUCATION

12.1. Background Information

The Ministry of Education consists of 15 divisions with total of 1,748 permanent positions under the ER 2022. (Public Service Office, 2022) The ministry main goal is to provide quality education with equal opportunity for the development of youth that achieves high standards, broad coverage, relevance, and cost-effective delivery. (National Economic Planning Office, 2022)

Findings & Analysis

12.2. Approved Budget Review

MOE Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2301	Admin	2,238,371	2,238,371	2,106,055	132,316
2302	Primary	13,639,975	13,672,975	13,643,034	29,941
2303	JSS	8,749,634	8,716,634	8,354,774	361,859
2304	PPD & TR	137,400	137,400	66,779	70,621
2305	Teabike College	1,254,206	1,254,206	1,200,428	53,778
2306	KTC	1,586,234	1,586,234	1,538,048	48,186
2307	Exams	659,885	659,885	616,203	43,682
2308	CDRC	693,973	693,973	684,476	9,497
2309	Library & Archives	451,278	451,278	398,789	52,489
2310	SSS	2,853,265	2,853,265	2,812,757	40,509
2311	FMU	568,409	568,409	551,852	16,558

2312	Stat & IT	269,570	269,570	223,647	45,923
2313	KGV & EBS	2,657,839	2,657,839	2,552,430	105,410
2314	KQA	53,413	53,413	47,369	6,044
2315	ECCE	472,297	472,297	454,579	17,718
	Total	**36,285,748**	**36,285,748**	**35,251,218**	**1,034,530**

(Ministry of Finance and Economic Development, 2022)

12.2.1. Approved budget huge remaining balance

The audit noted that MOE had huge saving of over $1 million and major savings come from all divisions, particularly division 03 JSS.

AUDIT RECOMMENDATION: MOE should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Please note that the bulk of saving or surplus (end 2022) is actually came from Personal Emolument (PE) Budget. And this happens because – through the year, there were a number of vacancies or unfilled posts within the Ministry, particularly JSS division (E2303). As you might be quite aware of, – The recruitment for these vacant posts for Teachers is not what is normally carried out for any other normal post beside Teacher post. As you may agree, these MOE vacancies (of Teachers posts) can only be addressed – through new released or Graduates from KTC. And as been reported – the number of newly Graduated Teachers end of each year – will always not as been expected – as mostly there were drop-outs – by the end of Lots' third year. (Training completion) *(MOE Management responses received via email 07/05/2024)*

13. MINISTRY OF TOURISM COMMERCE INDUSTRY & COOPERATIVE

13.1. Background Information

MTCIC consists of 5 main divisions with a total of 106 permanent positions under ER 2022. (Public Service Office, 2022) The main purpose of the ministry is to foster economic growth by promoting and supporting the development of local business entities, investments, diversified industries, cooperative subsectors ensuring fair trading platform for business and Consumers through innovative, sound policies and business enforcement that led to wealth and prosperity for all I-Kiribati. (National Economic Planning Office, 2022)

Findings & Analysis

13.2. Approved Budget Review

MTCIC Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1801	Admin	966,655	966,655	913,360	53,295
1802	BRC	584,651	584,651	548,522	36,129
1803	BPC	698,852	698,852	660,740	38,112
1804	Xmas Branch	312,967	312,967	284,677	28,290
1805	Tourism	558,286	558,286	518,839	39,448
	Total	**3,121,412**	**3,121,412**	**2,926,138**	**195,274**

(Ministry of Finance and Economic Development, 2022)

13.2.1. Approved budget huge remaining balance

The audit noted that MTCIC had huge saving of $195,273 and major savings come from all five divisions.

AUDIT RECOMMENDATION: MTCIC should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

One of the outputs contributing to the overall Ministry savings is Salary. In 2022, the Ministry reported a total of had 15 vacancies where 9 were in the recruitment stages while 6 were filled in by temporary contracts some of which awaiting first appointment. *(MTCIC Management responses 2022, received 30/04/2024)*

14. MINISTRY OF JUSTICE

14.1. Background Information

The Ministry of Justice is the lead administrator of justice in Kiribati and therefore responsible to administer legislations, deliver justice services and provides policy support and analysis on justice issues within Kiribati. (National Economic Planning Office, 2022) There are six divisions under MOJ and total of 111 permanent positions in 2022. (Public Service Office, 2022)

Findings & Analysis

14.2. Approved Budget Review

MOJ Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
3701	Admin	735,770	735,770	671,328	64,442

3702	Prison	950,177	950,177	896,213	53,963
3703	Civil Registration	320,224	320,224	269,187	51,037
3704	Human Resource	130,640	130,640	123,698	6,942
3705	OPL	729,547	729,547	590,508	139,039
3706	Xmas	142,986	142,986	112,249	30,737
	Total	**3,009,344**	**3,009,344**	**2,663,184**	**346,160**

(Ministry of Finance and Economic Development, 2022)

14.2.1. Approved budget huge remaining balance

The audit noted that MOJ had an excess saving of $346,161 and major savings come from all divisions, particularly division 05 OPL.

AUDIT RECOMMENDATION: MOJ should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

This Ministry would like to give thanks to the Audit for this question which is beyond the unexpected result. This shows that MOJ has carried out her proper monitoring and controlling of the public fund which results in the unexpected huge remaining balance beside the facts that there some activities were not budgeted but really needed for the transitional period for CRO as well as the MOJ Headquarter office which result in the number of transfers. The overall goal for these transfers was for MOJ to achieve her goal in making her staff secure and comfortable in their office.

The year 2022 was the year where there was a pandemic virus Covid-19 spread out that leads to the Lockdown in all the government ministries. Along with this lockdown was the closed down of travelling to overseas as well as to outer islands. So the budgeted activities could not be carried out due to this pandemic virus. As all staff were scared of this pandemic virus and so let the year goes by with less productivity which result in huge remaining balance of the approved budget.

