

REPORT OF AUDITOR GENERAL



ON THE ACCOUNTS OF KIRIBATI GOVERNMENT ANNUAL ACCOUNT

PART 1: REVENUE AND EXPENDITURE
GOVERNMENT MINISTRIES FOR THE YEAR ENDED
31 DECEMBER 2016

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A) GUIDE TO READING THIS AUDIT REPORT 2016

First of all, this is the Audit Report Part One of the whole of Government Annual Account and contains the report on the financial performance of each respective individual Ministry for the fiscal year ended 31st December 2016. Further, each report discussed audit results on revenue and expenditure the latter of which include other commitments such as debt servicing, other government expenses and local contribution to development fund (LCDF). These commitments are further elaborated in Part Two of the Audit Report.

I) AUDIT OPINION ISSUED FOR EACH MINISTRY

An opinion is issued for each Ministry on how it has managed the approved and allocated fund by Parliament and to portray the performance of the Ministry in managing its operations during the year under review. Following the audit opinion, as was in previous reports, are audit findings and analysis on areas being audited for the year ended 31/12/2016.

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

II) REVENUE

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

III) EXPENDITURE

The actual expenditure for ministries is analysed and compared with approved budget and again followed by audit findings and recommendations as well as management responses to recommendations/anomalies from Ministries concerned. Most of the expenditure items or operational costs are further scrutinized. The responses from Ministries if agreed upon during the Exit Meeting will change the contents of our audit report. On the other hand, if no consensus resolution is reached during the Exit Meeting, our findings and recommendations will remain in the report. This year 2016 the Ministries' responses were included as part of the report and these could only be seen under Management Response Section indicating that responses to recommendations or anomalies had been provided from Ministries concerned.

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

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

B) ACRONYMS AND ABBREVIATIONS

ADB – Asian Development Bank
AO – Accountable/Accounting Officer
BOS – Board of Survey
CPA – Commonwealth Parliamentarian Association
EU – European Union
FR – Financial Regulation
FTC – Fishing Training Centre
GL – General Ledger
GRR – General Revenue Receipt
HQPV – Head Quarter Payment Voucher
ISA – International Standard of Audit
ISSAI - International Standard of Supreme Audit Institutions
KNAO - Kiribati National Audit Office
KIT – Kiribati Institute of Technology
KPF – Kiribati Provident Fund
KPPS – Kiribati Police and Prison Services
LCDF – Local Contribution to Development Fund
LPO – Local Purchase Order
MCIC - Ministry of Commerce and Industry Cooperative
MCTTD – Ministry of Communication, Tourism and Transport Development
MELAD - Ministry of Environment Lands and Agricultural Development
MFAI – Ministry of Foreign Affairs and Immigration
MFED – Ministry of Finance and Economic Development
MFMRD – Ministry of Fisheries and Marine Resources Development
MHMS – Ministry of Health and Medical Services
MIA - Ministry of Internal Affairs
MICTTD - Ministry of Information, Communication, Transport and Tourism Development
MLHRD – Ministry of Labor and Human Resource Development
MLPID – Ministry of Line and Phoenix Island Development
MOE – Ministry of Education
MPWU – Ministry of Public Works and Utilities
MTC – Marine Training Centre
MTSS – Mereang Tabai Secondary School
MWYSA - Ministry of Women Youth and Social Affairs
OAG – Office of the Attorney General
OB – Office of Te Beretitenti
OPL - Office of the People's Lawyer
PSC - Public Service Commission
PSO – Public Service Office
PV – Payment Voucher
PVU – Plant and Vehicle Unit

C) TYPES OF AUDIT OPINION

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

I) UNMODIFIED AUDIT OPINION

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

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

II) MODIFIED AUDIT OPINION

Qualified Opinion – should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with management, or limitation on scope, is not as material and pervasive as to require an adverse opinion or disclaimer of opinion. A qualified opinion should be expressed as being “**except for**” the effects of the matter to which the qualification relates (*ISA 705, Paragraph 7*).

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

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

D) ACKNOWLEDGMENT

At the outset, I would like to express my sincerest gratitude and appreciation to the Staff of the Ministry of Finance and Economic Development under the leadership of the Accountant General, Mr Toromon Metutera, who had tirelessly lent a hand to our audit staff and provided the required information and documentations on a timely manner even to the extent of having to set aside their urgent tasks in order to assist.

I would also like to acknowledge the support and assistance from Line Ministries in providing the requested information and relevant documents to our audit staff when conducting this year's audit. I also like to thank those who had allocated time within their busy schedules to attend the **Exit Meeting** and also those that were not able to attend the meeting but had provided their responses the outcome of which had also contributed tremendously to the production of this timely and high quality audit report.

I wish to extend my gratitude to our auditors for the notable stride and immense improvement you had put into your audit works for the government financial year, 2016 as well as other audit areas. Without such enthusiasm in delving into new areas, some of which could be cumbersome, while others pose difficulties and challenges, this report, as well as those other reports, would not have been as extensive and revealing as now presented. It would be a remiss if I do not convey same to my Support staff who had also worked tirelessly in ensuring a speedy processing and lodgement of audit reports with Parliament. You all had collaboratively taken a step further in walking our mission "**audit for an impact for the public**" and I commend you all for your strenuous efforts.

I sincerely thank you all for your contributions to the successful timely completion of the 2016 audit report on both **Part 1 and Part 2** of the Annual Account of the Government of Kiribati.

Te Mauri, Te Raoi ao te Tabomoa upon us all.



Ms. Matereta Raiman
Auditor General

Date: 18/12/2017

E) EXECUTIVE SUMMARY**I) INTRODUCTION**

This part of the audit report sets out the analysis of revenue and expenditure in respect of individual Ministries, Department, Debts Servicing and Other Statutory expenditure for the year ended 31st December 2016.

II) SCOPE AND METHODOLOGY

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

Our audit has been carried out in accordance with generally accepted auditing standards with an ultimate objective of reporting back to Parliament on how well each Ministry has utilised or managed the budget that was appropriated in 2016 and, for revenue collectors, how each had successfully collected the revenue as had been budgeted. Our focus is mainly on the comparison of the following:

- I) Revenue collected against estimate
- II) Expenditure incurred, including those listed under the Below the Line Accounts and Other commitments against estimate and
- III) Supplementary Appropriations approved and the revised Budget.

Large variances noted from the comparison were further examined by obtaining relevant sources or accounting documents from MFED and other related Ministries concerned.

III) STATEMENT OF AUDITOR INDEPENDENCE

We confirm that when auditing the Kiribati Government Annual Account Part 1 (Revenue and Expenditure) for the year ended 31st December 2016, we have maintained our independence in accordance with the requirements of the Constitution, CAP 79 and acceptable auditing standards.

In addition, we also confirm that we have no relationships with the accounting staff involved in the preparation of the annual accounts, or interests in the Kiribati Government annual account 2016. We have no unresolved disagreements with management and management has not sought to influence our views on matters relevant to our audit opinion.

IV) EXPENDITURE AND REVENUE BUDGETS FOR YEAR 2016

As normally practiced in all democratic countries worldwide, Government has to prepare and approve the annual budget. As usual, the budget, after being prepared by individual Ministries/Offices and approved by Cabinet, is normally debated and finally approved by Te Maneaba ni Maungatabu at the end of the preceding year. The Parliament session held in December 2015 has approved the original 2016 expenditure budget in the sum of **\$150,895,635** and the estimate revenue budget valued at **\$139,200,731** as per disclosed in the 2016 Annual Account respectively.

The additional Supplementary budget details that would give a revised budget for 2016 are shown under **VII)** below.

V) DEVELOPMENT PROJECTS BUDGET FOR YEAR 2016

The Parliament also approved the budget for development projects, both locally and externally funded, in the sum of **\$14,758,627 (2015 \$8,446,262) (LCDF)** and **\$153,502,162 (2015 \$149,344,223) (Donors)** as per National Budget 2016 respectively. However, as noted the amount that actually received during the year was **\$57,495,227.86** as indicated in the annual account, the amount of which far outweighed the approved amount as per National Budget 2016. As confirmed major contributors for external funded projects include; Australia, World Bank, Taiwan, New Zealand, ADB, Japan, UNICEF, UNDP WHO, EU and so forth.

VI) HIGHLIGHTS

In 2016 the number of Ministries/Offices that were issued with Unqualified Audit Opinion was reduced to eight (8) Ministries as opposed to 15 in 2015, meaning a decrease of seven (7) Ministries/Offices. This thus signalled the slack of management in implementing the recommendations been made in previous audit reports. The list below showed the types of opinion been issued to each respective Ministry:

Ministries	Attend Exit Meeting	Audit Response received	Audit Opinion issued for 2016
OB	No	Yes	Qualified Audit Opinion
PSO	No	Yes	Unqualified Audit Opinion
JUDICIARY	Yes	Yes	Qualified Audit Opinion
KPPS	No	Yes	Qualified Audit Opinion
PSC	Yes	Yes	Unqualified Audit Opinion
MFAI	Yes	Yes	Qualified Audit Opinion
MIA	No	Yes	Qualified Audit Opinion
MELAD	Yes	Yes	Qualified Audit Opinion
MM	Yes	Yes	Unqualified Audit Opinion
MCIC	Yes	Yes	Unqualified Audit Opinion
OAG	Yes	Yes	Unqualified Audit Opinion
MFMRD	No	Yes	Unqualified Audit Opinion
MHMS	Yes	No	Adverse Audit Opinion
MOE	No	No	Adverse Audit Opinion
MICITD	Yes	Yes	Qualified Audit Opinion
MFED	No	No	Adverse Audit Opinion
MWYSA	Yes	Yes	Unqualified Audit Opinion
MPWU	Yes	Yes	Qualified Audit Opinion
MLHRD	No	Yes	Unqualified Audit Opinion
MLPID	No	Yes	Qualified Audit Opinion
OPL	Yes	No	Qualified Audit Opinion

As confirmed during the audit the 2016 fiscal year was the third year in which the government through its respective Ministries/Offices had reported again a net saving valued at \$2.7m. The details of this net saving are further elaborated in sub sections below as well as in Part 2 Audit Report.

VII) APPROVED SUPPLEMENTARY BUDGET - 2016

		A	B			C (A+B)	D	E	F (D-E)	G (C-D)
EXPENDITURE			Supplementary Approved for FY 2016				FY 2016			
Code	Ministry/Title	Original Budget	Supplementary No. 1	Supplementary No. 2	Supplementary No. 3	Total Orig budget plus supplementaries	Revised Budget	Total Actual Exp	(Over)/Under	Total Orig Budget plus Supp vs Revised Budget
E02	LCDF	16,472,723.00	637,085.00	1,556,896.00	17,153,431.00	35,820,135.00	36,333,050.00	36,333,050.00	-	512,915.00
E03	Contribution to RERF	-				-	-	-	-	-
E09	OB	1,989,427.00				1,989,427.00	1,989,429.00	1,972,140.48	17,288.52	2.00
E10	PSO	666,168.00				666,168.00	727,667.00	724,453.08	3,213.92	61,499.00
E11	JUDICIARY	1,766,032.00				1,766,032.00	1,766,033.00	1,833,691.68	67,658.68	1.00
E12	KPPS	7,736,542.00				7,736,542.00	7,736,542.00	7,890,271.15	153,729.15	-
E13	PSC	249,123.00				249,123.00	249,123.00	242,925.25	6,197.75	-
E14	MFAI	2,301,877.00				2,301,877.00	2,301,878.00	2,332,288.28	30,410.28	1.00
E15	MIA	2,422,132.00				2,422,132.00	2,422,135.00	2,407,475.59	14,659.41	3.00
E16	MELAD	3,243,608.00				3,243,608.00	3,243,609.00	3,259,538.29	15,929.29	1.00
E17	MM	3,142,818.00			276,223.00	3,419,041.00	3,419,042.00	3,340,484.96	78,557.04	1.00
E18	MCIC	1,659,277.00				1,659,277.00	1,659,281.00	1,563,965.66	95,315.34	4.00
E19	KNAO	744,083.00			10,000.00	754,083.00	753,883.00	737,595.75	16,287.25	200.00
E20	OAG	745,245.00				745,245.00	745,243.00	740,876.41	4,366.59	2.00
E21	MFMRD	2,684,604.00				2,684,604.00	2,684,603.00	2,365,325.40	319,277.60	1.00
E22	MHMS	21,166,729.00			310,475.00	21,477,204.00	21,477,205.00	22,047,213.91	570,008.91	1.00
E23	MOE	22,310,755.00				22,310,755.00	22,307,956.00	21,770,085.61	537,870.39	2,799.00
E24	MCTTD	3,149,293.00				3,149,293.00	3,149,294.00	3,154,452.31	5,158.31	1.00
E25	MFED	3,199,804.00				3,199,804.00	3,199,805.00	3,261,516.43	61,711.43	1.00
E26	MWYSA	1,716,300.00				1,716,300.00	1,709,198.00	1,676,533.54	32,664.46	7,102.00
E27	MPWU	2,671,584.00				2,671,584.00	2,776,563.00	2,779,871.37	3,308.37	104,979.00
E28	MLHRD	4,665,252.00				4,665,252.00	4,665,254.00	4,561,746.06	103,507.94	2.00
E29	MLPID	3,630,376.00				3,630,376.00	3,480,378.00	3,411,734.46	68,643.54	149,998.00
E30	DEBT SERVICING	1,149,693.00				1,149,693.00	1,149,693.00	1,762,506.44	612,813.44	-
E31	SUBSIDIES, GRANTS & OTHER COMMITMENTS (GOV'T)	40,957,756.00	162,000.00	868,400.00	5,911,523.00	47,899,679.00	46,667,689.00	43,757,776.34	2,909,912.66	1,231,990.00
	OPL	454,434.00				454,434.00	458,035.00	443,184.89	14,850.11	3,601.00
	TOTAL	150,895,635.00	799,085.00	2,425,296.00	23,661,652.00	177,781,668.00	177,072,588.00	174,370,703.34	2,701,884.66	709,080.00

As clearly reflected above the original budget approved by Parliament for the year 2016 was **\$150,895,635**. However, the revised budget after the supplementary being approved for the unforeseen but necessary circumstances in respective of some Ministries, including the LCDF and Subsidies, grant & other commitment had reached the amount of **\$177,072,588**.

Further the audit noted with grave concern that the total original budget and supplementary budgets which should total up to **\$177,781,668** (*Original budget \$150,895,635 + Supplementary budget \$26,886,033*) did not match with the total revised budget as shown in the annual account 2016 of **\$177,072,588** thus incurring a significant variance of **\$709,080**, the amount of which is pervasive and would disclaim the accounts.

VIII) OVER/ UNAUTHORISED EXPENDITURE - 2016

Title	FY 2015				FY 2016			
	Revised Budget	Total Actual	Net Saving	Overspending	Revised Budget	Total Actual	Net Saving	Overspending
LCDF	23,150,425	23,150,424	1		36,333,050.00	36,333,050.00	-	
OB	1,708,761	1,797,285		- 88,524	1,989,429.00	1,972,140.48	17,288.52	
PSO	602,290	637,668		- 35,378	727,667.00	724,453.08	3,213.92	
JUDICIARY	1,650,030	1,654,347		- 4,317	1,766,033.00	1,833,691.68		- 67,658.68
KPPS	7,262,784	7,329,687		- 66,903	7,736,542.00	7,890,271.15		- 153,729.15
PSC	241,818	256,698		- 14,880	249,123.00	242,925.25	6,197.75	
MFAI	2,178,571	2,745,375		- 566,804	2,301,878.00	2,332,288.28		- 30,410.28
MIA	2,229,210	2,208,340	20,870		2,422,135.00	2,407,475.59	14,659.41	
MELAD	2,999,994	2,999,705	289		3,243,609.00	3,259,538.29		- 15,929.29
MM	3,066,410	2,809,029	257,381		3,419,042.00	3,340,484.96	78,557.04	
MCIC	1,480,721	1,379,473	101,248		1,659,281.00	1,563,965.66	95,315.34	
KNAO	695,236	661,987	33,249		753,883.00	737,595.75	16,287.25	
OAG	689,188	708,142		- 18,954	745,243.00	740,876.41	4,366.59	
MFMRD	2,279,744	2,020,278	259,466		2,684,603.00	2,365,325.40	319,277.60	
MOH	15,522,764	17,792,976		- 2,270,212	21,477,205.00	22,047,213.91		- 570,008.91
MOE	20,152,235	19,834,251	317,984		22,307,956.00	21,770,085.61	537,870.39	
MCTTD	2,677,655	2,666,059	11,596		3,149,294.00	3,154,452.31		- 5,158.31
MFED	6,438,994	5,864,200	574,794		3,199,805.00	3,261,516.43		- 61,711.43
MWYSA	1,524,060	1,531,335		- 7,275	1,709,198.00	1,676,533.54	32,664.46	
MPWU	2,386,335	2,390,739		- 4,404	2,776,563.00	2,779,871.37		- 3,308.37
MLHRD	3,684,455	3,684,938		- 483	4,665,254.00	4,561,746.06	103,507.94	
MLPID	3,175,031	2,828,832	346,199		3,480,378.00	3,411,734.46	68,643.54	
DEBT SERVICING	667,800	1,248,999		- 581,199	1,149,693.00	1,762,506.44		- 612,813.44
OTHER GOVT EXPENSES	29,417,304	24,626,469	4,790,835		46,667,689.00	43,757,776.34	2,909,912.66	
OPL	326,502	403,843		- 77,341	458,035.00	443,184.89	14,850.11	
TOTAL excluding contri. to RERF	136,208,317	133,231,079	6,713,912	- 3,736,674	177,072,588.00	174,370,703.34	4,222,612.52	-1,520,727.86

Based on the Annual Account 2016 submitted by MFED the total overspent/unauthorised expenditure incurred was **\$1.52m**. However the audit confirmed that this year 2016 overspent/unauthorised was below the total overspent/unauthorised expenditure reported in last year 2015 of **\$3.73m**, thus resulting in a decrease in value by **\$2.21m**. Although, the level of overspent was decreased from 2015 to 2016 significantly by **\$2.21m** there were some Ministries that had still not exerted any efforts in trying to operate within their approved budget.

IX) HUGE OVERSPENT/UNAUTHORISED EXPENDITURE BY MINISTRIES - 2016

It is evident from the above table the total unauthorised spending in 2016 as well as the number of Ministries have reduced by **50%** when compared to 2015 although **two** Ministries and Debt Servicing had incurred spending far more than they overspent in 2015. Details of this unauthorised expenditure by Ministries/Offices are further elaborated in subsequent sections herein.

X) OTHER GOVERNMENT EXPENSES

The total net saving under this account as could be witnessed from the above table has dropped from **\$4.79m** (2015) to **\$2.91m** (2016) respectively, a further decrease of **\$1.8m** was realised as a result. It is evident that in 2016 there were some outputs specifically stated under this expense account that had been unnecessary inflated. Hence the supplementary budget approved for this account seemed to be unnecessary and should not have been approved in the first place, re' table above.

XI) COLLECTION OF REVENUE/RECORDING OF ARREARS OF REVENUE

Despite rules and regulations in respect of revenue collection, some Ministries have not been very efficient in collecting their revenue and thus had failed to meet their approved revenue estimates. These regulations resemble internal controls over the collection of revenue and they are also designed for effective and efficient collection of Government revenue. Further, another most common problem that leads to poor revenue collection relates to the poor performance of staff concerned either in their commitment towards their job or the failure in ensuring proper and regular monitoring of staff performance. Thus the problem of poor revenue collection stems from the inability of some Ministries to comply with such regulations. One notable example is Revenue from Land lease/rent, which I believe should be able to reduce Land rent Government paid to land owners, has not been properly managed nor monitored regularly.

It is therefore of paramount importance that management or revenue staffs should comply with the existing regulations relating to revenue collection so that effective and efficient collection of Government revenue is made timely. Those staffs whose performance deemed poor should be trained or reprimanded if no improvement is noted in future.

XII) SUMMARY OF COMMON ISSUES ACROSS LINE MINISTRIES FOR YEAR 2016

Listed below are some common issues that had been detected across Line Ministries when performing this year's 2016 audit:

1 Under collection of revenue
2 Excess spending above approved budget
3 Lack of reconciliation between MFED and line Ministries' records which resulted in variances of certain outputs
4 Failure to comply with Imprest policy thus resulted in unrealistic outstanding Imprests and created difficulties in identifying non compliers thus would increase risk of loss of public funds
5 Non-compliance with the 2 Year leave entitlement policy
6 Contravene and/or non-adherence to relevant provisions of the Procurement Act
7 Failure to update and maintain the vote ledger (FR 2011) and provide when sought by auditors
8 Failure to maintain and update log books and produce when requested by auditors
9 Misallocation of payments
10 Unavailability of payment vouchers and supporting documentations for audit verification
11 Absence of proper controls on the issuance of bus tickets
12 Unsigned salaries and not returning salaries (Payroll) or salaries paid without authority
13 Failure to prepare bank reconciliation
14 Unavailability of bank audit certificate
15 Un-recorded, un collected, not updated Arrears of Revenues
16 Past years' outstanding dues paid in the current fiscal years
17 Unsupported payments of employees' salary
18 Failure to update and recording purchased goods and items in Ministries' asset/store register.
19 Arrears of revenues (Outstanding sublease) – failure to instigate stringent collection mechanisms
20 Ration - No proper stocktaking conducted by respective Supervisors
21 Failure of management to regularly review works of their subordinate accounting staff

F) COMPLIANCE WITH LEGISLATIVE REQUIREMENTS**I) Legislative compliance**

We noted not much attention was paid to the provisions of governing legislations and regulations by Accountable/Accounting officers therefore we highly recommend that all supervisors should make sure their accounting officers have on hand and observe governing legislations to guide them when managing public funds. We also recommend that induction training is conducted by Ministries/Offices every beginning of the year to all their accounting staff on the relevant provisions of CAP 79 and the Financial Regulation as well as standing policies relevant to the issuance of financial instruments.

II) Breaches of significant legislation

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

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

a) Receipt of Revenue

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

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

It is very difficult for auditors when auditing Ministries' or offices' records to check the accuracy of revenue collected or receipted in FY 2016. Most of the ministries and departments relied on the records of MFED. It is the sole responsibility of the ministries or departments to maintain their revenue records for audit purposes and to regularly reconcile their records with that held by MFED. It was also noted not all accounting officers that collect revenue keep records of the arrears of revenue.

b) Non-compliance with Financial Regulations (FR)

- Section 168**

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

Audit found that this accounting record had not been maintained by most of the Ministries/ departments to record their spending against the budget leading to un-authorised expenditure or over spending made by most Ministries/ Offices in 2016.

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

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

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

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

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

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

G) REPORT ON THE KIRIBATI GOVERNMENT MINISTRIES

Apart from the audit scope above, a comparative analysis of revenues and expenditure for 2016, in respect of all Ministries/Offices' outputs and other government expenses as disclosed in the Management Report together with the result of the audit carried out in respective of Ministries/ Offices are provided below.

1) OFFICE OF TE BERETITENTI (OB)**Findings and Analysis:****1.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Office of Te Beretitenti** for the year ended 31 December 2016 **"Except for"** the effects of the matters as discussed in detail from 1.3 below.

1.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion issued on the performance of the Office of Te Beretitenti in the fiscal year 2015:

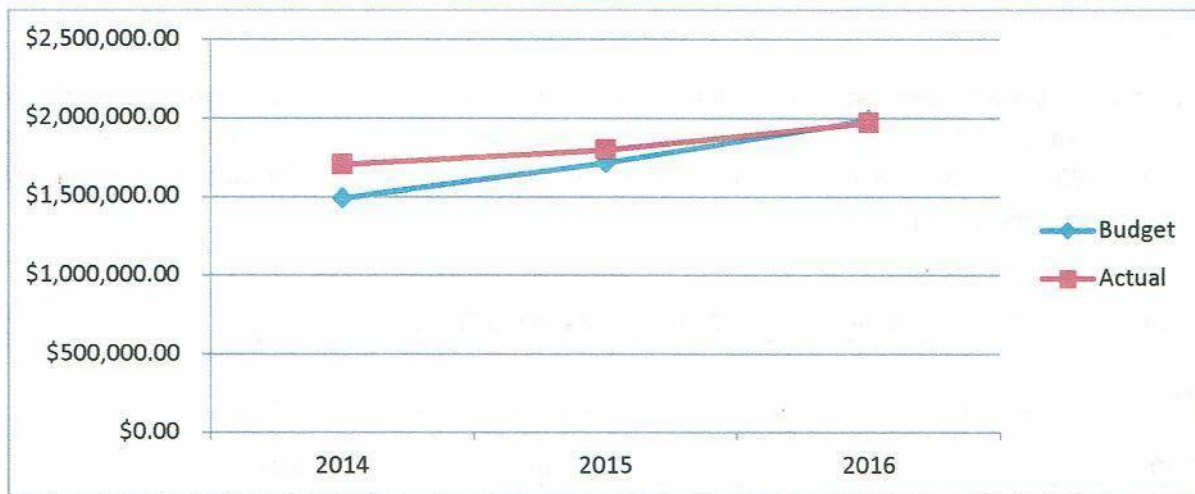
Issues	Solved/Addressed	Status of the issue in 2016 audit
Overspending of expenditure budget 2015.	Solved/Addressed	OB reported net saving
Lack of proper control in managing bus tickets.	Solved/Addressed	Improvement noted
Failure to retire special Imprest withdrawn within 10 working days as required.		Improvement in the recovery process
Unavailability of documents.	Solved/Addressed	
Payroll-Unsigned salaries/not returned salaries to MFEP.	Solved/Addressed	
Not updating and maintaining of log books.		Log book maintained but failed to fill in mileage meter.

1.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

1.3.1 CONTROL OVER EXPENDITURE**Findings and analysis:****1.3.1.1 OB BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE**

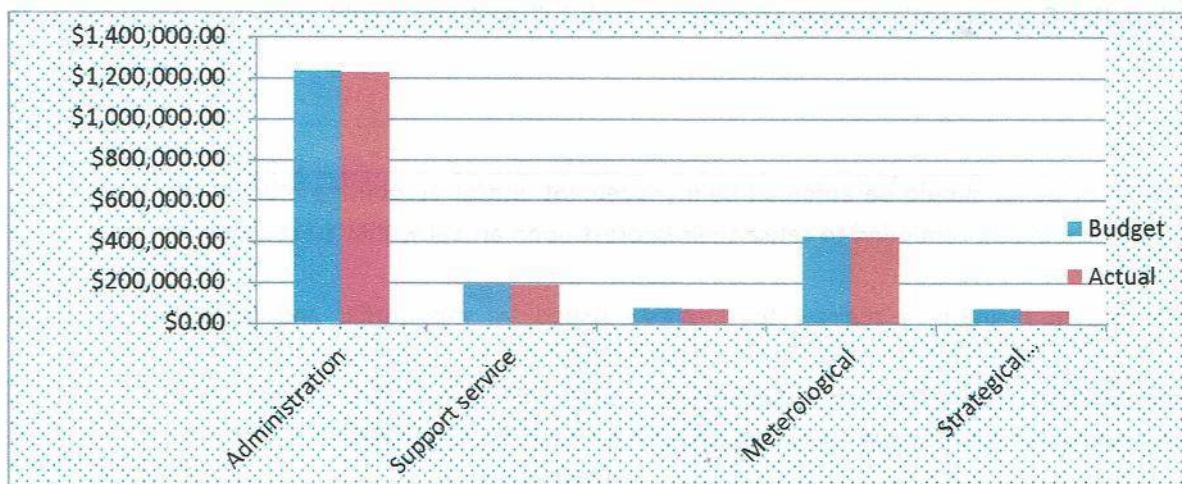
Year	2014	2015	2016
Budget	\$1,485,797.00	\$1,708,761.00	\$1,989,426.55
Actual	\$1,700,326.00	\$1,797,284.50	\$1,972,140.48
Variance Under/(Over)	(\$214,529.00)	(\$88,523.50)	\$17,286.07

1.3.1.2 COMPARATIVE LINE GRAPH BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL

From the above comparative graph, an increase of \$280k for 2016 (\$223k in 2015) in the budget was again granted to the Office of the Beretitenti, and it is pleasing to note that the Office of Te Beretitenti had managed to control the level of its expenditure within its budget allocation for the first time and that had resulted in a net saving of \$17k. Therefore, management must be applauded for such great achievement.

1.3.1.3 OB EXPENDITURE AGAINST BUDGET BY DIVISIONS – 2016

Output	Division	Budget	Actual	(Over)/Under
E0901	Administration	\$1,233,499.00	\$1,227,750.65	\$5,748.35
E0902	Support Service	\$189,995.00	\$188,761.41	\$1,233.59
E0903	Communication and relations	\$72,556.00	\$70,003.40	\$2,552.60
E0904	Meteorological	\$423,401.00	\$422,142.19	\$1,258.81
E0905	Strategical National Policy	\$69,978.00	\$63,482.83	\$6,495.17
Total		\$1,989,429.00	\$1,972,140.48	\$17,288.52

1.3.1.4 OB COMPARATIVE BAR GRAPH OF BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL BY DIVISIONS 2016

As depicted in the above graph not one division operated above its allocated budget therefore each output manager should be commended for such achievement.

1.3.1.5 IMPREST**Findings and analysis:**

The audit noted that the following officers had failed to retire their Imprests within 10 consecutive working days upon return from their official travels. However, the audit noted a decrease of \$54,622.63 in the outstanding Imprest (\$434,329 in 2015 and \$380,665.70 as at end 2016) indicating speedy recovery has been imposed by management. Details of such are provided in the table below:

PF #	Current	DEC	NOV	OCT	Before OCT	UNALLOCATED
2005193	1,310.00			1,755.60		3,065.60
91093	2,090.00				(5.00)	2,085.00
2009224				32,827.93	(4,830.01)	27,997.92
2009240				470.00	(1.86)	468.14
409006			380.00	615.00		995.00
2014068	2,540.00			10,243.00	(5.03)	12,777.97
2005156	180.00			7,740.00	(687.00)	7,233.00
	\$ 6,120.00	\$ 00	\$ 380.00	\$ 53,651.53	\$(5,528.90)	\$54,622.63

Implications:

Failure to retire Imprest within 10 days after return from official trips is a breach of FR11 requirement and would increase the risk of accumulation of loss of funds particularly from those being issued with Incidentals.

Failure to retire Imprest on a timely manner could cause undue hardship on officials in future in paying back the accumulated debts and thus could adversely affect government coffers.

Possible loss of public funds would result from retiring civil servants who still had not bothered to retire their Imprests AND this could distort the Government's annual accounts as such full amounts would appear as advances in the balance sheet.

Recommendations:

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

Management response:

Management continues to remind employees with unretired current imprest within the 10 working days together with those employees that have dues for prior years. Reconciliation to clear past dues incidentals for uncleared employees has been accounted for recoveries. Cases like this are rare and records were been well maintained in PF and through Finance. Maintaining of imprest registry is currently a practice in the current year. Management will ensure to avoid further imprest withdrawal with outstanding dues.

1.3.1.6 DATABASE/ACCESS RECONCILIATION ISSUE (PAYROLL)**Findings and analysis:**

Audit noted that reconciliation issue was still the case that had resulted in the variance existed after extracting the total balance in the Ministry's Pay costing and the MFED General ledger under different allocations as per details appearing in the table below:

Allocation	GL(Actual)	Pay Costing	Variance
E0901	161,760.28	168,536.15	(6,775.87)
E0902	26,294.30	40,359.50	(14,065.20)
E0903	15,171.00	6,643.00	8,528.00
E0904	175,613.74	201,585.30	(25,971.56)
E0905	36,031.10	12,303.50	23,727.60
	\$ 414,870.42	\$ 429,427.45	(14,557.03)

Implications:

In the absence of regular reconciliation, the amounts shown in the annual accounts, which are MFED's, would be incorrect as they would not present a true net value/balances and could lead to Disclaiming the accounts for reasons as detailed below:

- i) Where Pay costing (i.e Ministry's figures) figures are higher than MFED's, and payments were actually made to the respective recipients, the cash flow would be understated in MFED's records.
- ii) The above would be prone to misappropriation of public funds.
- iii) Where Pay costing is lesser than MFED's, the cost to the government's coffer could either be erroneously inflated and would increase risk of fraud OR misallocation had arisen which would impact on the budget preparation for the next following year.

Recommendations:

- ✓ In conforming to FR2011 chapter II, management must maintain and regularly update its database/access to ease reconciliation with records held by MFED.
- ✓ MFED should ensure postings into the GL are all correct, resemble Ministry's PVs and reliable.
- ✓ MFED should also find the root cause of these issues and take corrective action on concerned staff.

Management response:

Management will adhere to recommendations outlays in the report and to take corrective actions for improvement and to penalize responsible employees.

1.3.1.7 LOG BOOK**Findings and analysis:**

After reviewing the log book it has been noted the driver maintained a log book but failed to update and fill in the mileage column so made it difficult for the auditors to scrutinize the movements of the vehicle on a daily operational basis.

Implication:

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

Recommendations:

- ✓ The audit recommends that the driver should fill in all columns shown in the log book for the interest of completeness in the monitoring system.
- ✓ Management should also consider implementing an alternative monitoring mechanism for fuel consumption; an example is the issuance of a ticket each time refueling of a vehicle is needed and to arrange with one petrol depot for refueling.
- ✓ Accounting officer has to remind drivers to return their log books at year end to the accounting unit for management references and audit purposes.
- ✓ The audit recommends that the log book for vehicles used by Ministry should be maintained and updated by the driver or those driving the vehicles.

Management response:

Management will advise and convey to the current driver to complete filling of the log book and will also make a regular inspection to the log book.

Currently there is no system for the issuance of ticket for refuel; Management will adhere to as per the recommendation.

Log books will be maintained with complete fill in and sign by responsible staff and to be well kept in office for future auditing purposes.

2) PUBLIC SERVICE OFFICE (PSO)**Findings and Analysis:****2.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Public Service Office** for the year ended 31st December 2016 with "Emphasis of matter" as discussed in detail from 2.3 below.

2.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for PSO performance in the financial year 2015 as follows.

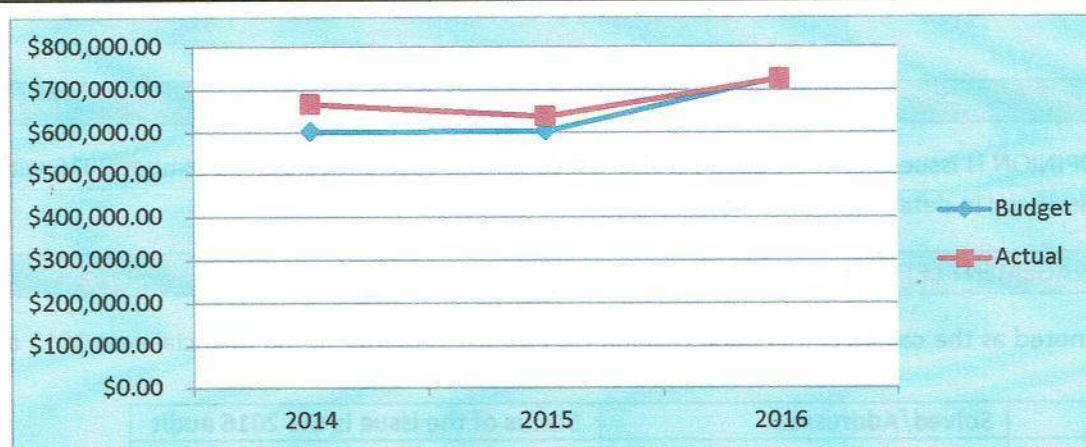
Issues	Solved/Addressed	Status of the issue in the 2016 audit
Excess spending over estimate budget.	Solved/Addressed	Report a net saving.
Misallocation of Payment	Solved/Addressed	Improvement in the recording procedure.
Temporary file requested for audit are not available	Solved/Addressed	Improvement in the recording system.
KPF contribution reconciliation	Not solved/Addressed	No improvement in the system.
Two year leave policy entitlement	Solved/Addressed	Improvement in the annual leave taken by concerned staff.

2.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

2.3.1 CONTROL OVER EXPENDITURE**2.3.1.1 COMPARATIVE EXPENDITURE SUMMARY TABLE FOR 2014-2016**

Year	2014	2015	2016
Budget	\$600,987.00	\$602,290.00	\$727,667.00
Actual	\$666,702.00	\$637,668.00	\$724,453.08
Var Under/(Over)	(\$65,715.00)	(\$35,378.00)	\$3,213.92

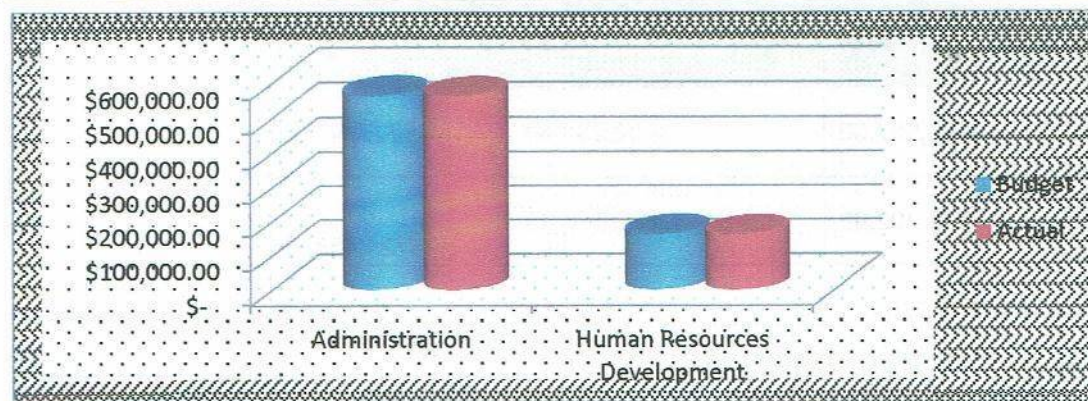
2.3.1.2 PSO COMPARATIVE LINE GRAPH OF BUDGET ESTIMATE AGAINST ACTUAL 2014 -2016

The above graph portrays the trend of expenditure against the estimated budget for years ending 2014 to 2016. It is pleasing to note that with a much more increase and realistic budget PSO was able to manage and control the level of its spending compared with the outcome over the past two years (2014 to 2015); the result of which turns out to report a net saving of \$3k. Therefore, management should be extolled for such correct prediction.

Further, the audit also noted that PSO had an increased budget of \$61,500 from its original budget of \$666k to a revised budget of \$727k. The audit is of the view that the amount of \$61,500 was an approved supplementary for PSO but as confirmed such amount was not amongst those approved in the supplementary appropriation bill in 2016. (refer to supplementary bill as approved by Parliament).

2.3.1.3 PSO EXPENDITURE AGAINST BUDGET FOR DIVISIONS – 2016

Divisions	Administration	Human Resources Development	Total
Budget	\$ 565,164.00	\$ 162,503.00	\$ 727,667.00
Actual	\$ 563,200.68	\$ 161,252.40	\$ 724,453.08
Variance(Over)/Under	\$ 1,963.32	\$ 1,250.60	\$ 3,213.92

2.3.1.4 PSO BAR GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS 2016

The above data displayed the level of budget estimate against actual spending by divisions. As clearly stated two divisions, Administration and Human resources development had operated within allocated budget thus contributed to the overall saving of \$3k.

Management response:

2.3.1.5 OUTSTANDING IMPREST**Findings and Analysis:**

The accumulated outstanding Imprest of \$26,536.71 to 2016 was noted during the audit in respect of some officers selected, re list below:

NAME	Amount (\$)
Officer 1	10,939.01
Officer 2	168.05
Officer 3	156.74
Officer 4	784.45
Officer 5	604.97
Officer 6	369.96
Officer 7	225.00
Officer 8	1,629.01
Officer 9	335.00
Officer 10	7,449.22
Officer 11	1,600.00
Officer 12	2,275.30
Total	\$ 26,536.71

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

Implications:

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

Recommendations:

- Management should ensure the officers concerned arranged for immediate retirement of their Imprests and where any dues are payable to government, to arrange immediate recovery.
- Further Imprest will not be entertained to the above officers until arrangements have been made to clear the outstanding Imprests.
- *Management should have an Imprest register for ensuring timely retirements of Imprest from those that have returned from official trips.*

Management response:

Management will need to work on this finding to clear the dues with concern officers and request KAO to give time until December for a final management response if possible. Otherwise, will report on the progress of the reconciliation to Auditor General or PAC

3) JUDICIARY**Findings and Analysis:****3.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Judiciary** for the year ended 31 December 2016 **"Except for"** the effects of the matters as discussed in detail from 3.3 below.

3.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion issued on the performance of the Judiciary in the fiscal year 2015.

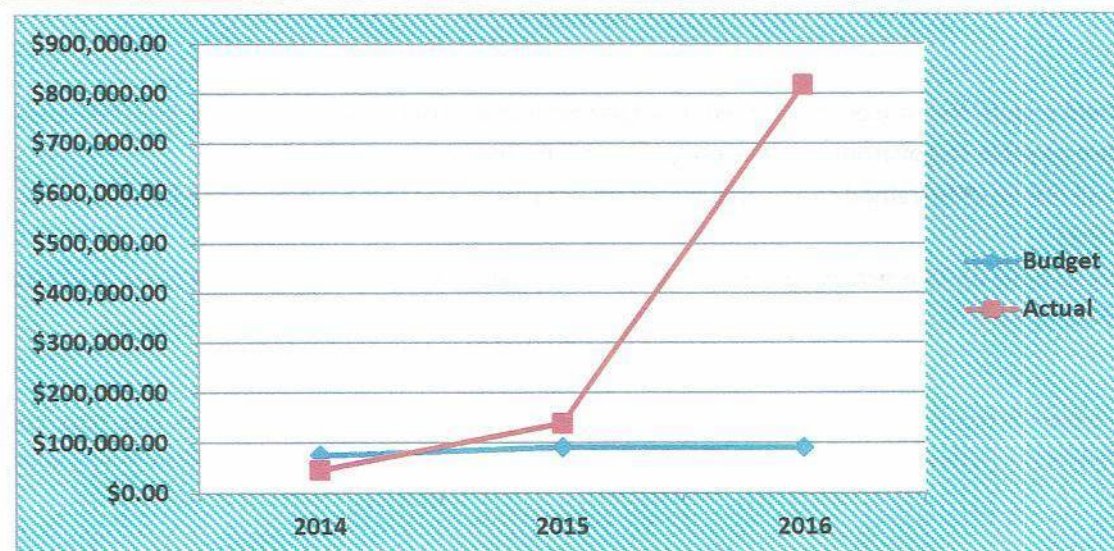
Issues	Solved/Addressed	Status of the Issue in 2016 audit report
Excess spending		Not solved/Addressed

3.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

3.3.1 CONTROL OVER REVENUE**3.3.1.1 JUDICIARY SUMMARY REVENUE COLLECTION**

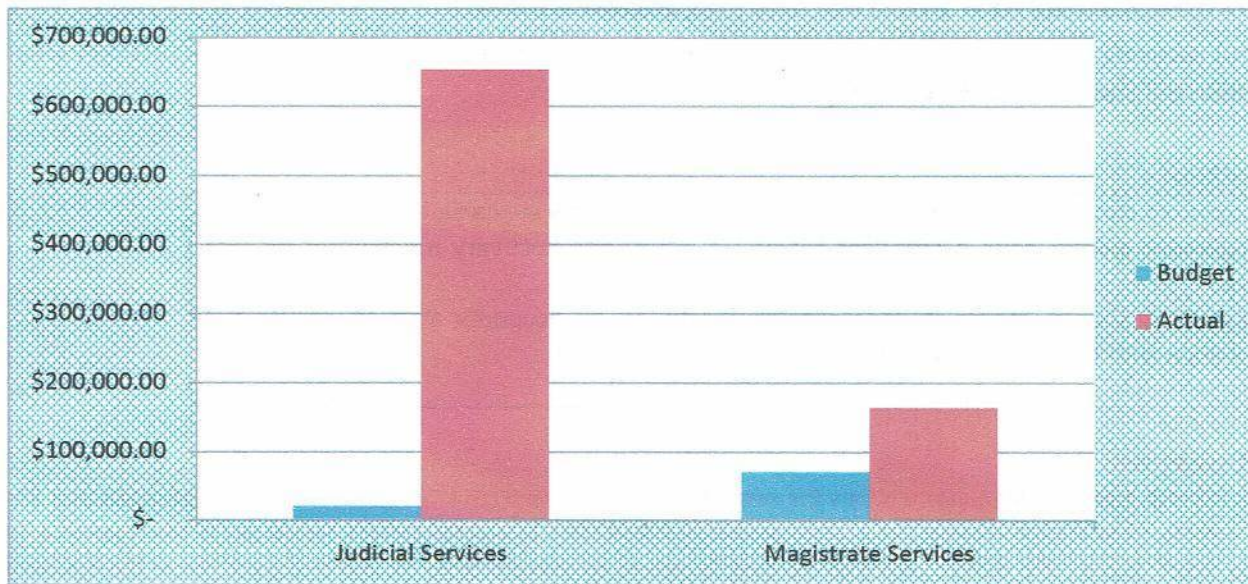
Year	2014	2015	2016
Budget	\$74,400.00	\$90,000.00	\$90,000.00
Actual	\$45,101.90	\$138,172.84	\$817,251.28
Under/(Over)	\$29,298.10	(\$48,172.84)	(\$727,251.28)

3.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE ESTIMATE AGAINST ACTUAL

The above table and graph showed that the Judiciary has a steady budget level of \$90k in 2016 and 2015 while the actual collection had increased significantly from \$138k in 2015 to \$817k in 2016. Therefore, management must be commended for such improved performance and encouraged to continue maintaining such level of collection in future years.

3.3.1.3 REVENUE AGAINST BUDGET BY DIVISIONS 2016

Code	Divisions	Revenue streams	Budget	Actual	(Over)/Under
C110101	Judicial Services	Court fines	\$20,000.00	\$652,938.00	\$(632,938.00)
C110102	Magistrate Services	Court fee	\$70,000.00	\$164,313.28	\$(94,313.28)
	Total		\$90,000.00	\$817,251.28	\$(727,251.28)

3.3.1.4 COMPARATIVE BAR GRAPH OF BUDGET REVENUE ESTIMATE AGAINST ACTUAL BY DIVISIONS

As evidenced from the above graph both revenue generating divisions surpassed their estimates thus resulting in an over collection of \$727k therefore senior management of these respective divisions should be commended for such notable achievement.

Recommendation:

Management should continuously exert efforts so to generate the level of revenue in future years to come.

Management should ensure its budget level is aligned with the perceived activities its divisions would embark upon in future years.

Management response:

The revenue for 2016 surpassed the estimation as reflected in the 2016 Budget resulting in the revenue collected to significantly increase (\$727k more than the estimate)

This resulted from the usage of new fees for the Magistrates Courts throughout Kiribati and secondly for an increase in criminal fines in the Magistrates Courts. The amount of increase under the Judicial Services budget head should be an increase under the Magistrates Court in which the new court fees have been introduced.

3.3.1.5 ARREARS OF REVENUE**Finding and Analysis:**

The accountant was unable to provide the list of revenue arrears upon request for the year ended 2016 thus had prevented auditors from carrying out further testing on the revenue for the Judiciary. Therefore, reasonable explanations should be provided from the concerned Ministry i.e. Judiciary.

Implications:

- Failure to provide list of arrears of revenue would not provide the actual dues to government and could create unfairness on the compliant clients.
- Failure to maintain the list of arrears that have been incurred is a breach of the provisions of the FR 11.
- Prompt recovery of arrears of revenue would reduce the risk of revenue foregone as time of recovery would be within the Statue limitation bar of 6 years.

Recommendations:

- ✓ Management should have a database kept, updated and readily available for future access.
- ✓ Management should have a stringent follow up policy and recovery mechanism on late payers
- ✓ Management should ensure it does regular checks on its accounts staff to ensure full compliance with the provisions of the FR 11.

Management response:

As discussed in the exit meeting, this issue concerns the criminal fines which have not been paid to date. In legal sense, the fines should not be considered as court 'revenues'. The practicality of 'criminal fines' is that the convict should pay to the republic a fine decided by the court. If not, the convict will then be sent to prison to serve a term of imprisonment. Once the convict is imprisoned for failing to pay his or her fine, such fine is cleared.

The court is working on creating a process in which it would be more easy and efficient in knowing who has pay his or her fine and if not, to be send to prison. It is difficult to always update with this statistic given that the Police (prosecutors) are the ones to ensure compliance with court orders (paying a fine)

Most pending fines are results of minor offences or summary offences. The Judicial administration has introduced a system where fines are paid forthwith at the completion of a particular summary offence's litigation. Failure to do so will result in immediate imprisonment. After this system was put on trial for one month, it was seen as a major prevention to the pending fines for minor offences.

3.3.2 CONTROL OVER EXPENDITURE**3.3.2.1 JUDICIARY BUDGET EXPENDITURE SUMMARY**

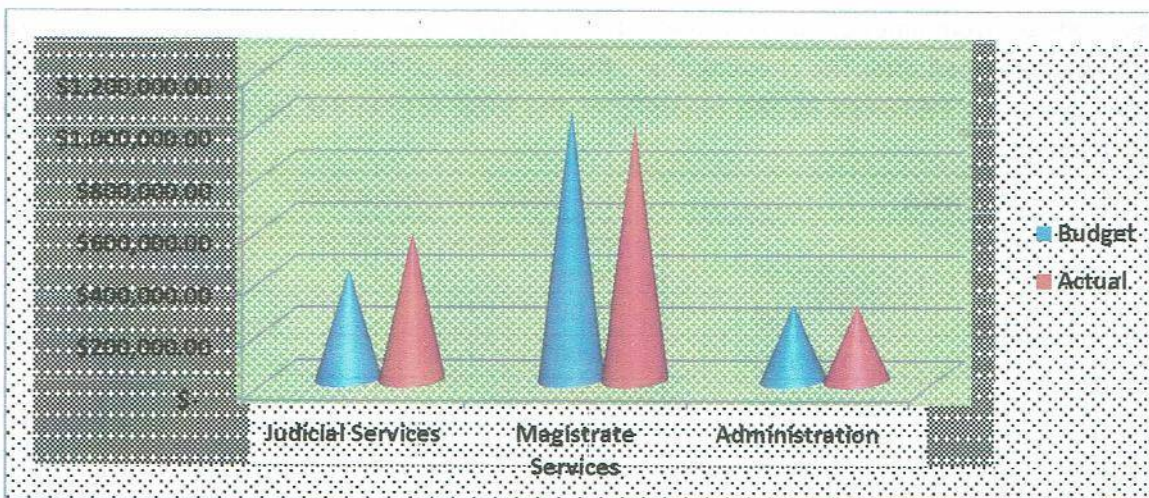
Year	2014	2015	2016
Budget	\$1,923,619.00	\$1,650,030.00	\$1,766,033.00
Actual	\$1,673,934.00	\$1,654,347.49	\$1,833,691.68
Variance Under/(Over)	\$249,685.00	(\$4,317.49)	(\$67,658.68)

3.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL

As depicted above the actual expenditure had skyrocketed from \$1.65m in 2015 to \$1.83m despite a slight increase in the budget from 2015 by \$116k and this resulted in an excess or unauthorized spending in 2016 by \$67,658 (budget \$1.76m less actual of \$1.83m). Management explanation is therefore sought here.

3.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS 2016

Code	Divisions	Budget	Actual	(Over)/Under
E1101	Judicial Services	\$ 429,022.00	\$ 564,535.76	\$ (135,513.76)
E1102	Magistrate Services	\$ 1,044,671.00	\$ 982,884.73	\$ 61,786.27
E1103	Administration	\$ 292,340.00	\$ 286,271.19	\$ 6,068.81
	Total	\$ 1,766,033.00	\$ 1,833,691.68	\$ (67,658.68)

3.3.2.4 COMPARATIVE BAR GRAPH OF BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL BY DIVISIONS 2016

As illustrated above, the Judicial services 01 was the only division that exceeded its budget allocation by over \$135k whereas the remaining divisions; Magistrate 02 and Administration 03 had saved the budget by \$62k and \$6k respectively.

Recommendations

- ✓ Management should encourage all its divisions to continuously keep their spending within their budget allocations to avoid incurring unauthorized spending.
- ✓ Management should ensure its budget level in future is aligned with the activities of each of its individual divisions.

Management response:

Management acknowledgment an overspent of its budget in 2016 of \$67,658.68, a significant increase compared with its spending in previous years. As set out in the audit report, the Judicial Services 01 was the only division that exceeded its budget allocation by over \$135k.

The first overspent as stipulated in the financial statement (attached as appendix) of Judicial shows an overspent of \$33,931.74 in the overtime which is basically from the Judicial services budget head. This concerns the 2 Police drivers and bodyguard for the Hon. Chief Justice and Hon. Judge of the High Court. Management would like to clarify that little could be done for the overtime of these police officers as the contract of service for the two Judges of the High Court provide these judicial officers with drivers who will do what is needed by these judicial officers in terms of transportation (chauffer duties).

The other core reason for spending over the budgeted allocation is poor advice from our Account division on our financial position resulting in excess office materials purchasing toward the end of the financial year 2016. As discussed in the exit meeting, as usual, the Judicial would use its extra budget toward the end of a particular year to purchase office stationeries and other needs of the office. This was again done in 2016 toward the end of the year based on the advice of its Accountant that time that there is enough budget allocation to continue purchasing office materials. Because the Accountant that advised the administration is an expert in finance sent by the MFED to assist the Judiciary, the advice was taken without knowing that it will lead to an excess in spending.

In addition, we saw a lot of changes to our Accounting division in terms of staffing by MFED. This practice of immediate exchange of Accounts staffs has impacted Judiciary in terms of poor reconciliation of accounts as in the case with our 2016 account leading to poor advice given to the administration.

The recommendation about reconciliation discussed during the exit meeting in on top of our agenda in ensuring that it is done properly and to be reflected in their monthly reports to the Senior Responsible Officer.

3.3.2.5 OUTSTANDING IMPREST**Finding and Analysis:**

The audit had selected 7 officers from different divisions under the Judiciary to perform its testing primarily on their outstanding imprest. It was confirmed after the checking that officers had failed to retire their imprests within 10 working days upon their arrival as evidenced by the reporting of the total outstanding imprest of over \$11k as reflected in the table hereunder:

Name	Amount	Status after response received
Officer 2	\$ 1,828.05	\$1620.00 – needs copy of retirement of this o/s dues
Officer 3	\$ 1,165.00	\$870.00
Officer 4	\$ 1,265.75	\$360.00
Officer 7	\$ 2,510.90	837.09
Officer 8	\$ 3,170.00	3,170.00
Officer 9	\$ 965.00	560.00
Officer 11	\$ 196.36	196.36
Total	\$ 11,101.06	\$ 7,613.45

Implication:

Untimely retirement of imprest is a non-compliance with the provisions of the Financial Regulation 2011, and would weaken the strength of the cash flow of Government.

Recommendations:

- ✓ Management retirement policy should be enforced by the account unit and /or recovery should be made especially for those who had accumulated huge outstanding imprest.
- ✓ Management must maintain a register for Imprest to monitor the retirement by officials.
- ✓ Management must ensure that all imprests are retired after 10 working days from the date the officer returned from official trip.

Management response:

Refer table above.

4) KIRIBATI POLICE & PRISON SERVICES (KPPS)**Findings and Analysis:****4.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Kiribati Police and Prison Services** for the year ended 31st December 2016 "Except For" the effects of the matters as discussed in detail from 4.3 below.

4.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Kiribati Police and Prison Services performance in the fiscal year 2015.

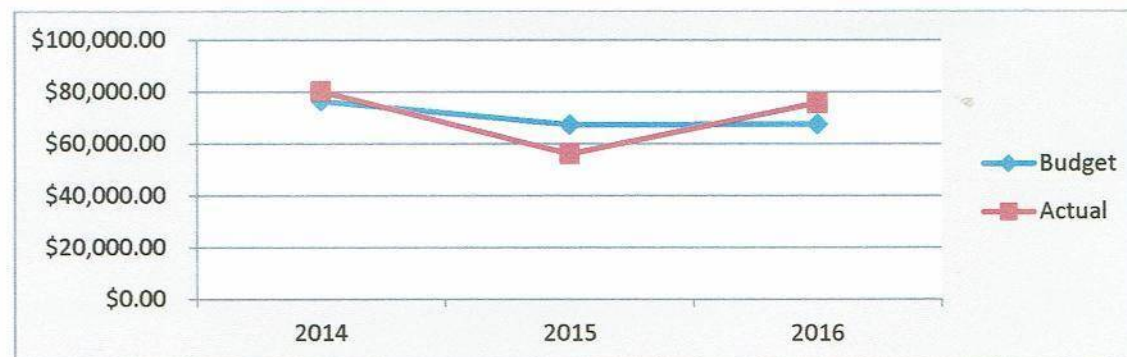
Issues	Solved/Addressed	Status of the issues in the 2016 audit
Revenue under collection	Solved/Addressed	Improved revenue collection.
Weaknesses in the revenue system.	Not Solved/Addressed	GRR not maintained.
Outstanding imprest	Not solved/Addressed	Improved recovery from imprest holders.
Ration(Patrol RK Teanoai)	Not Solved/Addressed	Poor control and supervising of ration.

4.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

4.3.1 CONTROL OVER REVENUE**4.3.1.1 KPPS REVENUE SUMMARY COLLECTION 2014-2016**

	2014	2015	2016
Budget	\$76,200.00	\$67,200.00	\$67,400.00
Actual	\$80,202.50	\$56,183.42	\$75,668.65
Variance Under/(Over)	(\$4,002.50)	\$11,016.58	(\$8,268.65)

4.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

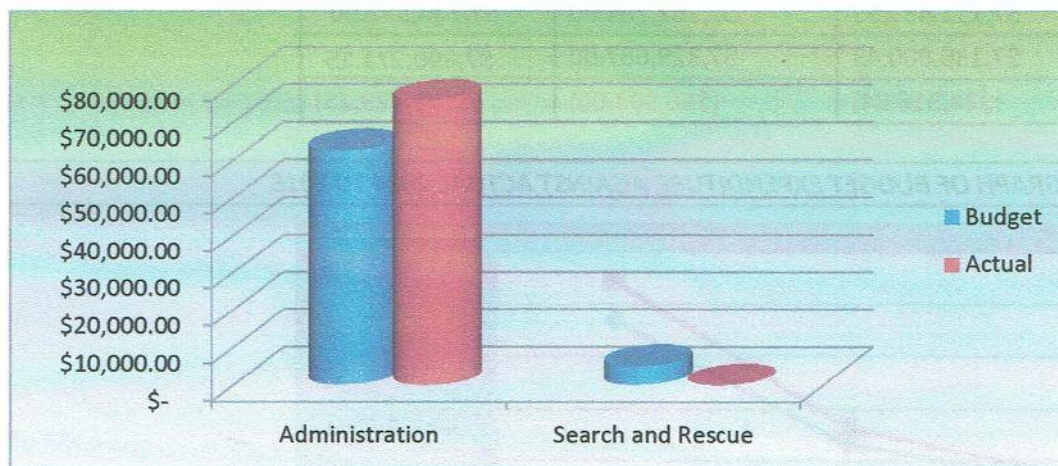
As per graph above it was clearly indicated that the KPPS has performed well in 2016 having exceeded its revenue collection by \$8k compared to a shortfall of \$11k in 2015. Therefore, management must be acclaimed for their efforts and tireless commitment to ensure that the KPPS collected more revenue in 2016.

Management response:

This happens because a strong mechanism now exists whereby controlling of the road for users has been controlled and monitored for noncompliance.

4.3.1.3 KPSS REVENUES AGAINST BUDGET BY DIVISIONS

Divisions	Administration	Search and Rescue	Total
Budget	\$ 62,400.00	\$ 5,000.00	\$ 67,400.00
Actual	\$ 75,668.65	\$ -	\$ 75,668.65
Variance(Over)/Under	\$ (13,268.65)	\$ 5,000.00	\$ (8,268.65)

4.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION

The graph above indicated KPSS has two divisions that generated revenue and the non-collection by one was absorbed by the other division's excess collection, thus resulting in a net increase over the budget by \$8k. Management should ensure its budget is aligned with the activities its divisions will perform in future years.

Management response:

Patrol Boat seemed too high for hire hence no Ministry especially Ministry of Information, Communication Transport and Tourism Development for Search and Rescue but prefer to pay fuel, ration etc., instead of hire.

4.3.1.5 REVENUE RECORDS AND DOCUMENTS**Findings and Analysis:**

When conducting the audit verification for revenue records and documents it was noted that there were weaknesses found as indicated below:

- General Receipt Register was not maintained as evidenced when requesting for the register to verify the number of Receipt Books that had been collected from the Ministry of Finance, those been used and stock on hand.

Implications:

- The absence of revenue records and other supporting documents would raise doubts on the accuracy of Records provided.
- Failure to maintained GRR would trigger the problem on cash custody and this could lead to the misappropriation of cash

Recommendations:

- Management must ensure all documents are fully supported, maintained and kept for future audit reference.
- Management must ensure its officials are fully conversant and comply with the provisions of the governing laws and FR 11.

Management response:

Already there is a Register on hand but due to no handing over between the former and new Cashier hence this comment. We'll make sure to update our 2017 register, keep in safe place and available whenever wanted and make sure proper handing over is done before transfer takes place.

4.3.2 CONTROL OVER EXPENDITURE**4.3.2.1 KPPS EXPENDITURE SUMMARY AGAINST BUDGET FOR 2014 TO 2016**

	2014	2015	2016
Budget	\$7,111,483.59	\$7,262,784.00	\$7,736,542.00
Actual	\$7,136,000.43	\$7,329,687.00	\$7,890,271.15
Variance Under/(Over)	(\$24,516.84)	(\$66,903.00)	(\$153,729.15)

4.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2014 TO 2016

It is clearly reflected from the above comparative expenditure analysis that for the last three years (2014-2016) KPPS has continually operated above its approved budget even when the budget levels were constantly increasing at a rapid pace. In 2016, KPPS had incurred a huge excess spending of \$153k compared to lower overspending of \$66k for 2015. Management should be more realistic in its budget level in future years to avoid incurring unauthorized spending.

Recommendations:

Management should continue to operate within or below the level of approved expenditure budget to avoid excess spending.

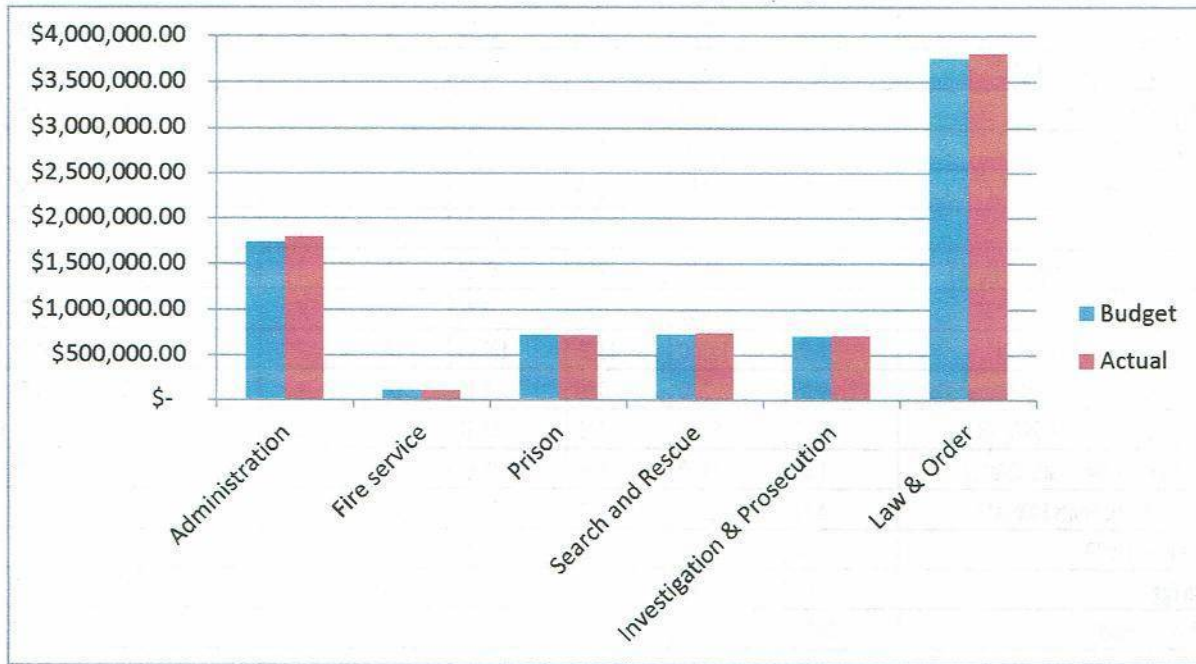
Management should continuously conduct its regular reconciliation so to be able to take corrective actions, including seeking support for a Supplementary budget, to avoid incurring over spending.

Management response:

Well the blame is on Account information when stated that sufficient fund to meet ongoing activities towards the end when in fact not true. This is related to reconciliation not done on regular basis by the Ministry. I agree with recommendation that timely reconciliation will give the most correct advice and management won't incur excessive spending.

4.3.2.3 KPPS EXPENDITURE AGAINST BUDGET BY DIVISIONS 2016

	01	02	03	04	05	06
Description	Administration	Fire Service	Prison	Search and Rescue	Investigation and Prosecution	Law and Order
Budget	\$ 1,730,420.45	\$ 106,693.00	\$ 720,805.00	\$ 725,962.00	\$ 703,284.00	\$ 3,749,378.00
Actual	\$ 1,794,131.53	\$ 106,592.42	\$ 720,905.00	\$ 748,899.24	\$ 712,601.71	\$ 3,807,141.25
(over)/under	\$ (63,711.08)	\$ 100.58	\$ (100.00)	\$ (22,937.24)	\$ (9,317.71)	\$ (57,763.25)

4.3.2.4 KPPS BAR GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS

As highlighted above, 5 out of 6 KPPS divisions; Administration, Prison, Search and Rescue, Investigation and Protection, and Law and Order failed to control their operational costs within approved budget estimate thus contributed to the overall excess spending of \$153k. Fire Services was the only division that managed to spend within its allocated budget.

Management response:

This seems budget for KPPS was not enough to cater for both Personal Emolument and Operation costs. The bulk of this overspent comes from Administration that shows more than \$60K and this come from Personal Emolument. This was caused by activities carried out every weekend and most officers were involved which cause extra hours beyond the limit of 50 for eligible officers (level16-12). As mentioned before, if record updated this overspent may not see as management will decide on hours to be paid according to balance available.

4.3.2.5 RATIONS**Finding and Analysis:**

The audit revealed a flaws and poor control over the stock ledger card when it was noted not updated and completed by not labelling any goods supplied accordingly. It was noted too that there were leakages in supplies of goods valued to \$354.57 as indicated hereunder:

Qty	B/O	Description	Unit Price	Total Price	Vat	Total	Quantity	Variance	Remaining balance last year	Amount
8	0	Nestle Sunshine Milk 900g*12	12.74	101.92	12.74	114.66	7	1		\$ 12.74
6	0	Nescafe Classic Jar 200g*12	7.25	43.50	5.44	48.94	3	3		\$ 21.75
24	0	Crown Curry chicken 312g*48	1.90	45.60	5.70	51.30	21	3		\$ 5.70
20	0	Local Bread	1.00	20.00	2.50	22.50	14	6		\$ 6.00
7	0	Real cheddar cheese 500g*12	6.70	46.90	5.86	52.76	5	2		\$ 13.40
2	0	Cabbage Green each	5.60	11.20	1.50	12.70	1	1		\$ 5.60
90	0	Spring water 1.5 kg*6	2.00	180.00	22.50	202.50	75	15		\$ 30.00
5	0	Pauls mild skim export 12*1ltr	2.70	13.50	1.69	15.19		5		\$ 13.50
3	0	Chicken cut 2kg*9	10.95	32.85	4.11	36.96	2	1		\$ 10.95
15	0	chicken saveloys sausages 500g*40	4.10	61.50	7.69	69.19	13	2		\$ 8.20
5	0	Hnz Sce Tomato Glass 300ml*24	1.31	6.55	0.82	7.37	1	4		\$ 5.24
24	0	Oxpalm corned beef 326g*24	4.45	106.80	13.35	120.15	17	7		\$ 31.15
20	0	Yum chicken noodles 60g*3inner*30pkt	0.36	7.20	0.90	8.10	17	3		\$ 1.08
24	0	Tripical Roasted Goose 397g*48	2.53	60.72	7.59	68.31	14	10		\$ 25.30
24	0	Hnz Spaghetty Meatballs 420g*12	1.80	43.20	5.40	48.60	20	4		\$ 7.20
6	0	Sunquick Exotic Fruits 840mls*6	4.33	25.98	3.25	29.23	4	2		\$ 8.66
6	0	Trix Lemon 1ltr*9	2.55	15.30	1.91	17.21	4	2		\$ 5.10
150		Fresh Egg	1.00	150			104	46		\$ 46.00
6		Jin Ramen (mild)	26.00	216			4	2		\$ 52.00
10		Tuna slice	4.50	45.00			0	10		\$ 45.00
TOTAL								129		\$ 354.57

Implications:

- The absence of the ledger book simply indicated that the rations were not being utilized for the purposes as required for RKS Teanoai
- The misappropriation of the 129 items with total value of \$354.57 would raise doubts on the integrity of management concerned with regard to the monitoring of goods for RKS Teanoai ration.

Recommendation:

Management must ensure to conduct proper review and regular cross check with RKS officers to avoid discrepancies on records or misappropriation of any of the rations supplied.

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART I

Management response:

Thanks for the report your office has provided. It's my deep apology towards the findings your office had identified in the report. After going through the Chef Register this month from his last trip, we noticed that he had done his record properly which the Commanding Officer mentioned that the auditor and our Chef were working together in trying to find better outcomes of this ongoing issue.

The auditor's report stated clearly that the ledger was not updated and there was so many errors in it. It's very difficult to know exactly what the issue is because the auditor only works with the Chef. The only thing the Chef told us is that he now understands what to do but we are surprise to get similar problem with the ration as in the past from the auditor's annual report.

If the auditor has worked with our Captain of the Ship including the Chef, then we can immediately response to the Chef's problems on the next trip and on the next trip and so forth as the Commanding Officer of the vessel will make sure that his staffs is complying with the instructions.

After receiving this annual report, it shows that the Chef has fail but it would be good to have the supervisor at the time of the audit to be presence because we can deal with the matter straight away. The only thing the Chef report to us, he is OK but as the report is revealed, we know that the Chef has fail his responsibilities and he should be disciplined. We can identify this problem earlier if the auditor is also working closely with our supervisors on board the Vessel and not those that are only handling such tasks. The only report the chef provides to the office is at the end of the voyage. There is no monthly report involved with the Chef as the basis is for every end of each voyage he has to submit his remaining to the office.

It is clearly indicated that the items totaled up to one hundred and twenty nine was unaccounted for. I can assure your office that it hardly to misuse the rations because the ordered ration is significantly just supplying for a certain trips. The amount of ration ordered based on the calculation to the number of days at sea, the number of the crew joining the trip and rate per head. At most of the time the ration supplied all consumed at sea during the trip as it meant for, therefore, the misuse would hardly occurred. Practically at end of each trip we instructed the chef to come forward to the office with remaining rations if there were on hand upon returned. We are monitoring the rations from the time we first received until at the end of the trip. The ration issued out on daily basis say three meals a day is not recorded. We have advise the Public Account Committee in the past years that the issue with this is that the scale to measure number of kg or pounds in regards to rice, flour or sugar, onions etc are difficult to weigh at sea as the scale will not work as the ship rolls heavily in the water causing errors in the scale reading. Our practice now is to record of the items received and the remaining items after each trip.

I hope this explains the above but happy to clarify more if required.

4.3.2.6 CONTROL OVER IMPREST - OUTSTANDING

Finding and Analysis:

The audit had selected 4 officers to perform its testing on the outstanding Imprest. It was confirmed the total accumulated Imprest for 2016 was \$46k and this has increased from prior years to 2015 as shown in the table hereunder:

Name	2015	2016
Officer 1	12,430.90	20,242.52
Officer 2	8,978.00	11,201.50
Officer 3	5,280.00	6,410.30
Officer 4	3,086.70	8,573.30
Total Outstanding	\$ 31,790.60	\$ 46,427.62

Implication:

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

Recommendation:

- ✓ Management must maintain a register for Imprest issued for monitoring and recovery purposes.
- ✓ KPPS should not issue subsequent Imprest to its officers until their outstanding from previous years had been cleared.
- ✓ KPPS should have in place a strong control over imprest and to ensure that all imprest should be retired within 10 days upon officer's return from official trip.

Management response:

We are pleased to say that the standardized vote used now has a record that helpful when required. There is no need for Register as this system can provide outstanding when required. It is our duty to remind officers when Imprest is due to retire and reject fresh ones when seen outstanding.

4.3.2.7 CONTROL OVER BUS TICKETS**Finding and Analysis:**

The audit revealed a bulk of bus tickets were missing and this was largely due to the non-recording of bus tickets in the book register used by the KPPS as shown hereunder:

Denominations	Serial No.	No. Of Tickets	Value
90c	554701 to 554800	100	\$ 90.00

Fig: 1 indicating that 100 were the number of bus tickets not recorded and missing with its value of \$90.00 in the register. This confirmed the weaknesses and poor control over the bus tickets when were issued out and not recorded in the issuance bus ticket register book.

Implications:

- Bus ticket could be converted to cash and the improper or absence of an updated record to those been issued, signature of receipt, would increase the risk of misappropriation of public funds.
- The non-recording of bus tickets is a breach of the requirement under the FR 11.

Recommendations:

Management must ensure that all bus tickets are separately recorded in the purchase bus ticket register and issued out of bus ticket to staff must be also recorded into the issuance of bus ticket register for future references. Management should consider reprimand actions against the officer responsible for monitoring bus tickets.

Management response:

We apologized if our Register was not clear during auditing but as confirmed after checking for the missing numbers, they were in record except number 554701 – 554800 that can't be provided as in hand of Internal Audit. It was recorded in separate register that is used for Stations in recording their ration (bus-tickets). The remaining is provided in Annex 1 for verification and confirmation.

4.3.2.8 CONTROL OVER LOG BOOK**Findings and Analysis**

The log book had neither been updated nor maintained by driver of the Police. Certainly, this indicated poor control over the movement of the government vehicles. The incomplete records had hindered auditors to carry out checks for mileage, fuel consumption, driver's overtime and daily movement of the vehicles.

Implication:

Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and proper usages of such vehicles and could also annul claims been lodged by and paid to drivers.

Recommendations:

- ✓ Management should ensure the drivers maintain and update their log books in order to keep track the vehicles movement from time to time
- ✓ Management should ensure that the Office Manager checks and reviews the log book on a regular basis.
- ✓ Management should ensure it regularly review the works of its accounting officers and take appropriate remedial actions.

Management response:

According to response from OC Garage, they don't have log book except that they use a different kind that record every issues or whatever need attention that occurred during the shift period. This register they call it ASO, (abbreviation will later submit) and it is where most of your queries be answered as every incident recorded at certain time. To conform to finding, the big bus has one Log book now in use and can be off assistance if needed.

4.3.2.9 CONTROL OVER STORE LEDGER**Finding and Analysis:**

The store ledger book was not provided and made available for the audit verification of non-expendable items purchased for Office Equipment and Furniture.

Implications:

Management's failure in providing such records would raise doubt on the monitoring of stores of goods been purchased for office use.

The absence of such record or register would increase the risk of misappropriation of public assets and is a complete breach of the provisions of the FR 11.

Recommendation:

Management needs to locate its ledger in order to be sure that the office properties are recorded and to provide it for audit verification.

Management response:

This is our failure in not maintaining a register for this Office Equipment and Furniture. For record and approval of payment from MFED, a Purchase Form was attached for each payment but somehow forgot to record or made an extra copy for office use. As recommended, we will comply with finding so that future doubts on monitoring of stores will no longer exist and seen.

4.3.2.10 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY**Findings and analysis:**

There were 17 employees from different divisions selected to perform our testing on their leave balances and all these employees had leave balances exceeding 2 years' entitlement. This is an infringement of Cabinet decision as per minute no. 77/10.

Name	PF/Service #	Annual leave
Officer 1	2001082/42	115
Officer 2	99145/16	144
Officer 3	2008091/107	106
Officer 4	95013/242	149
officer 5	96175/284	109
Officer 6	98021/206	140
Officer 7	96179/282	110
Officer 8	2005147/291	151
Officer 9	95019/248	114
Officer 10	2012049/231	99
Officer 11	6460	131
Officer 12	2001214	108
Officer 13	95003	101
Officer 14	2005111	105
Officer 15	91014	138
Officer 16	2005129	114
Officer 17	93171	107

Implications:

The whole purpose of the Cabinet Decision Minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund. Not adhering to this decision is a violation of Cabinet instruction.

Recommendation:

Management must enforce and implement the Cabinet Decision Minute No. 77/10 in relation to the 2 years leave entitlement to all staff.

Management should ensure staff when taking annual leave, to use up the current year's leave entitlement first and work backwards utilizing the prior two year's leave brought forward balances.

Management response:

That was only a record in personnel file but when leave was actually taken, that depend upon SRO's approval because there is a purpose why an Employee have that leave balance.

4.3.2.11 CONTROL OVER SPARE PART OF RKS TEANOAI**Finding and Analysis:**

Appended below were some items (spare parts of RKS Teanoai) including waste oil drums that indeed needed to be disposed. As confirmed the ministry concerned had failed to notify the Internal Audit regarding the disposal of items listed in the table hereunder. However, this is the same issue noted in my last year audit report and therefore an explanation was required from management accordingly.

Particulars	No. of Items
Boat trailer (old)	1
Standby generator (workshop)	1
Shore power (old)	1
Outboard motor 115hp	1
Speed boat (old)	2
Ligweld machine	1
Battery Load terter (old stock)	3
Salvage pump	1
Waste Oil	5 drum

Implication:

Failure to notify the Internal Audit for conducting end of year stock take would also lead to the abuse and misappropriation of stock.

Recommendation:

Spare parts that are in bad conditions must be disposed off properly by the Stock Verifier in the year the assets were to be discarded.

Management must invite the Stock Verifier to conduct a stock take before disposing off government assets.

Management response:

First I would like to apologize for the above report which stated the failure of the PMU staff to conduct disposal without taking into consideration the correct disposal procedures.

I still feel that there is still a gap which our staff are still not clear of as our understanding is during the disposal, we will need to call an auditor to verify items that requires disposal.

As for oil drums, the KOIL are still facing the issue with stocking them in their yard and all we heard from their advice is for us to wait for the tanker where these oil can be dispose. We have liaised with them on many occasions but they are not willing to accept our drums until further advice.

The Old Shore power Generator is still useful in terms of spare parts within the body itself. There are bid of pieces that we still can remove and be useful to use on the ship generator. Once this generator has been totally dismantled, then we can recommend it as a disposal. At this stage, it is still a useful spare part for the current generator, when we encounter issues in looking for spare parts.

The Stand by Generator is still in good condition and we are not in the stage to dispose. The Stand by Generator is a new Generator but we will service its crank case when TEANOAI goes for dry docking in Cairns, Australia in early 2018 for repair. Once repaired, we will mount the engines together and get it running for its purpose as to stand by for Teanoai when the Patrol boat encounters issues with her own power.

The old Police Speed boat is now getting old and because we have received one speed boat from NZ as part of the project, we now want to tender the boat out as there is still some values in it. Currently the boat is now kept in the Police yard (PHQ) waiting for tender. The other aluminum boat has also been sold under the tender. This can be sighted with the Account section. There is also a rubber nyad boat

Outboard motor 115 hp is now considered old and it would be more expensive for repair which we are also giving it away for tender. This outboard is now also proposed for tender.

Ligweld machine – Is old but we still keep it in our yard as its parts are also useful to use if we have to order a similar one in future. This machine is well kept inside the store room.

What we will need now is for some support and assistance from the audit office especially the stock verifier so that we can be clear of the procedures. I would like to say that it is also good to include supervisors during the auditing or during the stock verifying so that our boys have more understanding of the issue so that we can all have clear understanding of what we can do right for now and the future.

5) PUBLIC SERVICE COMMISSION (PSC)**Findings and Analysis:****5.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Public Service Commission** for the year ended 31st December 2016 with Emphasis of matter as discussed in detail from 5.3 below.

5.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion issued on the performance of the Public Service Commission in the fiscal year 2015.

Issue	Solved/Addressed	Status of the issue in the 2016 audit report
Misallocation of output		Issue still not been addressed

5.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

5.3.1 CONTROL OVER EXPENDITURE BUDGET**5.3.1.1 COMPARATIVE TABLE EXPENDITURE AGAINST ESTIMATES**

Year	2014	2015	2016
Estimates	227,901	241,818	249,123
Actual	238,608	256,698	242,925
Variance (Over)/Under	(10,707)	(14,880)	6,198

5.3.1.2 COMPARATIVE LINE GRAPH BUDGET ESTIMATES AGAINST ACTUAL

The above graph portrays the level of budget expenditure against actual for the years 2014 to 2016. For the first in three years (2016) even with the appropriate increase in the budget estimate level from \$241k(2015) to \$249k(2016) the Ministry had managed to operate within means compared with excess spending for 2014 and 2015 respectively. Therefore, management must be highly commended for such great achievement over the past years.

5.3.1.3 MISALLOCATIONS**Findings and Analysis:**

It was found during the audit that some payments made were indeed charged the wrong output/allocation. The issues noted were same detected last audit thus proves responsible officer had not bothered to implement the audit recommendation of 2015. Details of such misallocations are included in the table below:

Date	Pv #	Misallocation	Correct code	Amount
23/5/16	091/13	E13010000241	E13010000239	\$95.10
3/8/16	043/13	E13010000241	E13010000239	\$44.10
2/02/16	005/13	E13010000241	E13010000239	\$24.60
24/02/16	029/13	E13010000241	E13010000239	\$61.80
10/02/16	017/13	E13010000241	E13010000244	\$360.00
10/02/16	016/13	E13010000241	E13010000239	\$31.70

Implications:

- Charging the wrong code (output) as per stated above is a careless mistake and would lead to incorrect over spending of the output wrongly charged.
- Incorrect spending under the wrongly charged output would lead management astray when deciding on the appropriate level per output for next year's budget level.
- Charging wrong outputs raises doubts on the integrity of the accounting officer of the Office.

Recommendations:

- ✓ Management should ensure to charge a proper and correct allocation (code) according to the nature of spending to avoid misallocation of funds.
- ✓ Accounting staff concerned need be trained on the allocation of expenses
- ✓ Prior authorizing and approving payments accountable and responsible officers should thoroughly review the nature of the payment to ensure the correct coding is being charged.

Management response:

No transfer being made resulting in charging inappropriate codes.

6) MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION (MFAI)**Findings and Analysis:****6.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Foreign Affairs and Immigration** for the year ended 31st December 2016 “Except for” the effects of the matters as discussed in detail from 6.3 below.

6.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for Ministry of Foreign Affairs and Immigration performance in the fiscal year 2015:

Issues	Solved/Addressed	Status of the issue 2016 audit
Revenue under collection.	Solved/Addressed	Improvement in the revenue collection.
Colossal overspending incurred by MFAI.	Not solved/Addressed	MFAI incurred excess spending
Contravene of Procurement Act.	Not Solved/Addressed	Unavailability of payment voucher to confirm the validity of procurement procedure.
Not reviewing overtime docket.	Solved/Addressed	Improved, overtime docket reviewed

6.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

6.3.1 CONTROLS OVER REVENUE**6.3.1.1 MFAI BUDGET (REVENUE) SUMMARY 2014-2016**

Year	2014	2015	2016
Budget	\$100,000.00	\$105,000.00	\$83,000.00
Actual	\$99,370.00	\$59,667.00	\$115,169.09
Variance Under/(Over)	\$630.00	\$45,333.00	(\$31,369.09)

6.3.1.2 COMPARATIVE LINE GRAPH REVENUE BUDGET AGAINST ACTUAL 2014 TO 2016

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

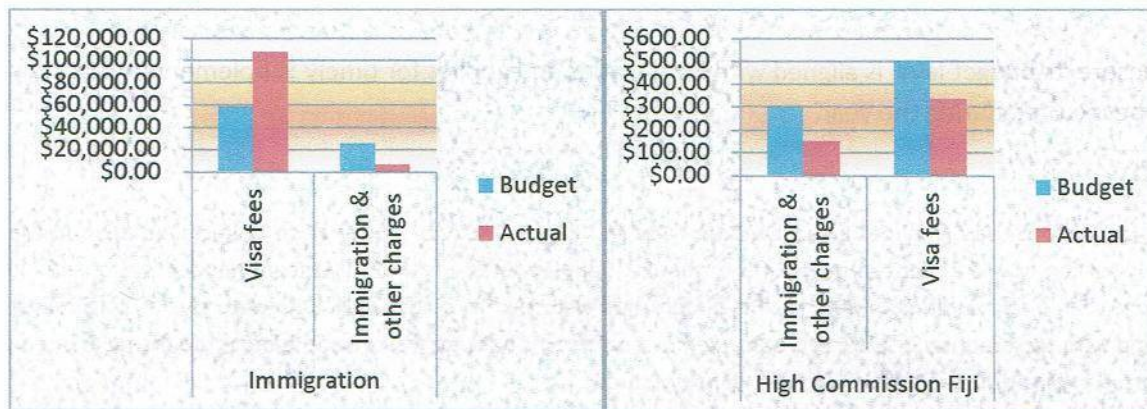
As evidenced above the Ministry had decreased its budget level from \$105k in 2015 to \$83k in 2016, a reduction of 22k but its actual collection surpassed this reduced budget by \$32k (2016 budget \$83k less actual \$115k) and was even higher than the budget level of 2015. This means there were additional activities not accounted for in the budget set for 2016 that had significantly increased the revenue collection to a level even higher than the 2015 budget of \$105k. Management must be commended for such remarkable improvement and to ensure it provides more realistic budget level for future years.

Management response:

6.3.1.3 MFAI REVENUES (ACTUAL) AGAINST BUDGET BY DIVISIONS – 2016

Division	Immigration		High Commission Fiji		Total
Revenue stream	Visa fees	Immigration & other charges	Immigration & other charges	Visa fees	
Budget (Rev)	\$58,000.00	\$ 25,000.00	\$300.00	\$ 500.00	\$83,800.00
Actual	\$107,346.59	\$ 7,337.50	\$150.00	\$ 335.00	\$115,169.09
(Over)/Under	(\$49,346.59)	\$17,662.50	\$150.00	\$165.00	(\$31,369.09)

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



As evidenced from the table above the revenue collected from visa fees far outweighed its budget by an aggregate that absorbs under collections by other three revenue centers and therefore those managing this revenue stream should be commended for such achievement.

For the other revenue centres management should encourage all supervisors to exert efforts so to meet the budget estimates.

Management response:

6.3.2 CONTROLS OVER EXPENDITURE

6.3.2.1 MFAI BUDGET EXPENDITURE SUMMARY

	2014	2015	2016
Budget	\$2,073,100.00	\$2,178,571.00	\$2,301,878.00
Actual	\$2,570,157.00	\$2,745,374.59	\$2,332,288.28
Variance Under/(Over)	(\$497,057.00)	(\$566,803.59)	(\$30,410.28)

6.3.2.2 COMPARATIVE LINE GRAPH EXPENDITURE ESTIMATE AGAINST ACTUAL 2014 - 2016

It is evidenced management made an effort in reducing its spending level than it incurred in 2015 but still it surpassed its budget level by \$30k, far lower than \$567k in 2015 therefore management should be commended for such achievement. However, management should provide more realistic budget level that would cater for activities its branches would deliver in future years.

Recommendation:

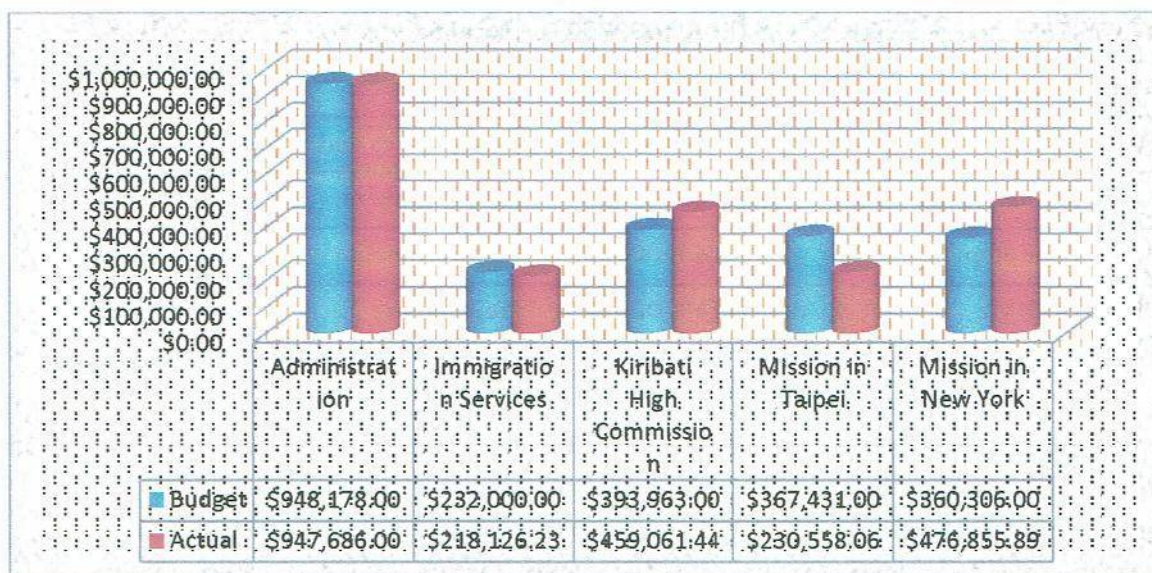
The Ministry should ensure its budget level is aligned with its activities and applies for timely Supplementary to cater for extra spending to be incurred during the year.

Management response:

With the five divisions, the bulk of the overspent was New York Mission. Planned activities have been undertaken beyond their budget considered level, turning out to affect the overall performance. Supplementary is the only recommended option though, but was never successful. With timely auditing of 2016, Management had also tried to adjust 2018 budget to give a more realistic picture of the Mission and with the creation of third secretary/Senior Accountant post to oversee and handle the financial need of the mission to avoid more complication issues that will arise in future audit.

6.3.2.3 MFAI BUDGET AGAINST ACTUAL BY DIVISIONS – 2016

Division	Budget	Actual	Variance (Over)/Under
Administration	\$948,178.00	\$947,686.00	\$492.00
Immigration Ser	\$232,000.00	\$218,126.23	\$13,873.77
Kiribati High Co	\$393,963.00	\$459,061.44	(\$65,098.44)
Mission in Taipei	\$367,431.00	\$230,558.06	\$136,872.94
Mission in New	\$360,306.00	\$476,855.89	(\$116,549.89)
Total	\$2,301,878.00	\$2,332,287.62	(\$30,409.62)

6.3.2.4 COMPARATIVE BAR GRAPH BUDGET AGAINST ACTUAL BY DIVISIONS– 2016

It is evidenced from the table and graph shown above that two (2) of the Ministry's divisions had exceeded their budget by \$65k, the Fiji High Commission and High Mission Office in New York by \$116k. The remaining three (3) divisions had savings of \$492, Administration (MFAI), Immigration \$13k (MFAI) and Taipei Mission \$136k. Therefore these divisions should be commended for such achievement and to be encouraged to keep the momentum in future years.

Recommendations:

- ✓ MFAI needs to revise its estimate budget in the subsequent fiscal year for the three divisions which had incurred excessive overspending in 2016.
- ✓ Management to ensure its divisions maintain and reconcile their vote ledger with records held by MFED on a monthly basis and make adjustments promptly to avoid incurring unauthorized spending in future years.

Management response:

Management has thoroughly reviewed each Mission estimate for the 2018 especially relooking into the two missions that had been overspent beyond their fiscal year estimates of 2016.

Regular vote reconciliation is one aspect that never been monitored well and adhered to in most of the divisions' due to overloading and shortage of staff issue in the account. This was experienced in most of the divisions whereby only a third secretary/senior accountant handles all accounting duties from time to time. The use of computerized vote database can also assist to generate timely and consistent monthly report if this is carefully well reviewed and maintained.

Above all, Management will try its best to conduct a monthly SMM to overview issues on all aspects of each Mission.

6.3.2.5 MISSPOSTING**Finding and Analysis:**

The audit detected that some payments that relate to other Ministries' output were incorrectly posted and charged to MFAI output. There were JVs been raised to adjust the miss-postings. It was confirmed that the error was actually incurred by MFED when posting the transactions in their records and no reconciliation was made between MFAI and MFED. Details of mis-posting are as shown in the table below:

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

PV#	Amount	Details	Ministry	Allocation	Code name
048/16	\$ 241.07	TSS	OB	E1401000250	Local Service
056/16	\$ 482.14	TSS	OB	E1401000250	Local Service
42/16	\$ 250.00	TTT	MCTTD	E1401000241	Stationeries and Supplies
195/16	\$ 119.25	Wishing star	PSO	E1401000239	Entertainment
194/16	\$ 230.40	One stop	PSO	E1401000239	Entertainment
164/16	\$ 2,053.13	ATHKL	PSO	E1401000231	Telecomms

Implications:

- Miss-posting of transactions (code) could cause unrealistic figures disclosed in the management report and would miss-inform management when considering budget level for future years.
- Failure to regularly reconcile management's records could result in miss-postings been undetected.

Recommendation:

Management is recommended to conduct proper and regular reconciliation with records held by MFED to avoid mis-postings and to be able to instantly take corrective action when deviations are noted.

Management response:

Management agreed to the audit finding on this area and will try to monitor and review proper report on a regular reconciliation to avoid miss-informed of the budget balances. Obvious, errors can easily be detected when regular conduct of reconciliation activity done properly.

6.3.2.6 UNSIGNED BUS TICKETS

Finding and Analysis:

Several fundamental control procedures of issuing out bus ticket are not met and complied with by management. Bus tickets been issued were not signed by staff concerned as per details shown in the table below:

DATE	NAME	60 cents	70 cents	TOTAL	PURPOSE	REMARKS
5/5/2016	Officer 1	741803	465333 - 465335	2.70	Fare to Bonriki	Unsigned Bus Fare
18/7/2016	Officer 2		465415 - 465432	12.60	Fare for periods 18/7/2016 - 22/7/2016)	Unsigned Bus Fare
19/7/2016	Officer 3	741873 - 741877	465398	3.70	Not stated	Unsigned Bus Fare
19/7/2016	Officer 4	741878 - 741880		1.80	Not stated	Unsigned Bus Fare
4/8/2016	Officer 5	741642	465471	1.30	Fare to Nawerewere	Unsigned Bus Fare
9/8/2016	Officer 6	741645 - 741648		2.40	Attending meeting at CCK, Befio	Unsigned Bus Fare
				\$ 24.50		

Implications:

- The absence of a control mechanism on the bus tickets, could lead to misappropriation and misuse of bus tickets.
- Issued tickets without supportive signatures and if not detected could encourage malpractice within the office.

Recommendations:

- ✓ Management should put in place a strong internal control to ensure that each officer must sign bus tickets once the bus tickets had been issued out.
- ✓ Management should regularly check and review the tasks of its accounting staff to ensure full conformity to the governing laws including the FR 11.

Management response:

Although this is minimal we cannot ignore that management has breached FR 11. The unsigned bus ticket will be investigated with former employees assigned in 2016. Successful findings for malpractice will be a penalty to pay back.

6.3.2.7 OUTSTANDING IMPREST**Finding and Analysis:**

As noted, the total outstanding imprest brought forward from previous years up to 2016 has accumulated to \$69k.

Details of such outstanding imprest are shown in the table below:

NAME	CURRENT	DEC	NOV	OCT	BEFORE OCT	UNALLOCATED
Officer 1				36,644.56	(25,426.49)	11,218.07
Officer 2				1,634.37		1,634.37
Officer 3				500.00		500.00
Officer 4			1,941.51	380.00	(1,518.83)	802.68
Officer 5	1,000.00					1,000.00
Officer 6				201.00		201.00
Officer 7			45.00	1,185.86		1,230.86
Officer 8			200.00	169.96		369.96
Officer 9				1,853.00		1,853.00
Officer 10				4,276.40	(910.00)	3,366.40
Officer 11				2,415.00		2,415.00
Officer 12				500.00		500.00
Officer 13	300.00				(3.00)	297.00
Officer 14				700.00	(340.00)	360.00
Officer 15				4,750.00		4,750.00
Officer 16				19,863.10	(7,545.40)	12,317.70
Officer 17				6,196.49		6,196.49
Officer 18				3,020.84		3,020.84
Officer 19				17,299.92		17,299.92
	\$ 1,300.00	\$ -	\$ 2,186.51	\$ 101,590.50	\$ (35,743.72)	\$ 69,333.29

Implications:

- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 2011 requirement and would increase the risk of loss of funds from those being issued with excess Imprest.
- Failure to retire Imprest on a timely manner could cause undue hardship on officials in future in paying back the accumulated debts and thus could adversely affect government coffers.
- Loss of public funds would result from retiring civil servants who still had not bothered to retire their Imprests.

Recommendations:

- ✓ Imprest retirement policy should be enforced by management and/or accounting officer and officers traveling should be reminded to retire their Imprest upon arrival within 10 consecutive working days.
- ✓ Management should give this a priority especially from current employees to avoid accumulation of outstanding imprests.
- ✓ Management should not issue Imprest for subsequent travels unless the officer had retired all past Imprest and/or had no outstanding dues.

Management response:

Imprest retirement within 10 working days was commonly a practice that when a returned traveler feels to payback government monies, he/she sometimes ignore to do retirement. But on the contrary, a traveler feels to have a refund, retiring of imprest is the first thing. Management will try to encourage employees to treat fairness and consistent in this habit.

Management will ensure to avoid accumulation of unretired imprest and will maintain no imprest issue upon full retirement of previous imprest taken.

6.3.2.8 SALARY OVERPAID**Finding and Analysis:**

After conducting the audit through the pay costing, the audit revealed that two officers within MFAI were found to be over paid under different output. The two officers were paid under E1401 and E1402. In fact, the correct output that should be charge for both officer was E1401 (Administration). Re details shown below:

PAYDAY	OUTPUT	Description	NAME	AMOUNT
22/1/2016	E1401	Administration	Officer 1	197.00
	E1402	Immigration	Officer 1	98.50
15/4/2016	E1401	Administration	Officer 1	197.00
	E1402	Immigration	Officer 1	394.00
8/7/2016	E1401	Administration	Officer 2	504.00
	E1402	Immigration	Officer 2	1,159.20
11/11/2016	E1401	Administration	Officer 2	504.00
	E1402	Immigration	Officer 2	1,008.00
				4,061.70

Implication:

- An oversight on the actual salary level could undermine the credibility of the accounting officers handing salary payments.
- Salary overpaid could lead to the loss of public funds.

Recommendation:

- ✓ Strong internal control mechanism system for Payroll including recovery policy should be put in place to avoid future grievances and speed up recovery process.
- ✓ If they are overpaid, recoveries should be made with immediate effect.

Management response:

Management will advise further on this, once a join work investigation with the Treasury Unit at Finance to find out that duplicate pay was treated well or fraudulent has occurred. Recoveries will be followed by the outcome of the investigation.

6.3.2.9 PROCUREMENT ACT**Findings and Analysis:**

The audit could not confirm the validity of the procurement procedure with regards to the payment noted in the table below since the payment vouchers were missing from the box file.

Ministry	Pv#	Details	Amount
MFAI	390/16	Tobaraoi	13,476.00
MFAI	140/16	Tobaraoi	11,252.30

Implications:

All records should be readily available for 6 years failing by which would trigger the imposition of appropriate reprimand action against staff responsible within the Ministry.

Missing of accounting documents such as payment vouchers could lead to misappropriation of public funds, improper payments as supporting documents could not be sighted the actions of which could veil malpractices been conducted in the office.

Recommendations:

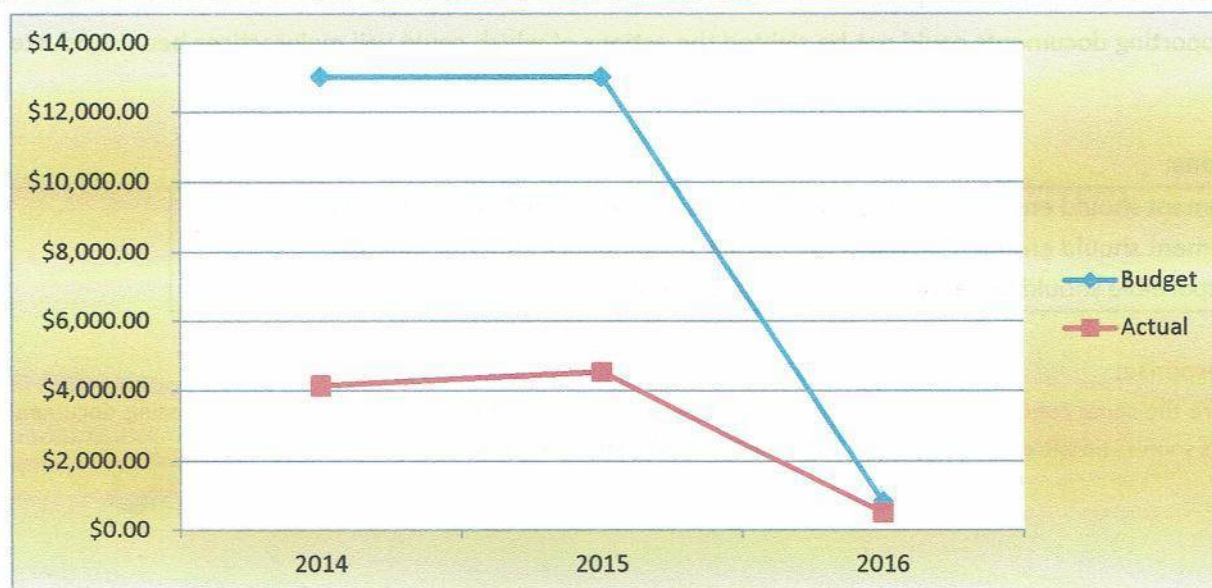
- ✓ Management should ensure all its records are kept safely and readily available when needed.
- ✓ Management should ensure it provides the missing documents to the Exit meeting.
- ✓ Staff responsible should be reprimanded if the documents could not be found.

Management response:

Management share the same concern regarding the missing of those documents. However, will ensure that missing documents will be provided as soon as possible upon complete search with the Ministry of Finance storage/archives.

6.4 AUDIT REPORT ON THE KIRIBATI HIGH COMMISSION ACCOUNT (SUVA FIJI) FOR YEAR 2016**Findings and Analysis:****6.4.1 CONTROL OVER REVENUE****6.4.1.1 REVENUE BUDGET 2014 TO 2016**

	2014	2015	2016
Budget	\$13,000.00	\$13,000.00	\$800.00
Actual	\$4,146.67	\$4,537.26	\$485.00
Variance Under/(Over)	\$8,853.33	\$8,462.74	\$315.00

6.4.1.2 COMPARATIVE LINE GRAPH REVENUE ESTIMATES AGAINST ACTUAL 2014 - 2016

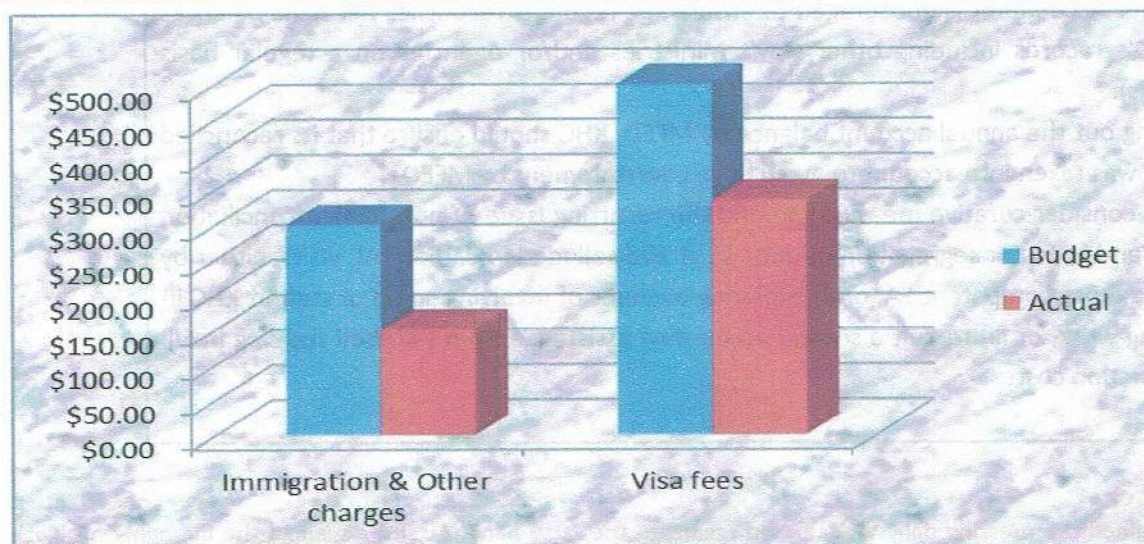
The above graph depicted the Kiribati High Commission comparative revenue budget and collections for the last three financial years ending 31st December 2014 to 2016. As per noted, a significant drop in the budget estimate from \$13,000 in 2015 to \$800 in 2016 and even with such reduction in the budget KHC had only collected just about half the estimate. It is of paramount importance management reviewed its revenue budget to align it the revenue it expects to collect in future years.

Management response:

- Management agreed being over-estimated and not real. This was also caused due to the change of passport code from recurrent revenue code to N-code
- Since last year management noted that application and approval for visas are monitored from the capital therefore fees were forwarded to Tarawa by applicant

6.4.1.3 BUDGET AGAINST ACTUAL BY ALLOCATION

	Immigration & Other charges	Visa fees	Total
Budget	\$300.00	\$500.00	\$800.00
Actual	\$150.00	\$335.00	\$485.00
Variance (over)/Under	\$150.00	\$165.00	\$315.00

6.4.1.4 COMPARATIVE REVENUE ESTIMATE BAR GRAPH AGAINST ACTUAL BY ALLOCATION

The above table and graph shows the comparative revenue streams for Kiribati High Commission. As evidenced, two revenue streams managed the revenue collection for KHC and both were not able to meet the set target. Management should exert more efforts in collecting its revenue target or to ensure a more realistic budget estimate for future years.

Management response:

Management noted with concern however we actually sent our proposals but were never considered. When comparing KHC budget for the last three years there was never an increase on most codes which confirmed this output really needs increase.

6.4.1.5 KHC BANK RECONCILIATION – 31ST DECEMBER 2016**Findings and Analysis:**

It has been noticed from the previous audit when auditing 2013 to 2015 annual account that the preparation of the Bank reconciliation had not been completed neither for 2016. The audit confirmed at the time of the audit visit that Bank reconciliation for 2016 was just only completed up to the following months (January, February and December) 2016. The remaining bank reconciliation for the months of March to November was incomplete. The Senior Accountant affirmed that the bank reconciliation for those months had been completed but somehow files kept for all bank reconciliation had gone missing.

The audit checked and confirmed that the Balance as per Bank reconciliation 31 December 2016 was F\$101,745.62 (equivalent to AUD \$66,959 at the rate of 1.5195). The balance disclosed in the annual account was AUD \$2,054,608.49. The audit could not verify the variance of \$1.9m (\$2,054,608.49-\$66,959) an amount which was overstated by MFED. This confirmed that KHC had not maintained regular reconciliation on a monthly basis with MFED nor adopted the audit recommendation raised in previous audits thus those concerned should be reprimanded accordingly.

Implications:

- Failure to perform a proper bank reconciliation statement, direct debits or any other bank errors would not easily be detected which could ultimately lead to loss of public funds. Lack of proper bank reconciliation statement contravened FR 16.13.
- Unsupported excessive variances would undermine the integrity of the posting system by the Commission.
- Misstatement of funds and fraud would be triggered if no regular bank reconciliation is conducted by the KHC.

Recommendation:

- ✓ Audit recommends that management must ensure that proper bank reconciliation statement should be prepared and performed by Senior Accountant at KHC on a monthly basis.
- ✓ And also Senior Accountant is encouraged to ensure she regularly reconciles her bank balances against MFED's records including other Gov't Ministries and/or Agencies on a regular basis (Monthly basis).
- ✓ Before printing out the annual account balance by MFED, KHC should ensure that its reconciled bank account was taken into account to avoid huge overstatement by MFED.
- ✓ MFED should consider curative measures to end the recurring issue of non-bank reconciliation by SA of KHC and to foster segregation of duty, as already alluded in earlier PAC visits, either by i) appointing a more competent SA, or ii) exploring avenues of involving some of staff at KHC in the accounting work, or iii) recruit a second accounting assistance from I-Kiribati residing in Fiji to save repatriation costs.

Management response:

TS apologised and explained the pressing daily tasks and in regard to the 2016 bank rec she explained the file being misplaced between her home and office as sometimes bring it home for completion. She managed to get copies of the statements earlier this year however couldn't re-do it but to continue with the 2017.

The figure shown on the bank reconciliation statement was the correct amount of cash with our bank and that the amount conveyed to MFED before closing of 2016 account.

As also mentioned, it had been a problem the delay in receiving the bank statements as the case. TS had discussed and reported several times with our counterparts at ANZ but lately they recommend for us to apply internet banking. TS have approached for this during FS absence in Taipei and SSO in Vanuatu as all signatories are required to sign on the application form. Since their return TS haven't raise it again.

TS tried to manage her daily task and have arranged for doing payments in the Mornings only as Notice was put up at the front doors and at the reception, to enable her to do other tasks in the afternoon. Despite this notice, TS still cannot avoid the demands from the public especially our nationals and students.

6.4.1.6 WEAKNESSES IN THE REVENUE SYSTEM (COLLECTIONS ARE NOT PERFORMED ON A DAILY BASIS)**Findings and Analysis:**

After conducting a test through the revenue system, audit checked and revealed that there were some anomalies related to the control of revenue that required further and immediate remedy to address such problem and to avoid from occurring in the future. The following issues are noted below:

- Daily collection for KHC has not been deposited at the Bank on a daily basis. The deposit can be made six (6) months after the collection. For instance, collection receipted (RR# 249608-249628) dated on 4/1/2016-8/3/2016 with total amount of F\$1636 was just deposited on the 15/9/2016. The cash with this amount to have just deposited it six (6) months later would raise doubt on the integrity of management with regards to custody of government funds. This simply indicated that senior responsible officer had failed to monitor and conduct regular review and to ensure that all revenues must be deposited daily. Further late deposits in addition to the above are as shown in the table below:

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

ANZ RECPT DATE	FORM A #	RECPT #		RECPT DATE		FJ \$
		FROM	TO	FROM	TO	
22/7/2016	01/16	192545	192600	16/10/2015	2/12/2015	6,818.00
12/9/2016	01/16	249601	249607	7/12/2015	30/12/2015	822.00
15/9/2016	02/16	249608	249628	4/1/2016	8/3/2016	1,636.00
16/9/2016	03/16	249629	249673	8/3/2016	20/9/2016	4,690.20
30/12/2016	04/16	249672, 249674	249695	19/9/2016	28/10/2016	4,311.50
30/12/2016	05/16	249696	249716	2/11/2016	28/11/2016	6,545.82
30/12/2016	06/12	249717	249726	5/12/2016	29/12/2016	588.00
						\$ 17,771.52

- This is the same issue was also detected when auditing 2015 annual account thus proved that management had not anxious to improve their weaknesses.

Implication:

- Failure to make daily deposit would increase the risk of misappropriation of cash.

Recommendations:

- ✓ Management must ensure that all revenue collections made should be deposited on a daily basis.
- ✓ Management to ensure that senior responsible officer must perform routine spot check prior/after cash deposits.

Management response:

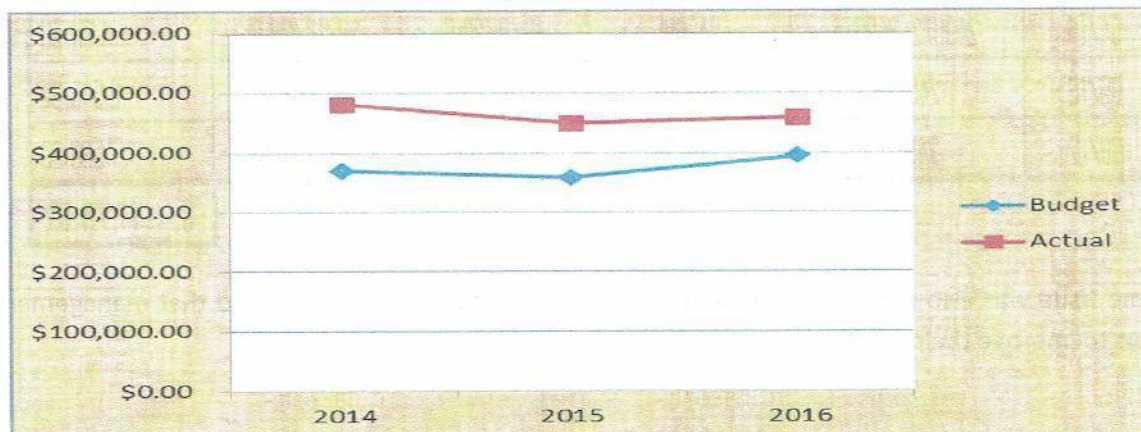
TS agreed with the report and apologised for such weaknesses however it had been hard to reject some urgent directives from the very top but to entertain realising later that it was not for official use and I have to await the return of the cash months later. Hence resulting in the late or delay in depositing.

TS confirmed that due to the slack from staff to return receipts on goods/items purchased for office it was hard to reimburse petty cash but have to use part of revenue to meet urgent office requirements.

TS have to always remind those given cash to buy/purchase goods for office eg refreshments etc... for receipts and change. If she forgets then she won't get any receipts and have to pay back when balancing for deposit.

6.4.2 CONTROL OVER EXPENDITURE**6.4.2.1 SUMMARY EXPENDITURE AGAINST BUDGET 2016**

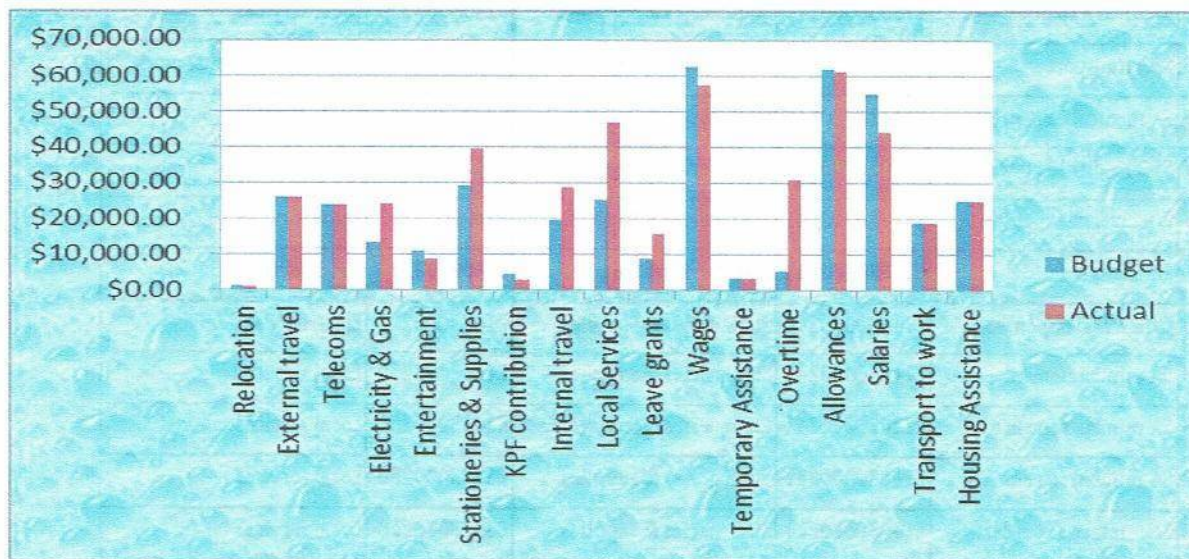
	2014	2015	2016
Budget	\$368,963.00	\$358,183.00	\$393,963.00
Actual	\$481,433.58	\$449,615.62	\$459,061.44
Variance Under/ (Over)	(\$112,470.58)	(\$91,432.62)	(\$65,098.44)

6.4.2.2 COMPARATIVE LINE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL 2014-2016

It is evidenced from the graph above the slight increase in the budget level was still not sufficient to cover the actual spending level of \$459k, resulting in an overspending by \$65k. Management should base its future budget estimates on the past trend of its spending level.

6.4.2.3 EXCESS EXPENDITURE TABLE BY ALLOCATIONS – KHC 2016

Code	Allocation	Revised Budget	Actual	Variance(Over)/Under
E14030000225	Relocation	\$1,250.00	\$940.12	\$309.88
E14030000227	External travel	\$26,030.00	\$26,026.15	\$3.85
E14030000231	Telecoms	\$23,838.00	\$23,821.41	\$16.59
E14030000232	Electricity & Gas	\$13,286.00	\$24,319.08	(\$11,033.08)
E14030000239	Entertainment	\$11,000.00	\$8,975.86	\$2,024.14
E14030000241	Stationeries & Supplies	\$29,000.00	\$39,754.66	(\$10,754.66)
E14030000201	KPF contribution	\$4,510.00	\$3,124.99	\$1,385.01
E14030000216	Internal travel	\$19,484.00	\$28,626.23	(\$9,142.23)
E14030000250	Local Services	\$25,350.00	\$47,033.51	(\$21,683.51)
E14030000208	Leave grants	\$8,740.00	\$15,568.36	(\$6,828.36)
E14030000207	Wages	\$62,383.00	\$57,438.30	\$4,944.70
E14030000206	Temporary Assistance	\$3,498.00	\$3,483.63	\$14.37
E14030000205	Overtime	\$5,368.00	\$30,859.29	(\$25,491.29)
E14030000204	Allowances	\$61,684.00	\$61,316.38	\$367.62
E14030000202	Salaries	\$55,037.00	\$44,272.43	\$10,764.57
E14030000215	Transport to work	\$18,660.00	\$18,658.40	\$1.60
E14030000203	Housing Assistance	\$24,845.00	\$24,842.64	\$2.36
Total				(\$65,098.44)

6.4.2.4 COMPARATIVE BAR GRAPH OF EXCESS EXPENDITURE BY ALLOCATION

As illustrated above, the allocation/outputs that contributed to the excess spending of \$65k were from Overtime \$25k, Local services \$21k, Electricity & Gas \$11k, Stationeries & Supplies \$10k, Internal travel \$9k and Leave grants \$6k.

Recommendation:

- ✓ Management should provide a more realistic and inclusive budget for future years.
- ✓ Management should put in place an internal control system and policy to avoid excessive over spending.
- ✓ Management should regularly reconcile its records with that held by MFED.

Management response:

As discussed with auditors, management knew their role in controlling however the main cause was due to the budget cuts according to the ceiling which management realised our proposals were never considered. Secondly, our proposals for virement/supplementary were never considered by HQs – TS provided auditors with her communication and proposals detailing all commitments to year end which clearly confirmed that we did our part to avoid over-spending.

6.4.2.5 MISALLOCATION**Finding and Analysis:**

The audit had randomly selected the following PV's, re table below, from the General Ledger and discovered that they were all incorrectly allocated. The audit is of belief that the error causes from MFEP when processing the annual account. In fact, this could also be a failure to perform proper reconciliation at the closing of the annual account between KHC and MFED.

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

PV#	Amount	Details	Misallocation	Code name	Correct code	Code name
7/16/	58.9	Medical expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
147/16	213.78	SSO transport	E14030000241	Stationeries & Supplies	E1403000215	Transport to normal work
148/16	17.27	SA medical expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
192/16	63.71	SSO medical expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
729/16	133.47	F/secretary expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
737/16	20.57	SA expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
744/16	572.25	Office fuel expenses	E14030000241	Stationeries & Supplies	E1403000232	Electricity & Gas
817/16	18.8	SA reimbursement	E14030000241	Stationeries & Supplies	E1403000250	Local services
858/16	8.23	SA reimbursement	E14030000241	Stationeries & Supplies	E1403000250	Local services
945/16	49.43	SA reimbursement	E14030000241	Stationeries & Supplies	E1403000250	Local services
974/16	437.13	F/secretary expenses	E14030000241	Stationeries & Supplies	E1403000250	Local services
1021/16	57.25	SSO reimbursement	E14030000241	Stationeries & Supplies	E1403000250	Local services

Implications:

- Charging the wrong code (output) as per stated above would lead to incorrect over spending of the output wrongly charged.
- Incorrect spending under the wrongly charged output would lead management astray when deciding on the appropriate level per output for next year's budget level.
- Charging wrong outputs raises doubts on the integrity of the accounting officer of the Office.