In addition, OPL is the major savings out of MOJ. As in regard to his mission is to deal in aid to people and services to the members of the community who are not in position to afford those through private lawyers for fair justice. And as result of this Covid-19 all people are all restricted to walk around which leads OPL to less productive as there are less complaints from people. Beside those there were budgeted activities were freeze due to this Pandemic Virus such as outreach program/awareness to the outer islands as well as to primary schools and secondary schools. *(MOJ Management Responses 2022, received 15/03/24)*

15. JUDICIARY

15.1. Background Information

The Judiciary is not a ministry but one of the independent arms of the government likewise the Executive and Legislature and main tasks is the interpretation of laws passed by the Legislature. (National Economic Planning Office, 2022) The Judiciary had three divisions, high court, magistrate and judicial and with total of 90 permanent positions under ER 2022. (Public Service Office, 2022)

Findings & Analysis

15.2. Approved Budget Review

JUD Recurrent Revenue Account 2022 by divisions:

Division	Details	2022 Original Est. Revenue	2022 Revised Est. Revenue	2022 Actual Revenue	Variance
1101	High Court	-170,000	-170,000	-248,853	78,853
1102	Magistrates Court	-170,000	-170,000	-119	-169,881
1103	Judicial Technical	-46,200	-46,200	-906	-45,294
	Total	**-386,200**	**-386,200**	**-249,878**	**-136,322**

(Ministry of Finance and Economic Development, 2022)

15.2.1. Revenue Shortfall

Total revenue shortfall is $136,322 and this relates mainly to the non-achieve of magistrate fees in the amount of $129,897 during the year.

AUDIT RECOMMENDATION: The ministry should always work toward achieving the revenue targets to ensure the compliance to the Approved Budget 2022.

Management Responses

The short fall of all revenues depend on the number of cases for each current year. The projection Budget have been decreased in the year 2023. (*Judiciary Management Responses 2022, received 11/03/24)*

JUD Recurrent Expenditures Account 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1101	High Court	774,829	774,829	711,515	63,313
1102	Magistrates Court	1,422,564	1,422,564	1,403,900	18,664
1103	Judicial Technical	764,014	764,014	707,389	56,626
	Total	**2,961,407**	**2,961,407**	**2,822,804**	**138,603**

(Ministry of Finance and Economic Development, 2022)

15.2.2. Approved budget huge remaining balance

The audit noted that Judiciary had huge saving of $138,603 and major savings come from all the three divisions.

AUDIT RECOMMENDATION: JUDICIARY should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Savings of the Approved Budget is indicated as some activities and purchases to be carried out and processed during the year were in complete and not done as we all try to catch up with the closing date of payments set from MFEP, there was also a huge saving from our allowances mainly for Outer islands and this also depend on the late posting from DWs send to Outer islands. *(Judiciary Management Responses 2022, received 11/03/24)*

15.3. Two Unused Access Point (AC 1200 Wireless)

The audit found two unused Access Point (AC1200 Wireless) were remain in the IT room.

AUDIT RECOMMENDATION: Purchased assets or items should be used when acquired because they are the need of the ministry, otherwise stays idle because it was not that urgently needed. Idle assets will become damage and obsolete over time when not promptly use.

Management Responses

The Wi- Fi that was previously unused is now being used for the High Court extender, while another one is designated for the Bairiki access point. The installation of the access point. The installation of the access point in the Bairiki has been delayed due to ongoing maintenance, which has not yet been completed. However, it was included in our ICT unit plan to be installed in March. *(Judiciary Management Responses 2022, received 11/03/24)*

15.4. Five Unpacked N Computing

On the same above PV and invoice number, the audit noted 10 purchased N Computing items each cost $349.00, five of them were never used still in packed.

AUDIT RECOMMENDATION: Purchased assets or items should be used when acquired because they are the need of the ministry, otherwise stays idle because it was not that urgently needed. Idle assets will become damage and obsolete over time when not promptly use.

Management Responses

These 5 unpacked N- Computing devices are intended for use in court Bairiki and Bikenibeu, as well as by 3 front counter clerks. Currently, one device is being used by a single magistrate as a replacement for the broken Lenovo laptop. The remaining 4 N- Computing devices are awaiting configuration by the magistrate to be properly installed at the front counter next month in March. *(Judiciary Management Responses 2022, received 11/03/24)*

15.5. Weaknesses in the control of stock verification on arrival

15.5.1. 10 Different brands of monitor received.

According to PV# JUDI 0746/22 invoice 12602 total amount $9,555.75, the audit found that 10 ordered Samsung Monitors each cost $399 (total $3,990), these brands were never received instead as per audit observation, LG monitors were received.

The audit disagrees with the supporting letter from Supplier as per Annex 2, because the letter was dated on the 28/02/24 in response to the audit findings. This could have been done immediately or on the same date when purchased was made in 2022.

AUDIT RECOMMENDATION: The Judiciary should verify, and record purchased assets upon arrival. Any discrepancies with the stock ordered should be promptly noted, and the supplier should be notified immediately.

Management Responses

These 10 monitors replaced the old monitors for 5 court clerks, 1 registry counter, 1 archivist, and 3 for court clerks' front counter. It was part of our ICT unit plan to replace old monitors with the latest ones, as the old ones were not compatible with the latest N- computing system. (This is also solved as per Annex 2). *(Judiciary Management Responses 2022, received 11/03/24)*

15.5.2. One solar panel not installed.

According to PV 0871/22 the purchase of 32 solar panels, the audit found that one solar panel had been missed out when physically counting them. This is something Judiciary just realised that one solar panel had been missed out during the audit then later informed the auditor that this was resolved as they contacted the Solar company and confirm that the item was still on hand and then delivered. After reviewing the case, the audit wants to include this to highlight that this is a weakness in the counting, verification and recording of fixed assets.