Recommendations:

- ✓ Management should ensure to charge a proper and correct allocation (code) according to the nature of spending to avoid misallocation of funds.
- ✓ Management should thoroughly review the nature of the payment and code being charged to ensure correct allocations had been made.

Management response:

KHC noted with concern this comment being un-necessary to include it as they consider all these pv highlighted were correctly allocated to their appropriate codes.

KHC consider all payments were correctly allocated to their appropriate or relevant codes or nature and in line with their budget preparations. There seemed to be confusion with the purchasing of items and purchasing of service. It would be noted that this office cater for medical supplies under code 241 office expense and supplies since we purchase items eg, Panadol, however with medical consultations ie when seeing a doctor, since it involved consultations or service we pay their service through 250 – local service which confirmed that this office through the account had been correctly allocating or debiting appropriate codes.

Agreed with comment to pv 0744/16 however management apologised for the oversight.

6.4.2.6 DOUBLE POSTING**Finding and Analysis:**

After extracting the General Ledger to ensure that all transactions are properly charged the appropriate code and to ensure there is no double posting the audit identified a double posting which related to SA medical expense amounted to \$49.88 charged under E1403000241 (Stationeries & Supplies). The audit confirmed that there was no contra account to offset such posting such as JV to correct the posting in the General ledger. Since the posting was conducted at the MFEP, the audit assured that the errors reside within MFEP as the ministry produce General ledger.

Implications:

- Double posting is a sign of careless and slack in performing regular reconciliation.
- Double posting of some payment vouchers to other allocations could increase the actual spending of that allocation which would then lead to un-necessary and unauthorized spending that may inflict the violation of the appropriation act.

Recommendations:

- ✓ In order to avoid unexpected double posting of PV in future times management has to ensure that proper valid monthly reconciliation should be conducted regularly by its responsible officers
- ✓ MFEP must ensure to review the nature of the accounting officer posting to ensure that all transactions are correctly accounted for in the General ledger.

Management response:

KHC could respond if given more details eg, date pv number etc.

6.4.2.7 OUTSTANDING IMPREST 2016**Finding and Analysis:**

The audit had confirmed after receiving the audit responses from Senior Accountant at KHC the actual total outstanding Imprest for KHC staffs was reduced from \$7,117.78 to \$1,222.65, meaning a shortfall in the value of \$5,895.13 was realised and that shows the major improvement by management in reducing the level of outstanding imprest. The remaining outstanding imprest of \$1,222.65 should be cleared by officials concerned failing by which would result in not entertaining future Imprest withdrawals.

Implications:

- Failure to retire Imprest on a timely manner could cause undue hardship on officials in future in paying back the accumulated debts and thus could adversely affect government coffer.
- Loss of public funds would result from retiring civil servants who still had not bothered to retire their Imprests.

Recommendation:

- ✓ Management must ensure to maintain and update register (imprest records) to monitor outstanding imprests and to ensure that such outstanding imprest must be retired within 10 working days upon returned from official trip.

Management response:

TS agreed with the comments and had updated her records. See attached a detailed and updated list with a total outstanding imprest of \$1,222.65 to be recovered.

6.4.2.8 KHC STAFF ADVANCE**Finding and Analysis:**

- The table provided hereunder is the list of KHC outstanding staffs advances at the end of fiscal year 2016. It was also noted during the audit that some staff have negative balances meaning that deductions from their salary still continued. The audit verified through pay sheet and confirmed that the deduction still continued in 2016 without consent of respective employee. As confirmed, these advances were for school fees, compassionate grounds where an employee face an unavoidable and unforeseen expenses, proceeding on paid leave and first appointment(NCS E1.4(n)).
- Regardless of the negative balances, the SA could not provide justification or way forward to rectify such problems.
- The remaining outstanding for KHC staffs advances could not be examined as the list was not provided except for the list stated in the table below:

Date	Name	Amount	Balance	Remarks
23/12/2016	Driver	(\$900.00)	(\$900.00)	Resign this year 2017
23/12/2016	Gardner	\$50.00	\$50.00	Still working
23/12/2016	Security	(\$1,341.36)	(\$1,341.36)	Still working
23/12/2016	Security	\$306.12	\$306.12	Still working

Implications:

- Negative balances could be an act of fraud.
- There is possibility that negative balances could be misappropriated.
- Unavailability of outstanding list for KHC staff advance undermines the validity of payment and would increase the risk of loss of funds for Government where arrears are still forth coming.

Recommendations:

- ✓ Management must ensure it ceases such practice of freely paying out salary advances and to ensure conformity with FR requirements.
- ✓ Management need to ensure that accountable officer must reimburse with immediate effect negative balances to concerned employees.
- ✓ KHC should update its list, take timely corrective action and ensure it has a correct outstanding staffs' advance for year ended.

Management response:

TS confirmed that she maintained and provided a subsidiary ledger for individual staff, and showed fortnightly payroll, however explaining that due to daily commitment she need to confirm entries from late October onwards due to problems with the database, and further confirmed that all payroll were in order with available hard copies in file and e-copy

Please note that remaining advances were always brought forward for recovery in the next financial year as shown on the 2017 individual staff ledger.

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Date	Name	Amount	Balance	Remarks
23/12/2016	Driver	-\$900.00	-\$450	Balance brought forward to 2017 and now used to recover part wages in lieu to comply with resignation terms according to the contract
23/12/2016	Gardener	\$50.00	nil	Recovered on pp06/1/17
23/12/2016	Security	-\$1,341.16	-\$641.36	Refunded on pv074/10 on 17/10/17
23/12/2016	Security	\$306.12	-	Full recovery made on pp06/1/17
30/12/2016	Mary meita	-88	-\$88.00	Refunded pv 043/11 of 10/11/17
30/12/2016	Teairo Ioane	\$929.00	\$929	Brought forward to 2017 - be recovered in Dec allce
30/03/2016	Benny Teuea	\$5,238.00	\$5,238	Still outstanding
30/12/2016			Total Outstanding	\$6,167.00

6.4.2.9 FAILURE TO COMPLY WITH FINANCIAL REGULATIONS

Finding and Analysis:

In the conducting of the audit, the audit discovered that several fundamental accounting control and processes of the financial regulations are still not being performed and complied with despite being recommended and discussed with the Senior Accountant. These include the absence of signature of receiver, no supporting documents attached, not using "Stamp paid" on payment vouchers.

Implication:

Failure to perform basic internal accounting controls is an act of deviation from the financial regulations.

Recommendation:

Management should be fully conversant with the provisions and has to comply with all relevant sections of the financial regulation.

Management response:

SA apologised for non-compliance and tried her best to avoid this kind of negligence with organisations/companies but somehow there were times especially with staff's PV the one who cash the cheque for SA could just give the payees their money and forgetting to get them to sign. SA affirms to always check and confirm that payees sign their PVs. With companies, some did not sign as we deposit in their account therefore a deposit slip was attached to PV.

6.4.2.10 LACK OF SEGREGATION OF DUTIES**Finding and Analysis:**

After the audit conducted a walk through on the system note, the audit noted there were some weaknesses in signing of PVs as there was no segregation of duties in the sense that the authorization of the Payment voucher is managed by one single accounting officer(SA) without another to counter sign the payment. As confirmed with SA, there was no staff to counter sign as all senior staff are away on official overseas trip or attending meetings.

Implication:

- Lack of segregation of duties is certainly a total breach of the financial regulation.
- The absence of segregation of duties increases the risk of misappropriation of public funds.

Recommendation:

- ✓ Management must ensure to comply with the payment procedure in the financial regulations.
- ✓ Management should consider involving all senior officials working within the Commission in the accounting process so there will always be additional staff to countersign the payment voucher raised by the financial accountant as well as other financial instruments raised.

Management response:

Management noted with concern the weight of such comment however it must be understood that KHC has been in operation since 2002 and these were issues already noted however with limited number of staff this office has been doing payments with one account personnel i.e TS doing all payments raising PVs and cheques with a single signatory on any cheque either by the First Secretary or High Commissioner being the authorised signatories.

It was a normal practice with our personal claims that with the absence of one, one can sign his/her own cheque. When I first started here in 2014 I could recall both HC and FS were leaving on different overseas official trips and before High Commissioner left she asked for the cheque and I realised that she was going to sign multiple cheques for office use in their absence.

Just like you, I was a bit shocked and nervous with this idea and asked if we can get the SSO to sign cheques in their absence. She was also surprised and also asked if that can be possible. I assured her that I will arrange with the bank immediately. Just in one day, the very next day, I managed to get the SSO be one of the authorised signatories. Therefore, currently we have 3 signatories to sign KHC cheques.

KHC assured that just like everyone's feeling, management tried their best to look after public funds and have no intentions of abusing funds in any way except neglecting some matters but we do apologise.

6.4.2.11 CANCELLED CHEQUE LEAF NOT ATTACHED TO THE CHEQUE BUTT**Finding and Analysis:**

When the audit conducted a walk through system note check, the audit detected that there were few cheque leaves that had been cancelled in the cheque book but were not attached to the cheque butt. The audit confirmed these cheques via noted Payment vouchers and discovered that some of these payments had been processed in different cheques. The audit checked and confirmed with the Bank statement found out that the cheques are not debited in the bank statement. Management is required to provide a bank statement to confirm the cancelled cheques did not appear therein. Details of these cheques are noted in the table below:

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DATE	CHQ #	DETAILS	PV #	Amount
20/1/2016	021883	cancelled without cheque leaf	0039/16	1,310.00
17/8/2016	022777	cancelled without cheque leaf	0907/16	100.00
17/6/2016	022519	cancelled without cheque leaf	0656/16	300.00
17/6/2016	022518	cancelled without cheque leaf	0655/16	300.00
17/6/2016	022517	cancelled without cheque leaf	0654/16	450.00

Implication:

Annulled cheque leaves that are not attached to the Cheque butt could be easily misappropriated.

Recommendations:

- ✓ Management to ensure all cancelled cheques are attached to the cheque butt.
- ✓ Management should confirm from the bank statement that the annulled cheques never appeared in the bank statement.
- ✓ Management should ensure recovery is made from the staff concerned if it is confirmed those cheques have been debited in the bank statement.

Management response:

KHC through TS apologised for such however explained that sometimes it happened when the cheque book for that particular cheque has been closed and using a new cheque book so with current load that day TS have to leave it and put it back to its butt, and forgot to do it and assured that she will never leave tasks incomplete.

KHC managed to find 4 of the cancelled cheques except for 1 cheque # 022518 for \$300 but confirmed by FS that it did not appear in the bank statement which proved that it was never cashed. The 4 cheques found are copied and attached for reference.

7) MINISTRY OF INTERNAL AFFAIRS (MIA)**Findings and Analysis:****7.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Internal Affairs** for the year ended 31st December 2016 "Except For" the effect of the matters as discussed in detail from 7.3 below.

7.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Ministry of Internal Affairs performance in the financial year 2015.

Issues	Solved/Addressed	Status of the issue in 2016 audit
Control over bus ticket		Not solved/addressed
Log books were not maintained and updated		Not solved/addressed
Leave balance – Two years entitlement policy		Not solved/addressed
Failure to maintain and keep up to date the Vote Ledger 2015		Not solved/addressed
Failure to provide the requested financial documents		Not solved/addressed

7.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

7.3.1 CONTROL OVER REVENUE**7.3.1.1 MIA REVENUE SUMMARY COLLECTION**

Description	2014	2015	2016
Budget	10,000.00	9,000.00	7,500.00
Actual	8,577.00	5,643.72	10,948.76
(Over)/Under	1,423.00	3,356.28	(3,448.76)

7.3.1.2 MIA COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART I

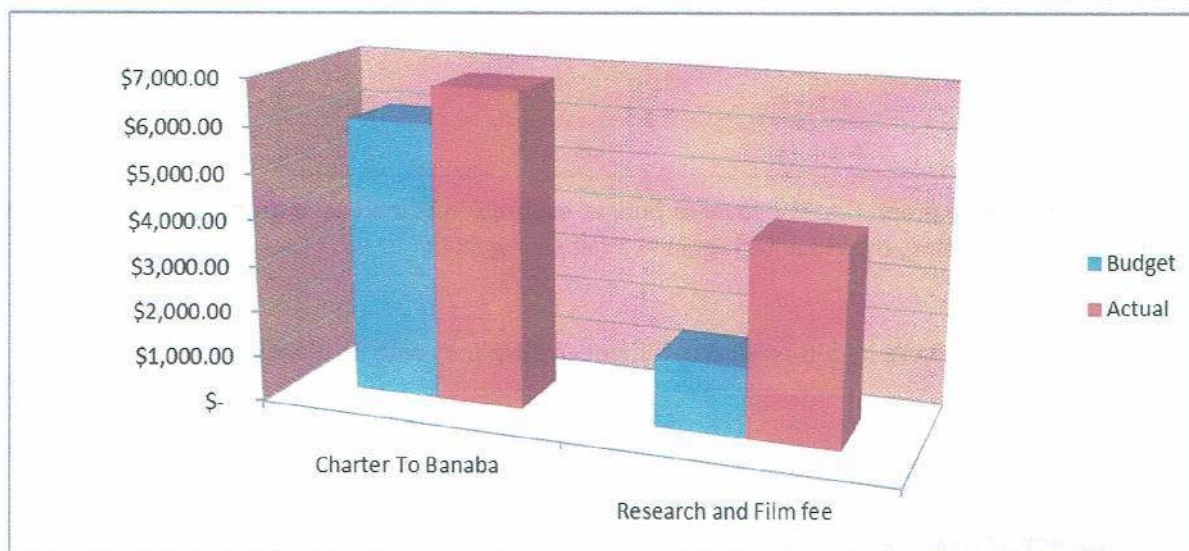
As clearly shown in the above table and graph, the Ministry had shown a major improvement in its revenue collection when compared with the previous years as it had excessively collected \$3k over its budget level. Therefore the Ministry should be commended for such achievement and to exert same effort for future years.

Management response:

7.3.1.3 MIA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Division	Administration	Social Welfare	Total
Budget	6,000.00	1,500.00	7,500.00
Actual	6,807.26	4,141.50	10,948.76
(Over)/Under	(807.26)	(2,641.50)	(3,448.76)

7.3.1.4 MIA COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS



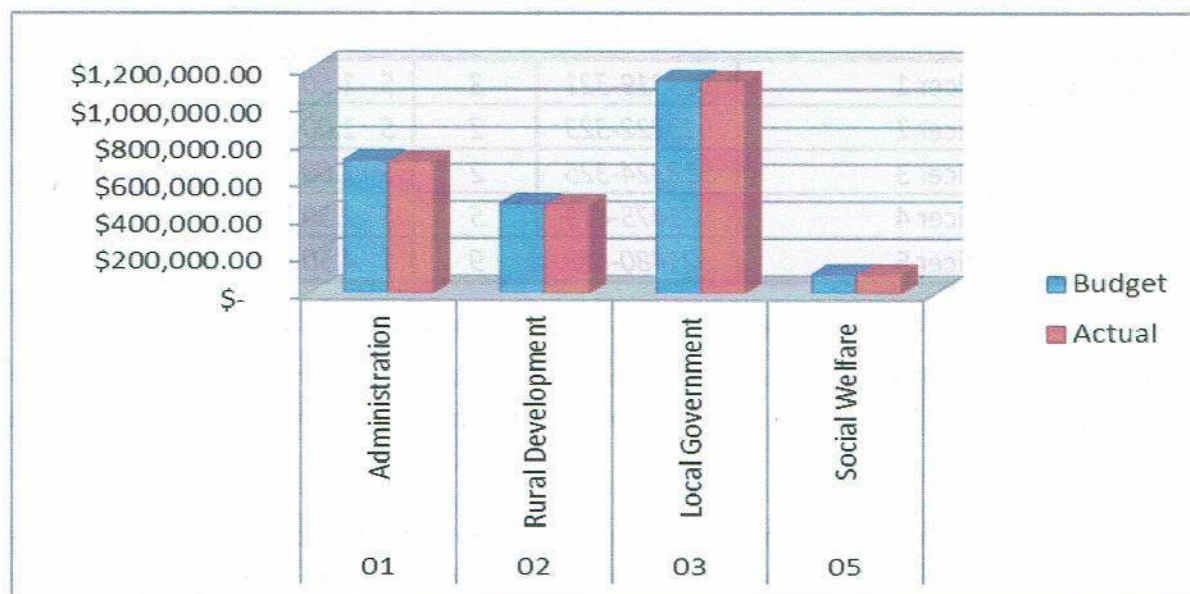
As reflected in the graph/table above, Administration and Social Welfare Unit were the only two divisions that generate revenues for MIA and it is pleasing to note that both divisions managed to meet their revenue targets which had resulted in a surplus collection of over \$3k in total.

Recommendation:

The Divisions should be commended for such improvement and to ensure they maintain same efforts in increasing their revenue collections in future years.

Management response:

The recommendation is noted with thanks.

7.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS

It is pleasing to note that the listed four divisions under MIA were managed to operate their respective activities within their budget allocation as approved by Parliament and should therefore be applauded for such achievement.

Management response:

Management appreciated the recommendation and would continue to contain the spending within the budget in future.

7.3.2.5 CONTROL OVER BUS TICKET**Findings and analysis:**

The following issues were detected during the audit as follows:

- i. The audit revealed after conducting sample testing of issuance of bus tickets that some officers still failed to sign bus tickets once issued out. The total value of \$17.00 was detected not signed by the concerned officers as indicated in the table below.

Dates	Denomination	Recipient	Serial No.	no. of ticket	value	Amount
25/05/16	0.50 Cents	Officer 1	559664-665	2	\$1.00	
12/08/2016	"	Officer 2	621471-474	4	\$2.00	\$3.00
28/08/16	0.60 Cents	Officer 3	304217	1	\$0.60	\$0.60
26/09/16	0.70 Cents	Officer 1	483188-189	2	\$1.40	\$1.40
28/04/16	0.80 Cents	Officer 4	550104	1	\$0.80	
21/06/16	"	Officer 5	600316		\$1.60	
22/06/16	"	Officer 4	600317-318	2	\$1.60	
25/11/16	"	Officer 6	603407-408	2	\$1.60	
29/11/16	"	Officer 4	603429	1	\$0.80	
01/12/16	"	?	603432	1	\$0.80	
02/12/16	"	Officer	603469	1	\$0.80	
?	"	?	603480-481	2	\$1.60	
?	"	?	603492-494	3	\$2.40	\$12.00
	Total Value					\$17.00

- ii. The audit noted that there were number of tickets being signed by one person without the authoritative letter which was involved the amount of \$10.50.

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

Dates	Denomination	Reciepients	Serial No.	no. of ticket	value	Amount
21/01/16	0.50 Cents	Officer 1	513319-321	3	\$ 1.50	
"	"	Officer 2	513322-323	2	\$ 1.00	
"	"	Officer 3	513324-325	2	\$ 1.00	
8/12/2016	"	Officer 4	621475-479	5	\$ 2.50	
"	"	Officer 5	621480-488	9	\$ 4.50	\$ 10.50
Total Value						\$ 10.50

- iii. There were a number of bus tickets issued out without reasons to indicate the purpose of such trip whether it was official or not. The amount involved was \$168.90. For further details of this issue, these can be provided upon request.
- iv. The audit noted that the same mistake and issues raised in 2015 were repetitively occurred in 2016 which was simply indicating a poor performance of the staff concerned and management as well in implementing control measures over the issuance of bus tickets.

Implications:

- i. The absence of a control on the bus tickets, could lead to misappropriation and misuse of bus tickets.
- ii. Issued tickets without supportive signatures and if not detected could encourage malpractice within office.
- iii. Issued tickets without indicating reasons whether it was official or not, could entertain unofficial routes/trips plus misappropriation of bus ticket.
- iv. The poor performance of management in managing small tasks one of which is the issuance of bus tickets would cast doubt on the overall management control over government assets.

Recommendations:

- i. Management should put in place a strong internal control to ensure that each officer must sign bus tickets once the bus tickets had been issued out.
- ii. Management should regularly check and review the task of its accounting staff to ensure all issued tickets must be properly issued accordingly.

Management response:

Management concur with the recommendation would ensure to strengthen the control of issuance of bus ticket as recommended. Bus ticket register has now been updated and is available for further review.

7.3.2.6 LOG BOOK**Findings and analysis:**

The audit noted the log book for vehicle plate no. G106 was available although not updated. This was evidenced when the audit went through the log book and found that some period from 14/08/2016 to 31/12/2016 was missing from the log book. Hence management response is herewith sought.

Implications:

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

Recommendations:

- Management must remind the driver concerned to return his log book to be reviewed and to be checked and updated regularly.
- Management should reject claims for overtime and refueling if no appropriate records are provided by a driver.

Management response:

The ministry would like to extend its sincere apologies for not providing the log book for vehicle Gov 106A in the first place. Hence, the Ministry is pleased to provide now with the missing log book for the above mentioned periods for your further auditing verification.

7.3.2.7 ITEMS WERE NOT BEING RECORDED IN THE STORE LEDGER BOOK**Findings and Analysis:**

After selecting sample of goods/items purchased during the year 2016 the audit noted that there were items not recorded in the store ledger book the total value of which was in the vicinity \$7,128.57 as indicated hereunder.

Date	Items Purchased	PV No.	Amount	Remarks
28/04/2016	130 metres electric wire	0334/16	\$ 3,765.94	the electric wire was not yet recorded in the store ledger
26/12/2017	Flat Screen	0923/16	\$ 3,362.63	the flat screen was not yet recorded in the store ledger

Implication:

Failure to record items purchased for the office would increase the risk of misappropriation of the Ministry's assets.

Recommendation:

Management must ensure to update the store ledger book in order to enable the auditor to verify the posting of such items purchased accurately and also to ensure the officer concerned has an updated and complete record as required by Regulation.

Management response:

The stores ledger has now been updated to include items as noted in the report. Management would also ensure that stores ledger is updated annually.

7.3.2.8 PAYMENT VOUCHERS THAT WERE NOT AUTHORISED**Findings and Analysis:**

The audit revealed four (4) payment vouchers amounting to \$72, 847.20 were not authorised and approved by the authoritative officer, re details indicated hereunder:

OutPuts Details	Allocation	PV #	Inv	Details	Amount	Balance
Office Equipment & Furniture	E1501_243	MIA tc 0979/16		Tamton Electrical Services.	\$ 3,010.00	
	E1502-243	0982/16		Tarawa Motors - Cost of 1 double Cap for RPD	\$ 65,900.00	
	E1503-243	0983/16		Cost of Stationeries for Culture Division	\$ 2,633.70	\$ 71,543.70
Internal Travel	E1503-225	0072/16		KSSI - Freight & Handling Charge for Tebobora	\$ 1,303.50	\$ 1,303.50
Total						\$ 72,847.20

There were no signatories shown on copies of such payments vouchers. Hence responsible officer should provide valid explanations including original copies to confirm that the above payments were authorized by the authorizing officers failing by which would undermine the integrity of the officer responsible.

Implication:

Payment vouchers that are not authorized but yet collected would annul payment been made by the Ministry.

Recommendations:

- Management should ensure that every payment vouchers has to be couponed upon approval and authorization of payments initialled.
- The Ministry of Internal Affairs through its Account Unit should provide and trace back the whereabouts of the original copies of such payment from the MFED for further audit verification and confirmation.

Management response:

Management regret for the oversight in getting PVs signed before making copies. Original copies of the PVs as noted in the report were duly signed and copies of which are available for further verification except PV 979/16 which our Account staff still searching it with MFED Account office. Management would ensure that PVs are duly signed before making copies for the office record in future years.

7.3.2.9 TRANSACTIONS THAT HAD BEEN MISALLOCATED**Findings and analysis:**

After properly reviewing some transactions been posted the audit discovered some payments (transactions) were incorrectly posted. In fact these should be correctly posted and charged to the following correct code as indicated hereunder:

OutPuts Details	GL Coded	Correct Code	PV #	Inv	Details	Amount	Balance
Office Equipment	E1503_243	E1501_243	0951/16		KOES - Cost of Stationeries for Admin Div.	\$ 2,617.58	
	E1501_243	E1505_243	0922/16		Taotin Electronic - Cost of Laptop, etc.	\$ 2,391.11	
	E1503_243	E1505_243	0983/16		KOES - Cost of Stationeries for Culture Div.	\$ 2,633.70	\$ 7,642.39
Total							\$ 7,642.39

The table above indicated the misallocation of transactions within the Output. However, the output indicated in the payment vouchers as per reflected in the vote ledger was totally not agree with the General Ledger records and this was an indication of poor reconciliation by the Ministry concerned.

Implication:

Failure to correctly charge the proper allocation/output can generate incorrect and unrealistic figures which can be misleading and cause differences to records of the MFED

Recommendation:

Management must conduct a proper reconciliation to ensure that all reconciliations are charged the correct allocation and to avoid future discrepancies between MFED and MIA records.

Management response:

Management concur and take note of the recommendation for improvement in future.

7.3.2.10 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY**Findings and analysis:**

There were twenty-five (25) employees from different divisions selected to perform our testing on their leave balances. After conducting sample testing it was noted that there were sixteen (16) employees out of the twenty-five (25) who had actually exceeded 2 years' entitlement as indicated in the accumulation of leave balances for more than 3 to 4 years back which is not in line with Cabinet decision minute no. 77/10 as shown below;

Title	Employee Name	2015 L/Bal b.f	Entitlement	Eligibility	Being Used (on annual leave + Other) in Calendar View tab	Balance
DS	Officer 1	75	30	105	4	101
CEO/OIC LG	Officer 2	92	30	122	6	116
SALGO	Officer 3	52	22	74	1	73
HPSCF ADMINISTRATOR	Officer 4	74.5	30	104.5	2	102.5
Treasurer	Officer 5	114	22	136	0	136
Clerk	Officer 6	158	30	188	35	153
Clerk	Officer 7	129	30	159	20	139
Treasurer	Officer 8	96	22	118	15	103
Clerk	Officer 9	107	30	137	5	132
Treasurer	Officer 10	80	22	102	0	102
Treasurer	Officer 11	91	22	113	16	97
Clerk	Officer 12	92	30	122	0	122
IPO	Officer 13	58	22	80	0	80
IPO	Officer 14	58	22	80	0	80
IPO	Officer 15	58	22	80	13	67
IPO	Officer 16	48	22	70	0	70

The table indicated above is initially stating that the Ministry has not complied with Cabinet decision minute no. 77/10.

On the other hand, the audit also detected that there were five (5) staff had been exhausted their leaves and been overstayed without medical certificate as indicated hereunder:

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<i>Title</i>	<i>Employee PF #</i>	<i>2015 L/Bal b.f</i>	<i>Entitlement</i>	<i>Eligibility</i>	<i>Being Used (on annual leave + Other) in Calendar View</i>	<i>Balance</i>
SA	2012051	67	30	97	149	-52
Treasurer	2014146	28	22	50	52	-2
A.Treasurer	2006283	0	14	14	21	-7
IPO	98105	58	22	80	83	-3

Implications:

- The whole purpose of the Cabinet Decision Minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund. No adhering to this decision is a violation of Cabinet decision.
- The absence of approval by Cabinet for accumulating the leave balances beyond two years' leave entitlement would annul the record above that showed more than 2 years' leave balances.
- The staff who had exhausted their leave entitlements should have their gross pays reduced to compensate for such unauthorised leaves and of course reprimanded accordingly.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff in related to the 2 years leave entitlement.
- Management should ensure it updated its leave roster and that all staff takes their leave in a leave year, offsetting first the current year's leave entitlement before taking previous year's balances.
- Management should take remedial actions on staff that had overstayed their leave entitlements.

Management response:

Officers 1-2 & Officer 4 – They are most needed by the Ministry and always call back to work or to resume working immediately. This as to my understanding as being practiced, has to be well supported by an SRO or Directors.

Officer 3 & Officers 5-16 – I am sorry that I cannot answer directly to this as the names are omitted but for your information, this staffs are working on outer islands where the needs for them to keep working is very high. As all known, that in the outer island not every person have high skills or proper skills for our seconded staff post so they have to keep on working until one from MIA is sent to relieve them or one is found to have sufficient skills on the post from the islands.

Overstayed staff – a) The officer visited her husband in Fiji while on her maternity leave and was stranded there. She was then posted to OB upon her return. But as being practiced, the overstayed leave is offset from the entitlement of the next year. I apply the same to the other three staff as to my experience. I therefore take this opportunity to apologise if I had gone too far with what was supposed to be followed. As I knew now that I am responsible for this issue, then I had set plans to ban this issue in future.

8) MINISTRY OF ENVIRONMENT, LANDS AND AGRICULTURAL DEVELOPMENT (MELAD)**Findings and Analysis:****8.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Environment, Lands and Agricultural Development** for the year ended 31st December 2016 **"Except For"** the effects of the matters as discussed in detail from 8.3 below.

8.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the cause of the audit opinion for Ministry of Environment, Lands and Agricultural Development performance in the financial year 2015:

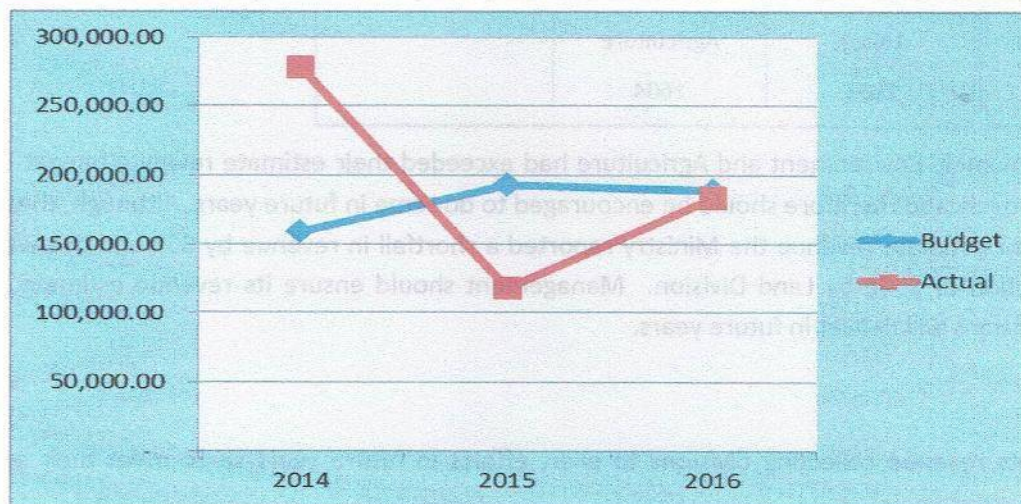
ISSUES	SOLVED/ADDRESSED	STATUS OF THE ISSUE IN 2016 AUDIT
Under collection of revenue		Not solved/addressed
Revenue of arrears – sub lease		Not solved/addressed
Outstanding Imprest		Not solved/addressed
Weaknesses over bus ticket control		Not solved/addressed
Vote book	Solved/Addressed	

8.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

8.3.1 CONTROL OVER REVENUE**8.3.1.1 MELAD REVENUE SUMMARY COLLECTION**

Year	2014	2015	2016
Budget	159,150.00	192,100.00	188,500.00
Actual	278,091.00	118,172.96	183,238.97
(Over)/Under	(118,941.00)	73,927.04	5,261.03

8.3.1.2 MELAD COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

As clearly indicated from the analysis above, the Ministry was still unable to collect its estimate revenue by \$5k. However, it is pleasing to note the actual collection when compared to that gained in 2015 was more by \$65k.

Recommendation:

Management should exert efforts in future years so to be able to meet its set target.

Management response:

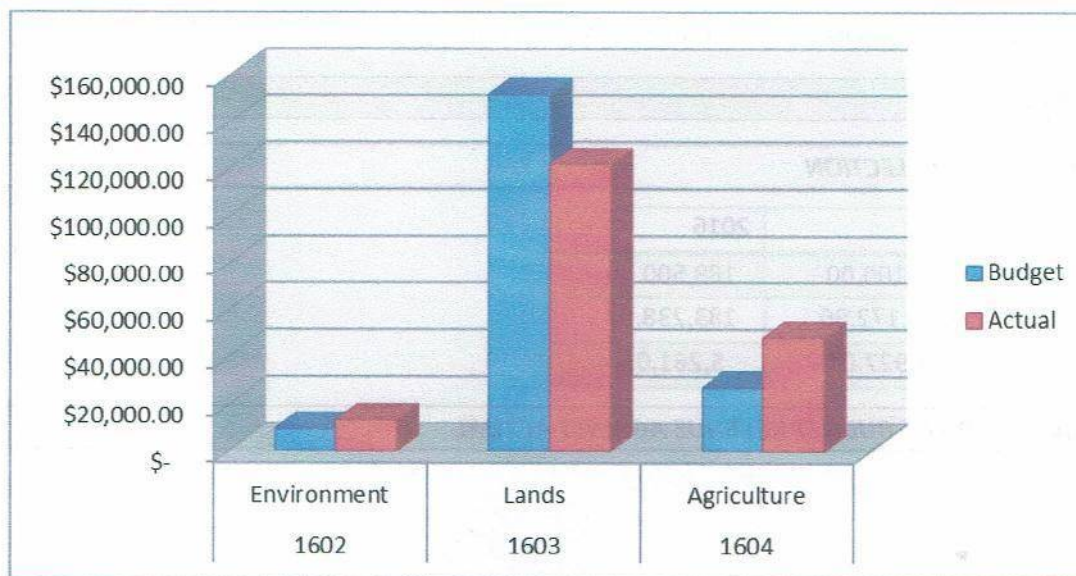
Environment and Agriculture exceeded targets and this was due to the increase of demand in such areas.

Given that there is no such fixed value on these revenue collections, there estimates each year were determined from the average collection on the past 3 years with an understanding that they might or might not be achieved as they depends on the public demands and if under collected, there won't be any arrears standing for clearance.

On another note, Lands estimates are fixed values being calculated using the number of tenants occupying their leased lands and under collections are usually the government arrears of revenues.

8.3.1.3 MELAD REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Description	1602 Environment	1603 Lands	1604 Agriculture
Budget	\$ 9,500.00	\$ 152,000.00	\$ 27,000.00
Actual	\$ 13,195.95	\$ 121,991.57	\$ 48,051.97
(over)/under	\$ (3,695.95)	\$ 30,008.43	\$ (21,051.97)

8.3.1.4 MELAD COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS

As shown above, two divisions namely Environment and Agriculture had exceeded their estimate revenue budget in the sum of \$3k and \$21k respectively and therefore should be encouraged to do same in future years. Although, these two divisions had surpassed their estimate revenue the Ministry reported a shortfall in revenue by \$5k and this was largely due to the under collection of \$30k by Land Division. Management should ensure its revenue estimate is aligned with the activities its divisions will deliver in future years.

Recommendation:

Manage should encourage all its revenue collecting divisions to exert efforts in future years so to meet their set targets.

Management response:

The real issue/challenge with revenue collection firstly is due to the scattered locations of divisions, Bairiki, Betio (Biosecurity) and Tanaea. This contributes a-lot to weak monitoring and control by SA from HQ.

8.3.1.5 ACCUMULATIVE OUTSTANDING SUB LEASE**Finding and Analysis:****Outstanding Sub Lease –Land Division**

The audit revealed the outstanding sublease of **\$971,533.75** as per list balances provided by the Lands division. However, the officer responsible emphasized that the arrears were not updated since the payment was made directly to the revenue cashier at the Ministry of Finance. This indicates that the Land division had failed to maintain and updated its records and to reconcile with figures held by MFED (revenue cashier).

Table 3.1.5.1: Accumulative Outstanding Sublease in 2016

Tenant By Village	Rent Due		Rent In Arrears		Sub Total		Total		Total
	Com	Res	Com	Res	Com	Res	Arrears	Arrears	
Bairiki	\$ 7,610.00	\$ 12,596.00	\$ 36,607.24	\$ 57,040.41	\$ 44,217.24	\$ 69,636.41	\$ 20,206.00	\$ 93,647.65	\$ 113,853.65
Betio	\$ 24,840.00	\$ 43,325.00	\$ 240,817.75	\$ 347,825.13	\$ 265,657.75	\$ 391,150.13	\$ 68,165.00	\$ 5,880,642.88	\$ 656,807.88
Nanikaai	\$ -	\$ 5,434.00	\$ 2,130.08	\$ 55,198.31	\$ 210.08	\$ 60,632.31	\$ 5,434.00	\$ 57,328.39	\$ 62,762.39
Bikenibeu	\$ 4,592.50	\$ 2,902.00	\$ 4,990.98	\$ 12,575.21	\$ 54,583.48	\$ 15,477.21	\$ 7,494.50	\$ 62,566.19	\$ 70,060.69
Teaoraereke	\$ -	\$ 2,882.00	\$ -	\$ 65,167.14	\$ -	\$ 68,049.14	\$ 2,882.00	\$ 65,167.14	\$ 68,049.14
Grand Total	\$37,042.50	\$ 67,139.00	\$284,546.05	\$ 537,806.20	\$364,668.55	\$604,945.20	\$ 104,181.50	\$ 6,159,352.25	\$ 971,533.75

Additionally, the audit noted that upon paying sub lease rent at MFED by tenants, the tenant was then required to produce and submit such receipts to the Land division for records. As informed, the officer responsible at Land Division has never performed a proper reconciliation with MFED.

Implications:

- The absence of proper and regular reconciliation would widen the gap between actual Ministry's figures with that of MFED.
- Also the failure to update and reconcile records would undermine the integrity and capability of the officers managing the division.

Recommendation:

Management must ensure to conduct proper review by most senior officials and performing regular reconciliation with MFED to avoid future grievances.

Management response:

In response to Audit's query on the non-achievement of the set revenue target for 2016 by LMD in terms of sublease collections were due to the following reasons;

1. All payments are paid directly to MFED and NOT to LMD. We need proper reconciliation with MFED on the figures on our revenue. There were also challenges when technical staff responsible for collecting financial information (such as Land valuer – Tentoa) from Lands as MFED only allows account staff to do so.
2. As part of our enforcement on lease payments, LMD used to issue out notice to all tenants i.e. Embassy, SOEs, Private companies like Punjas and individual. Previous administration, instructed Lands not to issue notice and therefore hold on to this since then.

Way Forward

LMD account needs to be improved and well equip with proper tools and resources i.e. safe to keep all the payments on sublease.

8.3.1.6 PHYTO RECEIPT BOOKS – AGRICULTURE DIVISION**Findings and Analysis:**

Issue 1: The audit revealed and noted the weaknesses over revenue collections by the Agriculture division as per indicated in the table provided below.

Issues	Description of control weaknesses over revenue collection	Control Measures
1	As noted there were times that the phyto receipt books were not available upon request from Quarantine for the certification of plants and other production plants.	Agriculture Account unit must ensure that phyto receipt books should be readily available at all times.
2	The account officer had failed to collect cash receipted from Quarantine staff at Bonriki International Airport as scheduled. The amount involved for such collection was \$145.00 (phyto receipt no 12901-12950, dated 24/7-7/8/17 refers) and just receipted on RR no 380939 dated 8/9/17.	Assigned account staff should make revenue collection as scheduled failing by which could trigger misappropriation of public funds.
3	The rumors reported from officers at Quarantine office at Betio when cash collections (approximately less than \$10 dollars) and computer monitor was stolen as indicated below: i. The security seemed not aware of this incident hence he did not report this to the police when the incident happened. ii. Quarantine officers reported this matter to their supervisors but the supervisors did not report it to MELAD and Police for further investigation. iii. As informed the KEY for the office was frequent hidden somewhere outside the office after working hours. The security also knows the place where the KEY was hidden. iv. The missing of monitor (computer) as well as cash collections and unreported of this incident is an act of fraud. Hence should be taken as a solemn matter within the Ministry.	Security log book must be maintained and updated regularly. Daily deposit should be strengthened by the senior accountant and the cash safe should be acquired immediately for safe keeping of public funds. The Office KEY should not be hidden or left in the office as could lead to temptation for the misappropriation of cash. Any incidents happened must be reported immediately to the SRO for further investigation purposes.

Issue 2: The audit revealed number of omitted and skipped leave pages of phyto receipt book as indicated below:

Figure	Phyto Receipt Books Issued to Agriculture Division	PHYTO RECEIPT BOOK	Omitted And Skipped No. Of Phyto Receipts of Leave Pages Phyto Receipts Not Yet Accounted.
\$ 15.00	10045-10050		
\$ 168.00	10014-10044	10001 10050	10001-10013 13
	12101-12131	12101 12150	12132-12150 19
\$ 46.00	11551-11565	11551 11600	11586-11600 15
	10121	10101 10150	10101-10119 19
			10121-10150 30
\$ 446.15	11566-11585	10101 10150	10101-10119 19
			10121-10150 30
\$ 42.00	1607-1617	11601 11650	1617-1650 34
82 Page		11501 11550	11501-11540 50

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As indicated above several of phyto receipt pages that were not yet accounted and appeared under the Ministry revenue records hence responses should be provided from concerned officers to address this query.

Implications emerged from above issues:

- Failure to collect cash receipted (revenue) from quarantine officers at both Betio and Bonriki quarantine offices would increase the risk of misappropriation of cash.
- Failure to report the incident happened at the Betio Quarantine office would result in the unnecessary leaking out of cash as such could possibly recovered when the incident was reported on the same day that the incident happened.
- Poor control of accounting records, documents open opportunities to conceal frauds and missing financial documents.
- Leaking out of public funds if No proper review of revenue collections at the end of the day.

Recommendations:

- Management must ensure to review the cashier records regularly and note any significant matter that is needed to be resolved.
- Management should ensure supervisor of Quarantine Betio keeps the key for the office.
- All accounting documents should be kept in a proper and safe place for ease of reference and audit purposes.
- Whenever incidents had happened officers concerned must report such incidents to the Senior Responsible Officer for their immediate appropriate and remedial actions.
- Those aware but not reporting such incident should make good the cash loss noted during that day.

Management response:

Issue 1 (1):

Current Senior Accountant was not aware of the matter as this was never reported since her first engagement with Melad in July, 2017 but just learnt the case when auditing commence at Melad on the 2016 account.

After learning the matter, Senior Accountant immediately transfer responsibilities of ALD Account officer to Revenue Cashier at HQ in receipting and depositing phyto collections. Such Revenue Cashier is also tasked to issue phyto books to Quarantine staff when their books are full and to ensure an adequate supply of phyto is always on hand for Quarantine demand.

Issue 1 (2):

With regards to collections on phyto rr # 12901-12950, that were collected by Quarantine on 24/7-7/8/17, this is to confirm Auditor's finding as this was a misappropriation of public fund discovered by Melad Senior Accountant on 8/9/17 that a total cash ofwas just produced by ALD Account Officer being for collections of the said phytos that should have been receipted back in early August and just receipted that day. The matter was immediately reported to Auditors who were still conducting their auditing at Melad and was also reported to the Accountant General including Treasury Seniors and Melad Secretary. *(More details on the case are clearly provided on the report to AG made via email attached)*

Further to update on the action, MFED had transferred the alleged Account Officer back to MFED Treasury Unit to await final decision on her case and had been replaced already by another Account staff. Besides, the Senior Accountant is now on top of monitoring Quarantine collections through Melad Revenue Cashier whom had been tasked to receipt their collections every flights.

Issue 1 (3):

MELAD agrees with the findings of the Audit and hereunder are some justifications and corrective measures to be strictly applied.

Biosecurity Quarantine Revenue:

The incident was just reported about two or three weeks ago by the Head of Biosecurity when she asked for the door locks to be changed. The Head further added that the incident has been reported to the Security Company and ALD has now new Security staff for the Betio Biosecurity office. The doors have also been changed.

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Corrective measures:

- Biosecurity officers to report revenue collected and RR No. to Head of Section, SAO Roiti Kienene on a daily basis. Weekly reports on revenue collection submitted to DALD/DDALD.
- Anything amiss must be reported on the day or the day after the incident happens.
- Key doors of Biosecurity office should be with the Supervisor and no other. Should anything goes amiss, the Supervisor and the concerned staff (Security Officer) must be accountable.
- Unreported cases will be dealt with accordingly

SA response is as follows:

With Betio Quarantine issues on the loss of their collections, there had been a previous advice to them to have all their customers receipt their payments with MCIC (Ministry of Commerce, Industry & Cooperatives) because, due to the long distance between Bikenibeu and Betio and there is no safe provided by Finance to them understanding that they were never expected to keep their cash with them.

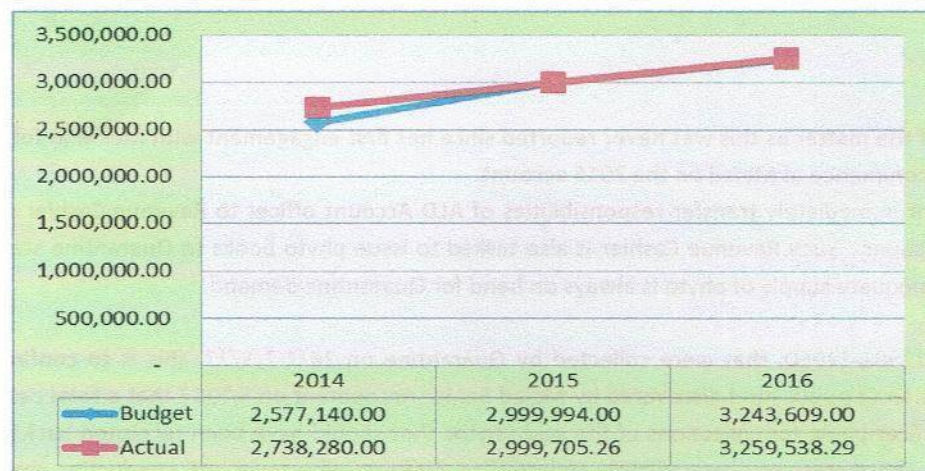
However, the lost mentioned in Auditor's report was never reported to Senior Accountant and is believed to have been paid back by the responsible Quarantine officer.

8.3.2 CONTROL OVER EXPENDITURE

8.3.2.1 MELAD EXPENDITURE SUMMARY

Years	2014	2015	2016
Budget	2,577,140.00	2,999,994.00	3,243,609.00
Actual	2,738,280.00	2,999,705.26	3,259,538.29
(Over)/Under	(161,140.00)	288.74	(15,929.29)

8.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL



In 2016 the Ministry was given an approved estimate budget of \$3.24m, an increase of over \$243k when compared with last year's budget (2015) of \$2.9m. Despite such increase the Ministry's actual spending surpassed the increased budget level by over \$15k.

Recommendation:

Management needs to strictly control or reduce its level of expenditure in order not to incur unauthorized spending.

Management response:

The Ministry apologized on the overspent of \$15k+ and wishes to clarify some issues that could assist why this Ministry did not work within its set budget.

Given that overspending is seen under Lands E1603 & Admin E1601 budget, below are some explanations on how this is caused.

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1. Lands overspent:

It is obvious that a bulk overspent of \$26,797.11 under Lands found in item 204 (allowances). This is due to the fact that in 2016, budget for Lands allowances was only \$5,160. Referring 2014 & 2015 budgets, amounts approved was used to be \$30k+. Melad also noticed this huge cut and reported the issue to NEPO but was advised to put it up through a supplementary request in 2016. There was also a supplementary submitted to former secretary but was never submitted to NEPO until fiscal account for 2016 closed. Breakdown on Lands allowances required every yearly budget is attached.

2. Admin overspent:

Another bulk overspent was also found in Admin external travel – E16010000227 with an amount of \$42,341.82.

1) Transition of the new government in 2016 has a great impact to the 2016 budget and mainly affects the external budget. This is because there were new activities of the new government executed that same year and of them is the Minister's trip with their spouses that particular year that was believed to incur twice causing an additional expenditure of \$25,130.10 for the new government HM & Spouse trip. Refer details provided hereunder:

a) HM trips with spouse was done twice:

Former Government Melad HM (Tiarite Kwong) with Spouse to Rome for 39th IFAD meeting:

- airfare: \$9,966 x 2 = \$19,932.00
- perdiem & allowances: \$9,350.00 (imprest)

b) New Government former Melad HM (Tebao Awerika) with spouse to Nairobi for 2nd UNEA Workshop in Kenya: \$25,130.10

- airfare: \$18,090.10
- perdiem: \$7,040.00

2) 2015 Imprest were just retired in 2016 with a total expenditure of \$17,888.94. They are provided as follows:

Prior years imprest just retired in 2016				\$17,888.94
Date	TC	Category	Name	Amount
26/01/2016	TC 030/16	HM	Tiarite Kwong	9,256.14
28/01/2016	TC 040/16	Secretary	Tiimi Kaiekieki	6,977.00
20/05/2016	TC 235/16	DS	Teue Baikarawa	1,655.80

Further explanation to claims above that were just retired in 2015:

HM claim: COP 21 meeting in Paris 19/11-14/12/15

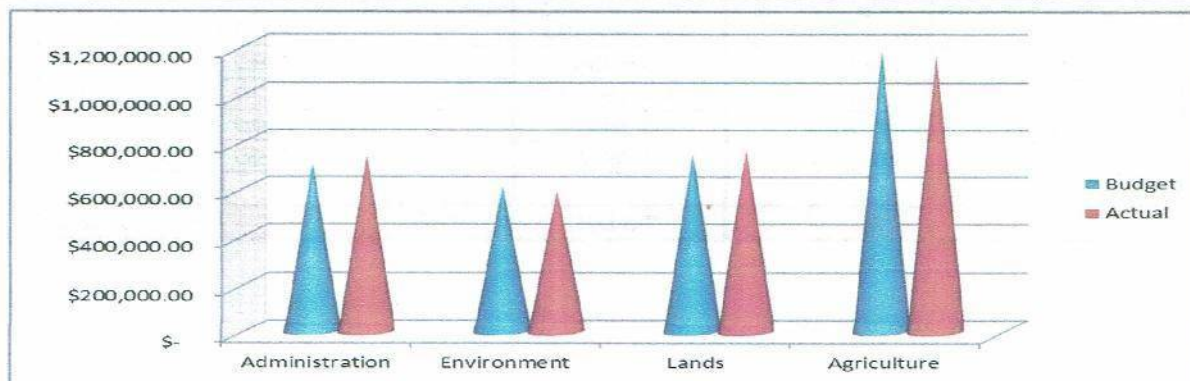
Secretary: trip in 2015

DS: trip in 2014

8.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Description	1601 Administration	1602 Environment	1603 Lands	1604 Agriculture
Budget	\$ 704,338.00	\$ 609,332.00	\$ 747,056.00	\$ 1,182,883.00
Actual	\$ 739,566.98	\$ 588,567.81	\$ 764,690.49	\$ 1,166,713.01
(over)/under	\$ (35,228.98)	\$ 20,764.19	\$ (17,634.49)	\$ 16,169.99

8.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



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As noted from above, the bulk of the overspent was derived from Administration division and Lands division with their excess spending of \$35k and \$17k respectively, the total of which far outweighs the net savings reported by the other two divisions.

Recommendation:

Management should ensure all divisional Heads are involved in the budget preparation so the targets are aligned with the activities of each individual division.

Management response:

(Refer response provided on bulk overspent under Lands and Admin)

8.3.2.5 CONTROL OVER BUS TICKET

Finding and analysis:

Issue 1: The audit revealed number of bus tickets issued out without recording them in the bus ticket register as indicated below;

Dates	Denomination	Serial No.	no. of ticket	value	Amount
	0.50 Cents	339966	1	\$ 0.50	
	0.70 Cents	307594-597	4	\$ 2.80	\$ 3.30

Issue 2: There were officers signing and collecting bus tickets on behalf of their fellow staff without the authoritative letter as per table below:

Dates	Denomination	Recipient	Serial No.	no. of tickets	value	Amount
17/03/2016	50 Cents	Officer 1	339654	1	\$ 0.50	
"	"	Officer 2	339655	1	\$ 0.50	\$ 1.00
28/01/2016	60 Cents	Officer 3	464047-048	2	\$ 1.20	
2/01/2016	"	Officer 4	464049-052	4	\$ 2.40	
02/02/2016	"	Officer 5	464053-054	2	\$ 1.20	
"	"	Officer 6	464055-056	2	\$ 1.20	
6/3/2016	"	Officer 7	464074-075	2	\$ 1.20	
"	"	Officer 1	464076-077	2	\$ 1.20	
"	"	Officer 8	464078-081	3	\$ 1.80	
24/03/2016	"	Officer 9	464082-083	2	\$ 1.20	
"	"	Officer 5	464084-085	2	\$ 1.20	
13/04/2016	"	Officer 5	464092-095	4	\$ 2.40	
14/04/2016	"	Officer 4	464096	1	\$ 0.60	
5/04/2016	"	Officer 4	463943-946	4	\$ 2.40	
5/06/2016	"	Officer 5	463947-950	4	\$ 2.40	
6/12/2016	"	Officer 10	464147-148	2	\$ 1.20	
"	"	Officer 7	464149-150	2	\$ 1.20	\$ 22.80
13/4/2016	70 cents	Officer 11	307782-785	4	\$ 2.80	
"	"	Officer 12	307786-789	4	\$ 2.80	
"	"	Officer 13	307790-793	4	\$ 2.80	
18/11/2016	"	Officer 14	307586-589	4	\$ 2.80	
"	"	Officer 15	307590-593	4	\$ 2.80	\$ 14.00
4/07/2016	80 cents	Officer 16	346034	1	\$ 0.80	
4/12/2016	"	Officer 17	346035-038	4	\$ 3.20	\$ 4.00
17/3/2016	90 cents	Officer 1	353811	1	\$ 0.90	
"	"	Officer 2	353812	1	\$ 0.90	\$ 1.80
			Total	67		\$ 43.60

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Issue 3: Staffs were not signing against their names upon receiving of their bus tickets as noted hereunder:

Dates	Denomination	Recipoent	Serial No.	no. of ticket	value
13/6/2016	0.50 Cents	Officer 1	339981-985	5	\$2.50
16/6/2016	"	Officer 1	339986-988	3	\$1.50
18/11/2016	"	Officer 2	339835-842	8	\$4.00
26/09/16	"	Officer 3	339843-846	4	\$2.00
		Total		20	\$10.00

Implications:

- v. The absence of a control on the bus tickets, could lead to misappropriation and misuse of bus tickets.
- vi. Issued tickets without supportive signatures and if not detected could encourage malpractice within office.
- vii. Issued tickets without indicating reasons whether it was official or not, could result in entertaining of unofficial routes/trips that would lead to misappropriation of bus ticket.

Recommendations:

- Management should put in place a strong control mechanism to ensure that each officer must sign bus tickets once the bus tickets had been issued out.
- Management should regularly check and review the task of its accounting staff to ensure all issued tickets must be properly issued accordingly.

Management response:

Issue 1:

Bus ticket (50cents) serial 339966: confirmed unrecorded and lost and should be among those issued on 3/6/16 or 13/6/16.
 Bus tickets (70cents) serial 307594-597: confirmed lost and serial was among the pages issued on 18/11/16 & 24/11/16.
 Confirming the loss of bus ticket above, the responsible officer will be surcharged to recover such a loss.

Issue 2:

Management confirmed findings on staff signing others' bus tickets which Senior Accountant just learnt and had strongly reminded account staff to discontinue such a practice. For those failed to comply will be surcharged the amount or value of bus ticket issued again that way.

Issue 3:

Also with bus ticket issues without signatures, Senior Accountant is working now on identifying the officer responsible for bus ticket during those given dates to have that officer surcharged or to receipt back the total value of those unsigned bus ticket as a way of punishment to stop them from such practices.

This office will make Auditor's copy; either a receipt or documents used to recover such unlawful issue of bus ticket from responsible staff once action made.

8.3.2.6 LOG BOOK

Findings and Analysis:

The audit revealed the control weaknesses over the MELAD log book as obviously noted below:

Division	Vehicles Number	Remarks
Head Quarter	G260	The log book was not completed hence the last record was in Dec 13 2016. Also the mileage was not recorded as well
Head Quarter	G259	The log book was not maintained
Agriculture	G286	Not properly maintained and the incomplete of records such as the mileages.

Implication:

- Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and proper uses of the vehicle were in order.

Recommendations:

- Management must remind the driver concerned to return his log book to be reviewed and to be checked and updated regularly.
- Management should reject claims for overtime and refuelling if no appropriate supporting documentations are provided by the driver.

Management response:**Vehicle # G260:**

Driver has been reminded on this to ensure this is not repeated in future. Driver is now currently using a new log book/new template to address the issue.

Vehicle # G259:

There was actually a Log book 2016 unfortunately miss-placed within the handing over time of our former OM and new OM. OM and Driver both reminded on this while Admin ensure recommendations are complied with.

Vehicle # G286:

This vehicle is the one used by DALD. In times when DALD is on travel duty or away on leave, the vehicle is left in the care of OIC. It is within these periods that the logbook is not properly maintained. There are also times when DALD herself forgets to log the metered.

8.3.2.7 OUTSTANDING IMPREST**Findings and Analysis:**

The accumulated outstanding Imprest amounted to **\$57,664.91** had been confirmed when the audit team extracted the outstanding list from records held by the Ministry of Finance. Details of which appended in the table below:

Officers Name	Amount
Officer 1	4,457.34
Officer 2	8,771.22
Officer 3	8,174.98
Officer 4	29.55
Officer 5	4,167.04
Officer 6	1,015.00
Officer 7	1,289.96
Officer 8	405.00
Officer 9	1,440.00
Officer 10	1,154.96
Officer 11	1,344.91
Officer 12	14,780.47
Officer 13	56.52
Officer 14	135.00
Officer 15	4,205.00
Officer 16	225.00
Officer 17	2,906.96
Officer 18	3,106.00
TOTAL	57,664.91

Implications:

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

Recommendations:

- Management should ensure the officers concerned arranged for immediate retirement of their Imprests and where any dues are payable to government, to arrange immediate recovery.
- Further Imprest will not be entertained to the above officers until arrangements have been made to clear the outstanding Imprests.
- Management should have an Imprest register for ensuring timely retirements of Imprest from those that have returned from official trips.

Management response:

MELAD does not agree with some outstanding having informed those staff to provide supporting documents and liaise again with Imprest Unit. MELAD is of a view that Imprest staff were overwhelmed with plenty tasks.

Melad had worked with finance on such outstanding and revealed the following:

- i) Some Imprest balances have been reduced as retirement were just made with Finance while some were still recovered by their ongoing salary deductions
- ii) Some Imprest balances remain unchanged as no clearance made on them until now while there are also cases now with retirements made with Linnix account claiming that they have not yet reflected in MFED Imprest record.
- iii) With those negative balances, MFED clarify that they are credit balances that has to be refunded by officers names provided on the list.

Melad approaches in assisting MFED in reducing such a huge Imprest outstanding are:

- i) To remind staff with names on the list to make their retirement soon or to give their consent on their salary deduction for the recovery of their outstanding Imprest and this is to be done through a written notice.
- ii) To include in Senior Accountant's plan when conducting reconciliation with Linnix Account at Kiritimati.

9) MANEABA NI MAUNGATABU (MM)**Findings and Analysis:****9.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Maneaba ni Maungatabu** for the year ended 31st December 2016 with **"Emphasis of matter"** as discussed in detail from 9.3 below.

9.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Maneaba ni Maungatabu performance in the fiscal year 2015.

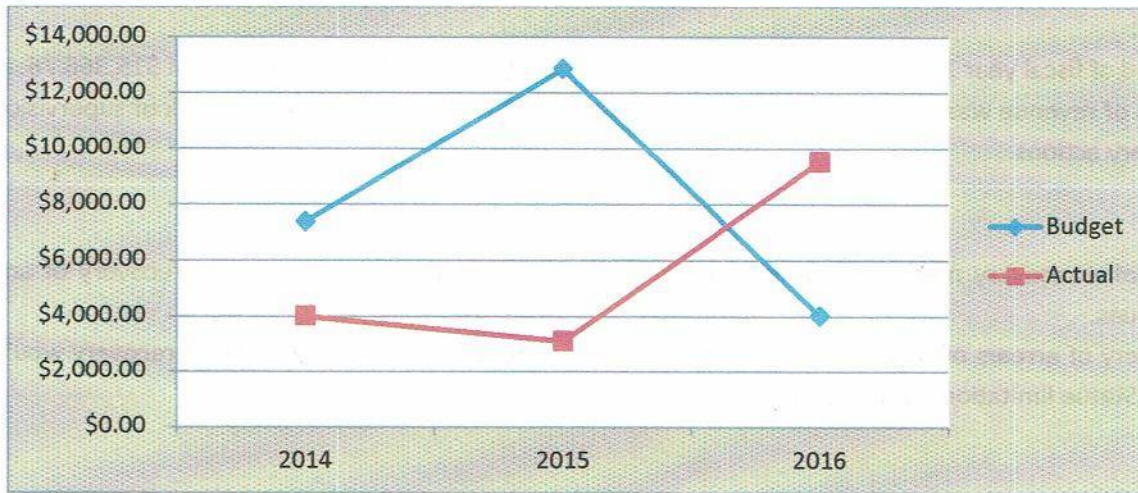
Issues	Solved/Addressed	Status of the issues in the 2016 audit
Revenue under collection	Solved/Addressed	Improved revenue collection.
Overtime docket unavailable for audit scrutiny.	Solved/Addressed	Improved record keeping
Outstanding Imprest		Improved recovery action from imprest holder's.
Vote ledger/Database access	Not solved/Addressed	Reconciliation issues still exist.
Log-Book	Solved	Log book was available
Two year leave policy entitlement	Not Addressed	Outstanding leave still not counted back to two years..

9.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

9.3.1 CONTROL OVER REVENUE**9.3.1.1 MNM SUMMARY REVENUE COLLECTION – 2014-2016**

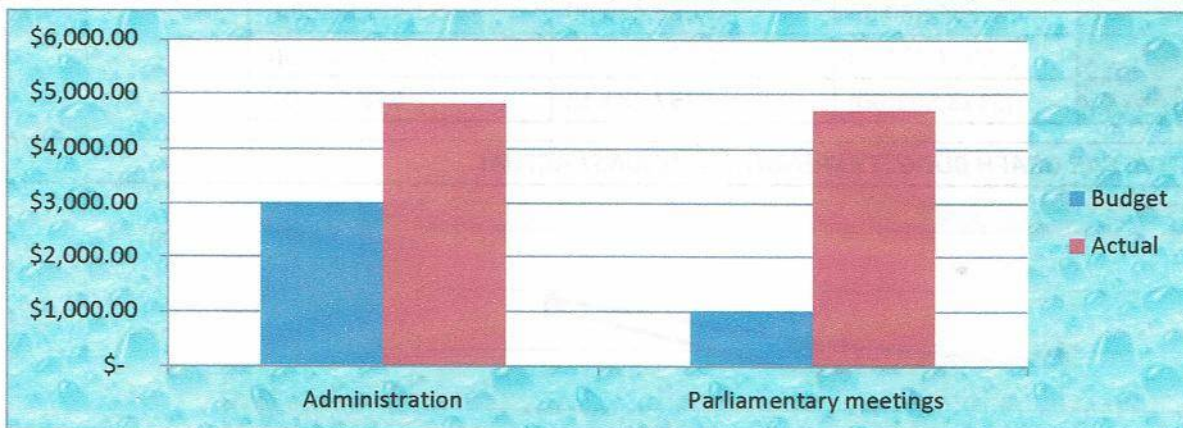
	2014	2015	2016
Budget	\$7,350.00	\$12,850.00	\$4,000.00
Actual	\$4,001.25	\$3,093.00	\$9,518.00
Var Under/(Over)	\$3,348.75	\$9,757.00	(\$5,518.00)

9.3.1.2 MNM COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL – (2014-2016)

It is pleasing to note that when comparing with previous years' performance, the revenue collected has boomed and far exceeded the budget estimate that had been reduced down to \$4k. Therefore, management must be applauded for their tireless efforts and vigorous performance noted this year.

9.3.1.3 MNM REVENUES AGAINST BUDGET BY DIVISIONS

Divisions	Administration	Parliamentary Meetings	Total
Budget	\$ 3,000.00	\$ 1,000.00	\$ 4,000.00
Actual	\$ 4,819.00	\$ 4,699.10	\$ 9,518.10
Variance(Over)/Under	\$ (1,819.00)	\$ (3,699.10)	\$ (5,518.10)

9.3.1.4 MNM COMPARATIVE BAR GRAPH ESTIMATE REVENUE BY DIVISIONS AGAINST ACTUAL

As clearly indicated from the above graph, both divisions Administration and Parliamentary meetings exceeded budget estimate by over \$1k and \$3k respectively

Management response:

No response received.

9.3.1.5 ARREARS OF REVENUE**Findings and Analysis:**

It was noted at the end of fiscal year 2016 that Parliament had outstanding revenue not yet collected of \$15,366.76. In 2015 the total arrears of revenue was \$1,068.75, a notable increase of \$14,298.01. This concludes lack of supervision to follow up on recovery actions.

Implications:

- The absence of a recovery mechanism would make it difficult for management to pursue recovery of any outstanding dues.
- Prompt recovery of arrears of revenue would reduce the risk of revenue foregone as time of recovery would be within the Statute limitation bar of 6 years.

Recommendations:

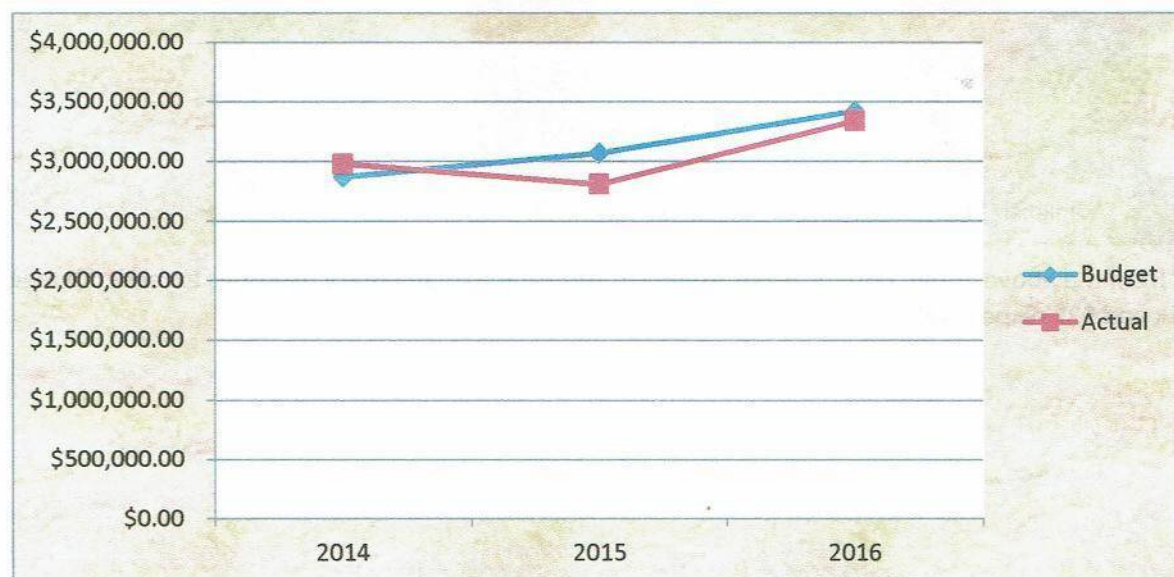
- ✓ Management should have a database kept, updated and readily available for future access.
- ✓ Management should have a stringent follow up policy and recovery mechanism on late payers
- ✓ Management should ensure it does regular checks on its accounts staff to ensure full compliance with the provisions of the FR 11.

Management response:

This outstanding revenue was collected in 2017 and this is already solved during MM meeting with PAC. This means that the said outstanding have been settled and collected.

9.3.2 CONTROL OVER EXPENDITURE**9.3.2.1 PARLIAMENT BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE**

Year	2014	2015	2016
Budget	\$2,864,380.00	\$3,066,410.00	\$3,419,042.00
Actual	\$2,977,971.00	\$2,809,028.88	\$3,340,484.96
Variance Under/(Over)	(\$113,591.00)	\$257,381.12	\$78,557.04

9.3.2.2 COMPARATIVE BAR GRAPH BUDGET EXPENDITURE AGAINST ACTUAL

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

As clearly revealed above Parliament had managed to set a more realistic budget level, an increase of \$352k over that of 2015, and therefore was able to manage all expenses within the new budget ceiling that resulted in a net saving of \$78k. Management should be commended for such notable achievement.

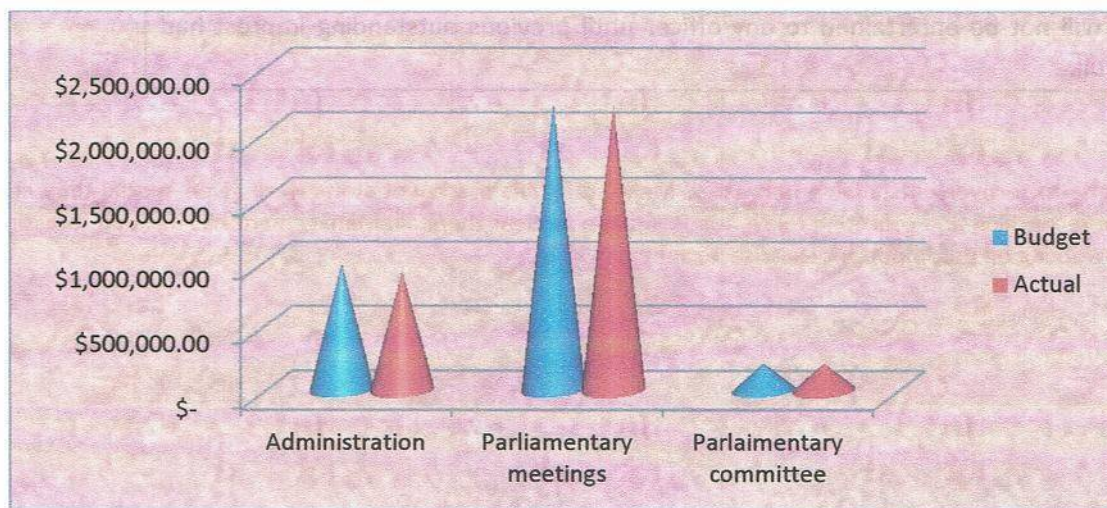
Management response:

No response received.

9.3.2.3 MNM EXPENDITURE AGAINST BUDGET BY DIVISIONS – 2016

Divisions	Administration	Parliamentary meetings	Parliamentary committee	Total
Budget	\$ 977,925.00	\$ 2,232,672.00	\$ 208,445.00	\$ 3,419,042.00
Actual	\$ 921,345.66	\$ 2,211,052.93	\$ 208,086.00	\$ 3,340,484.59
Variance(Over)/Under	\$ 56,579.34	\$ 21,619.07	\$ 359.00	\$ 78,557.41

9.3.2.4 MNM BAR COMPARATIVE GRAPH AGAINST BUDGET BY DIVISIONS – 2016



From the exhibited graph above, it is pleasing to note that all divisions; Admin & Support service 01, Parliament meetings 02 and Parliamentary committees have operated within the approved budget which resulted in a surplus of \$78k.

Management response:

No response received.

9.3.2.5 IMPREST - OUTSTANDING

Findings and Analysis:

As per listing of imprest 2016 (MFED) the total outstanding imprest for 2016 that has not been recovered was \$8,073 plus total accumulated outstanding imprest from previous years of \$730k still not yet been recovered or cleared under each respective imprest holder as of to date. Details and names of imprest holders can be provided upon request.

Implication

Failure to clear or recover outstanding Imprest in full would impact on the cash flow of Gov't.

Recommendation:

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

Management response:

It will require enormous time to recover outstanding Imprest of MnM staff/MPs if account staffs were given special time and overtime to concentrate on reconciling and collecting relevant information to clear them all. Management has decided to assign its accounting staff to start working on this important exercise beginning in 2018.

10) MINISTRY OF COMMERCE AND INDUSTRY COOPERATIVE (MCIC)**Findings and Analysis:****10.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Ministry of Commerce, Industry and Cooperative** for the year ended 31st December 2016 with **"Emphasis of matter"** as discussed in detail from 10.3 below.

10.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Ministry of Commerce Industry and Cooperatives performance in the fiscal year 2015.

Issues	Solved/Addressed	Status of the issue in the 2016 audit
KPF contribution variances	Not solved/Addressed	No improvement in the reconciliation.
Variance detected when comparing overtime	Not solved/Addressed	No improvement in the reconciliation.
Log book not available for audit scrutiny	Not Solved/Addressed	No improvement in maintaining log book.
Refueling of employee vehicle	Solved/Addressed	No improvement

10.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

10.3.1 CONTROL OVER REVENUE**10.3.1.1 MCIC REVENUE SUMMARY COLLECTION (2014-2016)**

	2014	2015	2016
Budget	\$55,520.00	\$60,060.00	\$69,260.00
Actual	\$84,420.00	\$71,596.00	\$85,072.47
Under/(Over)	(\$28,900.00)	(\$11,536.00)	(\$15,812.47)

10.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

It is pleasing to note from the above analysis that for the past three years (2014 to 2016), MCIC had maintained the intensity level of its revenue collection by having exceeded again revenue budget estimate by \$15k for the fiscal year

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2016. This resulted from the increase in the actual collection by \$14k (2015 \$71,596-2016 \$85,072.47) over that of 2015. Management should be commended for such notable achievement for the past three years.

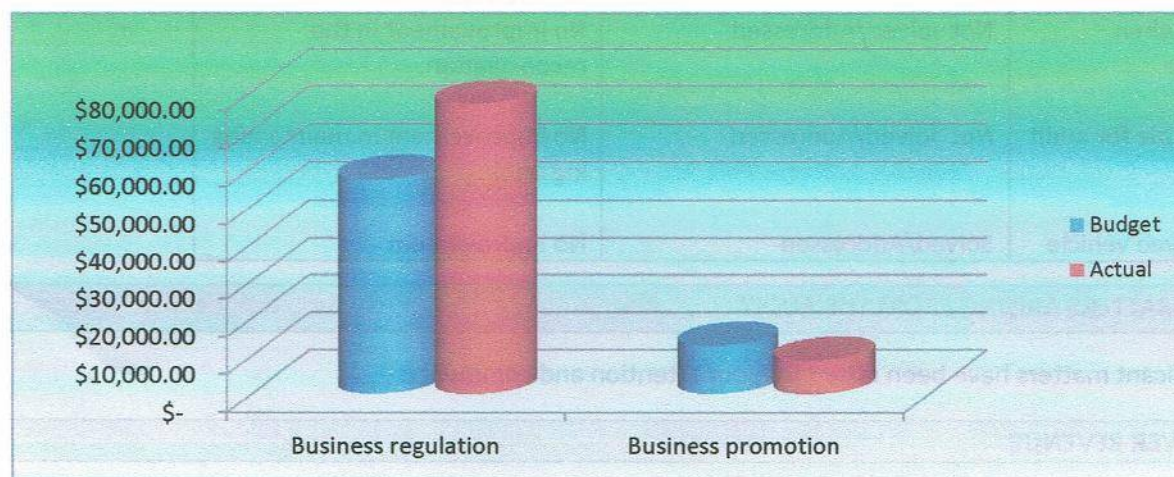
Management response:

No response received.

10.3.1.3 MCIC REVENUES AGAINST BUDGET BY DIVISIONS – 2016

Divisions	Business regulation	Business promotion	Total
Budget	\$ 56,700.00	\$ 12,560.00	\$ 69,260.00
Actual	\$ 76,494.77	\$ 8,577.70	\$ 85,072.47
Variance(Over)/Under	\$ (19,794.77)	\$ 3,982.30	\$ (15,812.47)

10.3.1.4 COMPARATIVE BAR GRAPH OF BUDGET REVENUE AGAINST ACTUAL BY DIVISION



The above statistics clearly showed that one of the two (2) divisions generating revenue failed to meet its revenue target and its shortfall had been offset by the excess collection generated by the other division.

Recommendations:

Management must encourage its above divisions to exert efforts, particularly the other division that failed to meet its target, in collecting its revenue in future.

Management should ensure its budget level is aligned with the revenue its divisions anticipate to collect in future years.

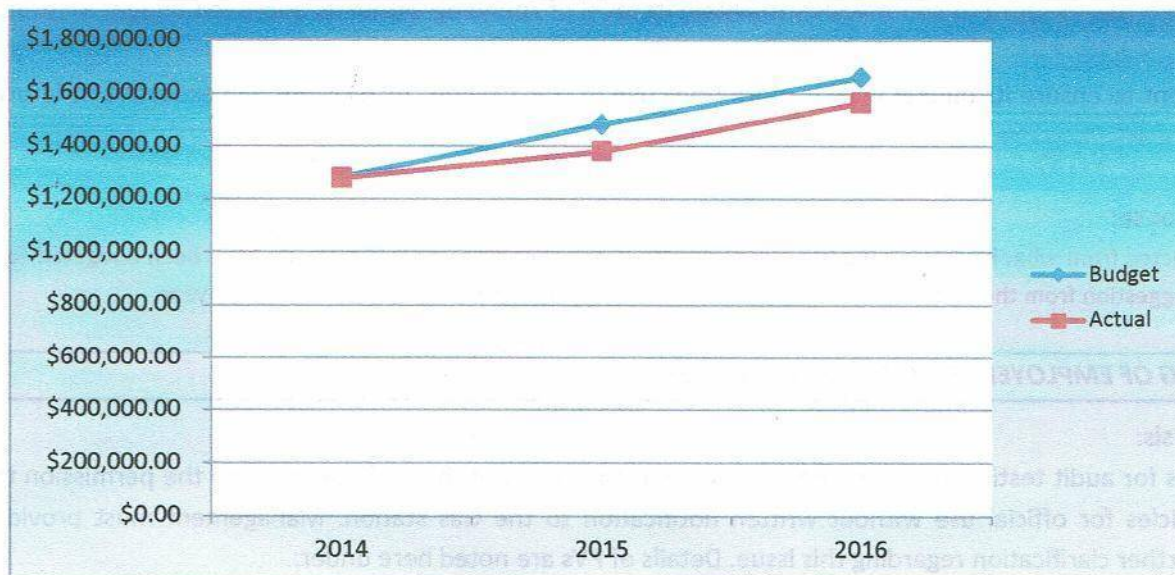
Management response:

Business Promotion Division have failed to collect what its actual Provision for 2016 as this was caused by the failure to pay container storage from suppliers which have allocated their containers at MCIC yard Temakin. Reminder already sends to them but still no action from their end. Therefore, BPC could not meet its target throughout 2016.

10.3.2 CONTROL OVER EXPENDITURE

10.3.2.1 MCIC EXPENDITURE SUMMARY

Year	2014	2015	2016
Budget	\$1,279,920.00	\$1,480,721.00	\$1,659,281.00
Actual	\$1,276,641.00	\$1,379,472.89	\$1,563,965.66
Variance Under/(Over)	\$3,279.00	\$101,248.11	\$95,315.34

10.3.2.2 COMPARATIVE GRAPH OF EXPENDITURE BUDGET AGAINST ACTUAL

The above table and graph depicts the increase in the budget level by \$179k (2015 \$1,480m-2016 \$1,659m) that is in consonance with the increase in the actual spending level when compared to 2015 thus resulting in a net saving of \$95k and for which management should be commended for being able to spend within its budget allocation.

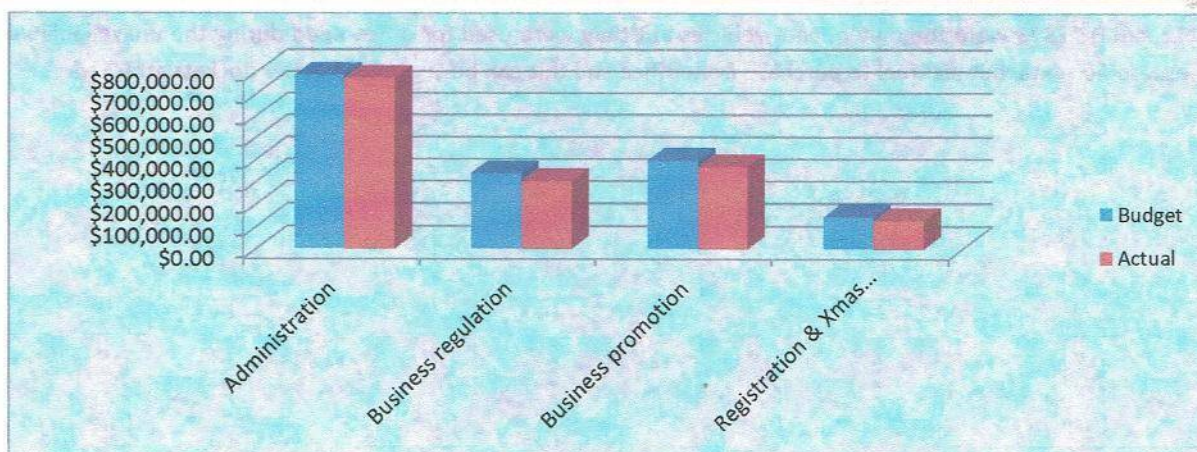
However, with colossal saving management should ensure its budget level is aligned with the activities its divisions will carry out in future years.

Management response:

No response received

10.3.2.3 MCIC EXPENDITURES AGAINST BUDGET BY DIVISION

Divisions	Administration	Business regulation	Business promotion	Registration & Xmas development	Total
Budget	\$784,424.00	\$336,554.00	\$395,135.00	\$143,168.00	\$1,659,281.00
Actual	\$771,963.37	\$300,757.75	\$366,252.36	\$124,992.18	\$1,563,965.66
(Over)/Under	\$12,460.63	\$35,796.25	\$28,882.64	\$18,175.82	\$95,315.34

10.3.2.4 COMPARATIVE BAR GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISION

It is pleasing to note that all of four (4) divisions of MCIC had managed to save within their approved budget.

Recommendations:

- Management must ensure to continuously maintain its level of spending within its approved budget in future years.
- Management to ensure its budget level is more reflective of the activities its divisions will execute in future years.

Management response:

As far as can be detected from what have been reported by Audit Office, the spending was less than what has been budgeted for, we agree with the suggestion from the Audit to try to implement activities against the budget for each current year.

10.3.2.5 REFUELING OF EMPLOYEE VEHICLES FOR OFFICE USE**Findings and analysis:**

After selecting PV's for audit testing, it was noted with concern that some of the staff has granted the permission to refuel private vehicles for official use without written notification to the Gas station. Management must provide explanation and further clarification regarding this issue. Details of PVs are noted here under.

PV #156/16	\$862.95 less \$65.90 (official) = \$797.05	
PV # 42/16	\$197.60 less \$61.20 (official) = \$136.4	
PV # 14/16	\$376.95 less \$147.70 (official) = \$229.25	Total \$1,162.70 - Unofficial

Implication:

The absence of a monitoring mechanism of refuelling of vehicles will increase the risk of staff refuelling own private vehicles at the cost of public funds.

Recommendations:

- Management must ensure that only government vehicles are permitted for refuelling for the intended purposes.
- Management must provide permit pass to the driver given the authority for refuel government transport only.
- Refueling of private vehicles should be well supported, the authority of which should be readily available for audit purposes.

Management response:

Total payment done for Private vehicles from the above Payment vouchers is \$274.80. Vehicle TC 2154 was also a vehicle for MCIC Project APCC and this vehicle have been tendered out to KCDL later in 2016. At the beginning of 2016, it was used here in the Ministry for official purposes therefore, fuels were proper and they are not private vehicles. According to what we have found here, Vehicle TC 3112 and BC 2373 were the only private vehicles but they were used for office need during the unavailability of transport those times....so no rental but just fuel to purchase from office and this can be supported as per dockets attached.

11) OFFICE OF THE ATTORNEY GENERAL (OAG)**Findings and Analysis:****11.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Office of the Attorney General** for the year ended 31st December 2016 with "**Emphasis of matter**" as discussed in detail from 11.3 below.

11.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Office of the Attorney General performance in the fiscal year 2015.

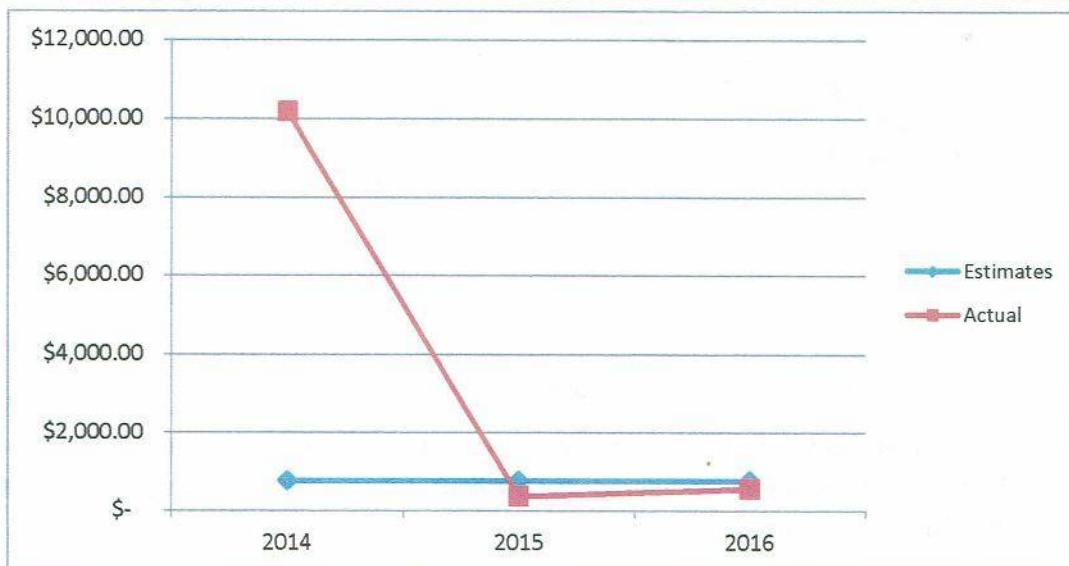
Issues	Solved/Addressed	Status of the issue in the 2016 audit
Lack of performing reconciliation which resulted in the variances in the KPF contribution.		Not solved/Addressed
Log book was not provided for auditing purposes.		Not solved/Addressed
Not updating vote ledger.	Solved/Addressed	

11.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

11.3.1 CONTROL OVE REVENUE**11.3.1.1 REVENUE SUMMARY COLLECTION – OAG 2014-2016**

Year	2014	2015	2016
Estimates	\$ 750.00	\$ 750.00	\$ 750.00
Actual	\$ 10,177.50	\$ 354.60	\$ 548.50
Variance (Over)/Under	\$ (9,427.50)	\$ 395.40	\$ 201.50

11.3.1.2 COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART I

The above graph illustrated the level of budget for the past three years (2014-2016) which simply indicated the OAG still failed to collect its revenue budget by \$201. It is of paramount importance for the Ministry (Management) to provide a more realistic budget figure that it would be able to collect as any shortfall could trigger further drawdown from the RERF.

11.3.1.3 REVENUES BUDGET AGAINST ACTUAL BY DIVISION – OAG 2016

Division(Administration &Policy development)	Budget	Actual	(Over)/Under
Legal fees	\$500.00		\$500.00
Sale of Law books	\$250.00	\$548.50	\$(298.50)

The above table revealed the two revenue items that OAG perceived to receive for the year and as could be sighted there was no revenue received for legal fees while the revenue received from the sale of law books far outweighed its budget by \$298 thus resulting in a net under-collection by \$201.50.

Management response:

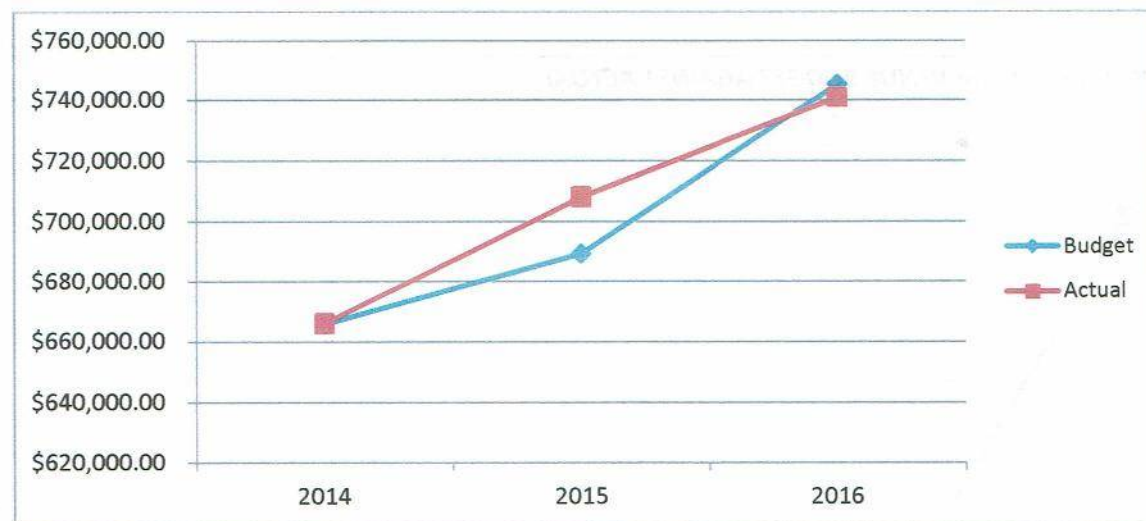
This depends on the number of books printed as requested from customers (private).

11.3.2 CONTROL OVER EXPENDITURE

11.3.2.1 EXPENDITURE BUDGET SUMMARY- OAG

Year	2014	2015	2016
Budget	\$665,556.00	\$689,188.00	\$745,243.00
Actual	\$665,934.42	\$708,141.50	\$740,876.41
Variance Under/(Over)	(\$378.42)	(\$18,953.50)	\$4,366.59

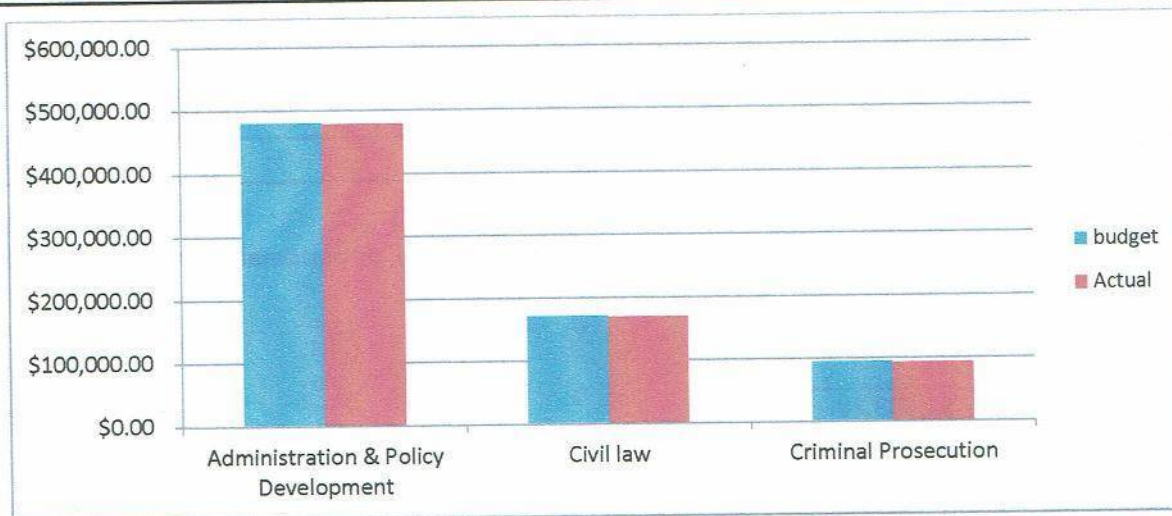
11.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE ESTIMATES AGAINST ACTUAL



As depicted in the above graph the budget level had increased and it is pleasing to note OAG for the first time had managed to spend within such budget level when compared to previous years' performances. Therefore, management should be commended for such notable achievement.

11.3.2.3 EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS – 2016

Division	Budget	Actual	Variance (Over)/Under
Administration & Policy Development	\$480,479.00	\$479,132.37	\$1,346.63
Civil law	\$170,360.00	\$168,950.56	\$1,409.44
Criminal Prosecution	\$94,404.00	\$92,793.48	\$1,610.52
Total	\$745,243.00	\$740,876.41	\$4,366.59

11.3.2.4 COMPARATIVE BAR GRAPH OF BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL BY DIVISIONS

As revealed from the above, all of the three divisions, Administration & Policy development, Civil Law and Criminal Prosecution, have savings by the end of the year.

Management response:

There is no overspending of the budget in 2016. There is a remaining of \$4,366.59 from the budget.

11.3.2.5 LOG BOOK**Findings and Analysis:**

The log-book was not provided during the audit. Therefore, this made it difficult for the audit to check the accuracy of the fuel cost for each vehicle, mileage taken per trip and overtime claimed by the driver. This issue was also the subject of our finding in our last audit report and as this was repeated this year it showed management's failure in addressing the recommendations posed in our previous audit report.

Implications:

- Failure to provide a logbook is a breach of the provisions of the FR 11 and would increase the risk of abusing government vehicles.
- Failure in maintaining a gov't vehicle log book would raise questions in particular on the genuineness of claims for fuel and overtime being processed by management.

Recommendations:

- ✓ The audit recommends that each vehicle has a logbook and it is maintained and updated and to be made readily available for future audits.
- ✓ Audit recommends that the driver will always update records on the movement of vehicles failure by which could annul in particular overtimes being claimed.
- ✓ Management should put in place other monitoring mechanisms, say, by the use of tickets by drivers when refueling the vehicle.

Management response:

The custody and maintenance of the log books are in practice, mostly the responsibility of drivers as they keep records of their daily tasks and activities. They are supposed to be returned to me as the accountant but as I observed, the drivers have failed to do so and this resulted in the loss of their log- book.

11.3.2.6 OUTSTANDING IMPREST \$1,633.30**Findings and analysis:**

The Office of the Attorney General has an outstanding Imprest of **\$1,633.30** in 2016, as per details shown in the table hereunder:

Name	Amount	
Officer 2	\$1,337.55	
Officer 4	\$295.75	\$1,633.30

Implications:

- Timely retirement of Imprests is in compliance with FR 11 requirement and would contribute to the strength of the cash flow of Government.
- Failure to retire the Imprest and yet again issued a new one could increase the risk of loss of public funds if such were not detected later and could also cause hardship on the holder if recoveries were hastened at a later stage.

Recommendation:

- ✓ Management must maintain a register for Imprests to monitor the retirement by officials.
- ✓ Management must ensure that all Imprests are retired after 10 working days from the date the officer returned from the official trip.
- ✓ No further Imprest will be given to the officer until the previous Imprest had been cleared.
- ✓ Management to ensure all above listed officials have retired their Imprests and to pursue speedy recovery on those still yet to retire their Imprests.

Management response:

Written management response was received hence the amount of outstanding Imprest was reduced from \$9,575.88 to \$1,633.30 as per indicated above.

12) MINISTRY OF FISHERIES AND MARINE RESOURCES DEVELOPMENT (MFMRD)**Findings and Analysis:****12.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Ministry of Fisheries and Marine Resources Development** for the year ended 31st December 2016 with "**Emphasis of matter**" as discussed in detail from 12.3 below.

12.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The Ministry has been issued an unqualified opinion for the last four consecutive years since 2013.

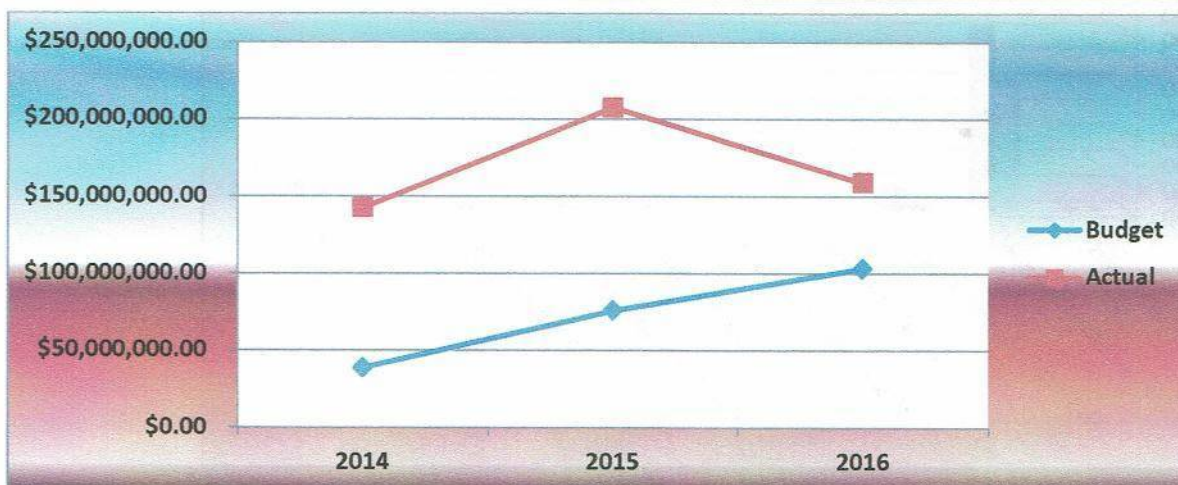
12.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

12.3.1 CONTROL OVER REVENUE**12.3.1.1 MFMRD REVENUE SUMMARY COLLECTION:**

	2014	2015	2016 (M/Report)	Audit Calculation
Budget	\$38,413,500.00	\$75,633,500.00	\$100,162,000.00	\$102,722,000.00
Actual	\$142,682,264.97	\$207,103,634.94	\$158,994,989.30	\$158,994,989.30
Variance Under/(Over)	-\$104,268,764.97	-\$131,470,134.94	-\$58,832,989.30	-\$56,272,989.30

The audit noted that the total revised budget disclosed in the management report of **\$100,162,000.00** is incorrect. In fact the correct figure that must be disclosed should be **\$102,722,000.00** and not **\$100,162,000**. Therefore, the error noted above has overstated the excess revenue collection by **\$2,560,000.00** as the actual excess should only be **\$56m** and not **\$58m**.

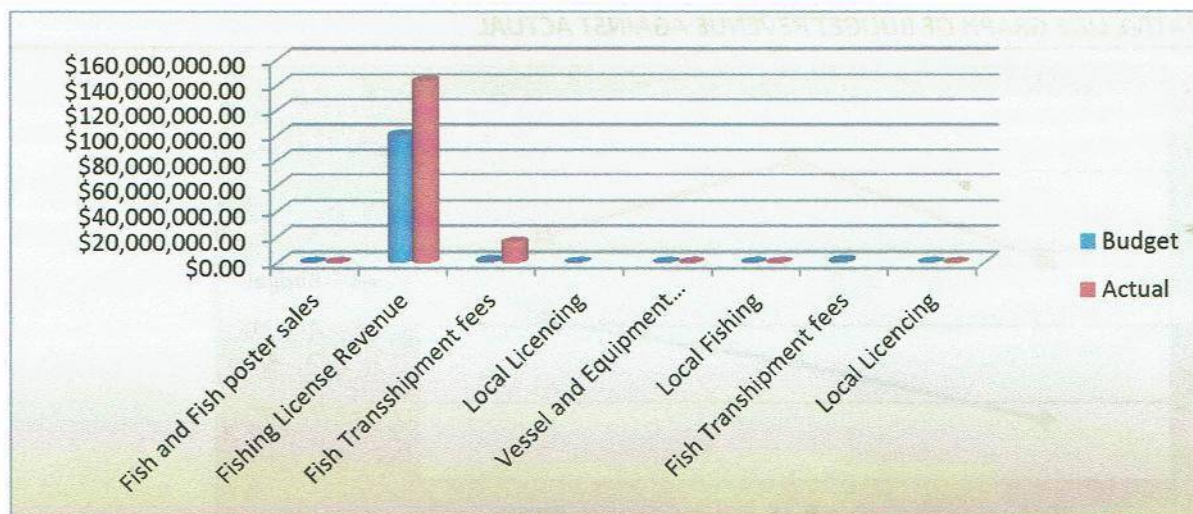
12.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

As clearly depicted from the above graph, with an increase in its budget estimate by **\$27m** (2015 \$75m - 2016 \$102m) MFMRD has maintained its remarkable performance over the past years (2014-2016) by continuously surpassing its revenue budget and in 2016 it has an excess of over **\$56m** despite a short fall in the actual revenue collection by **\$49m** (2016 \$158m - \$207m in 2015). Therefore management should be applauded for its ability to set a budget level that it would still be able to surpass despite the volatility of fishing revenue within our waters.

12.3.1.3 MFMRD REVENUES AGAINST BUDGET BY DIVISION

Output	Divisions	AUDIT CALCULATION				MANAGEMENT REPORT			VARIANCES
		Budget	Actual	(Over)/Under		Budget	Actual	(Over)/Under	(Btwn Over&Under)
C2103	Fishing Vessel licensing				V E R S U S				
	Vessel and Equipment Hire	5,000.00	67,472.10	- 62,472.10		5,000.00	67,472.10	- 62,472.10	-
	fish and fish poster sales	30,000.00	29,152.50	847.50		30,000.00	29,152.50	847.50	-
	local fishing	57,000.00	51,377.00	5,623.00		57,000.00	51,377.00	5,623.00	-
	local licensing	35,000.00	-	35,000.00		35,000.00	-	35,000.00	-
	fish transshipment fees	1,280,000.00	15,525,972.50	- 14,245,972.50		1,280,000.00	15,525,972.50	- 16,805,972.50	2,560,000.00
	fishing license revenue	100,000,000.00	143,295,455.20	- 43,295,455.20		100,000,000.00	143,295,455.20	- 43,295,455.20	-
	Division Sum	101,407,000.00	158,969,429.30	- 57,562,429.30		98,847,000.00	158,969,429.30	- 60,122,429.30	2,560,000.00
C2104	Licensing and Enforcement			-					-
	local licensing	35,000.00	25,560.00	9,440.00		35,000.00	25,560.00	9,440.00	-
	fish transshipment fees	1,280,000.00	-	1,280,000.00		1,280,000.00	-	1,280,000.00	-
	Division Sum	1,315,000.00	25,560.00	1,289,440.00		1,315,000.00	25,560.00	1,289,440.00	-
	MINISTRY SUM	102,722,000.00	158,994,989.30	- 56,272,989.30		100,162,000.00	158,994,989.30	- 58,832,989.30	2,560,000.00

As observed during the audit the Management report figure for MFMRD budget amounted to **\$100,162,000** was incorrect. The correct figure should be **\$102,722,000** as shown under the audit calculation table above. It was further noted that the excess collection of fish transshipment fees totalled to **\$16,805,972.50** was also incorrect. The actual figure as indicated in the above table (refer audit calculation) was \$14,245,972.50. Thus, in this incident management are strongly recommended to provide valid clarifications regarding the above anomalies discovered.

12.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION

From the above analysis, it is pleasing to note the bulk of the revenue collection was derived from 3 outputs; fishing license revenue with an excess of **\$143m**, fish transshipment fees **\$14m** and vessel and equipment hire of **\$62k** respectively. The remaining output allocations fall short of the revenue budget.

Recommendation:

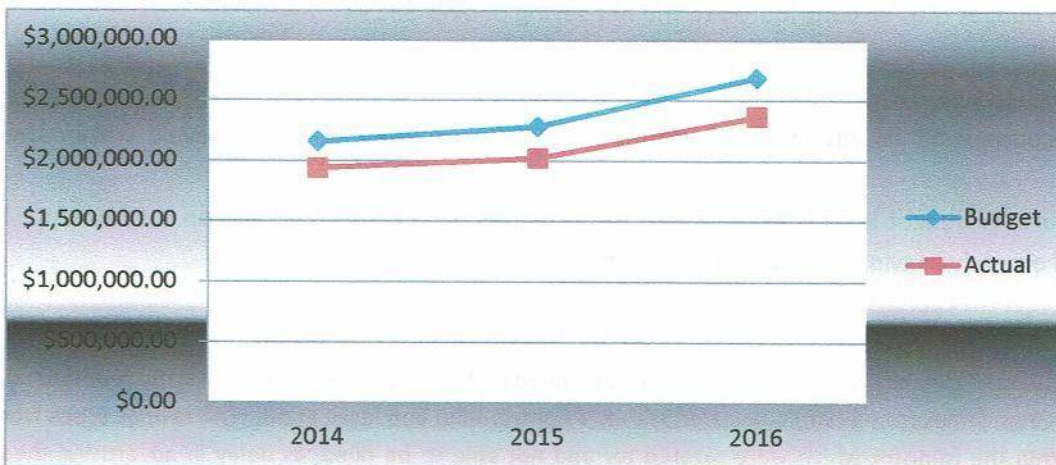
The Ministry should maintain such remarkable performance and to encourage other revenue collecting managers to meet their revenue targets.

Management response:

Variance in revenue is noted. Reconciliation between Ministry and MFEP needs to be improved to reduce variances in figures. This work is progressing with MFEP

12.3.2 CONTROL OVER EXPENDITURE**12.3.2.1 MFMRD EXPENDITURE SUMMARY**

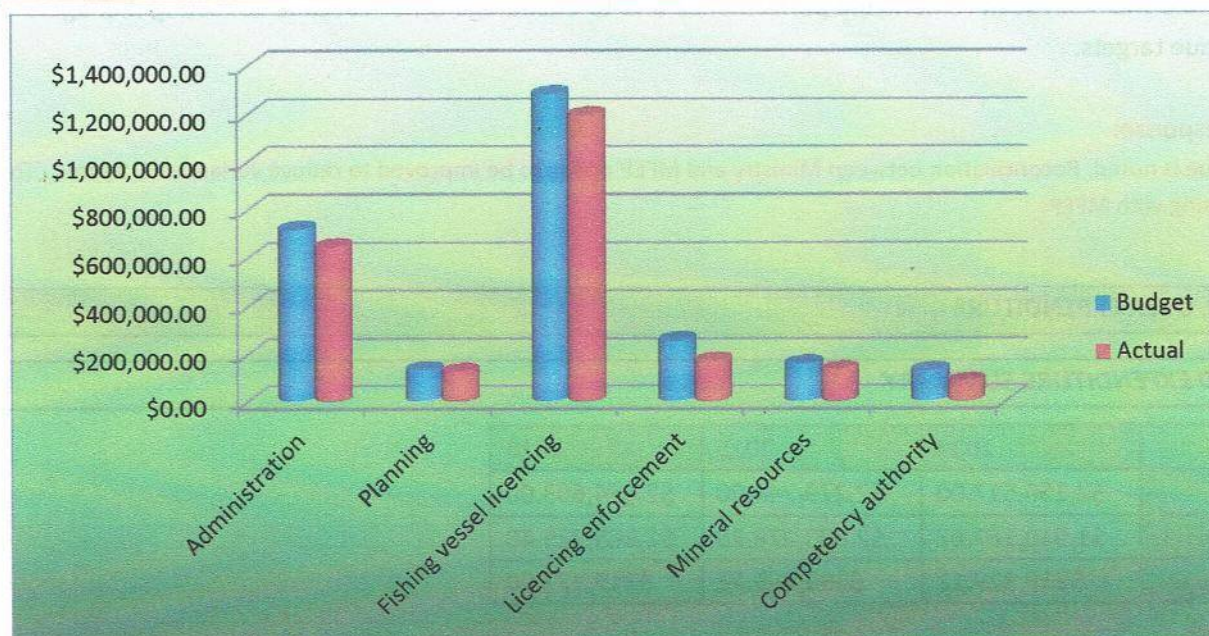
	2014	2015	2016
Budget	\$2,156,517.00	\$2,279,744.00	\$2,684,603.00
Actual	\$1,940,187.87	\$2,020,278.28	\$2,365,325.40
Under/(Over)	\$216,329.13	\$259,465.72	\$319,277.60

12.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

The analysis shown above highlighted the trend of the approved budget against the actual spending for the past three consecutive years, 2014 to 2016. It is interesting to note a steady corresponding increase in the actual spending to that of the budget over the years. However, with a colossal saving again of over \$319k there is concern on the activities of the Ministry as there may be those been planned but were not eventuated and may affect future budgets once delivered later.

12.3.2.3 MFMRD EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS

Divisions	Administration	Planning	Fishing vessel licencing	Licencing enforcement	Mineral resources	Competency authority	Total
Budget	\$720,050.00	\$133,629.00	\$1,283,738.00	\$258,069.00	\$159,089.00	\$130,028.00	\$2,684,603.00
Actual	\$647,743.50	\$126,861.04	\$1,197,617.80	\$173,455.44	\$134,965.71	\$84,681.91	\$2,365,325.40
Variance (over)/Under	\$72,306.50	\$6,767.96	\$86,120.20	\$84,613.56	\$24,123.29	\$45,346.09	\$319,277.60

12.3.2.4 COMPARATIVE BAR GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL PER DIVISION

As shown above, all of the six (6) different divisions under MFMRD have managed to carry out their respective activities within the allocated budget thus all contributed to the net saving of over \$319k.

Recommendations:

- Management to encourage all its divisions to continuously maintain their spending levels within their approved budgets.
- Management to ensure its budget level is aligned with the activities each respective division is to execute in future years to avoid excessive savings at the end of each financial year.

Management response:

Audit concerns with savings of \$319,277.60 may affect MFMRD activities planned in 2016 are noted. Analysis of the report shows that more than 80% of these savings comes from salary associated with KPF contribution and leave grant. The savings arises from absence of senior positions within the Ministry which were catered for and not able to be filled, as delay in advertising these positions is that the Ministry has invested by building capacity of its staff in long-term training to fill in these positions upon return. Most staff are due to complete this year. Some senior positions have been filled this year with confirmations to be in place soon. Middle senior positions are being cleared and ready for advertisement beginning next year. It is anticipated that the most senior positions within each division will be filled allowing each division to be effectively managed.

12.3.2.5 OUTSTANDING IMPREST 2016**Findings and Analysis:**

The audit revealed after testing the imprest as per MFEP listing that the total outstanding imprest still not yet retired for 2016 was \$17,557 as noted in the table hereunder:

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

NAME	Current	December	November	Total
Officer 1			2,652.00	2,652.00
Officer 2			180	180
Officer 3			2,155.00	2,155.00
Officer 4		315	2,472.00	2,787.00
Officer 5			315	315
Officer 6				
Officer 7				
Officer 8				
Officer 9				
Officer 10				
Officer 11				
Officer 12		315		315
Officer 13	1,650.00		400	2,050.00
Officer 14	2,850.00			2,850.00
Officer 15				
Officer 16		960		960
Officer 17			1,330.00	1,330.00
Officer 18	66		172	238
Officer 19		580		580
Officer 20				
Officer 21			315	315
Officer 22				
Officer 23		200		200
Officer 24				
Officer 25				
Officer 26				
Officer 27	315		315	630
Total	4,881.00	2,370.00	10,306.00	17,557.00

Implications:

- Timely retirement of Imprests is in compliance with FR 11 requirement and would contribute to the strength of the cash flow of Government.
- Having the excessive outstanding imprest in respect of a retired officer could increase the risk of loss of public funds and could cause hardship on the recovery action where the officer had already left the government service.

Recommendations:

- Management must ensure that all Imprest are retired after 10 working days from the date the officer returned from the official trip.
- Management to ensure no further Imprest will be given to the officer with outstanding Imprests until the previous outstanding Imprests had been retired and cleared.
- Management should take more precautions on those who are almost reaching the retirement age to avoid hardship in pursuing recoveries later when they are no longer in the civil service.

Management response:

The Ministry has reviewed the 2016 total outstanding imprest amount of \$17,557.00 and proposes that a further reduction of \$9,652.00 be made giving a balance of \$7,905.00. The Ministry will follow up on outstanding imprest amounts from all staff listed below accordingly to be sorted out before end of this year.

Records confirm that only Officer 3, 12 and 16 have yet to clear their imprests. Letter has been issued to these staff today to clear this within a week or to write to MFEP for salary deduction. Follow up measures are in place to have automatic deduction if not attended to within a week.

13) MINISTRY OF HEALTH AND MEDICAL SERVICES (MHMS)**Findings and Analysis:****13.1 AUDIT OPINION**

AN ADVERSE AUDIT OPINION is issued for the **Ministry of Health and Medical Services** for the year ended 31st December 2016 **"Except For"** the effects of the matters as discussed in detail from 13.3 below.

13.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for Ministry of Health and Medical Services performance in the financial year 2015.

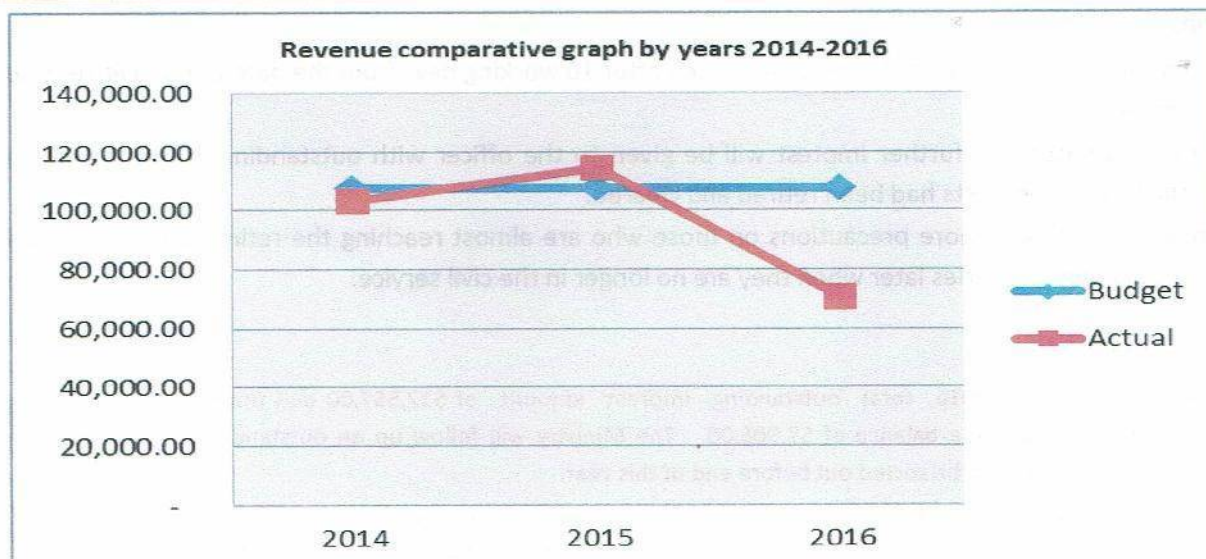
Issues	Solved/Addressed	Issues status in 2016 audit
Excess spending	Not solved/addressed	Unauthorized spending still reported in 2016
Imprest outstanding	Not solved/addressed	Outstanding imprest still detected in 2016
Vote ledger or database	Same as above	Database in 2016 was not updated
Control over ration	Same as above	No improvement as repetitive issues still detected

13.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

13.3.1 CONTROL OVER REVENUE**13.3.1.1 MHMS REVENUE SUMMARY COLLECTION**

Year	Budget	Actual	(Over)/Under
2014	107,470.00	102,986.00	4,484.00
2015	107,470.00	114,563.40	(7,093.40)
2016	107,470.00	70,909.00	36,561.00

13.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

Based on the above analysis that in 2015 MHMS had managed to collect \$114k against an estimate budget of \$107k resulted in the excess collection of over \$7k. However, in 2016 MHMS had continued its estimate revenue budget of \$107k but as noted from the analysis above the Ministry only managed to collect the sum of over \$70k which resulted in the shortfall of revenue significantly by over \$36k.

Recommendation:

It is therefore recommended that management should revise its revenue budget to a more realistic figure or, if the estimate is as expected, to exert efforts in collecting the revenue to meet the target as anticipated.

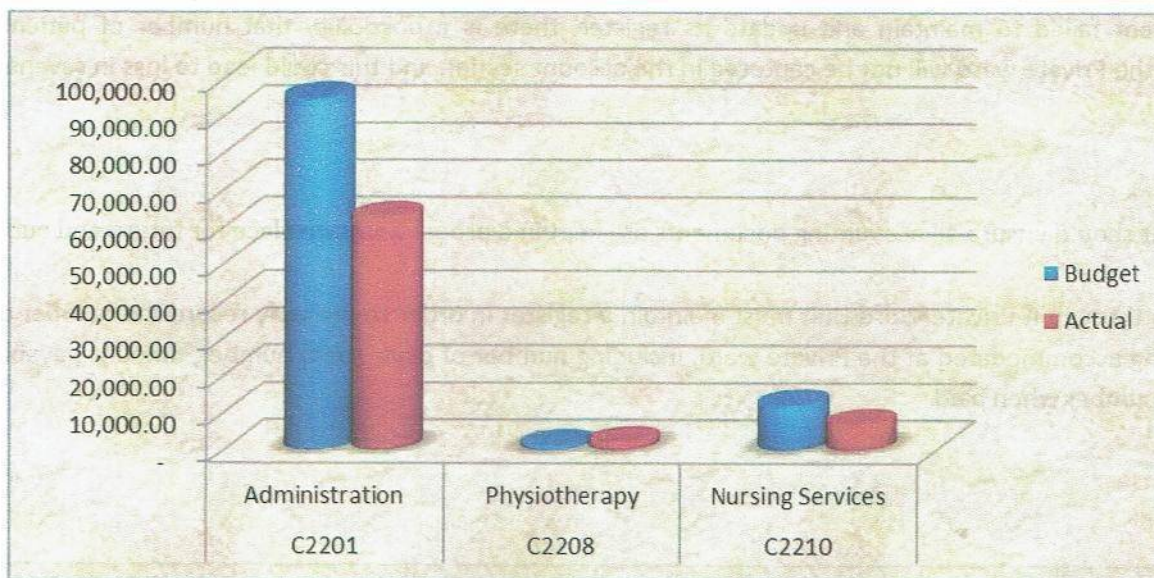
Management response:

No response received.

13.3.1.3 MHMS REVENUE AGAINST BUDGET BY DIVISION

Code	Division	Budget	Actual	(Over)/Under
C2201	Administration	94,600.00	62,380.05	32,219.95
C2208	Physiotherapy	1,000.00	1,848.85	(848.85)
C2210	Nursing Services	11,870.00	6,680.10	5,189.90
	Total	107,470.00	70,909.00	36,561.00

13.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



Amongst the several divisions under MHMS only three divisions generated revenues as reflected in the above table/graph. Of the three divisions only one division (Physiotherapy) that managed to collect above estimate budget whereas the remaining two divisions failed to collect above their estimate revenue budget.

Recommendation:

The Ministry should provide justifications or explanations on the reported shortfall in revenue referred to above.

Management response:

No response received.

13.3.1.5 CONTROL WEAKNESSES OF MHMS REVENUE**Findings and Analysis:**

Itemized below were some issues detected in regards of MHMS control weaknesses over its revenue system as follows:

- As noted there were no hard copies of FORM As (Jan – Dec) provided during the audit.
- The cash book register for MHMS was noted available although not updated as evidenced by omitting the periods of *Jan 1 to 28 June* and *Nov 25 to 31 Dec 2016* respectively.
- Further the Receipts Book # 260801-261000 & 329801-33000 were noted received by MHMS on the 02/02/16 and 29/12/16 however these receipts were seems not being used up during the year as none of such receipts appeared in the revenue GL.
- And the Register Book for Private Ward receipts was not updated as indicated by the missing periods of January to August 2016.
- Hence, reasonable responses are required from management concerning the above anomalies noted.