AUDIT RECOMMENDATION: Judiciary needs to strengthen its control over the record and maintenance of assets to ensure that all assets i.e. solar panels are counted upon arrival, recorded and checked after the completion of installation.

Management Responses

Inventories/assets are recorded in the Inventory Record by the Senior Accountant as part of their job. To keep reliable records, these must be seen and verified first by the officer keeping the inventory record.
Way forward: There are 3 officers in the Finance & Account Unit (FAU) of the Judiciary, namely the SA, the Accountant, and the Account Officer. All these officers were placed in the Judiciary by the MFED with JDs decided by the MFED. And in the JDs, I am sure keeping records of the inventories is one of them. *((Judiciary Management Responses 2022, received 07/05/24)*

16. MINISTRY OF FISHERIES MARINE & RESOURCES DEVELOPMENT

16.1. Background Information

The ministry had seven divisions with main purpose is to ensure effective management, optimal utilization, and sustainability of marine fisheries, aquatic ecological resources and myriad non-living resources while improving social and economic returns and supporting food security. (National Economic Planning Office, 2022) There are 180 permanent positions in 2022. (Public Service Office, 2022)

Findings & Analysis

16.2. Approved Budget Review

MFMRD Recurrent Revenues 2022 by divisions:

Division	Details	2022 Original Est. Revenue	2022 Revised Est. Revenue	2022 Actual Revenue	Variance
2103	Coastal Fisheries	-8,000	-8,000	-34,690	26,690
2104	License & compliance	-199,967,000	-199,967,000	-140,958,649	-59,008,351
2105	Geo Science	-25,000	-25,000	-27,047	2,047
	Total	**-200,000,000**	**-200,000,000**	**-141,020,386**	**-58,979,614**

(Ministry of Finance and Economic Development, 2022)

16.2.1. Revenue Shortfall

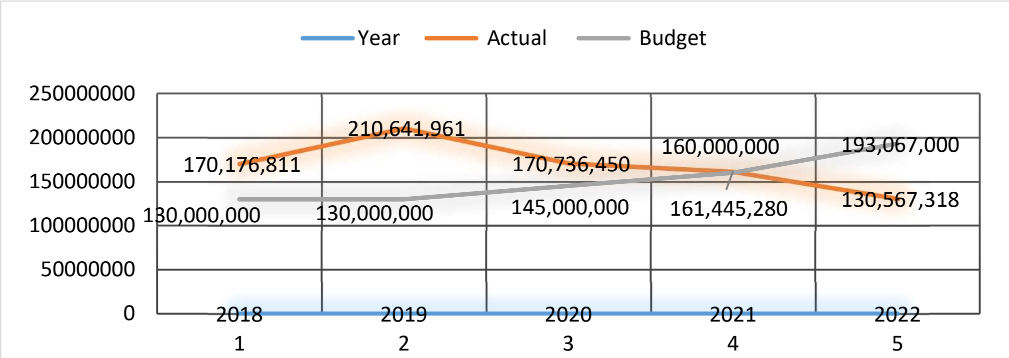
Total revenue shortfall is $58 million as per table above and this relates mainly to the under collection of fishing license revenue in the amount of $62 million.

AUDIT RECOMMENDATION: The ministry should always work toward achieving the revenue targets to ensure the compliance with the Approved Budget 2022.

Management Responses

Volatility in fishing revenue depends on key external factors that are beyond MFMRD control. These include fish price, fuel price, political unrest, pandemic (like Covid), climate change etc. In 2022, Kiribati like the rest of the world, faced a difficult situation because of three majors global catastrophizes occurred around the same time. These are COVID19, Ukraine-Russia war and La Nina conditions. Although COVID19 occurred earlier, it still has an impact on global economies and business activities in later years. Some companies still recovering from the aftermath. These events have caused fishing companies to be more conservative in their approach when renewing their access agreement. Speaking about purse seine fishery, which is where the majority of Government revenue comes from, purse seine operators, in their attempt to avoid risks, had to reduce purchase of fishing days in Kiribati to safeguard their operation. The Ukraine-Russia war and ENSO conditions amplified the problem resulting in remaining days unsold in 2022 high and drop in fishing revenue as a result. (MFMRD Management Responses 2022, received 8/05/2024)

16.2.2. Trend of fishing license for the past five years.



The trend of fishing license revenues for the past 5 years as per graph above showed that Actual Fishing License revenues dramatically dropped from 2019 to 2022. The responsible officer explained that the drop of license relates mainly to the global impact of Covid 19.

AUDIT RECOMMENDATION: Given that fishing license revenues constitute a significant portion of the government's income in Kiribati and are relied upon by its citizens, it is essential for the Fisheries division to implement a strategic approach aimed at sustaining and increasing the collection of income from fishing licenses.

Management Response

Although some companies can enter the fisheries through access agreement others can leave in times of economic difficulties and challenges, however, most major fishing companies which have been our important fishing partners continue to stay and provide us with revenue. With changing economic and environment conditions affecting fisheries, it is in our view that the key to maintaining fishing companies and sustainable revenue is through good fishing arrangements, attractive environment for business, services that we offer and working with other key agencies to ensure new policies support and increase attraction of our EEZ and ports to licensed fishing vessels. Onshore development in fishery sector, add value in the post-harvest and processing, fishing, harvesting, process and export our own fish is the goal to generate the greater percentage of share from our fisheries. JV is envisaged to be a starting point to elevate current benefits from tuna resource to the optimal. (MFMRD Management Responses 2022, received 8/05/2024)

16.2.3. Lack of revenue reconciliation

License revenue Balance as per MFMRD	141,846,258.42
License revenue Balance as per MFED	130,567,318.00
Variance	**11,278,940.42**

The audit noted a variance of $11 million in fishing license revenues between the Fisheries division and Ministry of Finance. This indicates a lack of revenue reconciliation between the two ministries.

<u>AUDIT RECOMMENDATION:</u> Revenue reconciliation between the two ministries should be performed on a monthly basis to ensure that the two ministries have matched records.