Implications:

- Failure to provide FORM As does indicate the poor control over accounting documents and it could lead to fraud or misappropriation of public funds.
- Receipt books that are not used up and posted to GL also indicate the poor control by the supervisor hence could create risk of misappropriation of public funds and increase risk of cash loss.
- If management failed to maintain and update its register, there is a possibility that number of patients admitted at the Private ward will not be captured in the account section and this could lead to loss in revenue collection

Recommendations:

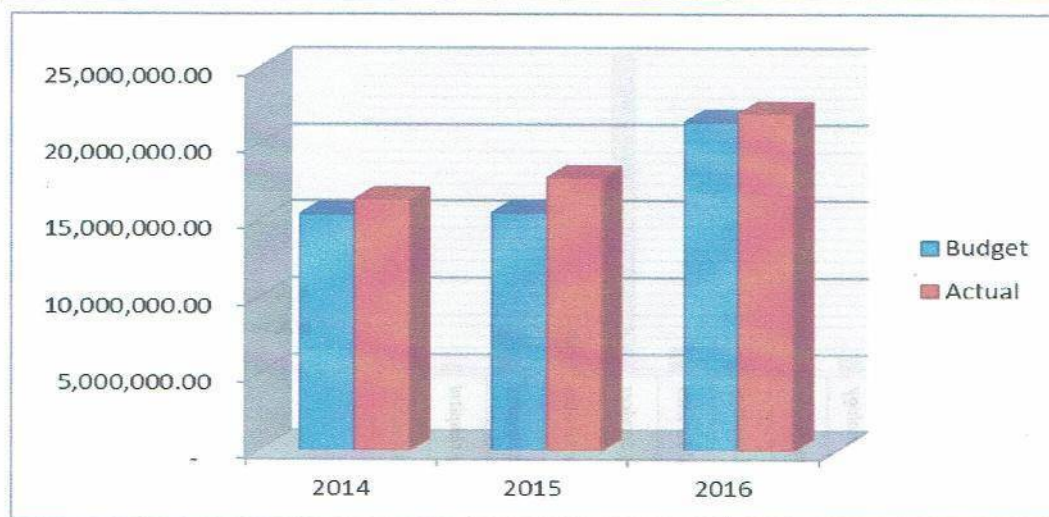
- Management should ensure all accounting documents are kept in a proper and safe place for future and audit references.
- The Ministry through it Private Ward Unit must maintain a register in order to properly record the number of patients being accommodated at the Private ward, including number of days, room number, amount payable and receipt number when paid.

Management responses:

No response received

13.3.2 CONTROL OVER EXPENDITURE**13.3.2.1 MHMS EXPENDITURE SUMMARY**

Years	2014	2015	2016
Budget	15,423,530.00	15,522,764.00	21,477,205.00
Actual	16,376,246.00	17,792,976.00	22,047,213.91
(Over)/Under	(952,716.00)	(2,270,212.00)	(570,008.91)

13.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

As evidenced from the table above and from records provided on the budget for 2016, the budget of \$21,477,205 is inclusive of a supplementary of \$310,475, meaning a further increase in the budget level but such increase was still not sufficient to meet the increased level of actual spending of \$5m. Therefore MHMS should ensure it either keeps its spending with the approved budget or increase its budget by the amount that would match its increased spending level to avoid incurring an unauthorized spending.

Recommendation:

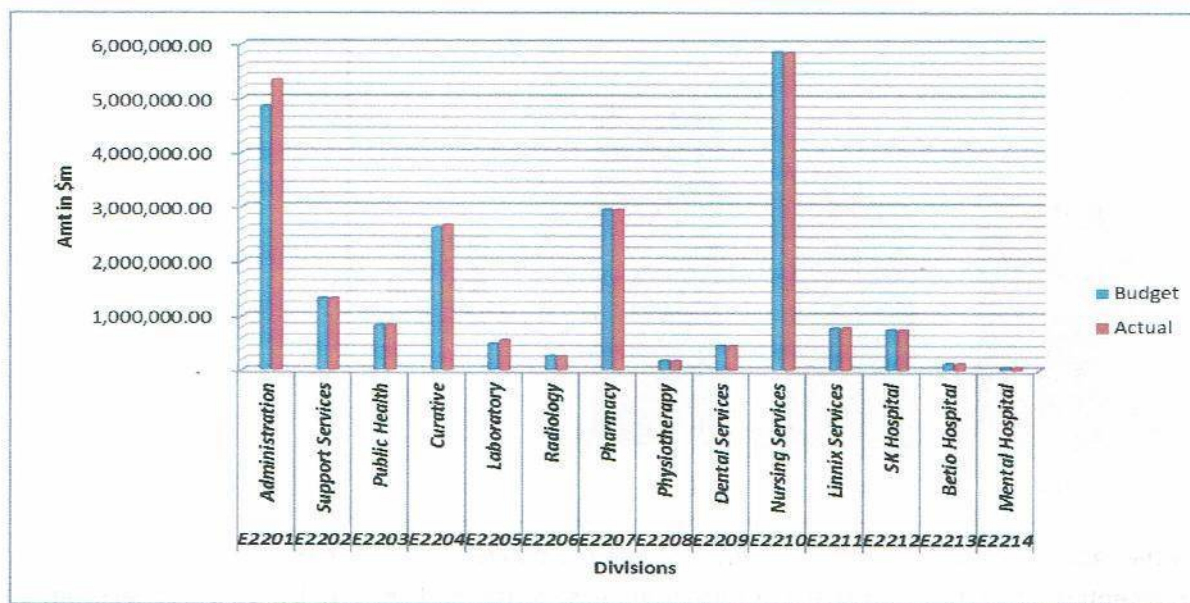
It is therefore recommended that Management should ensure to operate its activities within its appropriated budget level in future years.

Management response:

Written response not received.

13.3.2.3 MHMS EXPENDITURE AGAINST BUDGET BY DIVISIONS

Code	Division	Budget	Actual	(Over)/Under
E2201	Administration	4,857,275.38	5,341,587.97	(484,312.59)
E2202	Support Services	1,327,740.66	1,327,564.50	176.16
E2203	Public Health	828,500.00	827,581.35	918.65
E2204	Curative	2,613,298.34	2,665,058.12	(51,759.78)
E2205	Laboratory	486,418.00	553,486.92	(67,068.92)
E2206	Radiology	256,184.00	252,728.38	3,455.62
E2207	Pharmacy	2,945,499.62	2,943,471.00	2,028.62
E2208	Physiotherapy	168,106.00	166,337.83	1,768.17
E2209	Dental Services	449,511.00	449,511.00	-
E2210	Nursing Services	5,857,398.28	5,831,774.24	25,624.04
E2211	Linnix Services	783,362.00	786,980.40	(3,618.40)
E2212	SK Hospital	748,248.72	745,468.84	2,779.88
E2213	Betio Hospital	115,953.00	115,953.36	(0.36)
E2214	Mental Hospital	39,710.00	39,710.00	-
	Total	21,477,205.00	22,047,213.91	(570,008.91)

13.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISION

As mentioned above the bulk of the overspent for MHMS in 2016 was predominantly caused by the following divisions:

- Administration division (E2201) with an overspent of \$484k
- Laboratory (E2205) with an amount of \$67k
- Curative (E2204) with the amount of \$51k
- And lastly Linnix Hospital with authorized spending of \$3k

The remaining divisions were reported with respective net savings as per indicated in the above table/graph as well.

Recommendation:

Management is recommended to encourage each divisional heads with savings in their respective budget to maintain such good control over their spending while assisting primarily those who report colossal overspent this year to exert full efforts in performing their functions within their approved budget in future years.

Management response:

Written response not received for this issue.

13.3.2.5 CONTROL OVER MHMS DATABASE**Findings and Analysis:**

MHMS database used by the account section to record all transactions incurred during the year was detected not updated as indicated by the non-posting of some transactions for the following output allocations as listed below:

- PV # 0371/22/16 amounted of \$29.34 (E22130000216) was not appeared in the database.
- PV # 0188/22/16 amounting to \$1,035.00 (E22130000241) also not reflected in the database.
- PV # 0196/22/16 valued to \$438.75 (E22130000241) also not appeared in the ministry database.

Implications:

- Failure to maintain and update the existing database would increase risk of overspending in related outputs.
- Omissions of transactions noted above would understate the actual budget and could cause deficiencies between management records and that of MFED GL.
- Absence of proper and regular review by management and reconciliation with MFED records would cause undue variances that could mislead management particularly in its budget estimate for the subsequent year.

Recommendation:

Management should ensure that the vote ledger or database should be updated and reviewed in order that every single transaction incurred were daily and correctly posted and have proper reconciliation with Finance records.

Management response:

No response received for this issue.

13.3.2.6 LEAVE BALANCE – TWO YEARS ENTITLEMENT POLICY**Findings and Analysis:**

The policy over the controlling of leave balances effective in 2010 has not yet fully implemented to bring about only two years back entitlements. This was evidenced when the audit went through the leave balances for staffs selected as samples and found that some staffs had huge accumulated outstanding leave balances. Further, there were four (4) staffs which had negative leave balances as per details below:

PF #	Entitlement	Acc Leave Balance	Supported?	2 Years Entitlement	OVERSTAY
94120	26	116	Yes	No	
2005242	26	149	Yes	No	
2005381	26	109	Yes	No	
2002179	26	119	Yes	No	
2005244	26	109	Yes	No	
2011121	26	112	Yes	No	
2004003	26	106	Yes	No	
2003128	26	112	Yes	No	
93118	30	340	Yes	No	
1845	30	148	Yes	No	
200010	26	103	Yes	No	
98079	26	106	Yes	No	
94125	26	104	Yes	No	
96193	26	116	Yes	No	
2002182	26	101	Yes	No	
7457	30	145	Yes	No	
2004223	22	139	Yes	No	
2005254	26	-72	Yes		Yes
6589	26	-32	Yes		Yes
200013	26	-14	Yes		Yes
2013131	22	-10	Yes		Yes

Implication:

The whole purpose of the Cabinet decision on forfeited leave balance is to avoid unnecessary drain out of public fund. Hence, not adhering to this decision is of course a violation of Cabinet decision.

Staff with negative leave balances and had not been reprimanded nor recoveries from salaries been made is a complete violation of FR 11.

Recommendations:

- The Ministry should have a leave roster prepared as a means of controlling leaves taken and ensuring leave balances remaining are within acceptable range.
- Strong internal control mechanism over leave balances should be implemented in order to avoid future negative outstanding leave balances.
- Management should quickly recover the overstayed leave from those with negative leave balances and send reprimand notices accordingly.

Management response:

No response provided for this issue.

13.3.2.7 CONTROL OVER LOG BOOK**Findings and Analysis:**

The audit could not perform further testing on the Ministry log books due with the non-production of drivers log books upon request. As informed the log books were not possible to be provided as respective drivers cut off pages of log books when submitting to account section their overtime dockets. However, this practice should be avoided in the first place and encourage drivers to make copies of their log books when submitting their overtime dockets. Provided below is a list of vehicles with no log books made available.

Vehicle Type	Vehicle No.	Log Book available	Maintained & Updated?	Reviewed ?
Mini bus	GOV 179	No	?	?
✓	TG168	No	?	?
✓	TG 196	No	?	?
✓	TG 152	No	?	?
Double Cabin	G 143	No	?	?
✓	G 140	No	?	?
✓	G 141	No	?	?
Ambulance	317	No	?	?
"	117	No	?	?
"	111	No	?	?
"	101	No	?	?
"	116	No	?	?
Super Cat	TG 365	No	?	?
Big Bus	GOV 314	No	?	?
"	GOV 434	No	?	?
Mini bus	GOV 393	No	?	?
Saloon car	TG 002	No	?	?

Implication:

The absence of a monitoring mechanism on refuelling of vehicles would lead to misappropriation of funds.

Recommendations:

- Management should ensure the drivers update their log books and make copies of the pages to support their claims and have the log books with full pages readily available when needed.
- Management should ensure it has a refuelling monitoring mechanism, the likes of tickets to be provided to one selected petrol station for control purposes.

Management response:

No response provided for this issue.

13.3.2.8 CONTROL OVER MEDICAL SUPPLIES**Findings and Analysis:**

As observed when auditing the MHMS account for 2016 there were several medical supplies that expired in 2015 and 2016 as well. The amount involved for these expired items for year 2015 and 2016 was \$22,603.54 and \$29,839.56 respectively. It was also imperative to note that the above expired supplies were an exclusion of outer islands records for the expired medical supplies if any. Lists of such expired items could be provided upon request.

In addition, there were also outstanding payments for the month of July and October 2015 for acquiring of medical supplies amounted to \$76,935.10 (refer PV 364/22/16 \$58,295.71 & PV 365/22/16 \$18,639.39) were just paid and settled in 2016.

Implications:

- Payments made one year after the goods and services had been provided could lead to double payments and overspending of expenditure budget.
- Failure to conduct proper reconciliation on a timely basis could lead to an overspending in the budget for the current year.
- Failure to properly control the purchasing of medical supplies could also lead in the unnecessary drain out of public funds.

Recommendations:

- Management should properly control and consider the adequate volume of medical supplies when acquiring the supplies for the subsequent years.
- Management must conduct proper review and reconciliation to ensure that all outstanding payments have to be settled within the fiscal year of purchase failing by which would have an adverse effect on the latter year.

Management response:

No response received for this query.

13.3.2.9 PATIENT ALLOWANCES AT BETIO HOSPITAL**Findings and Analysis:**

When carrying out our walkthrough testing for allowances in respective of admitted patients at Betio Hospital the following issues were noted:

- The significant amount of \$1,460 was deemed inappropriate since some of the patients did not sign against their names.
- It was also noted that some allowances were collected by nursing officers on behalf of patients but without authorities and the amount involved was \$550.
- There neither details of RR to show that payments (allowances) have been returned nor written authority for release of such allowances.

Implication:

There is risk that unsigned allowances by admitted patients could be misappropriated or lost. Those receiving allowances without signing could later claim that they did not receive their allowances that could lead to double payments if no proper control mechanism is put in place.

Recommendations:

- Management should ensure that all allowances are signed by patients and where no RR is provided for any unsigned allowances the officer responsible should make good such unsigned allowances.
- Also, the audit recommends that an allowance when collected on behalf of a patient, a written authority should be demanded first prior releasing of such allowance.
- Management to follow up this finding and take appropriate actions as mentioned neither earlier where no authorities were provided nor RR to confirm unclaimed allowances were actually returned.

Management responses:

Written response not received.

13.3.2.10 SALARY OVERPAYMENT**Findings & Analysis:**

It has been noted during the audit that one senior officer was overpaid in the amount of \$1,290.00. According to PSO memorandum dated 9/06/16 the leave without paid was to be effective from 22/05/16 but as noted the officer still receives his/her salary as per indicated below:

Date (Pay Period)	13/05/16	27/05/16	10/06/16	Total
Amount	430.00	430.00	430.00	\$1,290.00

Implications:

- The failure in promptly ceasing salary payment would cause unnecessary overpayment as noted in this case thus would increase risk of loss of public funds if overpayments are not recovered.
- Government cash flow had been adversely affected by such unauthorized payments and had also increased cost to the budget.

Recommendations:

- Strong internal control mechanism system for Payroll including recovery policy should be put in place to avoid future grievances and speed up recovery processes.
- Management should quickly recover the salary overpayment by the concerned salary earner failing by which the responsible salary officer could be penalised to make good the loss.

Management response:

Written response not received.

13.3.2.11 OUTSTANDING IMPREST**Finding and Analysis:**

The audit is pleased to note there are only two officers within MHMS that have yet to retire their imprests in the sum of \$2,480 and \$169.00 respectively as per MFED records as compared to long lists seen from other Ministries. However, these officers should be reminded to retire their imprests within good time.

Implications:

- Failure to retire the Imprest and yet again issued a new one could increase the risk of loss of public funds if such were not detected later and could cause hardship on the holder if recoveries were hastened at a later stage.
- Imprest not retired within the grace period of 10 working days is a violation of FR 11 and Imprest Policy.

Recommendations:

- Management must ensure that all Imprests are retired after 10 working days from the date the officer returned from the official trip.
- No further Imprest will be given to the officer until the previous Imprest had been cleared.

Management response:

No written response provided for this issue.

13.3.2.12 CONTROL OVER RATION**Finding and Analysis:**

One of the outstanding and repetitive issues from previous audit for MHMS was the control over ration. The control over ration was deemed inadequate and this could be evidenced when detecting the same irregularities as noted in my previous audit report as follows:

- There were additional stock been purchased found not taken into account in the stock ledger/register as detailed in the table below:

Date	Min ref PV#	Details	Amount
01/3/16	0451/22/16	To meet the cost of 90 ctns of frozen chicken	5,323.50
5/3/16	0897/22/16	Cost of 500 bgs Fiji sugar 25 kg	15,249.99
30/3/16	0625/22/16	1 container d/stick @ 10920*4.65	50,778.00
"	"	100 ctn Tegel chicken Drum 2*5 kg	4,044.44
"	"	30 bgs flour 25 kg	678.00

Implications:

- The non-recording of the above stocks in the proper stock ledger/register would increase the risk of misappropriation of a ration by staffs.
- It would also distort the budget, thus increase risk of loss to public funds, as repetitive orders could be placed as if no similar purchases had been made earlier.

Recommendations:

- Therefore it is recommended that the MHMS must ensure that strong control mechanism should be put in place to ensure all purchased stock are recorded and updated in the stock ledger.
- Management should ensure orders should be based on the list that is supported by a signed LPO by senior management and when orders were received, a stock card should be updated accordingly and signed off by same senior accountant to confirm receipt of the ordered ration.
- Management should consider reprimand actions staff responsible for recording and monitoring the hospital ration.

Management response:

Written response for this issue not received.

14) MINISTRY OF EDUCATION (MOE)**Findings and Analysis:****14.1 AUDIT OPINION**

AN ADVERSE AUDIT OPINION is issued for the **Ministry of Education** for the year ended 31st December 2016 **"Except For"** the effects of the matters as discussed in detail from 14.3 below.

14.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for Ministry of Education performance in the fiscal year 2015.

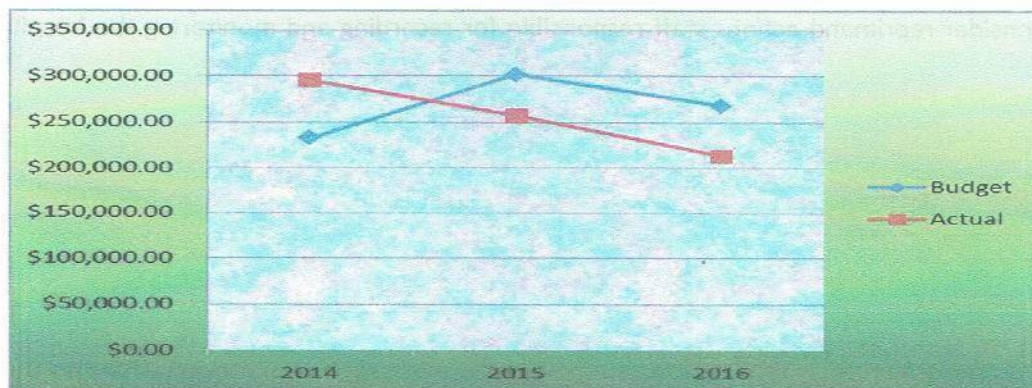
Issues	Solved/Addressed	Status of the issues in the 2016 audit
Revenue shortfall of \$43k from Ministry outstanding school fees and library fines.	Not solved/Addressed	No improvement in the revenue collection as Ministry experienced another revenue shortfall in 2016.
Form A No.23/15 incorrectly posted to G.L	Not solved/Addressed	No immediate actions to rectify the posting neither any updates on the issue
Incorrect payment of rural incentive allowance to senior secondary teacher at KGV & EBS.	Not solved/Addressed	No actions taken.
Variances noted in the KPF contribution.	Not solved/Addressed	No actions taken
MOE staff list not available during the audit.	Solved/Addressed	List for 2016 is now available
Poor control of school rations.	Not solved/Addressed	No improvement in the control of rations for
Variances detected in the actual amount processed through PV and the amount recorded in the database.	Not solved/Addressed	No actions taken.
Unavailability of selected PV's 2053/15, 2505/15, 441/15.	Not solved/Addressed	No actions taken
Outstanding imprest coupled with discrepancies figures between MOE records and the records held by MFEP.	Not solved/Addressed	No actions taken
Misallocation of PV 1176/15 \$2689.	Not solved/Addressed	No actions taken

14.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

14.3.1 CONTROL OVER REVENUE**14.3.1.1 MOE COMPARATIVE REVENUE SUMMARY COLLECTION (2014-2016)**

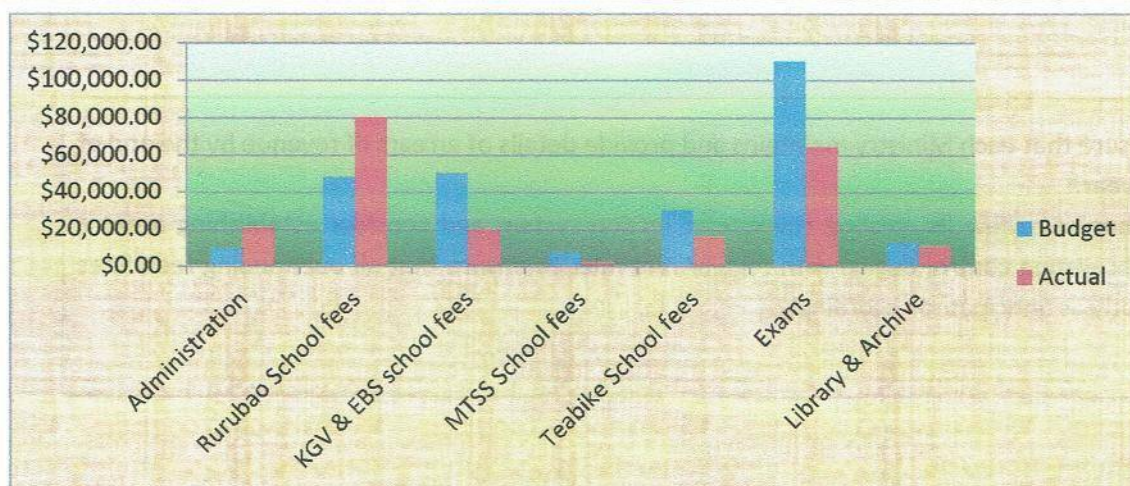
	2014	2015	2016
Budget	\$232,693.00	\$301,300.00	\$267,600.00
Actual	\$295,453.00	\$257,570.20	\$213,352.25
Variance Under/ (Over)	(\$62,760.00)	\$43,729.80	\$54,247.75

14.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL (2014-2016)

With a reduction in the budget estimate over that of 2015, MOE still was not able to meet its target by \$55k.

14.3.1.3 MOE REVENUES AGAINST BUDGET BY DIVISIONS

Divisional Codes	Divisions	Budget	Actual	(Over)/Under
C2301	Administration	\$9,500.00	\$20,722.81	-\$11,222.81
C2302	Rurubao School fees	\$48,000.00	\$80,378.00	-\$32,378.00
C2304	KGV & EBS school fees	\$50,000.00	\$19,520.30	\$30,479.70
C2305	MTSS School fees	\$7,500.00	\$1,825.00	\$5,675.00
C2306	Teabike School fees	\$30,000.00	\$15,626.30	\$14,373.70
C2308	Exams	\$110,000.00	\$64,639.00	\$45,361.00
C2310	Library & Archive	\$12,600.00	\$10,640.84	\$1,959.16
	Total	\$267,600.00	\$213,352.25	\$54,247.75

14.3.1.4 COMPARATIVE BAR GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION

The above information portrays seven divisions within MOE that collected revenue. In actual fact, two divisions (Administration and Rurubao School fees) managed to exceed their revenue budgets and therefore should be commended for such achievement. The remaining five divisions failed to collect their targets thus has resulted in an aggregate loss for the Ministry by over \$54k. Management should encourage these divisions to provide more realistic targets that would be reflective of the collections they expect in future years.

Recommendation:

It is therefore of paramount importance for the Ministry to ensure its budget level is aligned with the activities of its respective divisions and to encourage divisions that fall short in their collections to exert more efforts so to meet their revenue targets in subsequent years to come.

Management response:

No Management written response provided.

14.3.1.5 MOE ARREARS OF REVENUE 2016**Findings and Analysis:**

The audit was not able to perform a testing on the arrears of revenue as the record was not available and neither provided by the accounting officer for audit scrutiny. This had avoided the audit from verifying the accuracy and existence of such outstanding revenue including accumulating arrears from previous years that not yet been collected up to 2016. The non-production of such records would raise doubt on the integrity of management in keeping records and is a complete violation of the provisions of FR 11.

Implications:

- *The absence of providing and maintaining arrears of revenue records would undermine the credibility of systems adopted by MOE.*
- *Failure to collect above outstanding fees/fines would encourage nonpayment by current compliers and thus could adversely affect the government cash flow.*
- *Failure to follow-up on non-payers would result in accumulated arrears the recovery of which could become difficult.*

Recommendations:

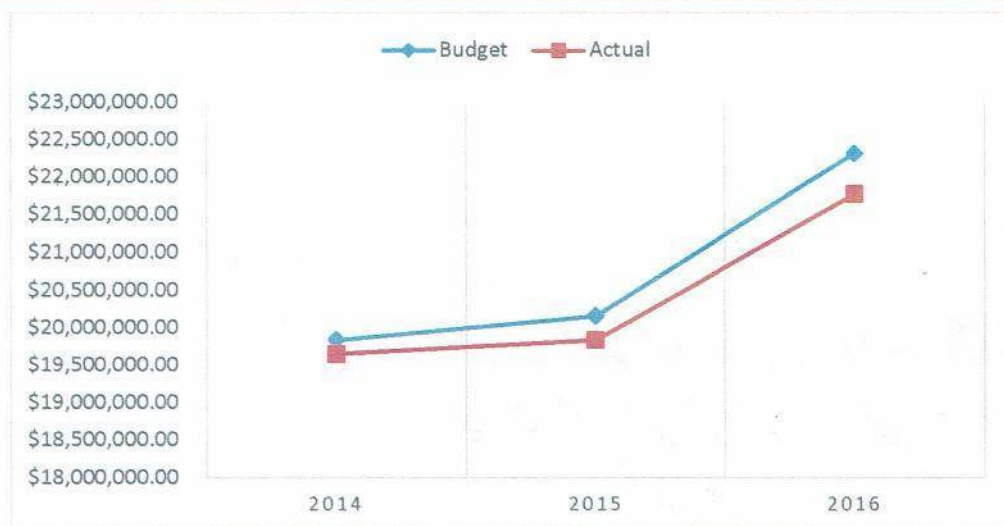
- ✓ MFED must ensure that each Ministry maintains and provide details of arrears of revenue by the end of each financial year.
- ✓ Management has to review its existing revenue collection system and consider establishing a more robust internal revenue control device with regular reminder to ensure that all outstanding fees/fines are paid promptly as anticipated accordingly.

Management response:

Management written response was not provided for this issue.

14.3.2 CONTROL OVER EXPENDITURE**14.3.2.1 MOE EXPENDITURE SUMMARY AGAINST ACTUAL (2014-2016)**

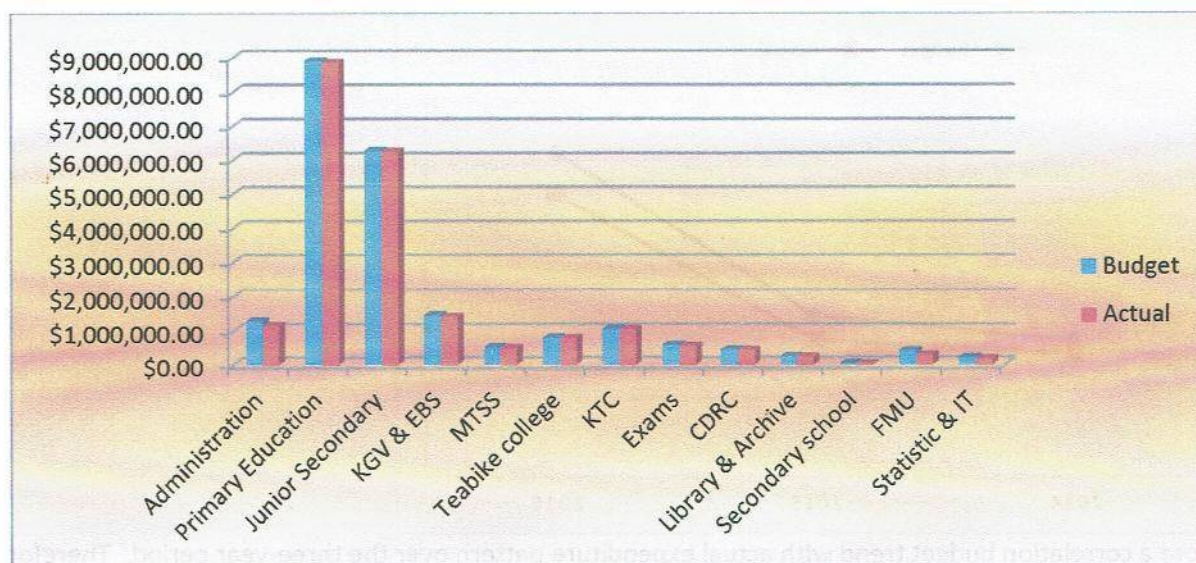
	2014	2015	2016
Budget	\$19,829,311.00	\$20,152,235.00	\$22,307,956.00
Actual	\$19,645,065.00	\$19,834,250.71	\$21,770,085.61
Variance Under/ (Over)	\$184,246.00	\$317,984.29	\$537,870.39

14.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

It is pleasing to note a correlation budget trend with actual expenditure pattern over the three-year period. Therefore management should ensure it continuously maintain its expenditure level within its budget allocation.

14.3.2.3 MOE EXPENDITURE AGAINST BUDGET BY DIVISIONS

Description	Budget	Actual	(Over)/Under
Administration	\$1,296,844.00	\$1,159,569.20	\$137,274.80
Primary Education	\$8,907,362.00	\$8,850,639.73	\$56,722.27
Junior Secondary	\$6,272,759.00	\$6,241,571.28	\$31,187.72
KGV & EBS	\$1,466,036.00	\$1,415,518.28	\$50,517.72
MTSS	\$528,288.00	\$506,383.60	\$21,904.40
Teabike college	\$816,229.00	\$797,083.47	\$19,145.53
KTC	\$1,067,056.00	\$1,059,527.40	\$7,528.60
Exams	\$596,564.00	\$574,645.53	\$21,918.47
CDRC	\$449,575.00	\$442,972.02	\$6,602.98
Library & Archive	\$234,322.00	\$229,096.70	\$5,225.30
Secondary school	\$38,253.00	\$38,448.27	-\$195.27
FMU	\$422,607.00	\$287,932.98	\$134,674.02
Statistic & IT	\$212,061.00	\$166,697.15	\$45,363.85
Total			\$537,870.39

11.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISION

It is clearly evidenced that most of the divisions under MOE had managed to operate within their estimate budget limit except for Secondary School that exceeded its budget allocation by \$195. However, there were divisions that had colossal savings and therefore management should ensure in future to align its budget level to the activities its divisions will deliver in future years.

Recommendations:

- Management should encourage its divisions to continuously maintain their spending levels within their budget limits.
- Management should ensure its budget level is aligned to its divisions' future operational activities.

Management response:

No written response provided.

14.3.2.5 PERSONAL EMOLUMENT ISSUES 2016**Finding and Analysis:****i. Unsigned Salaries/Un-collected Salaries.**

After extracting the Pay Signature Salary Listing for 2016, the audit observed that there were number of staffs not signing the pay sheet to confirm they received their salary. There was also no receipt to confirm that the salary had been returned to the MFEP or Telmo receipt to ensure that salaries were sent through Post office to Outer Island. The total amount of unsigned salary was added up to \$35k. This proves that the accounting officer had failed to comply with relevant section of the financial regulation. Therefore, management is to seek and provide explanation. Details of staff names and pay period can be sighted when requested.

ii. Collected Staff Salaries without authorities.

Audit noted from Staff Salaries 2016, a total of \$17,156.85, being collected on behalf of employee without providing evidence of consent/authority letter. Further details/ breakdown are noted in the table below:

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

Paydate	PF & Contract #	Amount	REMARKS
8/1/2016	2003020	1,645.65	Signed by someone
"	2003032	1,549.35	" " someone
"	2003040	152.00	" " someone
"	2004030	1,685.40	" " someone
"	2004044	1,528.35	" " someone
"	2004088	1,500.00	" " someone
"	2011152	1,671.45	" " someone
"	2011166	50.00	" " someone
"	2013141	47.95	" " someone
"	2015032	1,679.00	" " someone
"	7575	1,546.65	" " someone
"	7577	99.30	" " someone
"	94029	1,500.00	" " someone
"	96004	1,576.30	" " someone
4/3/2016	423004	275.75	" " someone
"	2015032	179.00	" " someone
"	2003009	144.65	" " someone
"	2001058	298.00	" " someone
"	2001068	28.05	" " someone
TOTAL		17,156.85	

iii. Charge Allowances

It was also noted that due to the poor filing system the audit was unable to verify the accuracy of charge allowance claimed by respective Teachers as the supporting document (letter confirming charge allowance) was not attached to their PF.

PF #	Gross Salary	Payperiod	Amount
93009	\$430 L9-1	19/02/16	\$ 724.00
97051	\$466 L8-1	"	\$ 720.00
93006	\$421 L10-4	29/04/16	\$ 152.00
2004027	\$385 L14-4	"	\$ 385.00
Total			\$ 1,981.00

iv. MTSS Charge Allowance

The audit revealed the amount of \$1,046.40 had been collected without the authoritative letter and consent from the payee as indicated below:

PAYEE	APPLICABLE RATE	COMMISSIONING DATE	PV NO.	AMOUNT	REMARKS
Officer 1	\$ 40.00	20/01-12/05/2014	882/16	\$ 1,046.40	The payment was collected and signed by different person
		29/05-29/08/2014			
		01/09-12/12/2014			
		19/01-15/05/2015			
		18/05-28/08/2015			
		31/08-11/12/2015			

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Further investigation, it has been ascertained that a cheque # 198637 had been endorsed and negotiated by a person other than a payee as identified hereunder:

The cheque was collected by someone (name could be provided when needed) and was then cashed by another person as per confirmed after a follow up with ANZ Bank. Therefore, the Ministry must take remedial recoverable actions so as to recover the amount from the person who cashed the cheque accordingly.

Implications:

- There is a risk that unsigned salary could be misappropriated.
- Signing salary on behalf of someone without proper authority could also lead to the loss of public funds if the control is fragile.
- Wrong payment of allowances to employees can be costly to the ministry itself if control in place was not sufficient and coupled with the lack of proper management in processing claims. This could result in government funds being inefficiently utilized.
- Collecting salary without the consent of an employee is a total breach of the provisions of the financial regulations.

Recommendations:

- ✓ Management must provide confirmation by each of those listed in the table to confirm they all had received their salaries for the specified pay period noted above.
- ✓ Management also must ensure that all cash salaries are signed and where no receipts (RR) are provided for any unsigned salary, the payroll officer should make good for such unsigned salary with immediate effect and reprimanded for having repeated same mistake and should replace by a more reliable officer.
- ✓ Accounting officers must always remind each employee to sign against their names before collection of their salaries and/or accounting officer has to return uncollected salaries to the Ministry of Finance and attached the receipt to the signature listing.
- ✓ Management must ensure whoever gave authority to collect salary on behalf of an employee he/she must provide written notification stating the consent of an employee to collect his/her salary.
- ✓ Management should ensure to keep all relevant supporting documents in their PF for ease of reference.

Management Response:

Written response not received.

14.3.2.6 LACK OF CONTROL OF THE RATION FOR KGV & EBS AND KTC

Finding and Analysis:

The audit noted with concern similar issue from last year audit (2015 account) which had not been addressed nor had considered a way forward to improve standard procedure for monitoring rations. This specifies the fact that management had failed to enforce and take appropriate action on this very important area. This was evidenced when the audit performed a testing on the control for school rations and detected anomalies noted below:

- The control over School rations was very poor. As discovered there is **No** Subsidiary Ledger Card maintained for individual items by the store-man to take into account the balance on hand, indicating the item had been transferred **out** and **in** as well. Yet, MOE only provided a summary report on a separate worksheet which had shown the final record of such items at year end.

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART 1

- No menu/manifest available for audit thus difficult to verify the movement of ration used for meal on daily basis.
- No involvements of accounting officers in monitoring and controlling over these rations.
- Account officers should demand from the Kitchen, the schedule menu and an estimate of the number of students catered for when preparing meals to monitor and control payment of future orders from the Kitchen.
- In the absence of stock ledger card, the audit team was unable to confirm the actual number of stocks utilized in the year to verify with PV on respective stocks for both KTC and KGV&EBS
- From the selected payment vouchers, the sum of \$45k spent on food and rations for KTC and KGV & EBS was not completely entered in the records. (refer table below)

Date	Details	Min ref#	Amount	Supplier	Remarks
25/1/16	Being for 1 bag flour, 5 ctns chicken cut	36/16	1,055.00	Coral Ace	Ø
	2 bag Onion, Container,, 12 pcs washing hand				
	6 ctns butter hip, 4 buckets cracker, 2 ctn condensed milk				
17/2/16	10ctn c/cut, 7 ctn d/stick, set utensal	75/6	1,508.74	Slim Price	Ø
25/4/16	Being for 32 c/cut 2 kg, 120 Spaghetti, 4 ctns cornflour, 20 bag Indian sugar 25Kg, 72 Oki margarine butter, 192 big red tomato soup, 144 crown mackerel, 72 nescafe, 24 pkts medley	133/16	3,311.71	Moel	Order form not attached for the second lots
"	100 bag rice, 2 bg flour, 9 ctns c/cuts 7 ctns tmt soup, 4 ctn ham luncheon meat,	134/16	4,876.40	Coral Ace	Ø
"	8 ctns sausages, 192 oki mackerel oil	135/16	2,551.39	Moel	Ø
3/03/2016	72 s/milk, 10 bg Indian sugar 25 kg, 7 ctns c/cuts, 96 cond/milk, 160 sausages, 12 ox/palm 2.72kg, 60 beef rump, 48 nestle milo	152/16	4,085.71	Moel	Ø
29/6/16	120 pkt sausages, 192 spaghetti, 48 c/cuts, 80 beef rump	252/16	4,011.76	Moel	no order form from the kitchen
7/05/2016	240 t/soup, 400 sardines, 48 c/cuts, 36 Cain mix veg, 72 s/milk, 48 nescafe, 48, milo	257/16	2,805.66	Moel	no order form from the kitchen
18/7/16	20 bg brown sugar 50kg, 50 bg calrose rice, 240 oki mackerel oil, 36 ox/palm 2.72kg	267/16	4,324.43	Moel	"

Date	Supplier	PV#	LPO#	Invoice#	Amount
2/02/2016	Moel	745/16	47908	85391	2,764.59
"	Moel	746/16	47907	85396	3,165.00
16/2/16	Taotin	772/16	48375	8681	2,052.00
"	Moel	774/16	48353	85469 & 70	2,108.25
22/2/16	Coral Ace	782/16	48384	3024981	2,136.00
"	Moel	787/16	48373	85569	2,227.50
31/3/16	Punjas	839/16	51454	294401	2,250.00
				Total	16,703.34

Implications:

- Maintaining a subsidiary ledger card for individual item will ensure the integrity of the record kept by the Store man by showing proper movements of stock (in & out) from time to time. Maintaining this sort of record will also, assist in preparing a final report on the actual presence of remaining stock on hand.
- Management should have a stores record card that will assist with the re-order level to avoid accumulation of stock on hand and deterioration of goods.
- Failure to properly managing and controlling the school rations could increase the risk of misusing of public school rations that would lead to the drain out of public funds.
- Failure in carrying out a full stock counting by the Ministry could result in the inaccuracy of the record reported on school ration that would lead management astray when making decision in the future.

Recommendations:

- ✓ A subsidiary ledger card for individual item should be used and maintained by the store man to account for the movements of stock (transfer in or out). This kind of record should be in a standard format showing the necessary information like; date of item receives unit numbers of item, actual number received, number of item distributed, remaining balance on hand and so forth.
- ✓ Management through its responsible divisions (Account Division & FMU Division) to carry out a full stocktake to count all the remaining stock on hand in order to give the accurate record for individual item actually existed on hand.
- ✓ The Account division has to make sure that the request from the FMU Division for ordering of school ration will be properly checked for consideration by ensuring that the remaining stock on hand is sufficient or not prior to processing of new order.
- ✓ Management is also recommended to update report from FMU and to provide the Account Division on monthly basis for checking and reconciliation purposes, and one officer from the Account Division, if possible, has to be involved in the checking of goods when delivered by the supplier.
- ✓ Management should ensure in its stock card there has to be a re-order level to support subsequent placement of orders to topping up the supply on hand.

Management response:

Written response not received.

14.3.2.7 STORE LEDGER**Finding and Analysis:**

- The audit confirmed after obtaining the MOE Asset register (spread sheet) that the record was not completely maintained and kept up dated as this is evidenced when the audit did a walk through the register (spread sheet) and observed that some purchased items were not completely appeared/entered in the Asset register. This was confirmed by the audit after conducting a testing for selected PV#3296/13 \$3,746 and ascertained that all items purchase on this PV#3296/16 were not specifically accounted for in the records thus difficult for the auditors to trace the existence of such items. These items belong to MTSS. Details of these items are noted in the table below:
- It was further noted that there was no evidence of stock verifier performing BOS to verify the existing items in the register.

DATES	PV #	NO OF ITEMS PURCHASED	AMOUNT
2/11/2016	3293/16	4 Bush Knife	\$78.00
		4 Rakes	\$114.00
		4 Show el	\$90.00
		4 Crow bar	\$440.00
		2 Small axe	\$84.00
		50 roofing sheets	\$2,940.00
		TOTAL	\$3,746.00

- No frequent physical stock-take monitored by the MOE headquarters to all divisions to ensure that each division kept updating their records (Asset/Store register).

Implications:

- Purchased items that were not recorded in the register would increase the risk of misappropriation of government funds.
- Failure in observing and complying with the provisions of store regulations is a complete violation of the FR 11.
- Failure in maintaining store inventory register would lead to the risk of misuse, loss and theft of inventory.

Recommendations:

- ✓ All assets been purchased should be recorded in the Store Register and Responsible officer should ensure updating of the Store Register and to monitor movement of items.
- ✓ Management should ensure that Accountable officer must conduct an internal regular stock take within MOE headquarters and to all divisions to keep track/movement of purchased items

Management response:

No response provided for this query.

14.3.2.8 UNAVAILABILITY OF PAYMENT VOUCHERS REQUESTED**Findings and Analysis:**

The audit has selected and requested the following PV's noted below for audit scrutiny and vouching purposes but was not provided with the PVs. The total amount involved \$221k. Due to the unavailability of such requested documents the audit team was unable to perform its audit verification and it is therefore of paramount importance management explanations should be provided as to why such PVs were gone missing or to provide those that responsible officials had managed to retrieve for confirmation of their existence.

Output Details	Allocation	PV #	Details	Amount	Balance
Internal Travel	E2302_216	MOE 3974/16	hqpv3662/12 moe3974/16 Tarawa	\$26,450.00	
		MOE 3972/16	hqpv3663/12 moe3972/16 Tarawa	\$37,950.00	
		MOE 3973/16	hqpv3364/12 moe3973/16 Tarawa	\$37,950.00	
		MOE 3975/16	hqpv3665/12 moe3975/16 Tarawa	\$26,450.00	
		MOE 3969/16	hqpv3670/12 moe3969/16 PVU	\$21,750.00	
		MOE 3968/16	hqpv3671/12 moe3968/16 PVU	\$21,750.00	
		MOE 3680/16	hqpv3680/12 moe3971/16 LMTA	\$24,450.00	
		MOE 3970/16	hqpv3694/12 moe3970/16 LMTA	\$24,450.00	
TOTAL					\$221,200.00

Implications:

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

Recommendations:

- ✓ MOE should ensure that all payment vouchers (as they were only last year's records) are available for ease of management and audit references in the future.
- ✓ MOE should ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- ✓ MOE should ensure the movement register for all accounting documents is maintained and ensure the movement of batches are properly recorded and monitored regularly.

Management response:

No response received for this issue.

14.3.2.9 TWO YEAR LEAVE POLICY ENTITLEMENT**Findings and analysis:**

- After conducting a testing through staff leave balances register for all MOE divisions, the audit noted that some staff leave balances had accumulated for the period of more than two years as shown in the table below:
- Further, the audit identified that some staff had negative remaining balances. After discussion with OM (office manager) it has been confirmed that those staff who had negative balances will automatically offset by deducting new leave balance in the current year.

PF #	SALARY LEVEL	L/ Balance	Supported?	2 Years Entitlement	OVERSTAY
2001076	U0-4	87w ds	Yes	No	
200086	L9-2	104	Yes	No	
95036	U0-4	89	Yes	No	
2003017	U0-3	84	Yes	No	
200084	L9-1	104	Yes	No	
2002043	L9-1	92	Yes	No	
8055	L9-4	92	Yes	No	
2001143	L9-2	100	Yes	No	
200096	L9-3	94	Yes	No	
2003042	U0-4	83	Yes	No	
2012068	U2/3	-1	Yes		YES
2013018	U2-4	-3	Yes		YES
2006063	U1/4	-3	Yes		YES
2013139	U2/2	-2	Yes		YES
2005038	U0-1	-1	Yes		YES
2005017	U0-3	-7	Yes		YES

Implications:

- The whole purpose of the Cabinet Decision Minute 77/10 on 2 years carry forward leave balances is to avoid unnecessary drain out of public funds and to conform to NCS requirement. Therefore not adhering to this decision is a violation of Cabinet decision and of course NCS related provision.

Recommendations:

- It is a responsibility of Senior Responsible Officer to ensure that Cabinet's decision is implemented effectively
- For recovery of overstayed leave management should ensure the negative balances are recovered from the current's salary and not to bring forward to offset from future leave balances.

Management response:

Response not received for this query.

15) MINISTRY OF INFORMATION, COMMUNICATION, TRANSPORT AND TOURISM DEVELOPMENT (MICTTD)**Findings and Analysis:****15.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Information, Communication, Transport and Tourism Development** for the year ended 31st December 2016 **"Except For"** the effects of the matters as discussed in detail from 15.3 below.

15.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for Ministry of Communication Transport and Tourism Development performance in the financial year 2015:

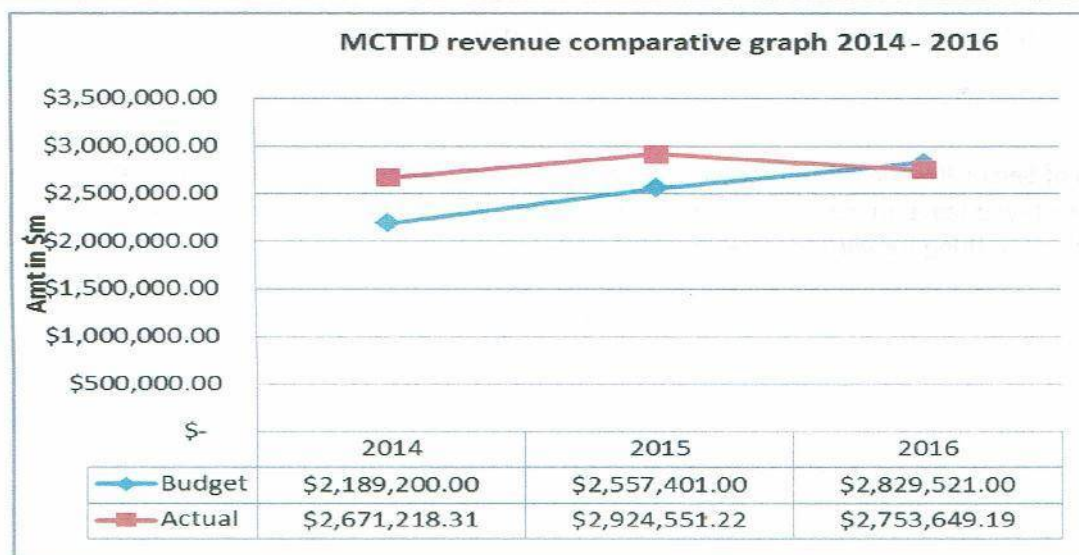
Issues	Solved/Addressed	Status of the issue in 2016 audit
Outstanding Imprest		Not solved/addressed
Log book		Not solved/addressed

15.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

15.3.1 CONTROL OVER REVENUE**15.3.1.1 MICTTD REVENUE SUMMARY COLLECTION**

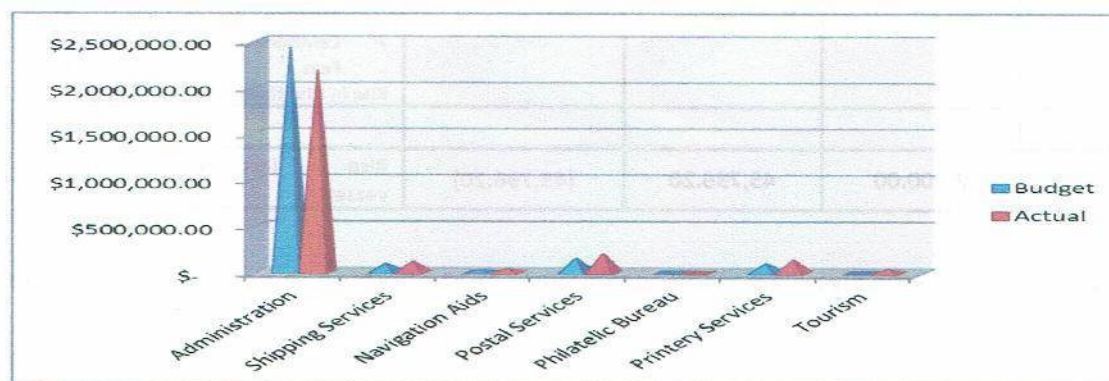
Year	Budget	Actual	(Over)/Under
2014	\$ 2,189,200.00	\$ 2,671,218.31	(\$ 482,018.31)
2015	\$ 2,557,401.00	\$ 2,924,551.22	(\$ 367,150.22)
2016	\$ 2,829,521.00	\$ 2,753,649.19	\$ 75,871.81

15.3.1.2 MICTTD COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

As depicted above the Ministry for the first time had reported an under collection of its revenue significantly by \$76k. However, when comparing the level of revenue budget the Ministry had increased its budget from \$2.5m (2015) to \$2.8m (2016) an increase of over \$272k when its actual collection fall short by \$76k.

15.3.1.3 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION

Divisions	Budget	Actual	(Over)/Under
Administration	\$ 2,430,121.00	\$ 2,179,132.38	\$ 250,988.62
Shipping Services	\$ 100,000.00	\$ 123,642.70	(\$ 23,642.70)
Navigation Aids	\$ 30,000.00	\$ 47,598.15	(\$ 17,598.15)
Postal Services	\$ 159,400.00	\$ 209,434.32	(\$ 50,034.32)
Philatelic Bureau	\$ -	\$ -	\$ -
Printery Services	\$ 108,000.00	\$ 148,045.44	(\$ 40,045.44)
Tourism	\$ 2,000.00	\$ 45,796.20	(\$ 43,796.20)
Ministry Total	\$ 2,829,521.00	\$ 2,753,649.19	\$ 75,871.81

15.3.1.4 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION

As observed from the above analysis, Administration was the only division that failed to meet its revenue target whilst other divisions managed to surpass their targets by amounts as per indicated by outputs in the table hereunder.

Outputs	Budget	Actual	(Over)/Under	Management Response
C2401 – Administration				
<i>Jaxa (Air Service)</i>	1,058,244.00	1,010,594.99	47,649.01	Shortfall of JAXA - \$47,649.01 is based on the exchange rate used (0.7316) when forecasting revenue and the rate used when sending remittance. The first remittance of \$ 611,652.10 used the exchange rate of 0.7594 while the second remittance of \$398,942.90 used the rate of 0.7763
<i>Jaxa (Downrange)</i>	646,877.00	679,210.00	(32,333.00)	An increase of 5% is based on the signed agreement
<i>Open Ship Registration</i>	725,000.00	489,327.39	235,672.61	Fall in Sales & Marketing made by Sovereign Venture (SV) due to their expansion of service to 2 extra countries. High risk – SV's conflict of interest in providing marketing services for open ship registration to 3 countries.
<i>Licence for foreign vessels</i>	40,000.00	29,048.30	10,951.70	Late of some payment settled in Jan 2017
<i>Licence for domestic vessels</i>	25,000.00	27,170.40	(2,170.40)	New vessels
<i>Seaworthiness</i>	2,000.00	2,584.90	(584.90)	Change in vessel volumes
<i>Recruitment & exam fees</i>	33,000.00	64,839.10	(31,839.10)	Fresh Passing out Students Increase in both national and international recruits
C2403 – Navigation Aids				
<i>Light dues</i>	30,000.00	47,598.15	(17,598.15)	Change in vessel volumes

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C2406 – Postal Services				
Sundry fees	1,000.00	2,624.00	(1,624.00)	Rise in Ministries dispatches
Letter post terminal cre	6,000.00	13,254.87	(7,254.87)	More inwards mails
Sale of stamps	21,500.00	61,994.42	(40,494.42)	Rise in sales overseas
Parcel post terminal	6,000.00	14,941.78	(8,941.78)	More inwards overseas parcels
Private box rental	4,900.00	6,409.25	(1,509.25)	Rise in box users
Commission on money	120,000.00	110,210.00	9,790.00	Fall in Telmo value transaction made
C2408 – Printery Services				
Printing sales	108,000.00	148,045.44	(40,045.44)	> National Election Events > Rise in Local Island Councils orders as a result of rise in copra price > Rise in Government Ministries Demands > Centralization of Highway Fees Rise in Maritime Sales
C2409 – Tourism				
Cruise line fees	2,000.00	45,796.20	(43,796.20)	Rise in incoming Cruising vessels

Management should encourage all its respective divisions to continuously exert efforts so to be able to exceed their revenue targets.

Recommendations:

- Management should ensure that each divisional Head exerts efforts in meeting their revenue budget.
- Management to ensure all agreements are adhered to in order to save costs and continuously assist in boosting revenue.
- Being one of the major revenue collectors for government, management should ensure it provides a more realistic estimate each year.

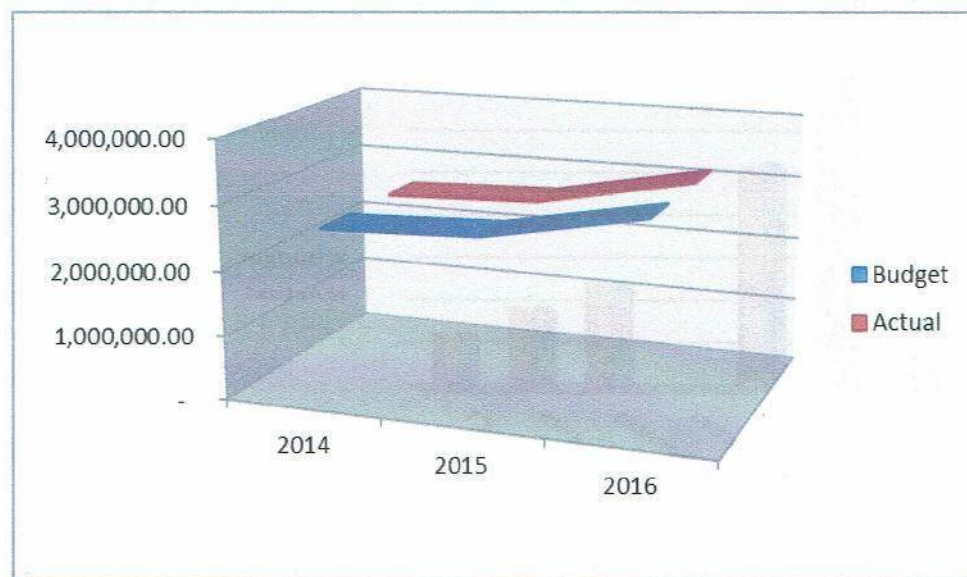
Management response:

- > Use Average Exchange Rate for the next forecast rather than using the recent exchange rate
- > Marine Division and its new legal advisor is working on the new contract terms with Sovereign Ventures (Foreign Agency) to align with national requirements and to secure foreign vessels licenses Sales & Open Ship Registration Fees.
- > Also refer table above

15.3.2 CONTROL OVER EXPENDITURE

15.3.2.1 COMPARATIVE EXPENDITURE AGAINST BUDGET.

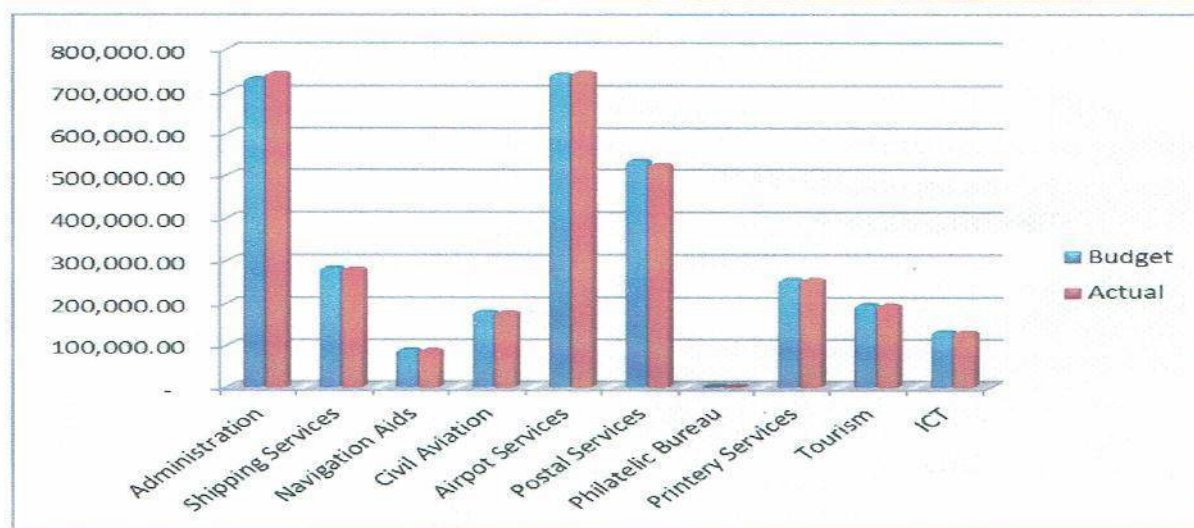
Year	Budget	Actual	(Over)/Under
2014	2,582,449.00	2,581,147.00	1,302.00
2015	2,677,655.00	2,666,059.00	11,596.00
2016	3,149,294.00	3,154,452.31	(5,158.31)

15.3.2.2 COMPARATIVE GRAPH OF EXPENDITURE BUDGET AGAINST ACTUAL

As obviously shown above, the Ministry has had a significant budget increase in 2016 by 15% from the 2015 budget level. Although, with the increase the Ministry was still unable to carry out its functions within the approved budget as the actual expenditure of \$3,154,452.31 had exceeded the approved budget of \$3,149,294.00 thus resulting incurring an overspent of (\$5,158.31).

15.3.2.3 MICTD EXPENDITURE AGAINST BUDGET BY DIVISIONS

Divisions	Budget	Actual	(Over)/Under
Administration	730,725.00	744,959.34	(14,234.34)
Shipping Services	283,705.00	282,271.42	1,433.58
Navigation Aids	90,109.00	89,455.00	654.00
Civil Aviation	180,205.00	179,119.84	1,085.16
Airport Services	741,374.00	746,642.56	(5,268.56)
Postal Services	535,810.00	526,377.38	9,432.62
Philatelic Bureau	-	-	-
Printery Services	256,800.00	256,799.93	0.07
Tourism	197,274.00	196,622.26	651.74
ICT	133,292.00	132,204.58	1,087.42
Ministry Total	3,149,294.00	3,154,452.31	(5,158.31)

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

The bulk of the overspent noted above was mainly caused by two divisions namely: Administration with an overspent of over \$14k and Airport Service with over \$5k. The other divisions had managed to operate within their budget limit and should be applauded for such achievement and to be encouraged to continuously do same in the future.

Recommendations:

- Management should strictly control or reduce the level of expenditure during the year in order not to exceed the approved budget from Parliament.
- Management should also encourage head of divisions that exceeded their budgets to maintain their level of spending within their budget limit.

Management response:

- Upgrading of Offices & Residences to comply with Civil Work Standard, secure and to be more decent for MICTTD official visitors and VIP guests.
- Official Trips for improving trading, telecommunication and network, and infrastructural developments.

15.3.2.5 OUTSTANDING IMPREST AMOUNTED TO \$87,983.89**Finding and Analysis:**

In 2016 the total accumulated outstanding imprest for MICTTD staffs had reached the amount of **\$87,983.89**. The details and names of the imprest holders could be provided upon request.

Implications:

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

Recommendations:

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

Management response:

- This year (2017) one account officer has been allocated to make sure that all Imprest should be retired
- The Ministry is always notifying Officials that Imprest cannot be issued if you have outstanding's; in addition MFED is very strict on such issue.

15.3.2.6 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY**Findings and analysis:**

The policy over the controlling of leave balances effective in 2010 has not yet fully implemented to bring about only two years' entitlements. This has been clearly shown by some employees with huge outstanding leave balances as per indicated in the table below:

Staff PF Number	Title	Leave Balance
2009125	Airport Manager	164
2014131	ICT Assistant Specialist	147
2001159	Deputy Secretary	140
7763	Deputy Director of Civil Aviation	131

Implications:

- Failure to follow or comply with the policy of leave balances is a complete violation of Cabinet Decision Minute No. 77/10.
- The absence of approval by Cabinet for accumulating the leave balances beyond two years' leave entitlement would annul the record above that showed more than 2 years' leave balances.

Recommendations:

- Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff and take appropriate action for those that warrant an exception to this policy.
- Management should ensure it updated its leave roster and that all staff takes their leave on an annual basis, offsetting first the current year's leave entitlement before taking previous year's balances.

Management response:

These officers' leave balance exceeds 90 working days based on their nature of work.

15.3.2.7 CONTROL OVER LOG BOOK**Findings and Analysis:**

In carrying out the audit, it was discovered that the Ministry had failed to submit log books for vehicles except the log book for BG 276 for fiscal year 2016. Therefore, the absence of such log books had prevented auditors from validating the accuracy of the following itemized expenses as follows:

- i) Driver's overtime
- ii) Fuel
- iii) To detect mileage used for non-official usage

Implications:

- Failure in maintaining a gov't vehicles log books would increase the risk of misuse of gov't vehicles and increase in cost to the budget.
- An updated Log Book would of course support Management in controlling the fuel consumption, and to support overtime claims as well.

Recommendations:

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

Management response:

Had just installed a fast and efficient scanner machine to facilitate e-copies of log books to cater overtime and refill purposes in case of misplaced log books in future for ease of reference.

16) MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT (MFED)**Findings and Analysis:****16.1 AUDIT OPINION**

AN ADVERSE AUDIT OPINION is issued for the **Ministry of Finance and Economic Development** for the year ended 31st December 2016 **“Except For”** the effects of the matters as discussed in detail from 16.3 below.

16.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for Ministry of Finance and Economic Development performance in the fiscal year 2015.

Issues	Solved/Addressed	Status of the issue in the 2016 audit
- Arrears of revenue - Misallocation of JV 1273 posted into C2502-08. - Variances detected when comparing Pay costing and Management report. - No clearance for temporary (appointment letters) - No overtime dockets as supporting documents attached to PV. - Contravene relevant section of Procurement act. - No supporting document for Payment vouchers. - Drivers fail to provide log book. - Outstanding telephone bills (2014) paid in 2015. - Posting of PV 283/15 \$3966.40 did not match with GL. - Last page of Invoice#12755 not attached to PV 80/15. - Invoice #135390 of \$813.70 was different from the invoice attached as supporting documents - Missing PV 449/15, 561/15. - Database/Access provided was noted not completely updated.	- Not solved - Not solved - Not solved - Solved - Solved - Solved - Not solved - Not solved - Not solved - Not solved - Not solved - Not solved - Solved - Not solved	- No improvement in the collection of debit note. - No JV to rectify misallocation. - Variances still detected - Appointment letters are kept in the temporary PF - Overtime claims are supported by documents - Fully complied with Procurement act - Missing supporting documents for PV still detected in audit of 2016. - Log book provided but not completely updated - Still outstanding payment from 2014 and 2015 paid in 2016 - Variances still detected in the PV when posting to GL - Still missing from PV 80/15 - Still no actions taken to resolve. - Missing PV detected - Database/Access still not fully updated

16.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

16.3.1 CONTROL OVER REVENUE**16.3.1.1 BUDGET REVENUE SUMMARY AGAINST ACTUAL COLLECTION 2014-2016**

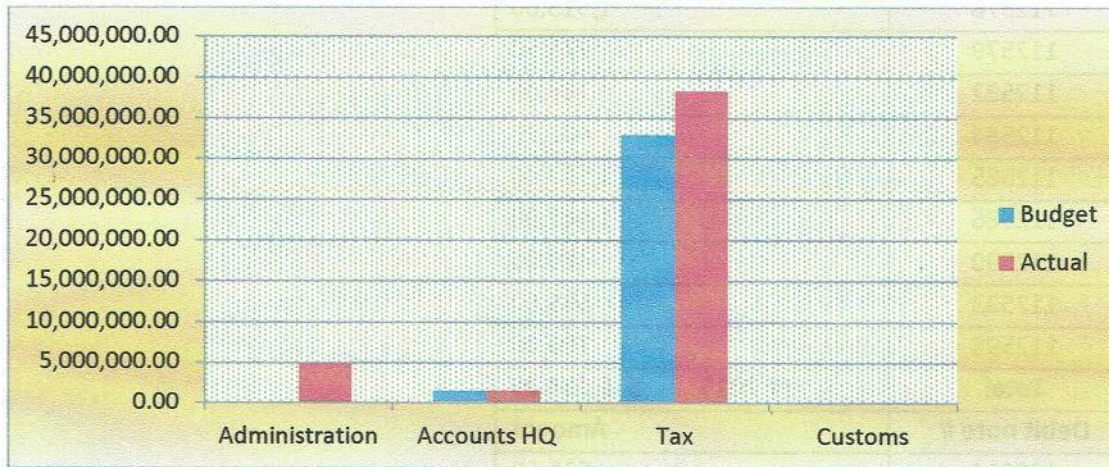
	2014	2015	2016
Budget	\$28,112,700.00	\$32,977,700.00	\$34,379,000.00
Actual	\$50,678,817.62	\$41,630,770.14	\$44,970,129.23
Variance Under/(Over)	(\$22,566,117.62)	(\$8,653,070.14)	(\$10,591,129.23)

16.3.1.2 MFED REVENUE ESTIMATE COMPARATIVE LINE GRAPH AGAINST ACTUAL

The above table and graph highlight remarkable performance by the Ministry indicating that over the past three consecutive years MFED had continuously managed to collect above its revenue estimate, thus resulting in an excess collection of \$10m for 2016, an increase of \$1.9m for 2015 (2015 \$8.6m-2016 \$10.5m). The reason for the increase in the over collection derived from the New Zealand support and Interest in the consolidated fund of \$4.8m and \$136k respectively which were credited to Administration C2501. Therefore, the Ministry should be applauded for such notable achievement. For future years the Ministry should ensure its budget level is aligned with the revenue its divisions expect to collect.

16.3.1.3 MFED REVENUE AGAINST BUDGET BY DIVISIONS

Division	Budget	Actual	Under/(Over)
Administration	\$0.00	\$4,926,573.21	\$(4,926,573.21)
Accounts HQ	\$1,430,000.00	\$1,524,305.31	\$(94,305.31)
Tax	\$32,900,000.00	\$38,368,502.02	\$(5,468,502.02)
Customs	\$49,000.00	\$150,748.69	\$(101,748.69)
Total	34,379,000.00	44,970,129.23	\$(10,591,129.23)

16.3.1.4 COMPARATIVE BAR GRAPH OF REVENUE AGAINST ACTUAL COLLECTION PER DIVISION

The above table and graph depicted all divisions of the Ministry had collected more than their respective revenue budgets. It is also pleasing to note that the bulk of revenue collection stemmed from tax division which surpassed its revenue estimate by \$5m coupled with Customs and Accounts surpassing also their revenue estimates by \$101k and \$94k respectively. Therefore management of these respective revenue centres should be commended for their remarkable performance.

It was further noted, similar case for 2015; revenues collected under Administration were not budgeted for in the fiscal year 2016. These were direct credits that had been accounted for in to the No.1 account and allocated under revenue code for Administration C 25010000102 and C25010000151 in the sum of \$136k and \$4m respectively.

Recommendations:

- ✓ Management to provide explanation as to why direct credits made to No.1 Bank account were not correctly posted under the relevant revenue codes.
- ✓ Management to ensure its future revenue budget level is aligned with the activities of its individual divisions.

Management response:

Written management response not received.

16.3.1.5 ARREARS OF REVENUE**Findings and Analysis:****Custom Arrears of Revenue**

- Same issue detected in 2015 was repeated in 2016. It was noted there was no improvement in the recovery for the outstanding debit note from 2014 and 2015 of \$5k and \$8k respectively from several shipping line agencies. This proves that Customs had failed to enforce follow up actions to speed up the recovery process. These outstanding amounts related to the overtime that is payable by agencies to Custom. The audit confirmed that these outstanding had never been reimbursed by concerned agencies, re details as appended in the table below:
- The total arrears for 2016 was not available when sought from the responsible officer during the audit. Therefore, the audit could not validate and identify the amount outstanding from each agency as there was no evidence or updated records/register to trace the debit notes been issued in 2016.

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Month	Debit note #	Amount
Feb& March	112578	1,515.00
January	112579	775.50
October	112582	736.00
January	112584	402.75
"	112585	1,517.00
"	112586	1,447.00
"	112590	480.00
February	112593	555.00
March	112595	706.00
Total	FY 2015	\$ 8,134.25
Month	Debit note #	Amount
August	109914	555.00
June	109916	622.00
Septembr	109935	408.00
"	109940	540.00
October	109941	485.00
"	109943	770.00
"	109946	918.75
January	109883	410.00
April	109898	525.00
Total	FY 2014	\$ 5,233.75

Tax Arrears of revenue

- The total tax arrears brought forward from previous years to date was \$24m as per aging debtors listing which is linked to the database/system. The audit confirmed that the total outstanding arrears is an aggregate of all assessed taxes been carried forward from past to the current year.
- Due to the confidentiality provisions of the Income Tax Act 1990, as per discussions between Tax and Audit officials, the list that would confirm the amount owed by taxpayers concerned was not provided for the reason as stated earlier, i.e records are privileged for tax purposes only and should not be disclosed.

Tax Type	Total Outstanding Debt		Default Assessments		Total	
	Amount	Number (of assessment issues as per accounts received)	Amount	Number (of assessment issues based on the estimated profit for non-production of the accounts)	Amount	Number
Pay As You Earn	1,445,389.00	1,353	2,662.50	1	1,448,051.50	1,354
Pay As You Earn Reconciliation	862,975.23	65	0	0	862,975.23	65
Provisional Tax	3	1	1,368.72	10	1,371.72	11
Value Added Tax	8,033,113.39	424	0	0	8,033,113.39	424
Withholding Tax - Irregular	15,415.68	11	0	0	15,415.68	11
Withholding Tax - Monthly	261,145.75	34	0	0	261,145.75	34
Withholding Tax - Reconciliation	30	1	0	0	30	1
Total for All	21,361,228.38	2,939	3,059,393.47	976	24,420,621.85	3,915
Total	21,361,228.38	2,939	3,059,393.47	976	24,420,621.85	3,915

Implications:

- Failure to recover the said amount from concerned agencies would result in public fund losses.
- Failure to provide list/summary breakdown could cause hardship to validate the accuracy for the outstanding tax arrears for each year.

Recommendations:

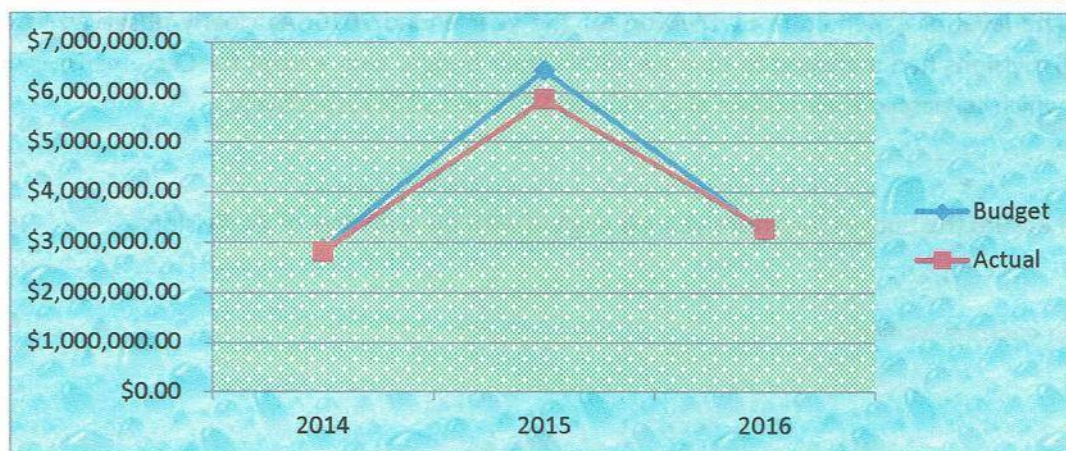
- ✓ MFED through its Custom Division and Tax division should provide explanations on this matter as to why such agencies had never made any attempt in paying off their dues to date.
- ✓ Immediate remedial recovery actions on the above dues should be activated by Custom/Tax Divisions accordingly.
- ✓ Tax division should ensure it has records of total number of taxpayers by type of tax so to advise on the numbers of those complying and those not with amounts involved.
- ✓ Tax division must ensure to provide details/breakdown of outstanding tax arrears for audit scrutiny.

Management response:

Written Management response not received.

16.3.2 CONTROL OVER EXPENDITURE**16.3.2.1 MFED COMPARATIVE EXPENDITURE AGAINST BUDGET 2014-2016**

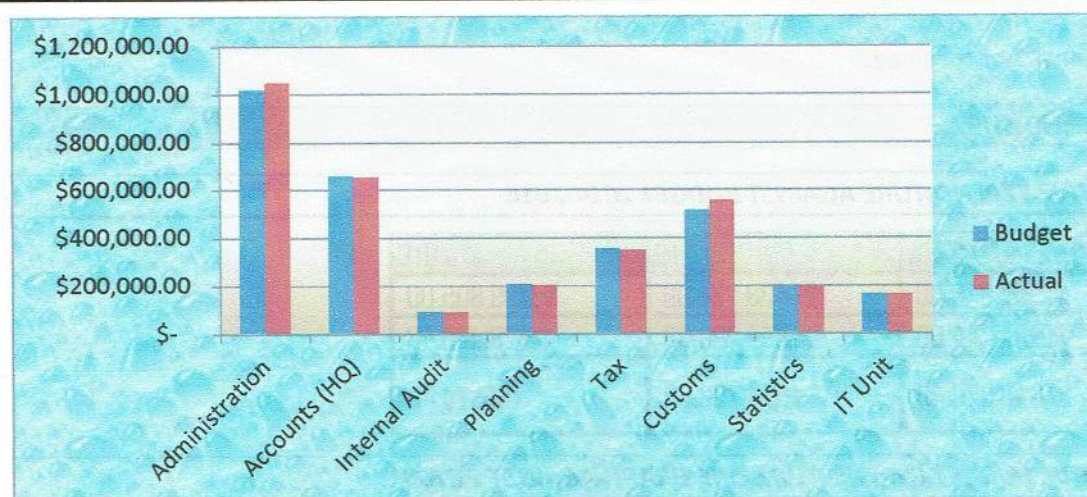
	2014	2015	2016
Budget	\$2,851,835.00	\$6,438,994.00	\$3,199,805.00
Actual	\$2,805,514.60	\$5,864,200.36	\$3,261,516.43
Variance Under/ (Over)	\$46,320.40	\$574,793.64	(\$61,711.43)

16.3.2.2 MFED COMPARATIVE BUDGET EXPENDITURE LINE GRAPH AGAINST ACTUAL

The table and graph above depicted a dramatic decrease in the estimate budget by \$3.24m (2015 \$6.43m-\$3.19m) from 2015 while at the same time MFED's actual level of spending had also dramatically dropped by \$2.6m (2015 \$5.86m-2016 \$3.26m). Therefore the Ministry should be applauded for its effort in reducing its actual spending by such a huge amount.

16.3.2.3 MFED COMPARATIVE EXPENDITURE TABLE BY DIVISIONS

Code	Division	Budget	Actual	Under/(Over)
E2501	Administration	\$ 1,016,221.00	\$ 1,048,359.53	\$ (32,138.53)
E2502	Accounts (HQ)	\$ 658,085.00	\$ 655,560.44	\$ 2,524.56
E2503	Internal Audit	\$ 89,567.00	\$ 89,107.01	\$ 459.99
E2504	Planning	\$ 207,566.00	\$ 205,164.74	\$ 2,401.26
E2505	Tax	\$ 354,141.00	\$ 349,605.06	\$ 4,535.94
E2506	Customs	\$ 513,104.00	\$ 555,720.10	\$ (42,616.10)
E2607	Statistics	\$ 198,798.00	\$ 197,823.49	\$ 974.51
E2508	IT Unit	\$ 162,323.00	\$ 160,176.06	\$ 2,146.94
	Total	\$3,199,805.00	\$3,261,516.43	\$ (61,711.43)

16.3.2.4 MFED COMPARATIVE EXPENDITURE GRAPH BY DIVISIONS

The above graph displayed the level of expenditure by Division for the year ended 2016. As clearly observed from above six (6) out of eight (8) divisions had managed to operate within their budget limit except for Customs Division and Administration, both of which surpassed their budget allocation by \$42k and \$32k respectively.

Recommendation:

- Management should ensure the budget for future years is aligned with the activities of its divisions.

Management Response:

No response provided from concerned Ministry.

16.3.2.5 OUTSTANDING IMPREST 2016**Finding and Analysis:**

It was noted during the audit the total accumulated outstanding imprest for MFEP had reached the total amount of \$56k as at 31/12/2016. Details of imprest holders can be sighted upon request.

Implications:

- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 2011 requirement and would increase the risk of loss of funds from those being issued with excess Imprest.
- Failure to retire Imprest on a timely manner could cause undue hardship on officials in future in paying back the accumulated debts and thus could adversely affect government coffers.
- Loss of public funds would result from retiring civil servants who still had not bothered to retire their Imprests.

Recommendations:

- ✓ Imprest retirement policy should be enforced by management and/or accounting officer and officers traveling should be reminded to retire their Imprest upon arrival within 10 consecutive working days.
- ✓ Management should give this a priority especially from current employees to avoid accumulation of outstanding imprests.
- ✓ Management should not issue Imprest for subsequent travels unless the officer had retired all past Imprest and/or had no outstanding dues

Management response:

No response received for this issue.

16.3.2.6 UN-SUPPORTED PAYMENT VOUCHER 336/16 \$26,907.30**Finding and Analysis:**

After conducting testing on selected various payment vouchers the audit found that the PV#336/16 for \$26,907 which was related to the Electricity and Gas was not supported with the reading meter that is normally attached to the Invoice. Therefore, the audit could not confirm the accuracy of such payment.

Implication:

Payment Vouchers with no supporting documentations and passed by MFED would undermine the integrity and capability of Management.

Recommendation:

- ✓ Management should perform its regular review mainly on the works of its accounting officers and also to ensure that its officials are fully conversant with the provisions of governing rules and regulations such as, FR 2011, Cap 79 and so forth.

Management response:

Response not received for this issue.

16.3.2.7 OUTSTANDING ELECTRICITY CHARGE FOR 2014 AND 2015 PAID IN 2016**Finding and Analysis:**

The audit testing revealed that the PV# 006/16 for \$40,129.16 and PV# 658/16 worth of \$15,631 were both noted outstanding bills from 2014 and 2015 that were just paid in 2016 budget. The audit is of belief this is one of the payments that had caused an overspent of the 2016 budget.

Implications:

- If management failed to conduct proper reconciliation on monthly basis, this will eventually lead to an overspending in the budget for the current year.
- Long outstanding claims could make it difficult for management to justify and confirm that the claim is in order and thus could lead to duplication of payment.

Recommendations:

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

Management response:

Written response is not provided from the concerned Ministry.

16.3.2.8 MISSING REFUEL SHEET FOR INVOICE 180716B (PV#558/16 FOR \$2,219.22)**Finding and Analysis:**

The audit could not confirm the validity of the payment due to the missing refuel sheet for Invoice 180716b. The payment was made on PV#558/16 \$2,219.22 on two separate invoices i.e. Inv#180716b \$820.80 and Inv#180716 \$1,398.42. After verifying both invoices, the audit affirms that there is a missing refuel sheet for the invoice# 180716b \$820.80. The audit is concerned as to how such payment was being processed without a refuel sheet attached to invoice# 180716b. Therefore explanation is required from management.

Implications:

- Missing supporting documents would undermine the integrity of management.
- In the absence of supporting documents, payments would be regarded as improper.

Recommendations:

- Management is urged to ensure that all payments must be fully supported.
- Management should ensure all its accounting officers are fully conversant with the provisions of the FR 11 and to reprimand officers who deviated from the norm.
- Management should keep maintaining all supporting documents in a safe and secure environment.

Management response:

No response received for this issue.

16.3.2.9 LOG BOOK ISSUE FOR VEHICLES G340 AND G341**Finding and Analysis:**

The audit noted that the drivers for both vehicles G340 and G341 had failed to update their logbooks. When going through the two log books, it was noted that while mileage for both vehicles were filled (starting mileage-ending mileage) some of these mileages shown were scrambled and even some of the pages were torn off from the log book. This would restrict the audit from confirming the overtimes claimed by drivers and even the fuel consumption.

Implications:

- Failure to completely update log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and proper usage of the vehicle were all in order.
- All payments including overtimes that had been processed without supporting details obtained from a log book would annul such payments and thus no payment should have been approved.
- The absence of a monitoring mechanism on refuelling of vehicles would lead to misappropriation of funds.

Recommendations:

- ✓ Management should ensure that all drivers update their log books and have that readily available when needed.
- ✓ Management should ensure to conduct its regular reviews on the drivers' log books and also to ensure that overtime claimed is supported with certified log book details that were obtained from the log book.
- ✓ Management should ensure it has a refueling monitoring mechanism for control purposes.

Management response:

No response provided.

16.3.2.10 INCORRECT PV #196/16 FOR \$450 POSTED IN THE GENERAL LEDGER**Finding and Analysis:**

The audit identified PV#196/16 \$450 has been incorrectly posted in the General ledger. The amount that appeared in the General ledger was \$506.25 thus constitutes a variance of \$56.75 the amount of which overstated the Management report. The audit is of the belief that the cause of the variance is the error when entering PV details by accounting officer and therefore the officer concerned should be reprimanded accordingly.

Implication:

- Incorrect posting of any payment details could undermine the integrity of the annual account produced by MFEP.
- Failure to post the correct details of the amount shown on the PVs in the database could result in overstating/understating the annual account.

Recommendations:

- ✓ Management must assign a responsible officer to conduct a regular review on postings been made to ensure that such postings were all correct.
- ✓ Management should ensure that proper reconciliation must be performed in order to identify any discrepancies in the system and adjust account accordingly.
- ✓ Management should reprimand officers who had caused errors in their postings.
- ✓ Management should conduct induction training or refresher training to all its accounting officers in the Ministry and those posted in other Ministries so all are fully conversant with the provisions of the FR 11.
- ✓ Management should put in place a Fraud Policy that include administrative/management errors with appropriate remedial actions for immediate sanctioning when fraud and or deviations are detected.

Management response:

No response received.

16.3.2.11 STALE CHEQUE \$74,446.17**Finding and Analysis:**

The audit testing revealed that the total outstanding stale cheque for 2016 had accumulated to \$74k. These cheques had been raised but were not collected by the respective payees. The audit confirmed after sighting these PV's that one of these cheques had not been entered either in the cashbook neither in the General ledger. The accounting could not provide the reason why these two of cheques were not entered in the system. This proves that the accounting division had failed to review the posting of transactions by its accounting officers on a regular basis and also had failed to conduct regular reconciliation. Details of these stale cheques are noted in the table here under:

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Date	Payee	Chq#	Amount	Cashbook	General ledger
22/12/2016	Payee1	124394	\$ 462.00	Entered in cashbook	Entered in the GL
30/12/2016	Payee2	190903	\$ 235.00	Entered in cashbook	Entered in the GL
30/12/2016	Payee 3	190490	\$ 1,800.00	Entered in cashbook	Entered in the GL
22/12/2016	No name	189889	\$ 471.23	Entered in cashbook	Entered in the GL
9/8/2016	Payee	227320	\$ 2,584.95	Entered in cashbook	Entered in the GL
29/11/2016	Payee 4	132113	\$ 1,000.00	Entered in cashbook	Entered in the GL
29/11/2016	Payee5	132114	\$ 500.00	Entered in cashbook	Entered in the GL
6/10/2016	Payee 6	228349	\$ 90.00	Not entered in cashbook	Not Entered in the GL
11/10/2016	Payee7	228371	\$ 107.60	Entered in cashbook	Entered in the GL
7/11/2016	Payee 8	132474	\$ 49.60	Entered in cashbook	Entered in the GL
24/10/2016	Payee 9	124090	\$ 92.44	Entered in cashbook	Entered in the GL
29/12/2016	Payee 10	130562	\$ 1,433.04	Entered in cashbook	Entered in the GL
29/12/2016	Payee 11	130566	\$ 67.10	Entered in cashbook	Entered in the GL
14/12/2016	Payee 12	130929	\$ 67.10	Entered in cashbook	Entered in the GL
31/12/2016	Payee 13	189364	\$ 49,980.00	Entered in cashbook	Entered in the GL
31/12/2016	Payee 14	189238	\$ 745.00	Entered in cashbook	Entered in the GL
31/12/2016	Payee 15	189301	\$ 92.00	Entered in cashbook	Entered in the GL
31/12/2016	Payee 16	189379	\$ 232.63	Entered in cashbook	Entered in the GL
19/12/2016	Payee 17	189421	\$ 1,400.00	Entered in cashbook	Entered in the GL
21/12/2016	Payee 18	189447	\$ 175.00	Entered in cashbook	Entered in the GL
23/11/2016	Payee 19	124285	\$ 315.00	Entered in cashbook	Entered in the GL
5/7/2016	Payee 20	231632	\$ 350.00	Not entered in cashbook	Not Entered in the GL
3/11/2016	Payee 21	132443	\$ 319.56	Entered in cashbook	Entered in the GL
6/12/2016	Payee 22	189672	\$ 332.00	Entered in cashbook	Entered in the GL
27/7/2016	Payee 23	231720	\$ 3,153.40	Entered in cashbook	Entered in the GL
8/2/2016	Payee 24	983614	\$ 2,181.10	Entered in cashbook	Entered in the GL
19/1/2016	Payee 25	983839	\$ 760.00	Entered in cashbook	Entered in the GL
22/1/2016	Payee 26	983888	\$ 1,708.00	Entered in cashbook	Entered in the GL
2/2/2016	Payee 27	11700	\$ 3,375.00	Entered in cashbook	Entered in the GL
1/12/2016	Payee 28	189611	\$ 197.40	Entered in cashbook	Entered in the GL
			\$ 74,446.17		

Implications:

- Stale cheques could lead to the loss of funds.
- Failure to record payment in the system (database) could lead to distort the figures recorded in the management report.

Recommendations:

- ✓ Stale cheques that relate to 2016 should be cancelled to avoid confusions with serial numbers especially as this cheque book related to 2016.
- ✓ Management should reverse these transactions so to correct the overstated expenses been incurred in 2016.
- ✓ Management must regularly review each accounting officer's task to ensure that all postings of transactions were correct and properly accounted for in the system.

Management response:

No written response provided.

16.3.2.12 TWO YEAR LEAVE POLICY ENTITLEMENT

Finding and Analysis:

The leave balance for each staff requested for audit scrutiny was not available neither provided by the Office manager. The audit could not extend further testing on each staff balance to identify accumulating outstanding leave balance brought forward from previous years.

Implications:

- Not adhering to this decision is a violation of Cabinet Decision Minute No. 77/10.
- Also not adhering to such decision could result in the officer having his leave balances prior two years from 2018 automatically forfeited in 2018.

Recommendations:

- ✓ MFEP should enforce and implement the Cabinet Decision Minute No. 77/10 to all its staffs for leave balances verification accordingly.
- ✓ Management should ensure that all of its staff with more than two years' balances as of 2016 commence taking their leaves so all balances are cleared by the end of 2016.
- ✓ When taking leave management should ensure the current year's leave balance is used up first before taking the immediate preceding year's balance.
- ✓ Management should have its leave Roster maintained for all staff as a means of controlling accumulation of leave balances
- ✓ Management should ensure it recovers any leave overstayed, if found, from those that may have negative leave balances.

Management response:

No written response received.

16.3.2.13 DATABASE/VOTE LEDGER 2016**Finding and Analysis:**

It was evidenced when the audit conducted a walk through testing on the database system for MFEP that the vote ledger/Database Access obtained from MFEP was noted not completely updated as evidenced when the audit went through transactions posted into the MFEP Vote ledger/Database Access and discovered that postings of outputs were only for the months January, May, March up to October and November while transactions for the remaining months were not entered. This is an indication of lack of reconciliation by management and poor control over its spending that had resulted in an unauthorized spending realized this year, 2016.

ALLOCATION	START DATE OF POSTING	LAST DATE OF POSTING
E25010000215	4/1/2016	8/11/2016
E25060000215	4/1/2016	8/11/2016
E25010000243	2/1/2016	5/10/2016
E25020000243	18/1/2016	15/9/2016
E25040000243	18/5/2016	26/10/2016
E25050000243	23/5/2016	23/9/2016
E25060000243	21/1/2016	8/11/2016
E25070000243	30/3/2016	25/10/2016
E25080000243	22/3/2016	2/11/2016

Implications:

- By not updating the vote ledger, balances reflected therein would mislead Management in their decision making.
- Not updating the vote book on a regular basis would result in incurring over spending by management and reporting of an incorrect figure on outputs at the end of the year.
- Failure to update Vote book/Database Access is total breach of financial regulations.

Recommendations:

- ✓ Management has to ensure that the vote book must be updated and completed on a regular basis and also to take into consideration all activities been omitted during the year.
- ✓ Management should also ensure it reconciles transactions with its posting(Database system) on a regular basis..

Management response:

No written management response received for this issue.

16.3.2.14 INCORRECT POSTING OF OTHER MINISTRIES OUTPUT TO MFED OUTPUT**Finding and Analysis:**

In conducting a random walk through testing of MFEP General Ledger we noted that some postings related to other Ministries' outputs had been detected incorrectly charged to MFED output. It was also noted that there was no JV to correctly adjust such mis-postings neither the contra account credited in the General Ledger to rectify the mis-posting. This proves that there's lack of supervision and no regular reviewing of the work of the account officer by senior accountable officer. The incorrect postings should have been resolved before closing the annual account. Details of the mis-postings are noted in the table below:

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Output	Code Name	Ministry	Details	PV#	Amount
E25010000203	Housing Assistance	MCTTD	KPA	742/16(Hqpv 2824/08)	\$660
E25010000244	Repairs Maintenance	MCTTD	Imbo	927/16(Hqpv 2053/11)	\$347.63
E25060000251	Overseas Services	MELAD	Smiths	424/16(Hqpv 1071/09)	\$1,824.65
E25080000250	Local Services	MCTTD	Hanan	962/16(Hqpv 2254/11)	\$452.00

Implications:

- Mis-postings of proper transaction (code) could cause unrealistic figures disclosed in the management report and could affect the budget level for future years.
- Failure to regularly reconcile management's records could result in mis-postings been undetected.

Recommendation:

- ✓ Management is recommended to conduct proper and regular reconciliation more frequently to avoid mis-postings and to be able to instantly take corrective action when deviations are noted.

Management response:

Response not provided for this issue.

16.3.2.15 VARIANCE OF PAY COSTING AND KPF CONTRIBUTION

Finding and Analysis:

The following discrepancies exist between Management report and Audit figure when calculating the KPF contribution as follows:

		A	B	C	1	2	3
		Rev Budget	GL	PAYCOSTING	VARIANCE A - B	VARIANCE A - C	VARIANCE B - C
E10010000202	Salaries	209,480.00	208,746.23	252,689.98	733.77	(43,209.98)	(43,943.75)
E10010000206	Temporaries	82,043.00	81,982.00	104,046.20	61.00	(22,003.20)	(22,064.20)
		\$ 291,523.00	\$ 290,728.23	\$ 356,736.18	\$ 794.77	\$ (65,213.18)	\$ (66,007.95)
E10020000202	Salaries	79,954.00	79,936.80	86,476.80	17.20	(6,522.80)	(6,540.00)
E10020000206	Temporaries	6,532.00	6,450.00	6,450.00	82.00	82.00	-
		\$ 86,486.00	\$ 86,386.80	\$ 92,926.80	\$ 99.20	\$ (6,440.80)	\$ (6,540.00)
		K	L	M	a	b	c
Output	Description	Rev Budget	GL	Audit figure	VARIANCE K - L	VARIANCE K - M	VARIANCE L - M
E10010000201	Kpf Contribution	20,903.00	20,871.15	26,755.21	31.85	(5,852.21)	(5,884.06)
E10020000201	Kpf Contribution	7,443.00	6,479.54	6,969.51	963.46	473.49	(489.97)

Implication:

- The discrepancies reported above would have deprived employees from receiving actual KPF benefit.

Recommendation:

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

Management response (PSO):

Management will need to work on this finding to clear the dues with concern officers and request KAO to give time until December for a final management response if possible. Otherwise, will report on the progress of the reconciliation to Auditor General or PAC

16.3.2.16 VARIANCES DETECTED WHEN COMPARING GENERAL LEDGER AND PAYCOSTING**Finding and Analysis:**

- The audit noted the variances exit after extracting figures and compared with KHC Pay costing and MFED General Ledger. The variance detected is a possible failure in conducting regular reconciliation between the KHC and MFED which could also impact on the KPF contribution such as noted hereunder.

		A	B	C	1	2	3
		Rev Budget	GL	PAYCOSTING	VARIANCE A - B	VARIANCE A - C	VARIANCE B - C
E14030000202	Salaries	55,037.00	44,272.43	35,359.20	10,764.57	19,677.80	8,913.23
E14030000206	Temporaries	3,498.00	3,483.63	-	14.37	3,498.00	(14.37)
		\$ 55,037.00	\$ 44,272.43	\$ 35,359.20	\$ 10,764.57	\$ 19,677.80	\$ 8,913.23

		K	L	M	a	b	c
Output	Description	Rev Budget	GL	Audit figure	VARIANCE K - L	VARIANCE K - M	VARIANCE L - M
E14030000201	Kpf Contribution	4,510.00	3,124.99	2,651.94	1,385.01	1,858.06	473.05

Notes:

a = K - L remaining budget of \$1,385.01

b = K - M remaining budget of \$1,858.06

c = L - M overpayment of \$473.05 in the general ledger

Implications:

- KPF payments are statutory payments and any overstatement or understatement will have an adverse effect on i) Overall total (budget) for the Ministry ii) Status of employees' KPF privilege.
- KPF deductions should be automatically deducted by the computer system at the rate of 7.5% when salary and temporary payments are processed and any deviations would raise doubt on the integrity of the payroll system.
- Some employees' KPF contributions may not be paid in full as anticipated due to the over/understatement reported above.

Recommendations:

- ✓ It is therefore recommended that KHC through its account section must ensure to conduct proper review and regular reconciliation with MFED to avoid future discrepancies (over/understated) at the end of the financial year.
- ✓ Senior accountant should conduct regular on its payroll to avoid accumulating the errors to appear at the year end.

Management response (KHC):

MFED should improve payroll/accounting package as most reports never match – eg with KPF it's an automatic 7.5% on all provisions for salary and temporary but never match same with management and GL reports.

16.3.2.17 KIRIBATI PROVIDENT FUND CONTRIBTION**Findings and analysis:**

The table provided hereunder showed the comparison of Management Report Budget, General Ledger against the Audit calculations as follows;

		A	B			C	1	2	3	
Code	Accounts	Mgn't Rep- Budget	Gen Led	Salaries+ Temporary	Contribution Rate	Contribution as per division	Variance btwn A & B	Variance btwn A & C	Variance btwn B & C	REMARKS
E15010000201	KPF Contribution	17,036.00	10,014.71	182,988.45	7.5%	13,724.13	7,021.29	3,311.87	(3,709.42)	UNDERSTATED CONTRIBUTION
E15020000201	KPF Contribution	24,374.00	21,090.13	286,505.70	7.5%	21,487.93	3,283.87	2,886.07	(397.80)	UNDERSTATED CONTRIBUTION
E15030000201	KPF Contribution	60,790.00	55,193.24	730,339.62	7.5%	54,775.47	5,596.76	6,014.53	417.77	OVERSTATED CONTRIBUTION
E15050000201	KPF Contribution	3,731.00	3,410.04	45,464.00	7.5%	3,409.80	320.96	321.20	0.24	OVERSTATED CONTRIBUTION
TOTAL		\$105,931.00	\$89,708.12	\$1,245,297.77		\$ 93,397.33	\$16,222.88	\$ 12,533.67	\$ (3,689.21)	TOTAL OVERSTATED

As indicated above the total overstated figure of over \$3k for KPF contribution was noted after comparing the Finance General Ledger report value of \$89k. The audit (figure) calculation was derived from the annual gross per output including temporary assistance multiply by existing rate 7.5%. However, such variance seems too excessive and the Ministry of Finance must make correction or adjustment accordingly.

Implications:

- Absence of regular reconciliation would result in unnecessary overstatements and understatements.
- A Ministry that regularly updates its records, to do a proper filing and regular reconciliation would not confront variances by the end of the year.

Recommendations:

- Management should ensure it regularly updates its records through reconciliation with records held by MFED
- Management should regularly review the work of its support staff for ensuring full conformity to the requirement of the governing of FR 11 and other governing laws.

Management response (MIA):

Management noted the recommendations and would ensure to updates KPF record with MFED on a regular basis and also to flag movement of staff in and out of MIA to salary Unit in MFED for prompt adjustment of staff concerned salaries allocation. The delay in correcting concerned staff salaries allocations could cause either overstate or understate in the KPF contribution amount.

16.3.2.18 VARIANCE OF KPF CONTRIBUTION**Findings and Analysis:**

The audit identified the variance that exists between the management report and audit figure when calculating KPF contribution as shown in the table hereunder.

Description	E1701	E1702
Salary	\$ 211,770.63	\$ 466,909.68
Temporary	\$ 12,686.90	
Total	\$ 224,457.53	\$ 466,909.68
Multiply 7.5% (Audit figure)	\$ 16,834.31	\$ 35,018.23
Balance Management report	\$ 16,719.90	\$ 35,299.66
Variance	\$ (114.41)	\$ 281.43

Implication:

The discrepancies reported above would have deprived employees from receiving actual KPF benefit.

Recommendation:

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

Management response (MM):**16.3.2.19 VARIANCES DETECTED PAYROLL AND KPF CONTRIBUTION****Findings and Analysis:**

The following variances were detected when the audit compare figures between the revised budget, general ledger and pay costing mainly on the provision of salaries, temporaries as well as KPF contribution. This was an indication of lack of reconciliation between MCIC and MFED and therefore such variances detected must be corrected, adjusted or justified from these concerned Ministries (i.e. MCIC & MFED). Details of such variances are provided in the table hereunder.

		A	B	C	1	2	3
		Rev Budget	GL	PAYCOSTING	VARIANCE A - B	VARIANCE A - C	VARIANCE B - C
E18010000202	Salaries	138,927.00	138,926.89	210,785.02	0.11	(71,858.02)	(71,858.13)
E18010000206	Temporaries	27,740.00	27,671.60	22,632.30	68.40	5,107.70	5,039.30
		\$ 166,667.00	\$ 166,598.49	\$ 233,417.32	\$ 68.51	\$ (66,750.32)	\$ (66,818.83)
E18020000202	Salaries	119,674.00	119,602.20	116,543.80	71.80	3,130.20	3,058.40
E18020000206	Temporaries	-	-	-	-	-	-
		\$ 119,674.00	\$ 119,602.20	\$ 116,543.80	\$ 71.80	\$ 3,130.20	\$ 3,058.40
E18030000202	Salaries	161,619.00	161,618.40	140,613.00	0.60	21,006.00	21,005.40
E18030000206	Temporaries	1,418.70	1,012.60	1,268.80	406.10	149.90	(256.20)
		\$ 163,037.70	\$ 162,631.00	\$ 141,881.80	\$ 406.70	\$ 21,155.90	\$ 20,749.20
E18040000202	Salaries	57,842.00	57,841.40	57,778.40	0.60	63.60	63.00
E18040000206	Temporaries	-	-	9,058.00	-	(9,058.00)	(9,058.00)
		\$ 57,842.00	\$ 57,841.40	\$ 66,836.40	\$ 0.60	\$ (8,994.40)	\$ (8,995.00)

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		K	L	M	a	b	c	
Output	Description	Rev Budget	GL	Audit figure	VARIANCE K - L	VARIANCE K - M	VARIANCE L-M	
E18010000201	Kpf Contribution	12,810.00	12,678.03	17,506.30	131.97	(4,696.30)	(4,828.27)	1
E18020000201	Kpf Contribution	13,705.00	8,946.98	8,740.79	4,758.02	4,964.22	206.20	2
E18030000201	Kpf Contribution	16,031.00	12,427.87	10,641.14	3,603.13	5,389.87	1,786.74	3
E18040000201	Kpf Contribution	5,558.00	4,370.89	5,012.73	1,187.11	545.27	(641.84)	4

Implication:

- KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.

Recommendations:

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

Management response (MCIC):

Agree with Audit query so we are working towards what the audit suggest for this year.

16.3.2.20 KIRIBATI PROVIDENT FUND CONTRIBUTION (KPF)

Findings and Analysis:

After performing the audit analytical review on KPF contribution, it was noted that there were over and understatement of employee's contributions as indicated in the table hereunder:

Description	E2601	E2602	E2603	E2604	E2605	E2606	E2607
Total Annual Gross Salary 2016	\$ 272,889.00	\$ 20,668.03	\$ 85,804.00	\$ 33,666.13	\$ 27,942.00	\$ 56,302.00	\$ 21,892.00
Temporary	\$ 36,389.00	\$ 18,974.00	\$ 12,220.00	\$ 14,087.00	\$ 2,500.00	\$ 5,945.30	\$ 5,843.00
Total	\$ 309,278.00	\$ 39,642.03	\$ 98,024.00	\$ 47,753.13	\$ 30,442.00	\$ 62,247.30	\$ 27,735.00
Multiply 7.5% (KPF rate)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
KPF contribution (Audit figure)	\$ 23,195.85	\$ 2,973.15	\$ 7,351.80	\$ 3,581.48	\$ 2,283.15	\$ 4,668.55	\$ 2,080.13
KPF per Management report 2016 Actual	\$ 26,349.90	\$ 1,337.67	\$ 7,073.00	\$ 2,994.00	\$ 2,557.63	\$ 5,683.58	\$ 1,679.00
Total Variance	\$ (3,154.05)	\$ 1,635.48	\$ 278.80	\$ 587.48	\$ (274.48)	\$ (1,015.03)	\$ 401.13

The table above shows total amount of KPF contribution for each division. As evidenced three divisions (Administration, Youth and Women) had overstated some employees' contributions as per the audit figure shown above. The remaining divisions fall below the amount reflected in the management report (table above refers). The above proves lack of reconciliation by the Ministry with records held by MFED. Therefore, proper explanations are required on the above discrepancies from MWYSA.

Implications:

- KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.
- The overspending or understatement of KPF contributions would affect the employees' benefit if their KPF is lower than what it should be or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

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Recommendations:

- Management must ensure to perform its proper review and regular reconciliation with MFED records to avoid discrepancies at the end of each fiscal year.
- Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response (MWYSA):

Finance could advice more on this.

16.3.2.21 VARIANCES DETECTED WHEN COMPARING GL AND PAY COSTING

Findings and Analysis:

- The audit noted the variances exist after extracting figures and compared with Pay costing and General Ledger. The variance detected is a possible failure to perform regular reconciliation between the MLPID and MFEP which could also impact on the KPF contribution such as noted hereunder.

		Rev Budget	GL	PAYCOSTING	VARIANCE A - B	VARIANCE A - C	VARIANCE B - C
E29010000202	Salaries	205,015.00	205,014.85	313,201.92	0.15	(108,186.92)	(108,187.07)
E29010000206	Temporaries	16,181.00	16,181.90	19,242.58	(0.90)	(3,061.58)	(3,060.68)
		\$ 221,196.00	\$ 221,196.75	\$ 332,444.50	\$ (0.75)	\$ (111,248.50)	\$ (111,247.75)
E29020000202	Salaries	72,125.00	72,124.30	76,128.30	0.70	(4,003.30)	(4,004.00)
E29020000206	Temporaries	4,827.00	4,826.50	4,826.50	0.50	0.50	-
		\$ 76,952.00	\$ 76,950.80	\$ 80,954.80	\$ 1.20	\$ (4,002.80)	\$ (4,004.00)
E29030000202	Salaries	320,082.00	320,081.70	313,083.40	0.30	6,998.60	6,998.30
E29030000206	Temporaries	2,713.00	2,712.20	1,037.40	0.80	1,675.60	1,674.80
		\$ 322,795.00	\$ 322,793.90	\$ 314,120.80	\$ 1.10	\$ 8,674.20	\$ 8,673.10
E29040000202	Salaries	39,058.00	39,057.80	39,057.80	0.20	0.20	-
E29040000206	Temporaries	233.00	197.00	197.00	36.00	36.00	-
		\$ 39,291.00	\$ 39,254.80	\$ 39,254.80	\$ 36.20	\$ 36.20	\$ -
E29050000202	Salaries	98,047.00	98,011.30	108,336.90	35.70	(10,289.90)	(10,325.60)
E29050000206	Temporaries	2,760.00	2,759.60	1,742.00	0.40	1,018.00	1,017.60
		\$ 100,807.00	\$ 100,770.90	\$ 110,078.90	\$ 36.10	\$ (9,271.90)	\$ (9,308.00)
E29060000202	Salaries	100,035.00	100,025.75	98,390.40	9.25	1,644.60	1,635.35
E29060000206	Temporaries	6,703.00	6,702.20	5,791.40	0.80	911.60	910.80
		\$ 106,738.00	\$ 106,727.95	\$ 104,181.80	\$ 10.05	\$ 2,556.20	\$ 2,546.15
E29070000202	Salaries	152,985.00	152,984.90	154,546.90	0.10	(1,561.90)	(1,562.00)
E29070000206	Temporaries	17,359.00	17,358.70	13,289.20	0.30	4,069.80	4,069.50
		\$ 170,344.00	\$ 170,343.60	\$ 167,836.10	\$ 0.40	\$ 2,507.90	\$ 2,507.50
E29080000202	Salaries	36,195.00	35,854.00	35,854.00	341.00	341.00	-
E29080000206	Temporaries	3,222.00	3,222.00	3,222.00	-	-	-
		\$ 39,417.00	\$ 39,076.00	\$ 39,076.00	\$ 341.00	\$ 341.00	\$ -
E26090000202	Salaries	24,185.00	24,184.60	32,470.40	0.40	(8,285.40)	(8,285.80)
E26090000206	Temporaries	5,314.00	5,313.60	-	0.40	5,314.00	5,313.60
		\$ 29,499.00	\$ 29,498.20	\$ 32,470.40	\$ 0.80	\$ (2,971.40)	\$ (2,972.20)
E26100000202	Salaries	15,207.00	15,207.00	14,907.00	-	300.00	300.00
E26100000206	Temporaries	-	-	-	-	-	-
		\$ 15,207.00	\$ 15,207.00	\$ 14,907.00	\$ -	\$ 300.00	\$ 300.00
E26110000202	Salaries	83,810.00	83,803.50	84,023.10	6.50	(213.10)	(219.60)
E26110000206	Temporaries	2,957.00	2,954.00	2,954.00	3.00	3.00	-
		\$ 86,767.00	\$ 86,757.50	\$ 86,977.10	\$ 9.50	\$ (210.10)	\$ (219.60)
E26120000202	Salaries	44,378.00	36,652.69	-	7,725.31	44,378.00	36,652.69
E26120000206	Temporaries	528.00	527.80	-	0.20	528.00	527.80
		\$ 44,906.00	\$ 37,180.49	\$ -	\$ 7,725.51	\$ 44,906.00	\$ 37,180.49
E26130000202	Salaries	44,200.00	12,236.42	10,424.60	31,963.58	33,775.40	1,811.82
E26130000206	Temporaries	1,391.00	1,152.00	788.00	239.00	603.00	364.00
		\$ 45,591.00	\$ 13,388.42	\$ 11,212.60	\$ 32,202.58	\$ 34,378.40	\$ 2,175.82

		O	P	Q	1	2	3	
Output	Description	Rev Budget	GL	Audit figure	VARIANCE O - P	VARIANCE O - Q	VARIANCE P - Q	
E29010000201	Kpf Contribution	17,696.00	17,131.13	24,933.34	564.87	(7,237.34)	(7,802.21)	1
E29020000201	Kpf Contribution	6,684.00	5,766.00	6,071.61	918.00	612.39	(305.61)	2
E29030000201	Kpf Contribution	27,186.00	23,888.60	23,559.06	3,297.40	3,626.94	329.54	3
E29040000201	Kpf Contribution	3,029.00	2,929.88	2,944.11	99.12	84.89	(14.23)	4
E29050000201	Kpf Contribution	8,559.00	7,371.05	8,255.92	1,187.95	303.08	(884.87)	5
E29060000201	Kpf Contribution	9,165.00	7,844.04	7,813.64	1,320.96	1,351.37	30.40	6
E29070000201	Kpf Contribution	15,477.00	12,588.85	12,587.71	2,888.15	2,889.29	1.14	7
E29080000201	Kpf Contribution	3,760.00	2,931.09	2,930.70	828.91	829.30	0.39	8
E29090000201	Kpf Contribution	2,582.00	2,220.46	2,435.28	361.54	146.72	(214.82)	9
E29100000201	Kpf Contribution	2,330.00	1,140.57	1,118.03	1,189.43	1,211.98	22.55	10
E29110000201	Kpf Contribution	7,454.00	6,524.10	6,523.28	929.90	930.72	0.82	11
E29120000201	Kpf Contribution	12,104.00	8,355.31	-	3,748.69	12,104.00	8,355.31	12
E29130000201	Kpf Contribution	3,488.00	839.98	840.95	2,648.02	(0.96)	(0.96)	13

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		O	P	Q	1	2	3
Output	Description	Rev Budget	GL	Audit figure	VARIANCE O - P	VARIANCE O - Q	VARIANCE P - Q
E29010000201	Kpf Contribution	17,696.00	17,131.13	24,933.34	564.87	(7,237.34)	(7,802.21)
E29020000201	Kpf Contribution	6,684.00	5,766.00	6,071.61	918.00	612.39	(305.61)
E29030000201	Kpf Contribution	27,186.00	23,888.60	23,559.06	3,297.40	3,626.94	329.54
E29040000201	Kpf Contribution	3,029.00	2,929.88	2,944.11	99.12	84.89	(14.23)
E29050000201	Kpf Contribution	8,559.00	7,371.05	8,255.92	1,187.95	303.08	(884.87)
E29060000201	Kpf Contribution	9,165.00	7,844.04	7,813.64	1,320.96	1,351.37	30.40
E29070000201	Kpf Contribution	15,477.00	12,588.85	12,587.71	2,888.15	2,889.29	1.14
E29080000201	Kpf Contribution	3,760.00	2,931.09	2,930.70	828.91	829.30	0.39
E29090000201	Kpf Contribution	2,582.00	2,220.46	2,435.28	361.54	146.72	(214.82)
E29100000201	Kpf Contribution	2,330.00	1,140.57	1,118.03	1,189.43	1,211.98	22.55
E29110000201	Kpf Contribution	7,454.00	6,524.10	6,523.28	929.90	930.72	0.82
E29120000201	Kpf Contribution	12,104.00	8,355.31	-	3,748.69	12,104.00	8,355.31
E29130000201	Kpf Contribution	3,488.00	839.98	840.95	2,648.02	(0.96)	(0.96)

Implications:

- KPF payments are statutory payments and any overstatement or understatement will have an adverse effect on i) Overall total (budget) for the Ministry ii) Status of employees' KPF privilege.
- Some employees' KPF contribution may not be paid in full as anticipated due to the over/understatement reported above.

Recommendations:

- ✓ It is therefore recommended that MLPID through its account section must ensure to conduct proper review and regular reconciliation with MFED to avoid future discrepancies (over/understated) at the end of the financial year.
- ✓ Management should ensure the total salary, Temporary and wages payments, if any, for each pay day, when multiplied by 7.5% should equate to the KPF appearing in the payroll for that pay period and to instantly correct the MFED figure to avoid accumulation of wrong KPF at the end of the financial year.

Management response (MLPID):

We also believe that there will always be a different in pay costing and GL Posting since the there are other payment who are not paid from MFED Salary but pay directly from MLPID that will course the difference of variances. It is the MFED role to merge our GL report with their GL report and costing.

Management will look into the matter and make sure that there is no under payment for Employees benefit.

17) MINISTRY OF WOMEN, YOUTH AND SOCIAL AFFAIRS (MWYSA)**Findings and Analysis:****17.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Ministry of Women, Youth and Social Affairs** for the year ended 31st December 2016 with **"Emphasis of matter"** as discussed in detail from 17.3 below.

17.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the qualified audit opinion for MWYSA in fiscal year 2015 as follows:

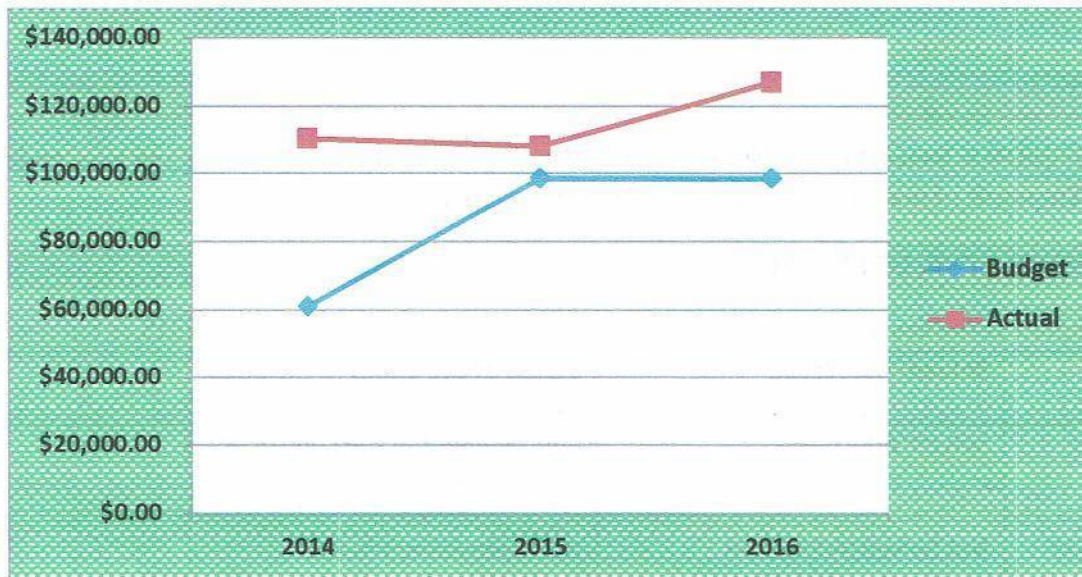
Issues	Solved/Addressed	Status of the issues in the 2016 audit
Weaknesses in the revenue system.	Solved/Addressed	Improvement in the control of the revenue.
Variances detected in the KPF contribution.	Not Solved/Addressed	No improvement in the reconciliation.
Two (2) year leave entitlement policy.	Not Solved/Addressed	Outstanding leave balance still accumulating.
Logbook	Not Solved/Addressed	Logbook not completely updated.
Outstanding imprest	Not Solved/Addressed	Improvement in the recovery mechanism.

17.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

17.3.1 CONTROL OVER REVENUE**17.3.1.1 MWYSA REVENUE SUMMARY COLLECTION**

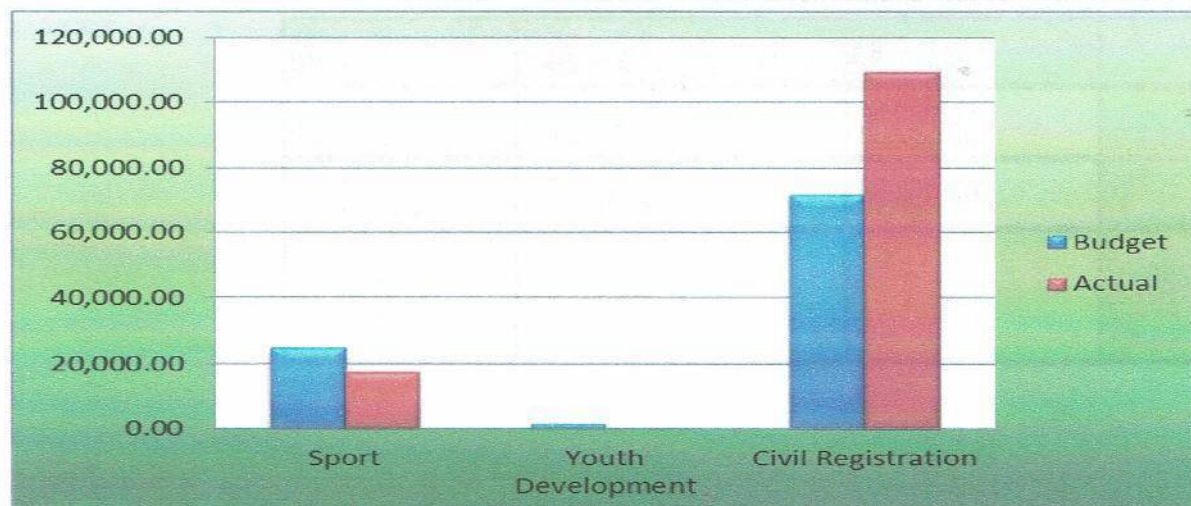
	2014	2015	2016
Budget	\$61,000.00	\$98,400.00	\$98,400.00
Actual	\$110,396.00	\$108,172.58	\$127,015.47
Variance Under/(Over)	(\$49,396.00)	(\$9,772.58)	(\$28,615.47)

17.3.1.2 MWYSA LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

The graph and table above portray that for the third consecutive year (2014 to 2016) of operation the Ministry(MWYSA) had again showed an outstanding performance by exceeding its revenue estimate budget in the sum of over \$28k, given that the Ministry had a stable budget estimate of \$98k. Therefore, the Ministry should be commended again for maintaining such tremendous achievement.

17.3.1.3 MWYSA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Divisions	Sport	Youth Development	Civil Registration	Total
Budget	25,000.00	1,400.00	72,000.00	98,400.00
Actual	17,554.95	72.00	109,388.52	127,015.47
(Over)/Under	7,445.05	1,328.00	-37,388.52	-28,615.47

17.3.1.4 MWYSA COMPARATIVE BAR GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS

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As demonstrated above, only 3 from the 7 divisions under MWSYA that generated revenue and only one division (Civil Registration) far exceeded its revenue estimate budget by \$37k. Conversely, the other two divisions had not managed to meet their targets but in aggregate were outweighed by the excess revenue collected for civil registration. Therefore these latter divisions should be encouraged in future years to meet their target while Civil Registration should be commended for such achievement and in particular for having managed to generate net revenue gain for the Ministry of \$28k.

Recommendations:

Management should ensure that all divisional Heads are responsible for managing and meeting their revenue targets. Management should ensure its future budgets are aligned with the activities its divisions will pursue.

Management response:

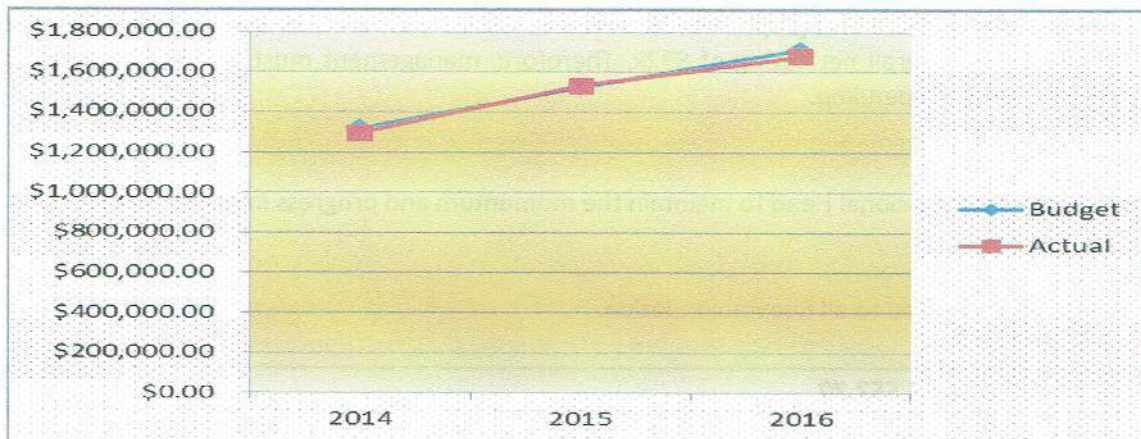
The management has accepted and agreed to all the recommendations.