Management Responses

The reconciliation is normally done once the GL provided from Finance, unfortunately not on a monthly basis. The difference is well noted but this was occurred as in relation to the Journal Voucher made during the Revenue Reconciliation 2022. The purpose of the JV was to correctly reallocate revenue earnings to proper codes. These were Observer fee, transhipment and Projects Revenues like WCPFC, Development fund and Observer fund. Since, Fishing Companies at times transmit payment in lumpsum, combine revenues in one payment. Hence, the difference detected as a result of the JV after splitting the combine revenues to proper codes. (MFMRD Management Responses 2022, received 8/05/2024)

MFMRD Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2101	Corporate	1,127,420	1,127,420	1,103,252	24,168
2102	Planning	179,942	179,942	169,809	10,133
2103	Coastal Fisheries	1,762,393	1,762,393	1,760,895	1,498
2104	License and compliance	447,656	447,656	441,399	6,257
2105	Geo Science	267,961	267,961	263,738	4,224
2106	Seafood Verification	311,650	311,650	305,446	6,204
2107	ICT	151,340	151,340	148,463	2,877
	Total	**4,248,362**	**4,248,362**	**4,193,002**	**55,360**

(Ministry of Finance and Economic Development, 2022)

16.2.4. Approved budget remaining balance

The audit noted that MFMRD had a total saving of $55,360 and major savings come from all division particularly division 01.

<u>AUDIT RECOMMENDATION:</u> MFMRD should avoid having huge savings at the end of the year, this means that some activities were not performed during the year.

Management Responses

The total saving of $55,360 reflects part of it as a saving from a Legal Advisor's vacancy that have been advertised for many times, but none have ever applied. The other portion was related to Covid 19 pandemic where travel internally and externally was restricted. (MFMRD Management Responses 2022, received 8/05/2024)

17.MINISTRY OF HEALTH MEDICAL SERVICES

17.1. Background Information

Ministry of Health is the second largest ministry that has 13 divisions and total number of 940 permanent staff under the ER 2022. (Public Service Office, 2022) The ministry focuses on improving the population health and health equity through continuous improvement. (National Economic Planning Office, 2022)

Findings & Analysis

17.2. Approved Budget Review

MHMS Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2201	Admin	4,163,411	4,612,112	4,599,140	12,971
2202	Support	2,699,453	2,699,453	2,684,439	15,014
2203	Public Health	1,367,891	1,367,891	1,355,475	12,416
2204	Curative	2,969,158	2,590,457	2,584,946	5,511
2205	Lab	804,405	804,405	746,427	57,978
2206	Radiology	348,417	348,417	267,819	80,599
2207	Pharmacy	2,833,191	2,833,191	2,833,115	76
2208	Rehab	350,201	350,201	303,948	46,253
2209	Dental Clinic	554,285	554,285	510,173	44,112
2210	Nursing services	8,947,104	8,947,104	8,928,152	18,952
2211	Linnix Services	1,503,568	1,433,568	1,350,104	83,464
2212	SKH	973,412	973,412	969,668	3,744
2213	Health Information	245,908	245,908	244,324	1,585
	Total	**27,760,405**	**27,760,405**	**27,377,729**	**382,676**

(Ministry of Finance and Economic Development, 2022)

17.2.1. Approved budget remaining balance

The audit noted that MHMS had an excess saving of $382,674 and major savings come from all divisions particularly division 05 Lab, 06 Radiology and 11 Linnix services.

AUDIT RECOMMENDATION: MHMS should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

Savings in 2022 were from the Personal Emolument which resulted from the vacancies created by the increased external migration of health workers particularly under the Pacific Labour Scheme. With this, the Ministry saw a saving of up to $1million which was utilized to cater for underbudgeted activities such as water, electricity, communication, local service, overtime, allowance and temporary assistance. In most cases, these outputs are underbudgeted compared to the realistic costs especially when there is an outbreak and an increase in the in-admission of patients at Nawerewere and other health centers. As part of this process, virements and transfers were done to cater for the underbudgeted activities. Please see attached copies of virements. *(MHMS Management responses 2022, received 07/05/24)*

17.3. Untimely of medical payments

The review of two major specialized overseas purchases for medicines, the audit found two payments related to outstanding invoices for 2021 which were paid in 2022. Refer list below:

- PV# MOH 0941/07/22 $340,343.48
- PV# MOH 0206/07/22 $272,592.69

AUDIT RECOMMENDATION: Payment for medical supplies should be paid in a timely manner so that it would not affect the current budget and supplies are well received in time to avoid medical shortage.

Management Responses

The Ministry acknowledges the untimely payment of medical supplies leading to the cumulative outstanding invoices for 2017-2021. With the reshuffling of Senior Accountants in 2022, the outstanding payments were actioned. Please find the attached report from MHMS Account Office and supporting documents to the related outstanding incidents and issues 2017-2021 which the team tried to settle in 2022. *(MHMS Management responses 2022, received 07/05/24)*

18. MINISTRY OF WOMEN YOUTH SPORT & SOCIAL AFFAIRS

18.1. Background

Ministry of Women Youth Sport and Social Affairs has seven divisions with a total of 81 permanent staff under the ER 2022. (Public Service Office, 2022) The ministry focuses on improving social welfare through partnerships between national Government, local Government, Faith-based organizations, and non-governmental organizations. The emphasis is on the development of youth and sports and the protection of the most vulnerable in society, including people with disability, women, and children. (National Economic Planning Office, 2022)

Findings & Analysis

18.2. Approved Budget Review

MWYSA Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2601	Admin	1,255,016	1,255,016	1,246,382	8,634
2602	Sport	148,192	148,192	146,042	2,150

2603	Social Welfare	291,519	291,519	287,671	3,849
2604	Youth	137,030	137,030	136,843	187
2605	Women	182,925	182,925	181,961	964
2606	NGO	63,405	63,405	63,272	133
2607	Disability	84,175	84,175	81,430	2,745
	Total	**2,162,262**	**2,162,262**	**2,143,600**	**18,662**

(Ministry of Finance and Economic Development, 2022)

18.2.1. No transfer forms provided.

The audit had identified three significant transfers and requested the ministry to provide transfer forms to support the authorization of these transfers:

Division	**Code**	**Amount Transferred**
01 Admin	227 External Travel	60,887
03 Social welfare	227 External Travel	46,141
04 Youth	227 External Travel	41,988

AUDIT RECOMMENDATIONS: Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised to be made.

Management Responses

No response provided.

18.3. External Travel – Control weaknesses.

18.3.1. Lack of supporting programs to support excess nights.

According to Imprest number 1442/22 and 1425/22, the audit found that the MWYSA team consist of 2 officials spend extra four nights in Brisbane upon returning from COP27 in Egypt. The audit can't justify whether the 4 nights spend in Brisbane were part of official business due to no supporting letter to justify the necessity of the stay in Brisbane for official purposes.

AUDIT RECOMMENDATION:

Travel Programs should be attached to the imprest/travelling claim to outline official activities or engagements during their official travels.

Management Response

No responses provided.

18.3.2. Double payment on overseas allowance and tips

According to travel payments **IMP1425/22 or MWYSA034/01/22**, an overseas allowance of $1,050.00 and $210.00 for tips, totaling $1,260.00 was paid to SAS Ms Uritina Etera. The audit found that Ms Uritina claimed an overseas allowance of $50.00 per day for 21 days and tips of $10.00 per day for 21 days.

However, she is not entitled to receive this type of allowance, as it is only payable to Ministers under the **Salaries and Allowances of Members of the Maneaba ni Maungatabu and Salaries Tribunal Act**.

Furthermore, the audit also identified that HM Martin Moreti, who is the rightful recipient of the allowance, claimed the same allowance under **IMP1442/22 or MWYSA035/01/22**. This resulted in double payments for the same period, which is a significant compliance issue.

18.3.3. Weakness in the control of balances at both MWYSA account and MFED account (treasury)

The audit wishes to highlight a significant weakness in the control of balances at both MWYSA and MFED (treasury) accounts. These control deficiencies allowed SAS Uritina Etera to claim an overseas allowance and tips she was not entitled to, while HM Martin Moreti, the rightful recipient, also claimed the same allowance for the same period.

This failure to detect and prevent double payment indicates gaps in the review and approval processes at both MWYSA and MFED (treasury) accounts section.

AUDIT RECOMMENDATION:

- **Civil servant should not claim allowances payable on behalf of Ministers who travel with them.**
- **Both MWYSA and MFED accounts should implement strict control over the review and approval of payment claims. This includes verifying claimant eligibility against applicable laws and ensuring claims are not duplicated.**

Management Responses

No response provided.

18.3.4. Incorrect calculation of Inadequate allowance

According to the calculation of inadequate allowances for this imprest imp1425/22 (mwysa035/01/22) the audit found that inadequate allowance is not correctly calculated as per NCS which is 1/3 of the daily subsistence allowance (NCS E5.4h(i))

AUDIT RECOMMENDATION: The calculation of inadequate allowance should be done in accordance to NCS E5.4h (i)

Management Responses

No response provided.

19. MINISTRY OF FINANCE ECONOMIC DEVELOPMENT

19.1. Background Information

Ministry of Finance Economic Development has 9 divisions with a total of 234 permanent staff under the ER 2022. (Public Service Office, 2022) The purpose of the Ministry is to achieve a viable and sustainable economy that can provide an adequate standard of living for the people of Kiribati. (National Economic Planning Office, 2022)

Findings & Analysis

19.2. Approved Budget Review

MFED Recurrent Revenues 2022 by divisions:

Division	Details	2022 Original Est Revenue	2022 Revised Est Revenue	2022 Actual Revenue	Variance
2501	Admin	-17,396,636	-17,396,636	-14,323,154	-3,073,122
2502	Treasury	-5,164,117	-5,164,117	-9836,576	4,672,459
2504	Nepo	-23,000,000	-23,000,000	0	-23,000,000
2505	Tax	-54,322,769	-54,322,769	-62,980,228	8,657,459
2509	Customs	-57,020	-57,020	-36,626	-20,3934
	Total	**-99,940,542**	**-99,940,542**	**-87,176,944**	**-12,763,598**

(Ministry of Finance and Economic Development, 2022)

19.2.1. Revenue Shortfall

The total revenue shortfall at the end of the year is $12 million, as indicated in the table above. This shortfall primarily stems from the non-reporting of $23 million in income, expected from the RERF dividend.

AUDIT RECOMMENDATION: The ministry should always work toward achieving the revenue targets to ensure the compliance to the Approved Budget 2022 (Appropriation Act 2022).

Management Responses

No RERF drawdowns were made during the year 2015 therefore, no actual revenue under NEPO reported. *(MFED Management Responses 2022, received 04/04/24)*

MFED Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
2501	Admin	1,176,753	1,341,423	1,276,892	64,532
2502	Treasury	1,634,800	1,624,800	1,541,328	83,473
2503	Internal Audit	131,605	121,605	116,449	5,156
2504	NEPO	424,799	399,799	359,396	40,402
2505	Tax	622,296	597,126	569,036	28,090
2506	Statistics	252,243	242,043	194,860	47,183
2507	IT	234,255	222,955	196,794	26,162
2508	CPU	120,018	115,018	92,200	22,818
2509	Customs	874,718	806,718	663,751	142,967
	Total	**5,471,487**	**5,471,487**	**5,010,707**	**460,780**

(Ministry of Finance and Economic Development, 2022)

19.2.2. Approved budget huge remaining balance

The audit noted that MFED had an excess saving of $460,781 and major savings come from all divisions particularly division 09 Customs, 02 Treasury and 03 Admin.