17.3.2 CONTROL OVER EXPENDITURE

17.3.2.1 MWYSA EXPENDITURE SUMMARY 2016

	2014	2015	2016
Budget	\$1,316,790.00	\$1,524,060.00	\$1,709,198.00
Actual	\$1,294,611.95	\$1,531,335.09	\$1,676,533.54
Variance Under/(Over)	\$22,178.05	(\$7,275.09)	\$32,664.46

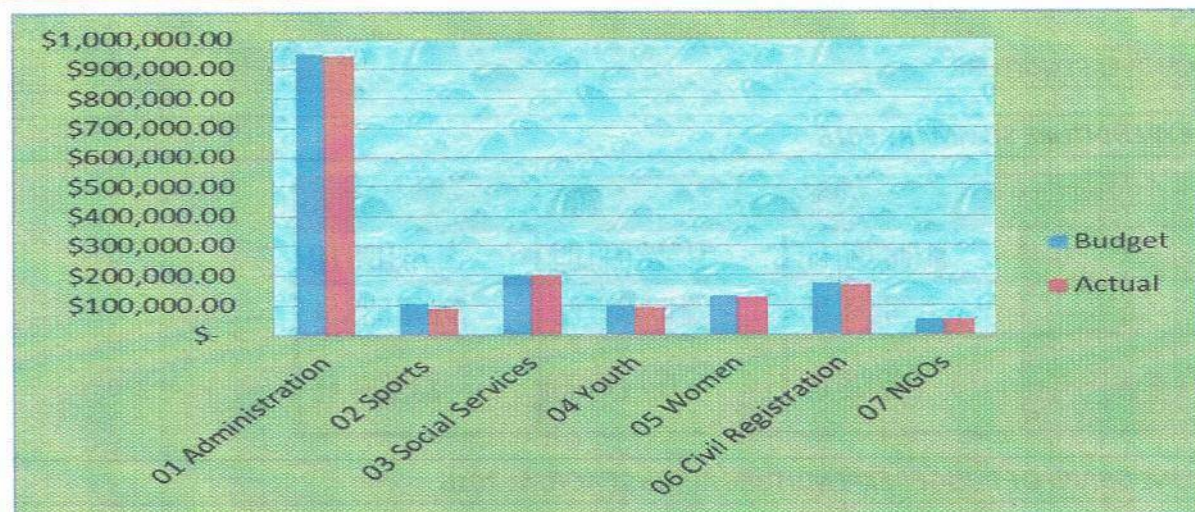
17.3.2.2 MWYSA LINE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2016



As highlighted above, in its third (3) year of operation the MWYSA had successfully managed its level of spending within its allocated budget and thus had incurred a net saving of \$32k. This is an indication of remarkable performance to operate within approved estimate and therefore management should be commended for exerting more control over its spending compared with the previous year (2015) when it overrun its budget by \$7k.

17.3.2.3 MWYSA EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Divisions	Budget	Actual	(Over)Under
01 Administration	\$ 950,258.00	\$ 943,139.03	\$ 7,118.97
02 Sports	\$ 105,080.00	\$ 91,205.53	\$ 13,874.47
03 Social Services	\$ 201,097.00	\$ 200,047.96	\$ 1,049.04
04 Youth	\$ 97,879.00	\$ 94,246.96	\$ 3,632.04
05 Women	\$ 133,090.00	\$ 127,977.39	\$ 5,112.61
06 Civil Registration	\$ 171,447.00	\$ 169,703.79	\$ 1,743.21
07 NGOs	\$ 50,347.00	\$ 50,212.88	\$ 134.12
Total	\$ 1,709,198.00	\$ 1,676,533.54	\$ 32,664.46

17.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS

It is pleasing to note from the above table and graph that all divisions within MWYSA had operated below budget estimate thus all contributed to the overall net saving of \$32k. Therefore, management must be highly praised for their efforts in monitoring their level of spending.

Recommendation:

Management should encourage each divisional Head to maintain the momentum and progress in future years.

Management response:

The management has agreed and accepted to all Recommendation.

17.3.2.5 STORE REGISTER PV 0702/16 \$3,552.70**Findings and Analysis:**

The audit noted the Payment voucher 0702/16 for \$3,552.70 was related to the reimbursement to HM for the purchased of Apple laptop. It was confirmed that the Apple Laptop was entered in the store register but when the audit performed physical stock take to ensure that all asset exist it was observed that Apple laptop for HM could not be identified. As confirmed, HM had taken the laptop when shifts to the MOE.

Implication:

The absence of a policy and control measures on the movement/usage of purchased items could increase the risk of misappropriation of the Ministry's assets

Recommendations:

- ✓ Management must ensure it transfers the asset to MOE and for MOE to account for such laptop in their stores register and such transactions should be conveyed to Stock Verifier for future follow up and reference.
- ✓ All items purchased under the Ministry budget must be utilized for the operation of the concerned Ministry.

Management response:

The management has agreed and transfer of asset was done, refer attachment.

17.3.2.6 LEAVE BALANCES**Findings and Analysis:**

After the audit check the leave balance for each staff concerning MWYSA it was noted that MWYSA had failed to comply with a new policy on leave balances (2 yrs leave entitlement policy) as some of its officers with their respective leave entitlements were noted to have accumulated their excessive leave balances for more than 2 years.

PostTitle	Entitlement	Leave Balance
ASWO	22	155
ASWO	22	104
SSWO	30	145
WO	22	121

Implication:

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

Recommendations:

- MWSYA must strictly adhere to and implement the Cabinet Decision Minute No. 77/10 to all staff so only 2 years leave entitlement is accumulated.
- MWYSA should arrange recovery of excessive negative leave balances (overstayed) as clearly stipulated under Section D 9 (a & b) of NCS from staff that have negative balances standing to their credit. The recovery should be made by reducing from their gross salary the equivalent hours for number of days overstayed until such overstayed leave had been fully recovered
- MWSYA should have a leave roster maintained and updated frequently as a means of controlling and monitoring leaves taken and ensuring leave balances remaining are within acceptable range.

Management response:

The management strongly support the recommendations and agreed that the staff with more than two years remaining balance will be dealt with as per the Cabinet decision Minute; the management will deal with the responsible officers accordingly.

The register is already in place, controlled and updated by Registry staff (available- e copy only)

17.3.2.7 CONTROL OVER LOG BOOK**Findings and Analysis:**

The log book for BG 194 was noted available although it is not updated as evidenced by detecting the omitted mileage periods of January up to June as observed during the review, hence made it not possible for auditors to conduct further testing.

Implications:

- Failure to updated Log Books for Ministry vehicles would make it impossible for auditors to confirm claims been lodged already for overtime, refuelling, etc., thus would increase the risk of loss of public funds.
- Management's failure in monitoring log books could lead to drivers not bothering to maintain and update their log books which could thus increase the risk of misappropriation and loss of public funds.
- The absence of proper mileage recording would annul overtime claims made by drivers as it would make it not possible to substantiate the length of drive been done and the time it had taken for such run.

Recommendations:

- Proper regular review should be conducted by management in ensuring that all log books must be maintained, updated and kept safely by respective drivers, and returned to Account Section once completed.
- Management should also ensure that the log books are made readily available when sought for in future audits to avoid repetitive issues from occurring.
- Management should have in place a monitoring mechanism where refueling of vehicles require issue of a ticket as approval to petrol stations staff to refuel such Ministry's vehicle as required on the ticket and of course has to be signed by the driver.

Management response:

- Drivers are now provided with log books and were all under the supervision of the Office Manager and the Assistant Secretary.
- Drivers were issued with docket when need fuel for their vehicle. This is approved by the AS and SA. Getting fuel without the docket will the responsibility of the driver himself.

17.3.2.8 CONTROL OVER IMPREST - OUTSTANDING IMPREST OF \$14,570**Finding and Analysis:**

After extracting the total outstanding imprest from the MFEP listing/records the audit noted the total outstanding Imprest for 2016 was \$14,570.00, a decline in amount when compared to 2015 outstanding of \$30k. The variance of \$16k shows a decline from 2015 to 2016. As there is still outstanding Imprests by the year end management should ensure in future that all travellers retire their Imprests within the grace period of within 10 working days when arrived back from official trip.

Implications:

- Not retiring of Imprests within the 10 days grace period and if officers are still issued Imprests when next travel is a total breach of FR 2011 and Imprest policy.
- The outstanding dues reflected above, when adding with other Ministries outstanding Imprests, would have adverse effect on the Gov't cash flow if there are amounts due back to government but were not paid.

Recommendations:

- Management should have an Imprest register for ensuring timely retirements of Imprests from those that have returned from official trips.
- Management to ensure officers with outstanding Imprests are not issued further Imprests until previous Imprests have been cleared.

Management response:

Management strongly support and accepted all comments and ensure that records are updated for future record. Currently, a register and a database system is in place which helps to identify which trip has not been retired from staff. Refer attachment.

17.3.2.9 MISPOSTING OF PV# 0723/16 \$29,567**Finding and Analysis:**

The audit revealed that the Payment (PV# 0723/16 \$29,567) was incorrectly posted under E2601000243 (Office Equipment & Furniture) when it should be charged to code E26010000285 (Hire of Plant & Equipment). This confirmed the lack of reconciliation by management with records held by MFED.

Implications:

- Mis-posting of proper transaction (code) could cause unrealistic figure disclosed in the management report and could affect the budget level for future years.
- Failure to regularly reconcile management's records could result in mis-postings been undetected.

Recommendation:

- ✓ Management is recommended to conduct proper and regular reconciliation with records held by MFED to avoid mis-postings and to be able to instantly take corrective action when deviations are noted.

Management response:

The management has accepted all comments and ensure to avoid mis postings or misallocations for future record.

18) MINISTRY OF PUBLIC WORKS AND UTILITIES (MPWU)**Findings and Analysis:****18.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Public Works and Utilities** for the year ended 31st December 2016 **"Except For"** the effect of the matters as discussed in detail from 18.3 below.

18.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The issues appended below were noted as the causes of the audit opinion for the Ministry of Public Works and Utilities Board performance in the fiscal year 2015 as follows.

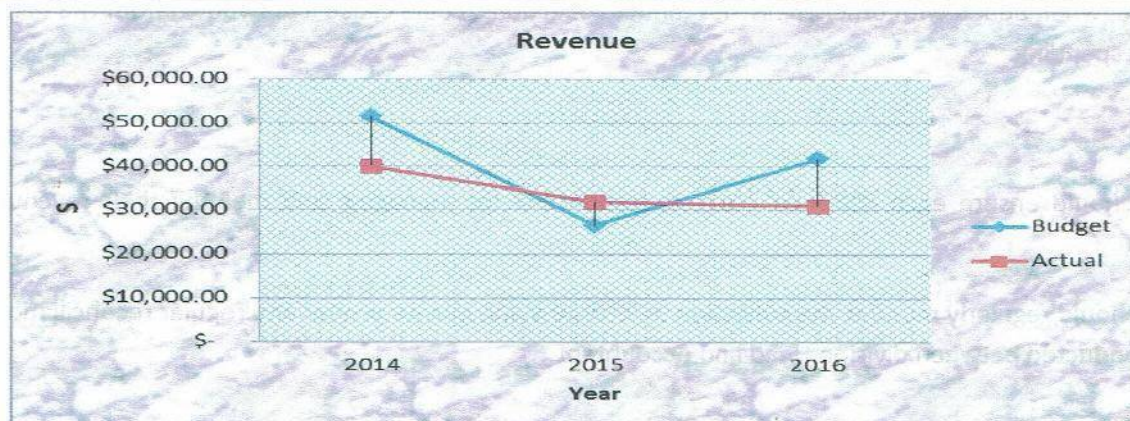
Issues	Solved/Addressed	Status of the issue in 2016 audit
Temporary appointment letters for two officers were not made available	Not Solved/Addressed	
Outstanding Imprest	Not Solved/Addressed	Outstanding Imprest still detected during this year audit
Failure to submit driver's log book	Not Solved/Addressed	Log book noted available although not updated
Unavailability of requested documents	Not Solved/Addressed	
Fraudulent case in respect of one officer (Store maid)	Not solved/Addressed	The concerned ministry has yet to enforce and implement audit recommendations regarding this issue.

18.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

18.3.1 CONTROL OVER REVENUE**18.3.1.1 MPWU BUDGET SUMMARY AGAINST ACTUAL FOR YEARS 2014-2016**

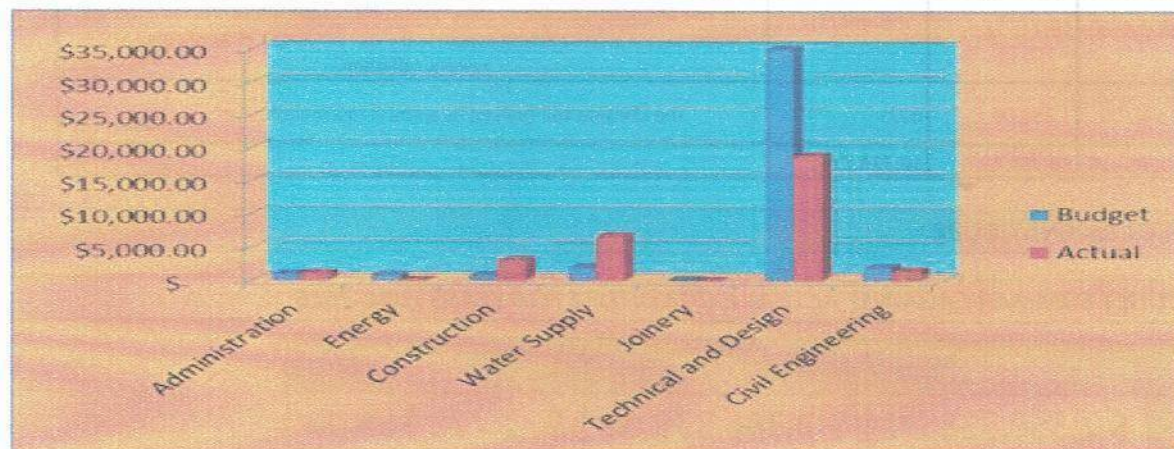
Description	2014	2015	2016
Budget	\$ 51,400.00	\$ 26,430.00	\$ 41,680.00
Actual	\$ 39,981.00	\$ 31,790.00	\$ 30,965.00
(Over)/Under	\$ 11,419.00	\$ (5,360.00)	\$ 10,715.00

18.3.1.2 COMPARATIVE REVENUE AGAINST BUDGET FOR YEARS 2014 TO 2016

In referring to the above analysis the estimate budget in 2016 was drastically increased from \$26k (2015) to \$41k (2016) an increase of over \$15k was then realized. Despite an increase in the budget the actual collection had continuously dropped, a shortfall of over \$10, therefore management should ensure it aligned its budget estimate in the future with the revenue it expects to receive.

18.3.1.3 MPWU REVENUES AGAINST BUDGET BY DIVISIONS 2016

Code	Division	Revised Budget	Actual	(Over)/Under
C2701	Administration	980.00	1,104.00	(124.00)
C2702	Energy	800.00	60.00	740.00
C2705	Construction	800.00	3,030.85	(2,230.85)
C2706	Water Supply	2,000.00	6,625.40	(4,625.40)
C2707	Joinery	100.00	-	100.00
C2708	Technical & Design	35,000.00	18,747.18	16,252.82
C2709	Civil Engineering	2,000.00	1,398.00	602.00
	TOTAL	41,680.00	30,965.43	10,714.57

18.3.1.4 COMPARATIVE REVENUES AGAINST BUDGET BY DIVISIONS 2016

Of the seven divisions that generate revenue for the Ministry three exceeded their revenue budget estimate such as Water Supply by over \$4k followed by Construction with an over collection of over \$2k and Administration with an over of \$124. The remaining four divisions were unable to meet their revenue targets thus had contributed to the Ministry's revenue shortfall of over \$10k.

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Implication:

The shortfall in revenue, when added with other Ministries' under collections, could cause a drawdown from the RERF to finance government spending.

Recommendations:

- Management should ensure each divisional Head is responsible for managing and meeting their revenue budget.
- Management should regularly monitor the collection by divisions and ensure proper and regular reconciliation of records is conducted between division Head and Accountant.

Management response:

The management do agree with the concern raised by the Audit Office and its now trying its best to work closely with its division to come up to a more realistic amount so that the targeted amount are met. On the other hand some expected projects that were supposed to happen in the year were somehow do not happen and the revenue that would be expected from these were not received therefore causing the shortfall in the revenue collection in the year. The management will make sure to revise its amount to a more realistic figure when setting target in the future.

Please find appended below for more clarifications.

Revenue against Budget – Summary					
Code	Division	Revised	Actual	(Over)/under	Remarks
2701	Admin	980	1,104.00	-124	
2702	Energy	800	60	740	The Division will revised its collection to come to a more realistic figure.
2705	Construction	800	3,030.85	-2,230.85	
2706	Water	2,000.00	6,625.40	-4,625.40	
2707	Joinery	100		-100	The output should be allocated under the Quality Unit and not the Joinery. The joinery has been numbered under the 2705 and named as Building and Furnishings.
2708	Technical	35,000.00	18,747.18	16,252.82	The estimated amount was based on the fact that there would be upcoming projects in the year and design, costing and other applicable charges will be credited under the output but the projects did not happen in the year which caused the shortfall in the revenue collection.
2709	Civil	2,000.00	1,398.00	602	The Division will revised its amount to a more realistic figures.
		41,680.00	30,965.43	10,714.57	

18.3.2 CONTROL OVER EXPENDITURE

18.3.2.1 MPWU BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE FOR YEARS 2014-2016

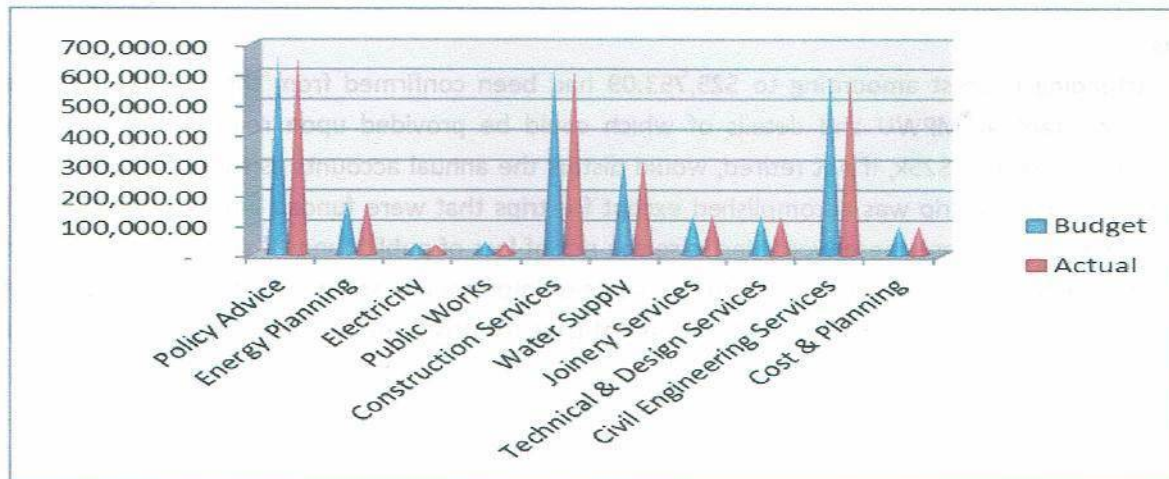
Descriptions	2014	2015	2016
Budget	\$ 2,350,738.00	\$ 2,386,335.00	\$ 2,776,563.00
Actual	\$ 2,273,917.07	\$ 2,390,738.79	\$ 2,779,871.37
(over)/under	\$ 76,820.93	\$ (4,403.79)	\$ (3,308.37)

18.3.2.2 MPWU COMPARATIVE EXPENDITURE GRAPH AGAINST BUDGET FOR YEARS 2014-16

As indicated in the above graph, MPWU had failed again to manage its spending within its appropriated budget thus incurring an excess spending of over \$3k in 2016. Therefore, the Ministry should ensure to maintain its level of spending within the budget limit as approved by Parliament.

18.3.2.3 MPWU BUDGET SUMMARY AGAINST ACTUAL EXPENDITURE BY DIVISIONS 2016

Exp Code	Divisions	Rev Budget	Actual	(Over)/Under
E2701	Policy Advice	654,580.00	659,539.01	(4,959.01)
E2702	Energy Planning	175,708.00	175,359.18	348.82
E2703	Electricity	36,662.00	35,959.82	702.18
E2704	Public Works	40,044.00	39,879.10	164.90
E2705	Construction Services	612,684.00	612,479.31	204.69
E2706	Water Supply	315,561.00	315,290.96	270.04
E2707	Joinery Services	131,038.00	131,342.05	(304.05)
E2708	Technical & Design Services	131,093.00	130,913.26	179.74
E2709	Civil Engineering Services	583,229.00	583,545.65	(316.65)
E2710	Cost & Planning	95,964.00	95,563.03	400.97
	TOTAL	2,776,563.00	2,779,871.37	(3,308.37)

18.3.2.4 COMPARATIVE GRAPH BUDGET AGAINST ACTUAL EXPENDITURE BY DIVISIONS 2016

Based on the above table/graph the major contributors to the Ministry's overspent of over \$3k was predominantly caused by three divisions i.e. Policy Advice with an overspent of \$4k, Joinery Services with amount of \$304 as well as Civil Engineering Services of \$316. Therefore each divisional head of these divisions should ensure to keep their spending level within their respective budget limits in future years.

Implication:

Excess spending is unauthorized and therefore would require submission by PAC for approval of Parliament under section 109 (5) of the Constitution.

Recommendations:

- Management should ensure its budget level is aligned with activities the Ministry pursues to accomplish in the next fiscal year.
- Management should regularly reconcile its records with that held by MFED.

Management response:

LIST OF OUTSTANDING OVERSPENT OUTPUT						
Division	Output	Budget	Revised	Actual	Overspent	Remarks
2701	202	275,113.00	95,549.68	95,819.66	-269.98	Salaries should not be overspent as budgeted amount were in accordance with the number of staff in the approved ER. This should be journalised to other output with surplus balances, in the E2702-202 and E2705-202 output. The accounts staff admitted that this was an oversight during the time of reconciliation.
	204	62,290.00	67,684.87	68,817.19	-1132.32	There was one adjustment from the Maneaba ni Maungatabu with the amount of \$1132.32. The adjusted amount appeared after the final adjustment was closed and therefore caused the overspent in the output.
	216	2,480.00	3,820.30	4,000.30	-180	This was also an oversight during the time of reconciliation. Adjustment of amount should have been done to debit other divisions with the same item code.
	227	41,050.00	135,159.40	141,982.25	-6822.85	The amount was an overspent. Funds not enough to cater for actual activities taken in the year.
2704	227	1,850.00	34,284.37	34,332.51	-48.14	Transfer of fund should have been done during the time of reconciliation from remaining fund under the division. This was also an oversight from the Account.
2706	216	2,070.00	7,697.62	8,231.15	-533.53	This was an overspent amount. The budgeted amount was not enough to meet the activities taken in the year.
2707	216	1,900.00	2,743.60	3,058.60	-315	This was an overspent amount as well.
2709	216	9,800.00	24,900.06	25,395.06	-495	This was an overspent amount.

18.3.2.5 OUTSTANDING IMPREST**Finding and Analysis**

The accumulated outstanding imprest amounting to **\$25,753.09** had been confirmed from the written responses provided by senior accountant at MPWU and details of which could be provided upon request. However, the accumulated outstanding imprest of \$25k, if not retired, would distort the annual accounts as these Imprests would have legally been utilized once the trip was accomplished except for trips that were funded and incidentals or still Imprests were issued. In the latter case these would increase the risk of loss of public funds if such amounts are not retired. Therefore management should closely monitor the issuance of Imprests and to ensure employees retire their imprests within 10 working days from when returned from official trips to satisfy the requirement of FR 11 and the Imprest policy.

Implications:

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

Recommendations:

- Management should keep a register for Imprest and update it regularly each time an employee returns from the official trip.
- Management should ensure it conforms to the provisions of FR 11 relating to Imprests and the Imprest Policy.

Management response:

Refer attachment #3 of written responses.

18.3.2.6 IMPREST DRAWN FOR OVERSEAS TRIP CANCELLED**Findings and Analysis:**

The audit had revealed that one officer who withdrew his imprest amounted to \$1,755.00 had not returned such imprest although the overseas trip that he withdrew his imprest for was cancelled, re full details as shown below:

Date	Officer's Name	Imprest #	Amount	Remarks
27/10/2016	Officer 1	48/16	\$ 1,755.00	When cross checking the amount drawn with the Imprest Unit records this Imprest has still not been returned. However, there was an amount of \$900.65 that offset the outstanding of \$1,755 on RR#365724 dated 03/03/17 appearing on the officer's travelling claim form. As the trip never eventuated the officer has to return the remaining \$854.35 with immediate effect.

Implications:

- Not returning Imprests drawn in full where trips are cancelled is not only a breach of FR 11 and Imprest Policy but is a total act of misconduct and employees involved should severely punish.
- Failure by management in monitoring the retirement of Imprests and if it issued again the Imprest to those not having retired the previous Imprests would increase the risk of loss of public funds.

Recommendation:

Management should demand from the officer concerned immediate payment of the balance still outstanding and consider appropriate reprimand action.

Management response:

The management noted the Audits concern over the misusing of public fund however the concerned officer is being asked to provide explanatory note on why the outstanding imprest was not returned in full for your further consideration from your end. Kindly find the written note as in the attachment. (Refer attachment 4)

18.3.2.7 CONFIRMATION LICENSED AND REGISTRATION FOR IRATA FROM MCIC**18.3.2.7.1 DELIVERING AND PROVIDING OF OIL BY IRATA HIRE TRUCK****Finding and Analysis**

The audit discovered that one significant payment made via PV # 032/27 to the above service provider amounting to \$2,050 was deemed improper and not scrutinized properly. According to the business record of MCIC Irata hire truck is also known as Hill hire & rental services and only provide the following services as listed below:

- Transport Hire
- Car rental
- Money Lending

The payment mentioned above was payable to Irata truck hire for selling out one drum of oil (15w40) to the Ministry of Works and this is deemed not proper as this line of business is not included amongst those listed above.

Therefore, an explanation or clarification is required from concerned officers.

18.3.2.7.2 COMPARATIVE OF UNIT PRICE AS SUPPLIER'S PRICE**Finding and Analysis:**

After comparing the unit price as per supplier's price it was revealed the excessive payment of \$3.40 as per unit price and \$700.50 per drum as indicated below:

Descriptions	Koil Cost Price To Clients Engine Oil 15w40		Irata Hire Truck Selling Price for Engine Oil 15w40		Variances Unit Price	Variances Per Drum 208litre
	Cost Price For A Drum of Oil	Cost Price For A Litre	Selling Price For A Drum of Oil	Cost Price For A litre	(over)/under	(over)/under
According to KOIL Cost Price as discussed with cashier at Koil Counter	\$1,349.50	\$6.60				
According to Irata Claims that was paid and authorised by Secretary of MPWU			\$ 2,050.00	\$ 10.00	\$ (3.40)	\$ (700.50)

The table above illustrated the total excessive payment of \$700.50 made to Irata hire truck as the price indicated in the KOIL's column (refer table above) was a retail price. Therefore, the payment to Irata hire truck was overly stated as the retail price offered by Irata hire truck was extremely too high when compared with that given by KOIL and is considered improper as this service provider is not licensed and registered to sell fuel (drum oil).

Implication:

Authorising and approving colossal payments that are not within the business line of a service provider would increase the risk of misappropriation of public funds.

Recommendations:

- Management should ensure all service providers it deals with provide the services for which they were registered.
- Management should always review all payment vouchers with attachments before approving payment to ensure full conformity to the requirements of all governing laws and regulations.
- Management should take timely and appropriate remedial actions against staff that deviate from the norm.

Management response:

The management do agree that the pv number 032/27 was paid to Irata truck hire for cost of fuel. The purchased was based on the fact that Irata was the only Supplier who could provide the fuel at the time. It was at this time when KOIL was unable to provide fuel to individuals, Ministries and SOEs because the ship which supposed to deliver the fuel met with an accident while at its base in Fiji and it was therefore not able to arrive on the expected date. The delay in its arrival caused the running out of fuel from KOIL, the main fuel supplier in the island.

The authorisation of payment to Irata was our only option at the time as it was the only Supplier which was able to provide us with the fuel. The cost implication was not considered as there was no other supplier available at the time to provide us with fuel. Irata was at an advantage of charging us extra cost as he knew that the Ministry was in desperate need of fuel and that he was the only supplier which could provide us with such.

To Address:

The management do agree with the Auditor's concern and also admitted that this was an oversight at that time as their only concern was to get the fuel to ensure that the operation of the Ministry was not affected and nothing more. The management noted the Auditor's concern in ensuring that the supplying Suppliers are with valid licenses to the kind of services they offer.

18.3.2.8 LEAVE BALANCES**Finding and Analysis:**

There were 40 employees from different divisions selected to perform our testing on their leave balances. Of the 40 samples selected some of which had leave balances exceeding 2 years entitlement as there had been accumulations for more than 3 to 4 years back which is not in line with Cabinet decision minute no. 77/10. Details could be provided upon request.

Implication:

The whole purpose of the Cabinet Decision Minute 77/10 is to avoid unnecessary drain out of public funds therefore any deviations would be regarded a violation of Cabinet decision.

Recommendation:

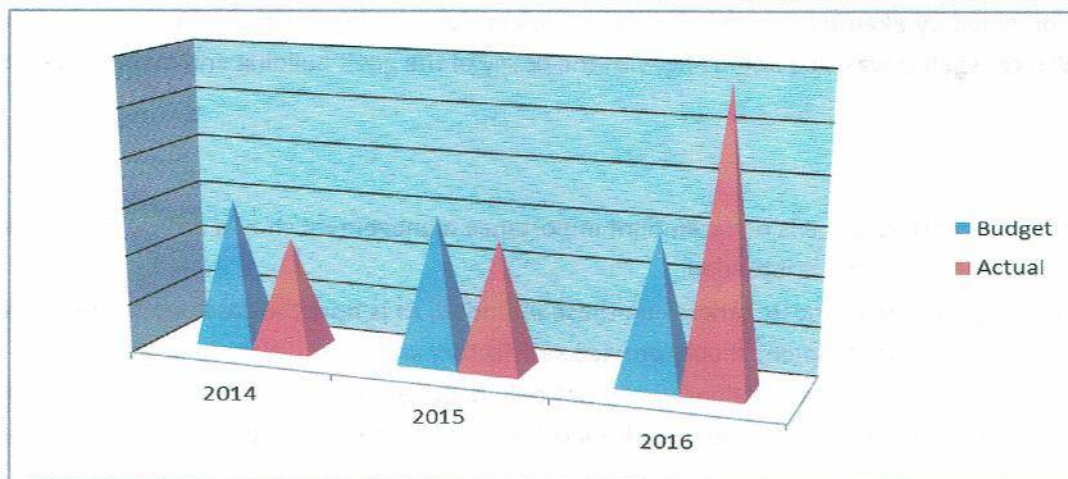
Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff.

Management response:

Management do not want to go against what has been directed from Cabinet but in the meantime, the Administration would seek the PSO approval if MISE staff with excess leave balances could be exempted from this directive, to consider the nature of their work.

18.3.3 GOVERNMENT BUILDING AND MAINTENANCE (E3160-289)**Findings and Analysis:****18.3.3.1 COMPARATIVE EXPENDITURE AGAINST BUDGET FOR YEARS 2014-16**

Description	2014	2015	2016
Budget	500,000.00	500,000.00	500,000.00
Actual	485,521.00	491,683.00	557,546.00
Diff (Over)/Under	14,479.00	8,317.00	(57,546.00)

18.3.3.2 COMPARATIVE GRAPH EXPENDITURE AGAINST BUDGET (ESTIMATE) 2014 – 2016

As depicted above the approved amount of \$500k for gov't building maintenance had been surpassed by \$57k (actual \$557,546.40). The overspent reported of \$57k could result from the lack of reconciliation by management with records held by MFED. Therefore, response from management is herewith sought.

Management response:

The amount was overspent which might be as the amount was not enough to meet the Ministry's demand as a whole. For your information, the fund has been increased from \$500,000.00 to \$1,000,000.00 this year which the management believed that the increase amount would now be able to meet the maintenance work required from Ministries.

18.3.3.3 CONTRACTOR'S AGREEMENT & DISCREPANCIES ON PAYMENT NOTED - TWO CONTRACTORS**Finding and Analysis:**

The audit had discovered the discrepancies of payment made in respect of the two selected **Contractors** namely **Nukan Te Wa and Ekeutoa Sub Group** as per indicated in the table below.

Contractors	Indicate Yes If The Contractor Have A Contract Agreement	Rate%	The Audit Calculation: Accurate Amount To be Paid	PV No.	Works Records after deduction (vat)	MFED GL (Gross)	Purpose of the payments
Nukan te Wa	No	nil		0439/27	\$ 2,100.00	\$ 2,210.60	te kaitiaki n HMCIC
Ekeutoa Sub Group	No	nil	not applicable	0436/27	\$ 950.00	\$ 1,000.00	Karaoakin autin te car ma katiakana
					\$ 3,050.00	\$ 3,210.60	

Further, the audit was not provided with the contract agreement by management when sought for hence no further testing was performed as a result. The Contract agreement is not only a binding instrument but is also a useful measurement tool in ensuring that the above payments are proper and within the terms of the agreement. As could be recalled from the discussion with HOD all groups and other contractors interested in providing services are required to have a duly signed agreement with the Ministry of Works. The absence of such in this case raises doubt on the legality of the payments made by the Ministry to the above Contractors. Therefore responses from management to the following questions are required:

- The payment made to **Nukan Te Wa contractor** (refer table above) for cleaning up and streaming branches of trees and digging up a hole for rubbish dam in respect of the Honorable Minister for MCIC premises was not in line with gov't building and maintenance policies. As confirmed the output of gov't building and maintenance works was charged for the above payment when in fact MCIC should be responsible for and to charge its recurrent budget instead of charging the gov't building maintenance budget.
- Further, the service provided by **Ekeutoa Group** (table above refers) for carrying out the maintenance of the Hon. Minister (MPWU) car shelter was also not in line with the policy of the gov't building and maintenance as required.

Implications:

- Being the Ministry managing this output it is of paramount importance management should ensure this output is allocated for the purposes for which it is intended.
- The overspending resulting for meeting costs other than those intended, as is now the case, would be a total unauthorized spending to which management should provide satisfactory and substantiated explanation.
- Diverting the use of such output for other activities would not only deprive other Ministries that were in dire need of genuine repair or improvements in their work places but would raise doubts on the integrity of management.
- Payments made without any agreement is a total breach of FR 11 and this would increase the risk of misappropriation of public funds.

Recommendations:

- Management should ensure it fully complies with all governing laws and regulations relating to this output and payments made to contractors.
- Management should ensure instant reprimand and appropriate action is taken against staffs that deviate from the requirement under this output.
- Management should closely monitor payments made to ensure required supporting documents are attached.

Management response:

The management confirmed that there was no proper guideline on how to use the fund but currently, the management is working on writing up its paper to Cabinet for approval on guidelines on how to use the fund.

As in the report there was no agreement made prior making the two payment as the claims were authorised from other Ministries and not this office. It is therefore that the contractor and the responsible Ministry have already come to an agreement that the payment will be made once the work was completed.

It is from the above that the management do agree that the payment should be met from their recurrent fund and not from the maintenance. The management has also consider the Audit's concern as a way forward to ensure that the using of maintenance fund was followed once the guidelines and using of the fund is completed and been endorsed by Cabinet. The management do note the concerns rose in the report and will now work forward as a way of improving the using of maintenance fund in future.

19) MINISTRY OF LABOR AND HUMAN RESOURCES DEVELOPMENT (MLHRD)**Findings and Analysis:****19.1 AUDIT OPINION**

AN UNQUALIFIED AUDIT OPINION is issued for the **Ministry of Labour and Human Resources Development** for the year ended 31st December 2016 with **"Emphasis of matter"** as discussed in detail from 19.3 below.

19.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Ministry of labour & Human Resources Development performance in the financial year 2015 as follows.

Issues	Solved/Addressed	Status of the issue in 2016 audit
Minimal amount of unauthorised spending	Solved/Addressed	MLHRD reported the net saving of over \$103k in year 2016
Leave balances - 2 years leave entitlement policy	Not solved/addressed	The same issue still detected in 2016
Outstanding Imprest - database was not made available	Not solved/addressed	Audit detected the colossal amount of outstanding Imprest
Drivers had failed to submit their log books	Not solved/addressed	In 2016 drivers had failed to update their log books

19.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

19.3.1 CONTROL OVER REVENUE**19.3.1.1 MLHRD REVENUE SUMMARY COLLECTION:**

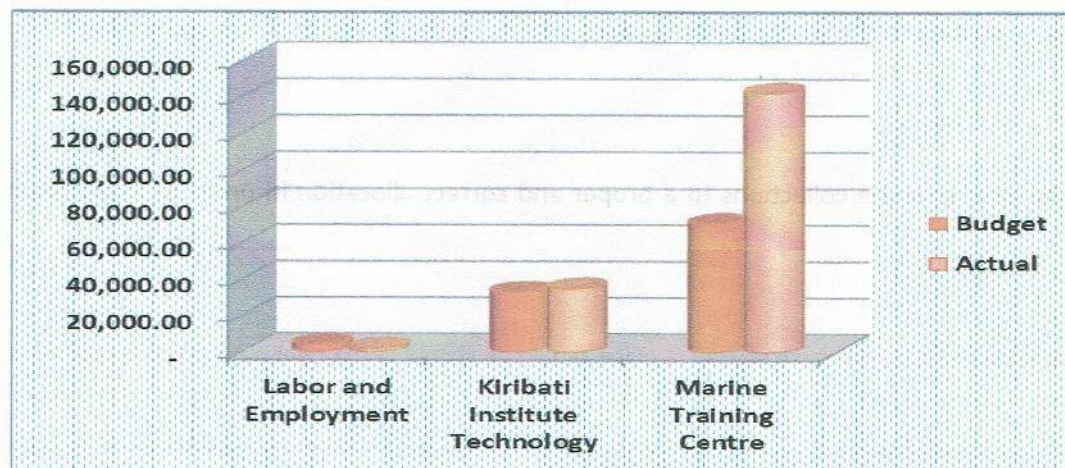
Year	Budget	Actual	(Over)/Under
2014	135,021.00	92,244.93	42,776.07
2015	60,611.00	128,097.87	(67,486.87)
2016	107,700.00	179,063.15	(71,363.15)

19.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

It is pleasing to note that in 2016 MLHRD has continuously collected more than its revenue budget although the increase of its estimate of \$47k was noted. And therefore management should be commended for such notable improvement.

19.3.1.3 MLHRD REVENUES AGAINST BUDGET BY DIVISIONS

Code	Division	Budget	Actual	(Over)/Under
C2802	Labour and Employment	4,000.00	1,908.00	2,092.00
C2803	Kiribati Institute Technology	33,000.00	34,925.00	(1,925.00)
C2804	Marine Training Centre	70,700.00	142,230.15	(71,530.15)
	Total	107,700.00	179,063.15	(71,363.15)

19.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISIONS

As displayed above KIT and MTC were the only divisions under MLHRD that showed major improvement by reporting their excess collection in the amount of \$1k (KIT) and \$71k (MTC) respectively. However, the only division that had failed to meet its revenue target was Labour and Employment division and therefore management should encourage this division to improve its collections in the subsequent year i.e. 2017.

Recommendation:

The divisional head for Labor and Employment division should ensure its budget level is always aligned with the activities its division will deliver in future years.

Management response:

1. First, The Trade Test that always carried out in the labour has been transfer to KIT 2 years back that is the reason labour division did not meet its Revenue target.
2. Second, some recruiting agencies had not yet renew their license for this year 2016.

19.3.1.5 MISALLOCATION OF REVENUE COLLECTION**Findings and Analysis:**

In 2016 there were some revenues collected at MTC that indeed posted or charged the wrong output/allocation as per noted during the audit. This was evidenced when the audit performed it walkthrough testing on the GL revenues provided for MTC and found that some transactions had been posted to the wrong allocation, details of which are included in the table provided below:

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART I

GL REF	DETAILS	Amount	Used Code (wrong)	Correct Code
RV201609182	FA mtc49/16	156.00	C28040000068 Course fees	C28040000004 Admin fees
RV201609183	FA mtc51/16	78.00	C28040000068 Course fees	C28040000004 Admin fees
RV201609184	FA mtc52/16	248.00	C28040000068 Course fees	C28040000004 Admin fees
RV201609185	FA mtc53/16	74.00	C28040000068 Course fees	C28040000004 Admin fees
RV201609189	FA mtc50/16	12.00	C28040000068 Course fees	C28040000004 Admin fees
Total		568.00		

Implication:

Charging the wrong revenue output/allocation as per above finding would lead to over collections of the output wrongly posted. Also charging or posting to the wrong outputs raises doubts on the integrity of the accounting officer of the office.

Recommendation:

Management should ensure to post revenue collections to a proper and correct allocation in order to avoid future grievances.

Management response:

We regret for such negligent, we at the account will make sure all revenue should be posted to the right output and reconciliation should done on a monthly basis.

19.3.1.6 NON POSTING OF MTC FORM A 01/16 AMOUNTED TO \$651.75

Findings and Analysis:

It was noted with concern that the above stated **Form A no. 01/16 \$651.75** for MTC was not reflected in the GL revenue which indicated the lack in performing proper and regular reconciliation between MLHRD and MFED. This was proved when the audit extracted some Form A copies from MTC records then matches with GL revenue provided by Finance and found no sign of appearance for MTC Form A 01/16 \$651.75.

Implications:

- The failure to post all transactions incurred during the year into the GL report had resulted in understating of the Ministry records (revenue) thus could mislead management when preparing its future revenue budgets.
- MFED staff concerned should be reprimanded for such carelessness so this omission would not happen in future.

Recommendation:

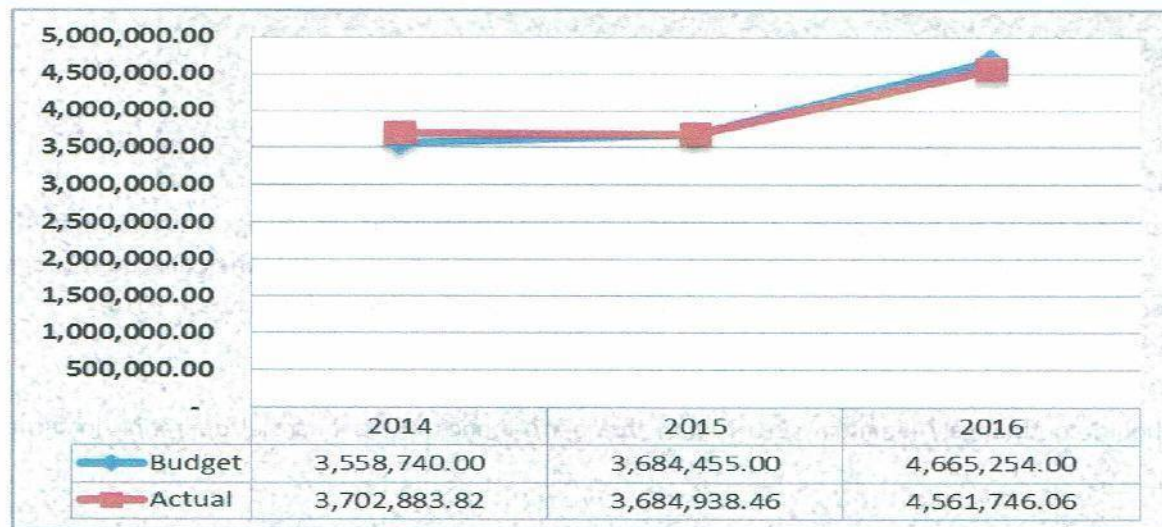
Therefore it is strongly recommended that the Ministry concerned through it account unit should perform a proper and regular reconciliation with MFED so to avoid this issue from incurring accordingly.

Management response:

We regret for such negligent, we at the account will do monthly reconciliation regularly to avoid this same mistake.

19.3.2 CONTROL OVER EXPENDITURE**19.3.2.1 MLHRD EXPENDITURE SUMMARY**

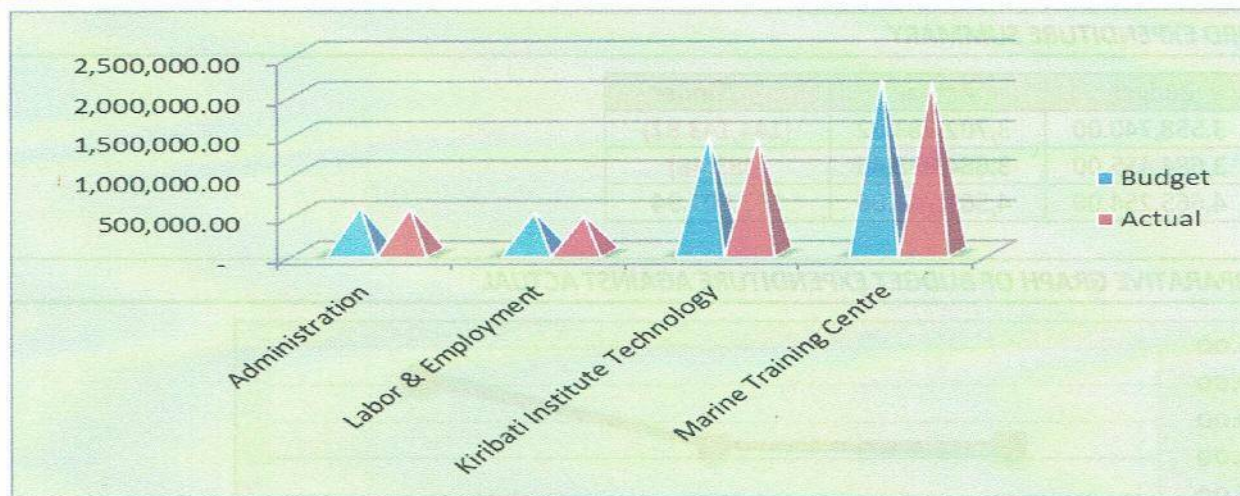
Year	Budget	Actual	(Over)/Under
2014	3,558,740.00	3,702,883.82	(144,143.82)
2015	3,684,455.00	3,684,938.46	(483.46)
2016	4,665,254.00	4,561,746.06	103,507.94

19.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

With the increase in the budget level of over \$980k the Ministry for the first time was able to operate within their budget limit thus had resulted in reporting a net saving of \$103k. Hence management should be commended for such major improvement.

19.3.2.3 MLHRD EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS

Code	Division	Budget	Actual	(Over)/Under
E2801	Administration	556,715.66	547,779.16	8,936.50
E2802	Labour & Employment	488,860.00	452,276.16	36,583.84
E2803	Kiribati Institute Technology	1,451,955.00	1,424,548.60	27,406.40
E2804	Marine Training Centre	2,167,723.34	2,137,142.14	30,581.20
	Total	4,665,254.00	4,561,746.06	103,507.94

19.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL PER DIVISIONS

As could be witnessed from the above table/graph, all divisions under MLHRD reported net savings which signified the major improvement by each divisional heads in controlling and monitoring their activities within their allocated budget in the year 2016. Therefore all divisional heads must be applauded for their outstanding performance in 2016.

Recommendation:

The Management should continuously maintain such remarkable performance on its financial operation in future years.

Management response:**19.3.2.5 IMPREST OUTSTANDING OF \$33,717****Findings and analysis:**

The outstanding Imprest of over \$33k as shown above was for some employees selected as samples when auditing the account of MLHRD for 2016. The audit team had extracted the above outstanding dues from the Ministry of Finance hence responses are to be provided from the concerned Ministry as to why these employees still had their outstanding dues when all Imprests should have been retired within 10 consecutive working days after returning from such official travels.

Implication:

Timely retirement of Imprest is in compliance with Financial Regulation 2011 requirement and would contribute to the strengthening of government cash flow.

Recommendations:

- Management must ensure that all Imprests withdrawn are retired after 10 working days from the date the officer return from official trip.
- Management must ensure that those with outstanding Imprests are not issued any when next travel until they had all cleared their Imprests or had entered into an agreement for recovery.

Management response:

Some travels were done in December hence retirement was done in 2017. However, outstanding imprest in 2016, were all cleared as the policy for having an outstanding imprest (unable to issue imprest if have an outstanding imprest) is now adhered and followed.

19.3.2.6 LEAVE BALANCES-2 YEARS ENTITLEMENT POLICY**Findings and analysis:**

Despite the failure in maintaining and updating the leave roster for MLHRD staffs there were also some selected staffs in which their leave balances had been accumulated for the period of more than two years as per details elaborated in the table provided hereunder:

Staff PF Number	Post Title	Entitlement	Leave Balance
2004170	P/Secretary	30	232
2009157	Labor Officer	30	128
2005298	Director Labor Officer	30	107.5
2003112	Deputy Director (DDQ)	30	111

Based on the above anomaly noted it is evident that the SRO of this concerned ministry (i.e. MLHRD) had failed to comply and implement the cabinet decision regarding the two years entitlement policy. Hence explanation from management is herewith sought.

Implication:

The whole purpose of the Cabinet Decision Minute 77/10 on 2 years carry forward leave balances is to avoid unnecessary drain out of public funds and to conform to NCS requirement. Therefore not adhering to this decision is a violation of Cabinet decision and of course NCS related provision.

Recommendations:

- Therefore it is recommended that management should ensure to maintain, update and regularly review its leave roster for staff annual leaves.
- Also, management shall ensure to enforce and implement the Cabinet Decision Minute No. 77/10.

Management response:

Due to shortage of staff and other senior staffs going on leave, the named staffs were held back to assist with the workload and ensure there was no disruption to fulfilling the goals and aspirations of the Ministry. Also, within that period due to reshuffling of Admin officers, it was deemed necessary for these staff to assist with induction and proper settling in of staff.

19.3.2.7 SALARY OVERPAYMENT IN RESPECT OF ONE OFFICERS**Findings and Analysis:**

It was noted during the audit that one officer who was on leave without paid effective from 20/05/2016 up to 30/11/2016 but as detected the officer still received his salary for the periods of 27/5/16, 10/6/16 and 24/6/16 for the amount of \$439. Thus, when adding up the amount of salary paid for the said periods above the total salary overpaid would added up to \$1,317.00.

Implication:

- Failure to cease the salary when payment was not due would lead to loss of public funds if not detected.

Recommendations:

- Strong internal control mechanism system for Payroll including recovery policy should be put in place to avoid future grievances and speed up recovery process.
- Management should regularly review the works of its accounting staff to avoid such problem from recurring in future.

Management response:

This case must be already detected by salary staff at Finance as well as recovery to be impose, when the officer resume to office, and if there's no action has been done the account section will work with salary section for recovery of these overpayment from said officer.

19.3.2.8 LOG BOOKS**Findings and analysis:**

The audit noted that MLHRD drivers had maintained their log books for the year 2016 but had failed to update the records as evidenced when the audit detected the last transaction reflected in the log books was only up to February, 2016 thus had prevented auditors from carrying out further testing on the accuracy of expenses such as driver's overtime, fuel consumption and so forth. Details of these log books are further elaborated in the table provided below:

Vehicle #	Record from	Up to	Type of Vehicle
BG 325	06/01/2016	10/02/2016	Hyundai Truck
BG 107	1/01/2016	12/02/2016	Toyota Saloon
BG 414	06/01/2016	15/02/2016	Hiace Minibus
BG 121	05/01/2016	15/02/2016	Nissan Double Cab

Hence, reasonable reasons should be provided by the concerned officers concerning the above anomaly noted.

Implications:

- Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and proper usages of the vehicles.
- Overtime claims without certified log book details would deem payments improper.
- Such could increase risk of misappropriation and loss of public funds.

Recommendations:

- Accounting officers have to remind drivers to update their log books and to return such books to the accounting unit for account/management and/or audit purposes.
- Management should have a monitoring system in place that would assist with the refueling of vehicles.

Management response:

Account section is now ensure that all log books are well kept, and it's a driver's responsibility to keep his vehicle log book when full or at the end of each year, the account officer will collect all Drivers log book and keep them in the Account Room. For your information other log books (continuation) for MTC are well kept and ready for inspection at MTC Account Section.

Refueling Book: There's no refueling records book, but we have a formed that signed by the OM for vehicle to be accepted by GAS Stations for refuel, stating on that form the amount of liter the vehicle should take. Refueling sheets will be rejected if there's no signed form attached to it.

20) MINISTRY OF LINE AND PHOENIX ISLAND DEVELOPMENT (MLPID)**Findings and Analysis:****20.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Line and Phoenix Island Development** for the year ended 31st December 2016 **"Except For"** the effects of the matters as discussed in detail from 20.3 below.

20.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

Appended below were the previous issues noted of which determined the Audit Opinion for Ministry of Linnix and Phoenix Island Development (MLPID) in the FY 2015:

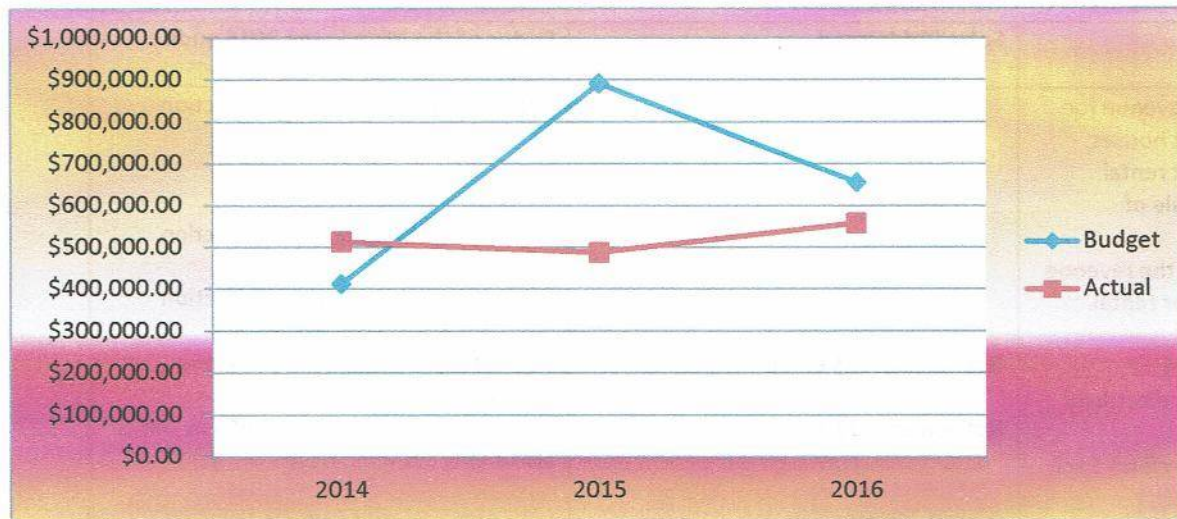
Issues	Solve/Addressed	Status of the issue in the 2016 audit report.
- Arrears of revenue for government houses, government rental premises, sale of electricity. - Short fall in the revenue collection for rental houses. - Accumulating of outstanding electricity bill. - Failure to perform Bank reconciliation. - Variances detected in the KPF contribution as a result of poor reconciliation. - Unofficial calls. - Contravene of Procurement. - Unsupported claim. - Overtime issues. - Unsupported Payment 226/4. - Reimbursement of Airfare for Former Minister. - Missing digital camera. - Salary overpayment. - Outstanding imprest. - Local contribution to development fund.	Not solved/Addressed Not solved/Addressed Not solved/Addressed Not solved/Addressed Not Solved/Addressed Not Solved/Addressed No advice on reimbursement No advice on the missing camera Not solved/Addressed Not solved/Addressed	Improvement noted in the collection Improvement noted in the collection Improvement noted in the collection Still not performed, it is now a long standing issue. Variance detected also for 2016 as this is also a long standing issue. Issue still repeated without improvement. Unavailability of requested PV's Unsigned overtime Still cannot provide supporting documents No advice on reimbursement Who will make good of missing camera Recovery has not been made Fail to retire imprest within 10 days

20.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

20.3.1 CONTROLS OVER REVENUE**20.3.1.1 REVENUE SUMMARY COLLECTION: MLPID 2016**

Year	2014	2015	2016
Budget	\$411,172.00	\$889,804.00	\$654,150.00
Actual	\$513,027.86	\$486,877.03	\$577,413.97
Under/(Over)	(\$101,855.86)	\$402,926.97	\$76,736.03

20.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL – (2014-2016)

The table and graph above depict the trend between the budget estimate and actual revenue collected for the past three years (2014 to 2016). It is pleasing to note that the actual revenue collected has increased from 2015 to 2016 by \$91k (2015 \$486k- 2016 \$577) though MLPID still experienced revenue shortfall of \$76k against its budget level in 2016 of \$654k.

20.3.1.3 REVENUE ESTIMATE TABLE BY DIVISIONS AGAINST ACTUAL – 2016

Descriptions	Budget	Actual	Variance (Over)/Under
Adminsitration			
Sundry recoveries	\$8,500.00	\$6,241.51	\$2,258.49
Rental of Government Premises	\$10,000.00	\$11,333.19	-\$1,333.19
Public Work division			
Carpentry & Joinery	\$1,500.00	\$850.00	\$650.00
Housing			
Rental of houses	\$68,900.00	\$57,465.82	\$11,434.18
Electricity distribution			
Sale of Electricity	\$320,000.00	\$441,299.27	-\$121,299.27
Water Supply			
Water supply fees	\$33,000.00	\$40,257.98	-\$7,257.98
Solar Salt			
Solar Salt fees	\$1,100.00	\$12,251.00	-\$11,151.00
IT			
Computer service	\$15,000.00	\$5,360.90	\$9,639.10
Civil Engineering			
Sale of Business Plan	\$1,250.00	\$1,060.00	\$190.00
PVU(Xmas)			
Hire of Government Equipment	\$194,900.00	\$1,294.30	\$193,605.70
Total	\$654,150.00	\$577,413.97	\$76,736.03

As clearly shown from the above table, the overall revenue shortfall of \$76k was mainly caused by PVU (Hire of Government Equipment) which had an approved estimate of \$194k but only managed to collect \$1,294.30 thus resulted in the under collection of \$193k. Other activities management had failed to meet the targets for were are Rental of houses by over \$11k, Computer Services \$9k, Sundry recoveries \$2k, Carpentry Joinery \$650.00 and Sale of Business Plan \$190.00.

The remaining activities that management managed to collect more than the approved budget were Sale of Electricity by over \$121k, Solar salt fees of over \$11k, Water supply fees of over \$7k and Rental of Government Premises by over \$1k. Therefore management should be commended for such improved performance and to be encouraged to keep up the hard work.

Implication:

Failure to collect an approved budget will affect the inflow of funds to Government and also will result in cash flow deficiency.

Recommendation:

Management must ensure to come up with a more realistic budget and to encourage all its revenue collecting divisions to exert efforts in their revenue collection tasks.

Management response:

The amount which comes from HMM is not met due to the delay of payment from other agencies who hired machines from HMM Division. Also, the housing rent which is going to be paid by tenants especially employees failed to do so, especially that we are isolated the Finance is late to get letters of deduction for housings. In addition, the computer services is not earning so much revenue since we did not provide services anymore relating computer services and internet since it has side effect to our operational on a daily basis.

The management will decide on the tenants who fail to pay their outstanding. As for now, there are other tenants the management has dealt with, and they have started paying their rent outstanding in 2017.