AUDIT RECOMMENDATION: MFED should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

It's understandable that the lockdown measures in place across Kiribati had a significant impact on various activities. Some of MFED activities were not implemented due to the lockdown. As a result, excess savings can be seen from all divisions particularly division 01 Admin, 02 Treasury and 09 Custom. (*MFED Management Responses 2022, received 04/04/24)*

19.3. Travel expenditures control issues.

19.3.1. Lack of supporting programs to support 21 nights spend in Fiji.

According to PV# imp0473/22 an imprest payment of $18,053.16, the audit noted that:

- there are 13 nights spent in Fiji prior attending the main event (meeting) in New York and Korea
- and another 8 nights spent in Fiji upon return from the meetings.

AUDIT RECOMMENDATIONS:

- **Travel Programs should be attached to the imprest/travelling claim to outline official activities or engagements during their official travel.**
- **Ministries should opt to most direct flights and avoid more than two – three nights for transits unless to special cases with supported reasons.**

Management Responses

- Due to the Covid 19 pandemic travel restrictions, HVP and team took a first available chartered flight from Tarawa on the 27 June to attend the High Level Political Forum in New York which was held on the 14 July and the GCF Board Meeting in Seoul Korea held on the 17-20 July, as this was the only flight out of Tarawa which could take the team to Brisbane and into Nadi for processing their visas required for the USA and Korea.
- They arrived in Suva on June 28 July in the evening, so their visa applications submitted on the next day, Wednesday 29 June. Because visa applications and passports could not submit to both Embassies at one time, applications for Korean visa were submitted first and the processing time for this visa took 5 working days. The next processing was the US Visa which was submitted to the US Embassy straight after the Kiribati High Commission received team's passport from the Korean Embassy, the processing time for the US Visa was also took almost 3 working days. The total number of working days spent in Suva excluding the weekend before their connection flights to New York and Korea was 8 days.
- The team returned back to Nadi on the 23 July 2022 and were booked to fly back to Tarawa on the 1st of August which was the only available option confirmed from the Airline since Fiji Airways

had just resumed its flight to Kiribati on the 1st of August, hence the extra 9 days in Nadi on the way back.
(MFED Management Response 2022, received 04/04/24)

19.3.2. Exceeding one month travel duration

The audit found three payments total $37,470 iro treasurer relievers on the outer islands in which their claims had exceeded one-month period which is contradicts to NCS E4.3 I to iii. (Refer breakdown)

Officer	PV#	No. of days	Amounts
Officer 1	HQPV 2588/22	36	2520
Officer 2	TC 0006/22	91	6850
Officer 3	TC 0274/22	40	28100
		TOTAL	**37,470.00**

AUDIT RECOMMENDATION: A policy should be put in place for imprest allowances that exceeds one month to relieve island treasurers.

Management Responses

The prolonged stay of the relieving treasurer on the island caused by the followings:

1. Island Treasurer took annual leave- The island treasurer has taken annual leave, which could contribute to the extended period of stay. The reliever manages treasury responsibilities during such absences.
2. Island Treasurer Post is still vacant/unoccupied at that time.

(MFED Management Response 2022, received 04/04/24)

20. MANEABA NI MAUNGATABU

20.1. Background Information

Maneaba ni Maungatabu is a local name for Government of Kiribati House of Parliament. The functions of the Maneaba contribute to open government including accountability to the representatives of the people, and a functioning legislature. (Ministry of Finance and Economic Development, 2022) The Parliament has 3 main divisions with a total of 63 permanent staff under the ER 2022. (Public Service Office, 2022)

Findings & Analysis

20.2. Approved Budget Review

MNM Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance

1701	Admin	1,640,701	1,640,701	1,371,656	269,044
1702	Parliament Meetings	3,695,273	3,695,273	3,547,714	147,559
1703	Parliament Committees	1,697,023	1,697,023	1,448,740	248,282
	Total	**7,032,996**	**7,032,996**	**6,368,111**	**664,886**

(Ministry of Finance and Economic Development, 2022)

20.2.1. Approved budget huge remaining balance

The audit noted that MNM had an excess saving of $664,887 and major savings come from all the three divisions.

AUDIT RECOMMENDATION: MNM should avoid having huge savings at the end of the year, this means that number of activities were not performed during the year.

Management Responses

The audit correctly identified that Maneaba ni Maungatabu (MNM) had an excess saving of $664,887 in the 2022 fiscal year. This surplus primarily arose from all three divisions—Admin, Parliament Meetings, and Parliament Committees—indicating a systemic issue rather than isolated occurrences within specific divisions.

Our response to this excess saving is two-fold. Firstly, MNM acknowledges the importance of prudent financial management and recognizes that excess savings suggest inefficient budget utilization. It's important to note that a significant portion of these excess savings can be attributed to the unforeseen impacts of the COVID-19 pandemic. With travel restrictions in place and limited cross-border movement, planned expenditures such as travel-related costs were significantly reduced. Additionally, the local implementation of travel restrictions within Kiribati further contributed to the surplus as there were limited opportunities for domestic travel as well.

Secondly, while MNM endeavors to accurately forecast and plan expenditures, the dynamic nature of the operating environment sometimes results in deviations from the original budget. However, we are committed to minimizing such variances in future budget cycles through improved forecasting techniques and enhanced financial oversight. *(MNM Management Responses 2022, received 07/05/24)*

20.2.2. No transfer forms yet provided.

The audit found number of transfers at division however identified three huge transfers to the following expense outputs and no transfer forms yet provided to support these transfers:

Division	Code	Amount Transferred
02 Parliamentary Meetings	250 Local services	239,197
	241 Stationeries	90,000
03 Parliamentary Committee	227 External	280,000

<u>AUDIT RECOMMENDATIONS:</u> Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised to be made.

Management Responses

The audit also observed significant transfers between outputs within divisions, indicating a lack of adherence to the approved budget structure. These transfers, as outlined in the audit report, highlight instances where allocated funds were reallocated to different expense categories, potentially undermining budget credibility and transparency. In response to this finding, MNM acknowledges the necessity of maintaining budgetary discipline and ensuring that budget allocations align with organizational priorities and strategic objectives. We recognize the importance of adhering to approved budget structures and commit to enhancing our internal controls to prevent unauthorized or excessive transfers between outputs. *(MNM Management Responses 2022, received 07/05/24)*

20.3. External travel control weakness

20.3.1. No quotations attached.

The audit noted that PV#1859/06 amounted $19,439.00 payment for air fare for Parliamentarians to Melbourne Australia did not attach at least two to three quotations.

<u>AUDIT RECOMMENDATION:</u> Supporting quotations should be attached to payments to ensure that the selection of airline is based on quality of service and cost.

Management Responses

Thank you for the opportunity to address the audit findings concerning payment PV# 1859/06 for airfare amounting to $19,439.00 for Parliamentarians traveling to Melbourne, Australia. We appreciate your diligence in reviewing our financial transactions and welcome the chance to provide clarification on the procurement process followed in this instance.

Regarding PV# 1859/06, we would like to confirm that our office did indeed seek multiple quotations via email communication, as per our standard procurement procedures. Following a thorough evaluation of the quotations received, Pan Pacific Tour emerged as the vendor offering the most competitive pricing.

Furthermore, our decision to engage Pan Pacific Tour for this airfare payment was not solely based on price but also on their track record of providing efficient and effective services. Over time, Pan Pacific Tour has consistently demonstrated their ability to meet our travel needs promptly and professionally, resulting in a positive experience for our Members of Parliament (MPs).

It is important to note that while the procurement documentation may not have explicitly attached two or three quotations, our office did follow the established procurement process by soliciting and evaluating multiple quotations via email communication. The decision to engage Pan Pacific Tour was made based on a combination of factors, including price competitiveness and service quality, ultimately ensuring the best value for our office.

Moving forward, we will ensure that our procurement practices are transparent and well-documented, in line with the standards expected by the audit office. Your feedback is instrumental in helping us strengthen our processes and uphold the highest standards of accountability and transparency. *(MNM Management Responses 2022, received 07/05/24)*

21. MINISTRY OF CULTURE & INTERNAL AFFAIRS

21.1. Background Information

The ministry has five division and have total of 147 permanent positions under the ER in 2022. (Public Service Office, 2022) The main purpose of the ministry is strengthening local governance, developing rural and urban economies' and reviving our culture and heritage, to realizing the aspirations contained in the Kiribati Development Plan and the Kiribati Vision 20. (National Economic Planning Office, 2022)

Findings & Analysis

21.2. Approved Budget Review

MIA Recurrent Expenditures 2022 by divisions:

Division	Details	2022 Original Budget	2022 Revised Budget	2022 Actual	Variance
1501	Admin	808,966	808,966	790,482	18,484
1502	RPD	621,883	621,883	599,030	22,853
1503	LGD	1,351,261	1,351,261	1,316,905	34,356
1504	CMD	412,053	412,053	405,062	6,991
1505	Election	80,506	80,506	71,078	9,429
	Total	**3,274,670**	**3,274,670**	**3,182,557**	**92,112**

(Ministry of Finance and Economic Development, 2022)

21.2.1. Approved budget remaining balance

The audit noted that MCIA had total saving of $92,112 and major savings come from all divisions.

AUDIT RECOMMENDATION: MCIA should avoid having huge savings at the end of the year, this means that some activities were not performed during the year.

Management Responses

The ministry shared Audit's concerns on the huge savings at the end of the year that could have settled those misplaced invoices and most importantly it could have been used to pay for a new bus in replacement of the existing deteriorating vehicle for staff's transport which is currently facing mechanical issues. As mentioned earlier, these savings originally came from PE where vacant positions were not filled before end of the year while our operational costs were all spent but replenished from these savings. *(MCIA Management Responses 2022, received 15/05/2024)*

22. MINISTRY OF LINE AND PHOENIX ISLANDS DEVELOPMENT

22.1. Background Information

The Ministry of Line and Phoenix Islands Development operates within the Line and Phoenix Islands, an isolated region. With 13 divisions, its primary mandate involves coordinating and executing government policies and development initiatives in the area. The ministry plays a pivotal role in realizing the objectives outlined in the Line and Phoenix Integrated Development Strategic Plan (LPIDS) and KV20. (National Economic Planning Office, 2022) Currently, it maintains 206 permanent positions under the ER 2022. (Public Service Office, 2022)

Findings & Analysis

22.2. Approved Budget Review

MLPID Recurrent Expenditures 2022 by divisions:

Division	**Details**	**2022 Original Budget**	**2022 Revised Budget**	**2022 Actual**	**Variance**
2901	Admin	990,603	990,603	878,186	112,416
2902	Accounts	281,100	281,100	273,997	7,103
2903	PWD	916,645	916,645	914,275	2,370
2904	Housing	113,815	113,815	111,332	2,483
2905	Electrical	385,289	385,289	380,573	4,715
2906	Power	343,945	343,945	333,913	10,031
2907	IT	119,803	119,803	112,948	6,855
2908	Civil	334,460	334,460	320,593	13,867
2909	Planning	114,761	114,761	106,268	8,493
2910	Solar salt	150,613	150,613	149,033	1,580
2911	HMM	453,717	453,717	452,677	1,040
2912	Water	570,044	570,044	550,547	19,497
2913	Linnix	122,030	122,030	109,856	12,174
	Total	**4,896,824**	**4,896,824**	**4,694,198**	**202,626**

(Ministry of Finance and Economic Development, 2022)

22.2.1. Approved budget remaining balance

The audit noted that MLPID had a huge approved remaining balance total $202,627 and major savings mainly comes from salaries code 202 under division 01 Admin.