20.3.1.4 WEAKNESSES IN THE REVENUE SYSTEM (DEPOSITS ARE NOT PERFORMED ON DAILY BASIS)

Finding and Analysis:

After conducting a testing through the revenue system, the audit revealed that there were some issues related to the control of revenue that required further and immediate remedial action to address such problem and to avoid from occurring in the future. The issues are noted below:

- Daily collections by Customs division were not deposited at the Cashier office (Linnix) on a daily basis. The deposits could be made one week after the collection. For instance, collections on receipts (236863-236900) on 29/2/2016-8/3/2016 amounted to \$10,878.60 were just deposited on the 10/3/2016. The cash had been kept for more than 9 days in the cabinet as there was no safe in Customs division. This simply indicated failure by senior accountable officer to conduct regular review and proper monitoring to ensure that all revenue collected for the Ministry must be deposited daily and is a total breach of the FR 2011.
- During the cash counting at the MFMRD branch office, the audit noted there was no safe for safeguarding the revenue collected on a daily basis. In fact, the account officer always accepts the risk by taking the cash and kept at home, another deviation from FR 2011.

Implications:

- Failure to make daily deposit would increase the risk of misappropriation of cash.
- In the absence of the Safe, there is prospect that the cash can be easily stolen and misappropriated.
- Keeping cash at home is a total breach of FR 11.

Recommendations:

- ✓ Management must ensure that all revenue collections should be deposited on a daily basis.
- ✓ Management must ensure that there will be a safe provided at the MFMRD office to guarantee the safety of valuable items such as cash and other confidential items.
- ✓ Severe reprimand action should be considered for senior officials of Linnix who had failed to ensure the workforce are fully conversant and fully comply with the provisions of FR 11.

Management response:

The management has learnt that the custom has not deposited cash on hand for the mentioned long period. And now the management has ensured that all the Line Ministries who collect revenue like Fisheries and Custom in Kiribati should deposit their cash on a daily basis so that the MLPID account Revenue will double check and deposit to the Government no.5 account. The management will ensure to propose a request on providing safe to Accountant General as requested from audit officer, otherwise management will ensure that a daily deposit of the Government revenue will be surely made and no safe will be needed.

20.3.1.5 RENTAL OF GOK HOUSES – ARREARS OF REVENUE**Findings and Analysis:**

- It was discovered during the audit testing that the total accumulated outstanding rent owed by tenants had gradually declined from **\$24,880.66** to **\$22,408.04** for 2015 and 2016 respectively. The decrease in the outstanding rent resulted from the payment made by ATHKL. Though, the audit revealed that some companies whom staff occupied the house failed to make prompt payment as noted in the table hereunder.
- In addition, some tenants (retire employees/ transferred) who are already left the house also failed to make payment prior release from the premises.

Companies	2015	2016	Increase	Decrease	Remarks
ATHKL	\$3,494.88	\$988.71		\$2,506.17	Improved repayment
BPA	\$1,316.28	\$1,842.94	-\$526.66		No improvement repayment
CCH	\$7,982.62	\$8,140.48	-\$157.86		No improvement repayment
Copra	\$529.13	\$589.12	-\$59.99		No improvement repayment
DBK	\$782.07	\$1,080.90	-\$298.83		No improvement repayment
HMMD/PVU	\$6,065.76	\$6,653.97	-\$588.21		No improvement repayment
KIC	\$1,280.82	\$1,331.15	-\$50.33		No improvement repayment
KOIL	\$801.82	\$794.35		\$7.47	Slow repayment
KPA	\$686.38	\$986.42	-\$300.04		No improvement repayment
Air Kiribati	\$1,940.90				
Total	\$24,880.66	\$22,408.04		\$2,472.62	

Implications:

- Failure to recover the above revenue (arrears) will automatically affect the inflow of funds into Kiritimati bank account.
- The accrued arrears will become difficult to recover especially from those that will be transferred back to Tarawa and/or will retire from the service thus would increase loss of public funds.

Recommendations:

- ✓ The Ministry should put in place a strong internal follow up mechanism to minimize the arrears from escalating in future.
- ✓ To strengthen and enforce **Sec C.4 of Agreement** between Landlord (Ministry) and Tenant which could be terminated if the tenant fails to comply with the condition of this agreement particularly the payment of house rent.
- ✓ Responsible Officer should conduct regular meetings with branch managers of all SOEs that are currently using the GOK houses for settling outstanding rent arrears and to agree on sanctions to apply in the event of failure to ensure prompt monthly payments of rent to the Ministry.

Management response:

20.3.1.6 BANK RECONCILIATION STATEMENT – NO. 5 BANK ACCOUNT 2016**Findings and Analysis:**

It has been detected during the audit that preparation and presentation of the Bank Reconciliation 2016 was not performed as required even though the audit had exerted pressure on the management in considering this essential financial instrument. In the previous audit 2016 for 2015 annual account, the former Senior Accountant stated during the audit visit that the Bank reconciliation had been prepared in compliance with the new template which has been given by former Accountant General to utilize. However, the audit noted that the Bank reconciliation has not been completely implemented as the MLPID simply matched the Cashbook against Bank statement frequently which is not the proper requirement. The former Senior Accountant failed to performed proper handing over note with the reconciliation officer in regards of the new template hence the reconciliation officer (Accountant) incapable of following the reconciliation procedure thus reason for not completing Bank reconciliation. It has been four (4) years (2013 to 2016) the same issue was also detected in our previous audit reports thus proved management had not ignored previous audit recommendations therefore those concerned should be reprimanded accordingly.

The audit confirmed the balance appeared in the bank statement No. 5 Account was **\$204,760.10**. However, this differs from the amount disclosed in the annual account of **\$2,026,801.63** thus constituting a variance of **\$1,822,041.53** an amount which was overstated by the MFEP figure. This proved again there was no reconciliation performed between the MFEP and Linnix. In essence, the audit would not be able to confirm the accuracy and existence of the balances disclosed in the annual account for MLPID for 31/12/2016.

Implications:

- Failure to perform a proper bank reconciliation statement, direct debits or any other bank errors would not easily be detected which could ultimately lead to loss of public funds and encourage fraudulent actions.
- Lack of proper bank reconciliation statement contravened FR 16.13.
- The absence of reconciliation with records held by MFED would undermine the balances appearing in the government annual account and could result in issuing a disclaimer opinion.
- Failure to agree (M/Linnix and MFED) on the balance as appearing in the bank statement and to provide supporting list to explain the variances noted would provide avenue for misappropriating government funds and of course increase risk of loss of public funds.

Recommendations:

- ✓ *The audit strongly recommends that the M/Linnix responsible and accountable staff should use the proper format when preparing the monthly bank reconciliation statement.*
- ✓ *Management should ensure that proper handing over must be performed prior officer left the Ministry.*
- ✓ *Management should seriously consider reprimanding staff concerned for having repeatedly failed to comply with the correct bank reconciliation procedure as recommended in our previous audit reports.*
- ✓ *Management should regularly review the work of the concerned staff and to quickly take remedial action.*
- ✓ *The Senior Accountant should ensure also to conduct a regular reconciliation with records held by MFED to agree on the balances and should be able to provide explanations to support the anomalies detected in the Annual Account 2016.*

Management response:

This is also the problem as per previous issues as noted by the management. This is the cause of no opening balance provided. At this stage no reconciliation between Number 5 bank statement and MFED records. Last time we asked for write off for prior balances and since then, no approval been received or issued. We are moving forward to work with this as the MFED now is currently making a move of giving approve prior balance. The MLPID has reconciled its bank statement no.5 account against its cash book while still waiting for the prior balance to be approved and issued from MFED.

20.3.1.7 GOVERNMENT RENTAL PREMISES – ARREARS OF REVENUE 2016**Findings and Analysis:**

The audit noted after conducting its testing that most of the tenants who occupied Gov't Premises had used such for other purposes, either for commercial or office accommodation and had not paid in full their rentals as per details in the table provided hereunder:

Date	Details	Amount Due	2016	2015	Increase	Decrease	Remarks
31/12/2016	Custom Office	\$2,624.31	\$2,624.31	\$2,193.51	-\$430.80		No improvement repayment
31/12/2016	Air Kiribati	\$176.80	\$176.80				No improvement repayment
31/12/2016	DBK	\$3,214.18	\$3,214.18	\$3,642.68		\$428.50	No improvement repayment
31/12/2016	Dojin	\$12,946.99	\$12,946.99	\$10,527.36	-\$2,419.63		Dispute
31/12/2016	Fair Price	\$9,106.30	\$9,106.30				Dispute
31/12/2016	Immigration	\$6,590.25	\$6,590.25	\$5,881.74	-\$708.51		No improvement repayment
31/12/2016	KPF	\$7,614.47	\$7,614.47	\$6,969.67	-\$644.80		No improvement repayment
31/12/2016	Lap Enterprises	\$10,100.19	\$10,100.19	\$8,460.18	-\$1,640.01		improve repayment
31/12/2016	MWYSA	\$125.60	\$125.60				No improvement repayment
31/12/2016	Post Office	\$2,788.89	\$2,788.89	\$2,788.89			No improvement repayment
31/12/2016	Taxation	\$4,622.69	\$4,622.69	\$3,866.68	-\$756.01		No improvement repayment
31/12/2016	TSKL/ATHKL			\$5,822.96			Dispute
31/12/2016	Education			\$3,111.05			Clear 2016
	Total	\$59,910.67	\$59,910.67	\$53,264.72	-\$6,645.95		

(Extract MLPID Account Figure 2016)

- The above table indicated the total arrears of revenue for Government Premises rental of \$59,910.67. As per reported, the outstanding of Government rental premises had slightly increased from **\$53,264.72 in 2015 to \$59,910.67 in 2016** respectively. The increase of \$6,645.95 is an indication of slack in control over and absence of recovery mechanism.
- When reviewing the individual balances for each tenant's holders, the audit noted that there has been no improvement in the repayment refusing to paid in full outstanding rent as per detailed in the above table.
- An ongoing dispute between the Government and tenant's holders such as Dojin, ATHKL and fair price were still a major concern for MLPID as they refused to pay in full the remaining outstanding rent as they claimed that there has been an agreement made between Linnix and Dojin/ATHKL/Fair Price. In fact, the audit could not extend further scrutiny as it is not evidence based but through verbal communication.

Implications:

- Cash flow for M/Linnix will be affected if the tenants do not make regular payments and arrears of revenue could escalate to a level beyond the financial ability of the listed organisations to pay.
- There is no level playing field across the board for all organisations occupying government premises as those not paying are enjoying the facilities at the cost of the full compliers and of course the budget.

Recommendations:

- ✓ The ministry should regularly reconcile its tenant records and promptly pursue recovery of outstanding arrears.
- ✓ Management should act on the court decision already obtained for Dojin.
- ✓ Also the Ministry should provide aging analysis regarding their arrears of revenue for Gov't Premises Rental and ensure speed recovery of all arrears in order to keep within the statute bar limitation of 6 years.
- ✓ Management should have a policy in place that will ensure full compliance by tenants.

Management response:

The management is now working on the Cabinet paper to propose policy and seek cabinet decisions on these outstanding. We are still sending our reminding letters to these stated Commercial renters to pay for their outstanding.

20.3.1.8 ELECTRICITY BILL- ACCUMULATED OUTSTANDING ELECTRICITY BILL FOR 2016**Findings and Analysis:**

After reviewing the Electricity bill for 2016, the audit noted the following issue as noted hereunder:

- The total accumulating outstanding electricity bill carried forward from previous year to 2015 was over half million, i.e. within the vicinity of **\$830,989.29**. In conducting the audit for 2016 annual account, the audit noted that the remaining unsettled bill brought forward to 2016 was declined to **\$676,815.73**, a decrease of **\$154,173.56**. This showed major improvement in the recovery actions and settlement but still some electricity users are not liable to meet their obligations. (List of names and details can be sighted upon request).

Details	Amount
Domestic	\$93,357.41
Commercial	\$64,152.87
Industry & Government	\$519,305.45
Total	\$676,815.73

- In addition, the audit revealed that the above unsettled amounts are also payable by retired civil servants, transferred officers, etc. who have left Kiriritmati without clearing their electricity bills thus showed the MLIPD had failed to enforce recovery mechanism/strategy especially from officers that are leaving Kiriritmati.
- Further, given the complete analysis regarding the usage of electricity bill, MLIPD had collected actual revenue of \$441k. This amount though is not sufficient to cover the actual fuel consumption funded by GoK under the LCDF of \$938k. This means the remaining electricity consumption of over \$497k had been subsidized by GoK.
- When taking into account the above arrears of \$677K, if this had been recovered and management ensured all pay their electricity bills on timely basis, there could be less subsidy GoK will release under the LCDF to fund the Linnix electricity consumption.

Implications:

- The failure in collecting the arrears of revenue from electricity will of course result in a cash flow hardship which would also contribute to drain out of public funds.
- The accumulated outstanding bills from respective commercial operators and users, which of course constitute more 70% of total arrears of revenue as per above, indicated Government has provided such excessive subsidies to these operators at detriment of public funds.

Recommendations:

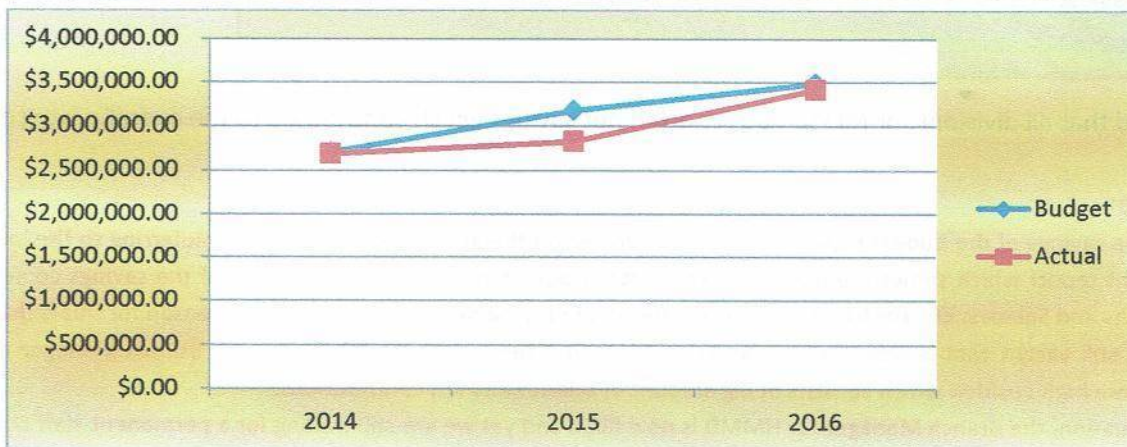
- ✓ The Ministry should be very serious in recovering outstanding electricity charges from consumers to replenish the annual LCDF, as in this year, of \$1m.
- ✓ The Ministry through its electricity Unit should have come up with proactive measures to expedite recovery actions.
- ✓ In regards to transferred and/or retired officers' electricity bills the division should find means of recovering the arrears from such former employees through their current employers or the payroll system for government employees or from KPF for retirees.
- ✓ Management should ensure all current electricity dues are paid promptly and to arrange installment payments with current officers having arrears of electricity standing to their credit.
- ✓ In order to meet or match the fuel cost supply which is funded by Gov't the concerned ministry should reconsider the electricity tariff that will offset the annual fuel cost.

Management response:

The outstanding have been charged to their L100 for instance most of the government employees in Christmas Islands who have their outstanding have been charged for their electricity bill outstanding and now while they are leaving the island they still pay \$5.00 each payday for arrears of water. For the Commercial and SOE's and other tenants who leave the island or have been passed away, the management have work on cabinet paper to propose for cabinet approval to make decisions on these outstanding. The Unit itself deals with announcement for due payment and disconnect those who are not prompt with their payment, There is a fee of ten dollars (\$10.00) when reconnected again.

20.3.2 CONTROL OVER EXPENDITURE**20.3.2.1 BUDGET EXPENDITURE SUMMARY: 2014-2016**

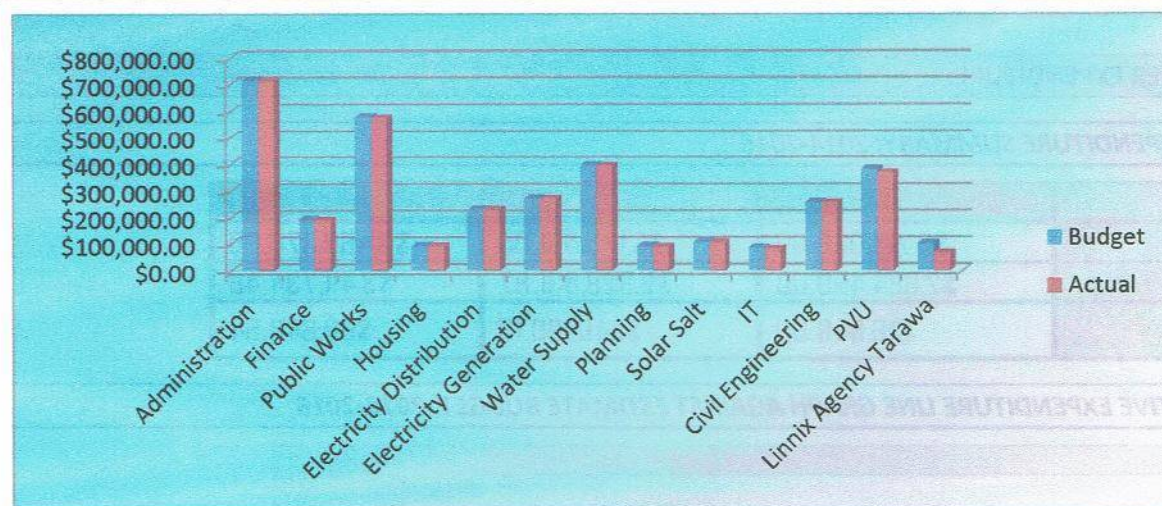
	2014	2015	2016
Budget	\$2,701,008.00	\$3,175,031.00	\$3,480,378.00
Actual	\$2,684,460.00	\$2,828,831.87	\$3,411,734.46
Variance Under/ (Over)	\$16,548.00	\$346,199.13	\$68,643.54

20.3.2.2 COMPARATIVE EXPENDITURE LINE GRAPH AGAINST ESTIMATE BUDGET: 2014-2016

Given a slight increase budget estimate for the past three years (2014 to 2016), MLPID had managed to operate below its estimate budget level. The Ministry therefore should be commended for being able to provide a budget level that is aligned with its activities.

20.3.2.3 EXPENDITURE TABLE BY DIVISIONS OF MLPID – 2016

Division	Budget	Actual	Variance(Over)/Under
Administration	\$710,302.00	\$709,706.05	\$595.95
Finance	\$190,113.00	\$189,050.71	\$1,062.29
Public Works	\$575,739.00	\$572,262.85	\$3,476.15
Housing	\$90,982.00	\$90,343.67	\$638.33
Electricity Distribution	\$227,180.00	\$225,952.89	\$1,227.11
Electricity Generation	\$271,038.00	\$269,511.31	\$1,526.69
Water Supply	\$394,188.00	\$391,296.58	\$2,891.42
Planning	\$90,539.00	\$88,431.71	\$2,107.29
Solar Salt	\$105,485.00	\$105,110.28	\$374.72
IT	\$85,427.00	\$81,171.34	\$4,255.66
Civil Engineering	\$257,174.00	\$255,852.75	\$1,321.25
PVU	\$380,565.00	\$366,313.06	\$14,251.94
Linnix Agency Tarawa	\$101,645.40	\$66,731.23	\$34,914.17
Total	\$3,480,377.40	\$3,411,734.43	\$68,642.97

20.3.2.4 COMPARATIVE EXPENDITURE BAR GRAPH AGAINST ESTIMATES BUDGET – 2016

It was clearly evidenced that all divisions for MLPID had reported net savings which contributed to the overall saving of \$68k.

Management response:

The M/Linnix represents a savings of the budget expenditure as you can see on the access vote book report. Referring to the last pages of the Management report which shows the budget balance (vote book) It clearly shows that most of the savings comes from the KPF Contributions and Salaries. KPF contributions and Salaries related to personal emoluments. The reason for this is that most of the vacant post still vacant that is Admin posts like OM for Linnix Agency, SAS for Linnix Agency, Branch Manager in HMMD, these vacancy were high position which consists of big amount of salaries and kpf contributions.

For the Committee information, the Branch Manager for HMMD is now filled and yet we are still waiting for a permanent staff OM and SAS from reshuffling.

20.3.2.5 UNCOLLECTED CHEQUES/ UN-CANCELLED CHEQUES/UN-USED CHEQUES**Finding and Analysis:**

- A total of \$5,690.83(2016) and \$2,701.67(2015) uncollected cheques (payable cheques to customers) were found during the cash counting not collected by respective Payee. The audit discussed with Payment officer regarding the reason for holding these cheques for such a long period of time. In fact, the Payment officer could not provide reasonable statement as she was just taking over from former Payment officer. The audit checked the cashbook and confirmed that such uncollected cheques had been entered and posted in the cash book. Details of these cheques can be provided upon request.
- The audit confirmed the total un-cancelled cheque of \$6,474.80 was detected during the cash counting. These cheques were attached to the cheque butt and not cancelled as normally required under the financial regulation. The audit could not verify and confirm the accuracy of these un-cancelled cheques due to the reason stated in the table hereunder:

2016 UNCANCELLED CHEQUE				
DATE	CHQ #	\$	PV #	Remarks
29/6/2016	916453	280.00	485/6	missing PV- Audit cannot confirm payment
21/7/2016	916770	226.50	324/7	Failed to cancelled but paid on chq # 916771
28/6/2016	916424	86.00	454/6	missing PV- Audit cannot confirm payment
23/2/2016	911669	3,007.30	337/2	missing PV- Audit cannot confirm payment
31/12/2015	911218	625.00	734/12	missing PV- Audit cannot confirm payment
16/6/2016	916277	2,250.00	283/6	missing PV- Audit cannot confirm payment
		\$ 6,474.80		

- Additionally, the audit noted two un-used cheques (915533 and 915534) (cheque leaves still attached) found after the audit document through the cheque butt. The cheque book was dated on 11/4/2016 to 26/4/2016. The audit could not verify the reason for such improper treatment of payment procedure as the responsible officer failed to explain further in detail the control or way forward to rectifying such problem.

Implications:

- There is a possibility that following year budget would be affected if these cheques issued from next year's budget.
- Un-used cheque and un-cancelled cheque is total breach of financial regulation.

Recommendations:

- ✓ Management should put in place a policy in ensuring accounts division staff fully conform to the FR Requirement failing by which stringent reprimand actions should apply instantaneously.
- ✓ Senior Accountant should ensure a daily review and check on Payment officer regarding pay-out to ensure they normally follow payment procedures stipulated in the financial regulation.
- ✓ Un-used cheque leaves that relate to 2016 should be cancelled to avoid confusions with serial numbers especially as this cheque book related to 2016.

Management response:

The un-cancelled cheques have their very own reasons for the first time they were left behind till the PV is missing. Unfortunately, it is my failure to follow up on the payment cheques and it is indeed a very good lesson learnt now and to check on the cashiers' cheques to be OK. It is the duty of the management to ensure to make policy on this in order to avoid these kind of issues in the near future.

20.3.2.6 TELECOMM BILLS PV#428/2 \$2596.74, PV# 528/3 \$3706.86, PV# 440/4 \$3670.98**Findings and Analysis:**

The audit revealed with concern some of the calls made from the office line were deemed improper as the audit could not confirm whether these calls were official or unofficial in nature since the register maintained for recording names and calls on a daily basis was not completely updated as the register commenced 14/4/16 to 30/12/2016 which means that there were missing dates from January to March which related to calls noted in the table below.

PV #528/3	\$ 3,706.86				
Usage Charges for 81214					
Date	Time	Number called	Destination	Duration	Price
16/2/2016	11.56.48	61731880441	Australia	5.23	\$ 18.85
19/2/2016	16.27.06	61290163222	Australia	19.50	\$ 69.42
24/2/2016	11.42.18	61731880441	Australia	2.03	\$ 7.18
24/2/2016	13.24.33	61290163222	Australia	10.36	\$ 37.10
24/2/2016	14.22.10	61290163222	Australia	29.59	\$ 104.95
24/2/2016	16.40.26	61290163222	Australia	20.31	\$ 71.81
Total International Calls					\$ 309.31

PV# 428/2	\$2,596.74				
Usage charges for 22853/22855					
Date	Time	Number called	Destination	Duration	Price
18/01/2016	12.10.41	35023	Butaritari	2.56	\$ 9.39
18/01/2016	12.19.39	35023	Butaritari	1.51	\$ 5.92
20/01/2016	9.32.34	35023	Butaritari	6.09	\$ 19.68
20/01/2016	10.02.25	35023	Butaritari	0.33	\$ 3.20
20/01/2016	10.05.03	35023	Butaritari	2.50	\$ 9.07
20/01/2016	10.37.20	35023	Butaritari	11.25	\$ 36.54
Total National Calls					\$ 83.80

PV#440/4	\$ 3,670.98				
Usage Charges for 81218					
Date	Time	Number called	Destination	Duration	Price
4/3/2016	9.47.42	61731880440	Australia	11.49	\$ 41.36
8/3/2016	12.36.01	85239196700	Hong Kong	0.12	\$ 2.35
8/3/2016	12.36.01	85239196700	Hong Kong	0.57	\$ 4.47
9/3/2016	9.44.27	61731880440	Australia	4.48	\$ 16.80
15/3/2016	11.25.15	61731880441	Australia	4.31.00	\$ 15.81
16/3/2016	9.31.12	61290163222	Australia	0.36	\$ 2.10
16/3/2016	9.50.37	61290163222	Australia	1.36	\$ 5.60
17/3/2016	12.20.04	6793302512	Fiji	1.52	\$ 6.54
17/3/2016	13.35.58	61290163222	Australia	4.50	\$ 16.92
29/3/2016	16.12.05	61290163222	Australia	1.40	\$ 5.84
Total International Calls					\$ 117.79

Implications:

- Unofficial calls would have an adverse effect on the Ministry budget.
- There is a possibility of misappropriation of office line for their personal own use/gaining unauthorized privileges.

Recommendations:

- ✓ Management must urge staff having made private calls on office telephone lines to pay for the cost of their calls.
- ✓ To reprimand staff who have used office telephones without seeking prior approval from SRO or responsible senior officers.
- ✓ Management to establish a monitoring mechanism to deter private use of official telephone lines.
- ✓ Management must take immediate actions to find ways of recovering private calls been included in the payment vouchers.

Management response:

We have our own register for out call. There is no operator who will liable for these unreliable calls. Since there is only one switchboard, the call can be easily registered, but those long minutes calls are not registered and these will lead to no one to own up an explanation on this.

The mentioned payment vouchers have been confirmed to be correct and there is no recovery from those calls due to no record in register and upon visiting each section no one owned up.

The management have discussed this issue and decided on tasking one registry clerk to be an operator and registering all calls and reasons and she would be the one liable to all long-period calls.

20.3.2.7 TWO YEAR LEAVE POLICY ENTITLEMENT**Finding and Analysis:**

After conducting a testing through staff leave balances register for all MLPID divisions, the audit noted that some staff leave balances had accumulated for the period of more than two years as shown in the table below:

Post	PF#	Outstanding leave		L/Taken 2017	Balance
		balance 2016	L/Entitlement		
Deputy secretary	20004200	65.5	30		95.5
SAS	2012159	95	30		125
Driver	2007110	67	14		81
Foreman	93179	111	26	21	116
Account Officer	92028	184	22	110	96
Senior Regional Planner	2008055	155	30	24	161

Implication:

The whole purpose of the Cabinet Decision Minute 77/10 on 2 years carry forward leave balances is to avoid unnecessary drain out of public funds and to conform to NCS requirement. Therefore not adhering to this decision is a violation of Cabinet decision and of course NCS related provision.

Recommendations:

- ✓ Management must enforce and implement the Cabinet Decision Minute No. 77/10.
- ✓ Management should ensure it has, maintains and regularly reviews its leave roster for staff annual leaves.

Management response:

The leave balances exceed the balances required for 2 years prior. However, the annual leave depends on the SRO approve. The management will ensure to work with the cabinet decision on a two year policy.

As for now, the SAS have taken her leave and the Senior Regional Planner is not working anymore within the MLPID and hence her leave balances is cleared from our record and will hence move forward to her new workplace.

20.3.2.8 CONTRAVENING PROVISIONS OF PROCUREMENT ACT**Findings and Analysis:**

Several fundamental provisions of Procurement Act have not been fulfilled nor complied with. This was evidenced when the audit undertook an inspection and revealed that PV# 25/7 \$40,000, PV# 109/11 \$35,900 were deemed improper thus the audit has raised doubt and uncertainty regarding the accuracy of the payments being processed due to the significant anomalies noted below:

- The audit noted that the total invoice raised by Tarawa Motors on 29/6/2016 for the cost of the Brand new Prado was @\$75,900.00. The payments however were split in two; the first payment was made on 1/7/2016 on PV# 25/7 with amount of \$40,000, second on the PV# 109/11 dated 4/11/2016 for \$35,900. As it is the practice to make a down payment of a certain percentage for placing an order with the supplier and to pay the balance when releasing the vehicle this has bypassed the Procurement Act 2002 requirement on amounts of over \$50,000 which stated: *"Central Procurement Review Board (CPRB)" means the board chaired by the Chief Procurement Officer to consider procurement of goods and services worth over AU\$50,000"*
- The procurement for the cost of New Vehicle for Minister conducted on 1/7/2016 as stated in the minutes of the meeting was noted by the audit that those members attending the meeting did not sign the procurement form (refer Tender Summary and Recommendation). The absence of the signatories (specimen) would; i) annul the procurement process and thus would not enable the audit to confirm the accuracy of the payment and ii) this could raise uncertainty on the whole procurement process and doubt on the integrity of management in handling cases with large amounts.
- Audit noted there were no other quotations (invoice) from other suppliers of vehicles nor any support as to why Tarawa Motors was preferred over other businesses that are also engaged in ordering vehicles. An explanation to this is invited from SRO of the Ministry.
- Further, the audit detected that the second payment (re PV# 109/11 for \$35,900) was charged under three different divisions and two separate outputs: i) E2907-243 (Water: Supply - Office equipment), ii) E2911-243 (Civil Engineering - Office equipment), and iii) E2912-287 (PVU Xmas -Plant & Equipment). This practice confirmed a violation of FR 11 section XI Adjustment and transfer 11.1-11.4. Management explanation is sought as to why they had not adhered to the aforementioned provision of the FR 11.
- The audits verified and checked the following PV# 192/1 with amount \$7706.48, PV# 64/4 for \$9,067.51 and PV# 315/10 for \$6,392.50, as elaborated in the table below which have been processed without conducting a proper procurement meeting. The Committee could comprise staff from different branches established within Linnix.

Date	PV#	Amount \$	Details
1/31/2016	192/1	\$ 7,706.48	Being for electrical materials
18/10/2016	315/10	\$ 6,392.50	Being for water equipment

Implications:

- The unsigned procurement meeting minutes would annul decisions been made and would also encourage the departure from complying to the Procurement act
- Value for money will not be achieved.
- Absence of quotes or reasons for selection would make the bidding evaluation process subject to bias and incorrect decision on suppliers chosen.
- The absence of transfer/virement is a total breach of the relevant provisions of the financial regulation.

Recommendations:

- ✓ Management must ensure there is an active Tender Committee with clear terms of reference comprising duties, responsibility and authority including Clear thresholds for requirements for different value and type of procurements.
- ✓ Management should reject PVs that were not supported with the respective procurement process.
- ✓ Invitations to tender include: evaluation criteria, conditions for disqualification and specifications must be met.
- ✓ Management must ensure all documents are fully supported and safely kept for future audit reference.
- ✓ It is recommended that the Procurement Act be reviewed, in the interest of transparency, and to strengthen the provision relating to purchases so those with amounts of over \$50k, regardless of the split in payments, approval has to be sought first through the right channel.

Management response:

Some of the PV that not procured was the Imprest and Imprest did not need procurement. Some of the mentioned PV conducted the procurement as per PV provided. The management now has become stricter recommending and encouraging the conduction of Ministry Procurement for the payment that will exceed \$5000 and to go through the CPRC for the payment that will exceed the amount of \$50,000 or more.

The PV's provided below as per

PV 192/1 - procured

PV 315/10 - procured

PV 425/17- procured

PV 35/11 - Imprest

PV 25/7 - procured

PV 334/5 - Imprest

PV 54/9 - procured

PV 109/11- procured

PV 583/12 - outstanding invoices and claims for KEIP (do not need procurement since it consist of various invoices and claim letters after the Education Rehabilitation Projects).

20.3.2.9 ASSET/STORE REGISTER/NON EXPENDABLE ITEMS

Finding and Analysis:

- The Asset/Store register obtained from MLPID was not completely updated as evidenced when the audit observed through Asset/Store register and discovered that the last date of the recording for all purchased items was only from January to July. The remaining months of August to December were not entered in the Asset/Store Register.
- The audit of the Asset/Store register for MLPID divisions could not be reviewed due to the division's failure to provide requested register for audit scrutiny to confirm the existence of all purchased items with MLPID headquarter records. The administration has commenced using the manual register last year, 2016. After thorough check through selected PVs (PV# 64/4 \$9067.51, PV# 315/10 \$6392.50, PV# \$192/1 \$6800) the audit is of the belief there were some of the equipment and tools been purchased for maintenance and operation of MLPID but were not accounted for in the register as noted in the table below:
- No frequent physical stock-take monitored by the MLPID headquarters to all divisions to ensure that each division kept and updating its records (Asset/Store register).

REPORT OF THE AUDITOR GENERAL ON THE 2016 GOK ANNUAL ACCOUNT PART I

IT									
Date	Item Purchases	Issued to	Amount	PV #	Remarks	Water			
5/4/2016	5 Monitors	IT	\$300.00			Division			
	2 Coolmax converter		\$100.00			Date	Item Purchases	Issued to	Amount
	10 incomputing		\$2,590.00			18/10/2016	18 Interior PLY 19mm	Water	\$3,442.50
	10 ubiquiti nanostation m		\$1,159.90				40TR Pine 200x50		\$2,440.00
	5 ubiquiti nanostation loco m		\$309.95				2 OH/H Galv Bolt & Nut M12x150		\$180.00
	1 EEKit tool kits		\$42.99				30 H/H Galv Bolt & Nut M12x100		\$180.00
	1 Rosewill Tool kits		\$123.99	64/4/2016			30 H/H Galv Bolt & Nut M12x75mm		\$150.00
	4 netgear switch		\$140.00				Total		\$6,392.50
	10 Brother ink		\$387.90						
	10 Brother ink		\$259.90						
	10 Brother Toner		\$1,089.90			Electricity			
	5 Brother Drum		\$650.00			Date	Item Purchases	Issued to	Amount
	2 Startech USB converter		53.98			20/01/2016	100 mtr Cable 10 mm		\$3,250.00
	3 phase Moror 415/50HZ		\$1,859.00				200 mtr Cable 6 mm		\$3,250.00
			\$9,067.51				15 Helmet		\$300.00
							Total		\$6,800.00

Implications:

- In the absence of Asset/Store register there could be purchased items that were not recorded in the register and thus would increase risk of misappropriation of government funds.
- Failure in observing and complying with the provisions of store regulations is a complete violation of the FR 11.
- Failure in maintaining store inventory register would lead to the risk of misuse, loss and theft of inventory.

Recommendations:

- ✓ All assets been purchased should be recorded in the Store Register and Responsible officer should ensure updating of the Store Register.
- ✓ Management should ensure that Accountable officer must conduct internal regular stock take within MLPID headquarters and to all divisions to keep track/movement of purchased items.

Management response:

There are store men at divisions such as Water, HMMD, Construction, Civil, Electricity and Solar Salt who are responsible in controlling the stocks and capitals of their Division of the MLPID.

It is a failure from the management side not to follow up on store-man's record and register on asset. The Management has now approve and ensure that record and registered on assets purchased should be done on a proper manner and an updated inventory book. The management has allocated account staff that is liable for following up and checks up on asset and they are required to conduct an asset check-up and counting against their recording on their inventory book on a monthly basis.

20.3.2.10 CONTROL OVER IMPREST**Finding and Analysis:**

The total outstanding imprest for 2016 was \$7,163.00 which indicated that imprest holders had failed to retire their Imprests within 10 working days upon return from official trips. Details of the imprest are shown below and names can be provided upon request.

Date	Name	Imprest no	Outstanding amount
2/24/2016	Officer 1	Jul-16	\$ 660.00
Feb-16	Officer 2	Aug-16	\$ 660.00
2/26/2016	Officer 3	13/16	\$ 315.00
4/19/2016	Officer 4	26/16	\$ 2,220.00
5/4/2016	Officer 5	29/16	\$ 2,660.00
5/13/2016	Officer 6	32/16	\$ 325.00
8/30/2016	Officer 7	60/16	\$ 323.00
Total			\$ 7,163.00

Implication:

- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 2011 requirement and would increase the risk of loss of funds from those being issued with excess Imprest.

Recommendations:

- ✓ Management must ensure to strictly comply with 10 days retirement policy of imprest upon the official return from official trip.
- ✓ Audit recommends that the outstanding imprest from previous years must be recovered with immediate effect and no other imprest will be issued out if the officer failed to retire the previous imprest.

Management response:

The outstanding imprest amount as per findings is true and this was related to one staff who retired his imprest in the MFED Bairiki and also received his travelling claim from Bairiki at the Project division. Another staff from IT Division accepts that he forgot if he has retired his imprest or not, hence agreed on the agreement that his outstanding on the imprest will automatically deducted from his salary until recovered.

For the committee information, there is a decrease in amount of imprest drawn as most of the staff aware of the 10 days policy after returning from travelling. And most of the government employees' travels from Tarawa are not required anymore to claim their additional imprest from Kiritimati.

The management gives thanks for such note and will ensure the strengthening of a 10 days policy of retirement after returning from official trip.

20.3.2.11 LEAVE GRANTS RECONCILIATION ISSUES**Finding and Analysis:**

After the audit run through MLPID staff list to confirm the accuracy of the total leave grants paid for each staff at the end of fiscal year, the audit noted the variances exist in the Management report/GL with the calculation based on MLPID staff such as detailed in the table below:

No. of Staff - Staff List obtained	OUT PUT	DESCRIPTION	MGT REP	GL	MLPID Staff list	VARIANCE 1 - 3	Remarks
22	E29010000208	Leave Grant	30,992.31	30,992.31	33,000.00	(2,007.69)	GL understated
11	E29020000208	Leave Grant	13,500.00	13,500.00	16,500.00	(3,000.00)	GL understated
46	E29030000208	Leave Grant	75,625.00	75,625.00	69,000.00	6,625.00	GL overstated
4	E29040000208	Leave Grant	7,500.00	7,500.00	6,000.00	1,500.00	GL overstated
14	E29050000208	Leave Grant	19,348.00	19,348.00	21,000.00	(1,652.00)	GL understated
18	E29060000208	Leave Grant	29,125.00	29,125.00	27,000.00	2,125.00	GL overstated
27	E29070000208	Leave Grant	39,000.00	39,000.00	40,500.00	(1,500.00)	GL understated
3	E29080000208	Leave Grant	4,500.00	4,500.00	4,500.00	-	
5	E29090000208	Leave Grant	7,500.00	7,500.00	7,500.00	-	
2	E29100000208	Leave Grant	2,875.00	2,875.00	3,000.00	(125.00)	GL understated
12	E29110000208	Leave Grant	15,500.00	15,500.00	18,000.00	(2,500.00)	GL understated
23	E29120000208	Leave Grant	22,800.00	22,800.00	34,500.00	(11,700.00)	GL understated
4	E29130000208	Leave Grant	3,180.00	3,173.08	6,000.00	(2,820.00)	GL understated
191			\$ 271,445.31	\$ 271,438.39	\$ 286,500.00		

Implications:

- Variances exist could undermine the integrity of public financial management system which could distort the annual account.
- Failure to conduct regular reconciliation would cause variances that would distort the account.

Recommendation:

Management should ensure that when closing end of financial year a proper reconciliation must be performed to ensure that all postings are correctly accounted for accordingly.

Management response:

The difference in variance is because there are other new appointments/ new recruits last year 2016 like Kauaata and others which cause the difference of variances as the new recruits will not get their leave grant on the same amount hence will get a leave grants on a pro-rata basis. The vacant is filled and hence the MLPID staff list is greater than in the report. The management will focus on this too and will improve the checking on leave grants claims.

20.3.2.12 NO FORMALIZED HANDING OVER NOTE BETWEEN FORMER SA AND THE NEW SA**Finding and Analysis:**

Audit noted with concern the repetitive failure of doing a proper hand-over between the outgoing and incoming accounting officers. Had this been practiced there would not be any problems when the new accounting is asked of any financial transactions and so forth. This is an area MFED should always ensure it is done by its accounting officers each time reshuffling is made for a Ministry. The past years that one of the failure that entertain by the MFEP is the lack of enforcement to SA to performed proper handing over especially when MFEP formalized reshuffle to SA to other Ministry.

Implication:

- Failure to provide a handing over note could weaken the credibility of the Ministry.

Recommendation:

- ✓ Management should encourage its staffs to always have ready a handing over statement for continuity purposes and for the smooth flow of the accounting work by the new officer.

Management response:

This is a misunderstanding of both side MFED and former SA MLPID. (The MFED would probably know the exact answer of this.)

For the committee information, there is a proper handing over note prepared by the Former SA MLPID to the current SA MLPID.

And that helps a lot in continuing and carrying on a work in the Account.

20.3.2.13 VOTE BOOK/DATABASE ACCESS**Finding and Analysis:**

The vote ledger/Database Access obtained from MLPID was noted not completely updated as evidenced when the audit went through transactions posted into the MLPID Vote ledger/Database Access and discovered that February (8/2/2016, 18/2/2016, 25/2/2016) was the last date/month been posted into such vote ledger. In this instance, all transactions incurred for month of January to February(remaining dates) were not accounted for therefore incorrect figure would result which could lead to unauthorized spending.

Implications:

- By not updating the vote ledger, balances reflected therein would mislead Management in their decision making.
- Not updating the vote book on a regular basis would result in incurring over spending by management and reporting of an incorrect figure on outputs at the end of the year.
- Failure to update Vote book/Database Access is total breach of financial regulations.

Recommendations:

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

Management response:

Looking to our GL report and it shows that the finding is not really accurate since our GL reports consist of January transactions and February as well from different Divisions. If we did not record our Jan and Feb transactions we would end up in a big problem hence we did not. We still have our record of expenditure from January to February totalled up to \$498117.61

For the committee information the GL reports data is extracted from the final vote book (database access).

20.3.2.14 UNSUPPORTED/UNSIGNED OVERTIME**Finding and Analysis:**

- The audit had identified that some of the staff did not sign for their overtime and the total amount involved was \$24,050.95. There neither details of RR to show that overtime have been returned nor written authority for release of the overtime.
- The audit discovered that the total unsupported overtime of \$49,141.80 was not completely supported by overtime docket. This would be difficult from the audit perspective to confirm the accuracy of such overtime. Management is required to provide explanations or way forward to rectify such problems.

Date	PV	Actual	PayDetail	Appropriate Approval	Agreed to supporting documents	Properly coded	Findings
15/2/2016	212/2	4,710.70	Overtime for first half February	✓	✗	✓	not supported by overtime docket
6/4/2016	144/4	4,876.05	Payment of overtime for first half April	✓	✗	✓	not supported by overtime docket
25/2/2016	424/2	10,101.25	Overtime for second half February	✓	✗	✓	not supported by overtime docket
3/11/2016	66/11	4,592.40	Payment of overtime	✓	✗	✓	not supported by overtime docket and signed by one employee on the voucher
11/3/2016	192/3	3,890.00	Overtime for first half March 2016	✓	✓	✓	Unsigned overtime docket
21/4/2016	299/4	5,926.40	Payment of overtime	✓	✗	✓	Unsigned overtime and not supported by overtime docket
29/7/2016	520/7	13,370.50	Overtime for second half July	✓	✗	✓	not supported by overtime docket
29/7/2016	518/7	1,674.50	Overtime for HMMD staffs	✓	✗	✓	Unsigned overtime and not supported by overtime docket
		49,141.80					

Implication:

- There is a risk that unsigned overtime could be misappropriated and was loss of public funds.

Recommendations:

- ✓ Management must provide confirmation by all those listed in the table to confirm they all had received their overtime for the periods specified above.
- ✓ Management should ensure all overtimes are signed and where no RR is provided for any unsigned overtime, to arrange recovery from the person involved in disbursing the overtime.

Management response:

Most of the time, the overtime are signed unless the employee is not willing to take his/her overtime payment on time. We then return the overtime that is not signed. However, it is an issue that the cashier did not manage to put back the signature list to the overtime PV including the supporting documents. At the end, some of the signature list misplaced and it became a big issue in which the management already take into consideration and solve this issue already.

Additionally, there are other overtimes that are not signed as per stated in the Management report. The reason behind this is that they did not came on time of payment, and when they came to claim their money the account officer could not find the PV where the signature list is attached with. Hence, they release the money for the claimer claim to take his/her overtime with the idea that they would give that staff to sign on the signature list until they forget about it, and the overtime signature list is left unsigned till then.

20.3.3 LOCAL CONTRIBUTION TO DEVELOPMENT FUND (LCDF) – POWER SUPPLY**20.3.3.1 SUMMARY EXPENDITURE FOR POWER SUPPLY – KIRITIMATI**

	2014	2015	2016
Budget	\$786,201.00	\$786,201.00	\$1,000,080.00
Actual	\$909,210.00	\$884,480.17	\$938,575.70
Variance Under/ (Over)	(\$123,009.00)	(\$98,279.17)	\$61,504.30

20.3.3.2 COMPARATIVE LINE EXPENDITURE GRAPH AGAINST ACTUAL FOR POWER SUPPLY – KIRITIMATI

- The above comparative data features the expenditure pattern for the approved budget estimate against actual spending for the last three years (2014-2016). For the first time in 2016 with an increase in the estimate budget of \$213k (2015 \$786,201- 2016 \$1,000,080.00) MLPID had closely monitored the level of its outflows which causes a savings of \$61k.
- It was evidence after the audit extract form the General to confirm the fixed payable amount to cater for the power supply. The audit affirmed that there was no such fixed amount as the payment varied and fluctuated (from time to time) for each month. This is mainly because of the usage capacity consume to supply the electricity from time to time.
- Moreover, since there was no proper monitoring to keep track of the remaining amount of fuel kept by KOIL office.

Implications:

- Continuing paying the fluctuating amount without prior proper checks on the volume of fuel actually needed will consequently lead to the unnecessary drain out of public fund, adding more to cash flow problem.
- The absence of a monitoring mechanism could lead to eventual misappropriation of funds.

Recommendations:

- MLPID to ensure payment for fuel be made for each power station separately and only upon producing: a) the confirmation on the level of remaining balance of fuel at each station and b) the confirmation of the remaining balance of fuel kept at the KOIL.
- A monthly reconciled report should be provided to MLPID for scrutiny and spot checks to confirm the records and actual refuelling at each depot.
- Both KOIL and MLPID accounts should ensure their ending balances be properly reconciled.

Management response:

The frequent damage of generators that operate the whole island of Kiritimati leads to the increase in fuel usage. The increase in consumption of power supply as there is an increase in the number of immigrants to Kiritimati.

21) OFFICE OF PEOPLE'S LAWYER (OPL)**Findings and Analysis:****21.1 AUDIT OPINION**

A QUALIFIED AUDIT OPINION is issued for the **Office of People's Lawyer** for the year ended 31st December 2016 "Except For" the effects of the matters as discussed in detail from 21.3 below.

21.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion issued on the performance of the Office of the People's Lawyer in the fiscal year 2015.

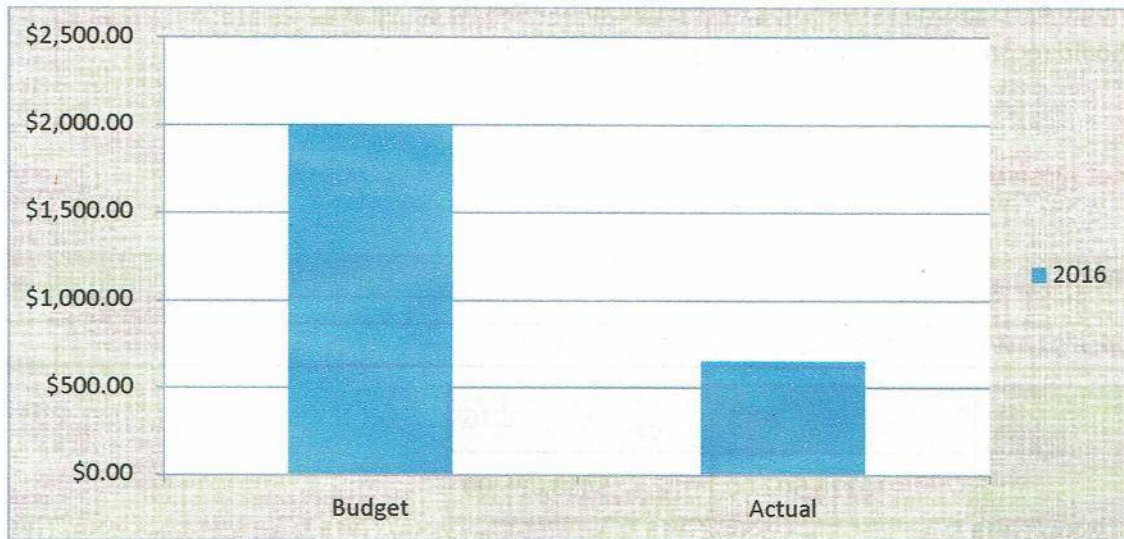
Issues	Solved/Addressed	Status of the issue in the 2016 audit
- Mis-posting of Revenue/Expenditure - Vote Book was not update - Log book was not maintained - Unavailability of documents for auditing purposes - Absence control of bus tickets	Solved/Addressed	Not solved/Addressed Not Solved/Addressed Not solved/Addressed Not solved/Addressed

21.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

21.3.1 CONTROL OVER REVENUE**21.3.1.1 OFFICE OF PEOPLE'S LAWYER SUMMARY REVENUE COLLECTION**

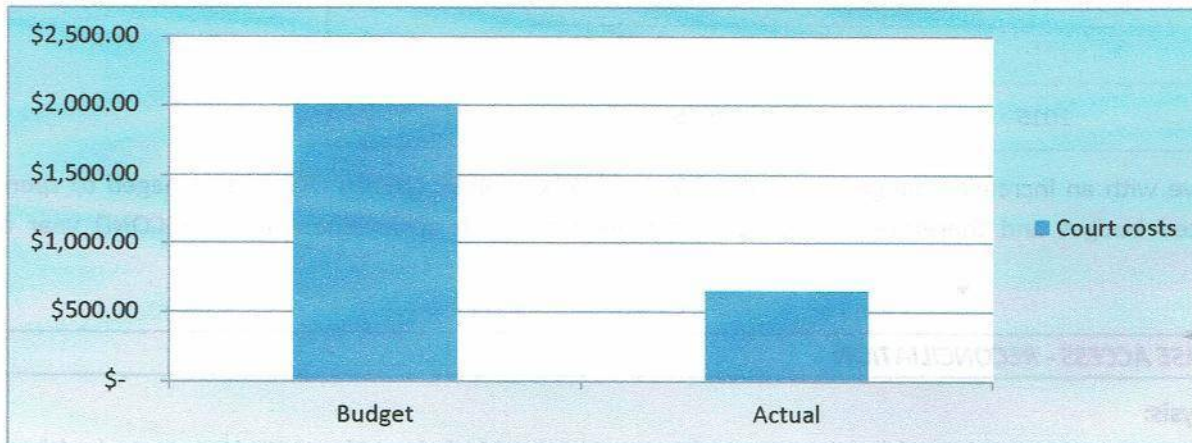
Year	FY 2016
Budget	\$2,000.00
Actual	\$651.75
Variance Under/(Over)	\$1,348.25

21.3.1.2 COMPARATIVE LINE GRAPH OF BUDGET REVENUE ESTIMATE AGAINST ACTUAL

It was noted OPL had failed to meet its targeted revenue by \$1,348.25 as it only collected \$651 when its budget was \$2,000.

21.3.1.3 REVENUE AGAINST BUDGET BY DIVISIONS 2016

Code	Division(Legal Services)	Budget	Actual	(Over)/Under
C360103	Court costs	\$2,000.00	\$651.75	\$1,348.25
	Total	\$2,000.00	\$651.75	\$1,348.25

21.3.1.4 COMPARATIVE BAR GRAPH OF BUDGET REVENUE AGAINST ACTUAL BY DIVISIONS

As clearly witnessed from the above table/graph, OPL hold only one division which had failed to collect its revenue budget for the fiscal year 2016

Implication:

It is important for revenue collectors to collect and meet the revenue budget as this has been accounted for when formulating the budget for 2016 and any shortfall would trigger unnecessary draw down from the RERF.

Recommendations:

- Management should exert efforts in collecting its revenue so to meet its set target.
- Management should reconsider its budget level to give a more realistic figure to collect.

Management response:

Written Management not received.

21.3.2. EXPENDITURE (BUDGET)**21.3.2.1 OFFICE OF PEOPLE'S LAWYER BUDGET EXPENDITURE SUMMARY**

Year	2015	2016
Budget	\$326,502.00	\$458,035.00
Actual	\$403,842.63	\$443,184.89
Variance Under/(Over)	(\$77,340.63)	\$14,850.11

21.3.2.2 COMPARATIVE LINE GRAPH OF BUDGET EXPENDITURE ESTIMATE AGAINST ACTUAL

As disclosed above with an increased budget estimate of \$131 (\$326k - \$458k (2016)) OPL had managed to spend within its allocated budget and therefore should be commended for such achievement in its SECOND year of operation.

21.3.2.3 DATA BASE ACCESS - RECONCILIATION**Finding and Analysis:**

After testing the posting in the General ledger, it was discovered, re table below, that certain outputs had been misallocated in the GL by MFEP. This would have been detected and corrected during the course of action (2016) had there been a regular reconciliation between OPL and MFED.

Date	Pv #	Misallocation	Correct code	Amount	Payee
11/10/16	244/16	E36010000	E36010000231	\$177.75	ATHKL
11/11/16	282/16	E36010000231	E36010000231	\$734.77	ATHK

Implications:

- The misallocation caused by MFED is a human careless error and those involved should be reprimanded.
- Failure to update database and conduct regular reconciliation could trigger difficulties for management to agree with records kept by MFED especially when consolidating the annual account.
- The absences of reconciliation would cast doubt on the balances as shown at the end of the financial year.

Recommendation:

Management must maintain and regularly update its database and to conduct regular reconciliation with records held by MFED to avoid incorrect balances appearing in the Government annual accounts.

Management response:

Written Management not received.

21.3.2.4 LOG BOOK**Findings and analysis:**

It was noted that OPL log books for two vehicles as noted hereunder, for 2016 were never used regardless of the same issue detected in the 2015 audit report. This is an indication of poor management control measures over the use of log book; hence an explanation is required from responsible officers accordingly.

Vehicle Type	Description	No.	Log Book available	Maintained & Updated?
Mini bus	Staff Transport	BG 108	Yes	No
Double Cap	Deputy Peoples Lawyer	BG 306	No	No

Since these log books were never used or updated our audit authentication for expenses on driver's overtime, fuel consumption and so forth could not be verified and validated accordingly.

Implication:

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

Recommendations:

- Accounting officer has to remind drivers to return their log books at end of each fiscal year to the accounting unit for account/management and/or audit purposes failing by which a disciplinary action may warrant.
- Management must open log book and started using it for the two vehicles.

Management response:

Written response is not provided.

21.3.2.5 STORE REGISTER (UNRECORDED ITEMS)**Findings and analysis:**

After checking the Stores Register the audit confirmed that the following items shown in the table below had not been recorded in the register and therefore seeks management's explanation.

<u>DATES</u>	<u>PV #</u>	<u>NO OF ITEMS PURCHASED</u>	<u>AMOUNT</u>	<u>REMARKS</u>
22/01/16	021/16	1 Vanes	\$67.80	Not recorded in the register
08/02/16	048/16	48 Cable wire 3PCS Double Power point 2pcs single Power Point	\$189.60 \$53.40 \$29.00	Not recorded in the register
11/02/16	050/16	4 PVA glue 1 Single P/Point 4sht Ply Wood	\$48.00 \$15.50 \$340.00	Not recorded in the register
16/12/16	051/16	6 ex- chair 40 pcs screw	\$853.33 \$71.11	Not recorded in the register
18/02/16	057/16	2 tin Varnish 4 ltr 5 Mounting block p/point 1 Pad bolts 1 padlock & key	\$138.00 \$47.50 \$7.50 \$7.50	Not recorded in the register
18/02/16	059/16	3pcs 2*2 timber 1pkt 2" galv nail 2pkt 3" " " 2pair 2" hinges 2 pcs 2" Screws	\$75.00 \$5.40 \$21.00 \$10.80 \$ 4.00	Not recorded in the register
25/02/16	060/16	4 boxfile nova	\$12.44	Same as above
03/03/16	074/16	4 Air freshner 4 fabulaso 2 harpic 3 pino clean	\$22.00 \$13.20 \$12.00 \$11.40	Same as above
06/06/16	146/16	1pcs 10mtr lead wire 2pcs 6way power point	\$33.00 \$30.00	Same as above
		TOTAL	\$2,118.48	

Implication:

The absence of recording all purchased items would increase the risk of loss of assets and/or misappropriation of items.

Recommendation:

Management must ensure that all assets purchased and used/disbursed should be recorded in the asset register for record and tracing of their movements.

Management response:

Response not provided for this issue.

21.3.2.6 TWO YEAR LEAVE ENTITLEMENT POLICY**Findings and Analysis:**

One staff was found to have accumulated leave for more than two years back. This is totally lack of compliance to cabinet decision Minute No.77/10. (Names and details of the employees' leave can be provided when requested).

Implication:

The whole purpose of the Cabinet Decision Minute 77/10 on 2 years carry forward leave balances is to avoid unnecessary drain out of public funds and to conform to NCS requirement. Therefore by not adhering to this decision is a violation of Cabinet decision and of course NCS related provision.

Recommendations:

- ✓ Management must enforce and implement the Cabinet Decision Minute No. 77/10.
- ✓ Management should ensure it maintains and regularly review its leave roster for staff annual leaves.
- ✓ Management should ensure that whenever staff taking leave, eg in 2017, must offset first their leave entitlement in 2017 before moving back to the last 2 previous years' leave balances, i.e taking the leave balance of 2016 and so forth.

Management response:

Response for this issue is not provided.

21.3.2.7 ABSENCE OF CONTROL ON THE BUS TICKET**Finding and Analysis:**

After going through a testing of bus ticket register the audit discovered that the control on the bus tickets was not sufficient due to the reasons stated hereunder:

- The audit noted that number of unrecorded bus tickets not accounted for in the Bust tickets register as shown in the table below;

Denomination	Recipient	Serial No.	No. of ticket	Value	Amount
0.80 cents		539696-697	2	1.6	\$1.60

- As a common issue, tickets were issued out without being signed by the respective employee.

Dates	Denomination	Recipients	Serial No.	# of ticket	Value	Amount
13/09/2016	0.80 Cents	Tabokai	598917-598924	7	5.6	
" " "		Kabetitaake	598925-598933	8	6.4	\$12.00
	Total					\$12.00

- Audit also noted that some tickets issued but signed by one person on behalf of other employees.

Dates	Denomination	Recipients	Serial No.	# of ticket	Value	Amount
20/11/2016	0.80 Cents	Berenateta	598987-598989	2	1.6	
" " "		Ruuta	598990-599000	10	\$8.00	
	0.90 Cents	Berenateta	467185-467190	5	\$4.50	
		Tabokai	467191-467200	9	\$8.10	\$22.20

Implications:

- Failure to control the bus tickets could lead to the misappropriation of bus tickets as bus tickets are convertible to cash.
- Unsigned tickets permit actions that may inflict misappropriation of bus tickets
- Signing of tickets by others without written authority could also lead to misapplication of bus tickets.

Recommendations:

- Management should ensure all bus tickets issued out must be accounted for in the Register.
- Management is urged to consider the importance of signing the bus tickets when issued out
- Management must not encourage issuing out of bus tickets to others if no authority is produced.

Management response:

Written Management response is not received for this issue.