AUDIT RECOMMENDATION: MLPID should avoid having huge savings at the end of the year, this means that some activities were not performed during the year.

Management Responses

No response received.

22.2.2. No transfer forms provided.

The audit found number of huge transfers at divisions, however identified three huge transfers and yet no transfer forms provided to support these transfers:

Division	Code	Amount Transferred
03 PWD	205 Overtime	47,600
	250 Local services	35,310
12 Water	215 Transport	38,300

AUDIT RECOMMENDATIONS: Authority transfer forms should be provided during the audit to support transfers within outputs. Without these transfer forms mean that these transfers were not properly authorised to be made.

Management Responses

No response received.

22.3. Revenue control issues

22.3.1. Lack of revenue reconciliation

The audit noted that there is lack of revenue reconciliation as indicated by the differences in some of the selected revenues between the ministry and GL balances.

RV#	RV Amount	GL Amount	Variance
Electricity Bill			
20220215	6,968.94	8,260.19	-1,291.25
20220911	582.00	8,065.66	-7,483.66
Salt revenues			
20221205	0.00	2,460.00	-2,460.00
Total	**7,550.94**	**18,785.85**	**-11,234.91**

AUDIT RECOMMENDATION: Revenue reconciliation between the ministry and Ministry of Finance should be performed on a monthly basis to avoid differences in the record.

Management Responses

No response received.

22.3.2. Unavailable Revenue Voucher (RV 20220301)

The audit noted that RV# 20220301 amounted $3,425 for Hire of heavy plant is not yet available during the audit, therefore the audit could not confirm the accuracy of this revenue.

AUDIT RECOMMENDATION: Revenue Voucher above should be provided for verification during audit.

Management Responses

No response received.

22.3.3. Revenue database is not updated.

Revenue database is not updated since the audit revealed that deposits totaling $54,533.08 for January 2022 are presented in the bank statements while not recorded in the database.

AUDIT RECOMMENDATION: A database is the ministry main records that consolidate all revenues details therefore the maintenance and update of database (completeness of record) is necessary because these data are later sent to the Ministry of Finance for posting into the GL.

Management Responses

No response received.

22.4. Issues with Transport

22.4.1. No policy yet in place to control transport.

There is no policy yet in place to regulate fuel consumption for secretary and minister's chauffer. A proposed policy could be implemented to establish e.g., monthly fuel limitations.

AUDIT RECOMMENDATION: There should be a ministry policy in place to regulate fuel consumption for secretary and minister's chauffer.

Management Responses

No response received.

22.4.2. Weakness in the control of vehicle refuel system.

Our examination of transport expense as per HQPV 187/12 amounted $5,004.68, one of the attached refuel sheet as per invoice (031/22), the audit concerns, that there are three incidences where a non-officer was allowed to refuel office vehicle, indicating a lack of controls over refuel system. (Refer details below)

dates	Litres	Cost	Vehicle No.
01/12/2021	18.75	30.00	XC 223
12/12/2021	42.81	68.50	XC 225
17/12/2021	50.63	81.00	XC 225

AUDIT RECOMMENDATION: The ministry needs to strengthen controls over refuel of office vehicle to allow only authorised officers to do the refuel of office vehicles.

Management Responses

No response received.

22.5. Issues with Office Stationeries

22.5.1. Unavailable Payment voucher

The audit could not verify one payment for office stationeries HQPV125/01 or MLPI 0039/01/22 amounted $4,172.62 since the officer could not provide it during the audit.

AUDIT RECOMMENDATION: PV should be provided during the audit.

Management Responses

No response received.

22.6. Weaknesses in the control of Office Equipment

22.6.1. Lack of asset verification on arrival of stock

When observing PV# 0139/03/22 the purchase of two desktop computers each cost $2,081.25, the audit found that the serial number of one computer located at Carpenter division is different from the invoice.

AUDIT RECOMMENDATION: Verification of stocks upon arrival is very important to ensure that the correct item is received and then to properly record the details in the asset register.

Management Responses

No response received.

22.6.2. One missing Molloer hammer

In observing the purchase of 3 molloer hammers at Carpenter division each cost $80, the audit noted that two were sighted while one is gone missing.

AUDIT RECOMMENDATION: The maintenance of asset register is very important for each division to ensure that all assets are recorded and safeguarded.

Management Responses

No response received.

22.6.3. Unsighted 2 purchased Sketchup programs 2021.

Our visit to the Civil division, the audit came across a purchase of 8 programs (PV# 0602/08/22) total cost $4,240. The audit confirmed the presence of only 6 programs, but they were deemed no longer useful as they had already expired (renewed annually). The remaining two programs were not sighted due to one officer being on leave and another being in Tarawa.

AUDIT RECOMMENDATION: The two unsighted programs should be observed during the audit.

Management Responses

No response received.

22.6.4. No asset register provided.

At Powerhouse division, the responsible officer mentioned that she had an excel but she did not back it up prior taking her annual leaves therefore no assets records in 2022.

AUDIT RECOMMENDATION: The maintenance of asset register is very important for each division to ensure that all assets are recorded and safeguarded.

Management Responses

No response received.

22.6.5. Damages pages in the manual asset register

At water division, the assets were recorded and maintained manually without any backups. The audit found that some of the asset book pages had been damaged resulting in the loss of some assets' records.

AUDIT RECOMMENDATION: The record of assets in a book register should always be backed up in the computer system.

Management Responses

No response received.

23. References

Ministry of Finance and Economic Development. (2022). *The Government of Kiribati Annual Report 2022.*Tarawa: Treasury Division. Retrieved June 30, 2022, pp.119-132.

National Economic Planning Office. (2022). *Government of Kiribati 2022 Recurrent Budget.* Tarawa: National Economic Planning Office. Retrieved November 30, 2021

Public Service Office. (2022). *Establishment Register 2022.* Bairiki, Tarawa: Public Service Office. Retrieved 2022