REPORT
OF
AUDITOR GENERAL

KNAO

AUDIT FOR AN IMPACT FOR THE PUBLIC

ON THE ACCOUNTS OF KIRIBATI GOVERNMENT ANNUAL ACCOUNT

PART 1: REVENUE AND EXPENDITURE

GOVERNMENT MINISTRIES FOR THE YEAR ENDED

31 DECEMBER 2015

TABLE OF CONTENTS

A) GUIDE TO READING THIS AUDIT REPORT 2015

This audit report is Part 1 of the whole of Government Annual Account and contains the report on the financial performance of each respective individual Ministry for year ended 31 December 2015. Each report discussed audit results on revenue and expenditure the latter of which include other commitments such as debt servicing, other government expenses and local contribution to development fund. These commitments are further elaborated in Part 2.

i) AUDIT OPINION ISSUED FOR EACH MINISTRY

An opinion is issued for each Ministry on how it has managed the approved and allocated fund by Parliament and to portray the performance of the Ministry in managing its operations during the year under review. Following the audit opinion, as was in previous reports, are audit findings and analysis on areas being audited for the year ended 31/12/15.

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

ii) REVENUE

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

iii) EXPENDITURE

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

In summary the report, as was in the previous year, has 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) ABBREVIATIONS AND ACRONYMS

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

C) TYPES OF AUDIT OPINIONS

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

i) UNMODIFIED AUDIT OPINION

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

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

ii) MODIFIED AUDIT OPINION

Qualified Opinion

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

Adverse Opinion

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

Disclaimer Opinion

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

D) ACKNOWLEDGEMENT

I would to express my deepest appreciation to the accounting staff of all Ministries and in particular the Ministry of Finance and Economic Development (MFED) under the leadership of the Acting Accountant General, Mr. Arimaere Tambwereti, for their continued tireless efforts in assisting our audit teams in providing the required information and documentations promptly when requested the efforts without which would not enable our Office in accomplishing our constitutional role in completing and lodging the audit report on the Government Annual Accounts 2015 in a timely manner.

I would also like to acknowledge with much appreciation the crucial role of our auditors in the collating and compiling of their findings and the notable tireless efforts they had exerted that had enabled the completion of the audit report in a timely manner. My special thanks also go to our senior audit staff including all our support staff that had expansively exerted full efforts in guiding the audit team and assisted to the stage of compiling and lodgement of the completed audit reports to Parliament.

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

Kam bati n rabwa.

…………………………………

Mrs. Matereta Raiman
Auditor General

Date: 13th December, 2016.

E) EXECUTIVE SUMMARY

I) INTRODUCTION

This part of the audit report sets out the analysis of revenue and expenditure in respect of individual Ministries, Department, Debts Servicing and Other Statutory expenditure for year ended 31 December 2015.

II) SCOPE AND METHODOLOGY

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

Our audit has been carried out in accordance with generally accepted auditing standards with an ultimate objective of reporting back to Parliament on how well each Ministry has utilised or managed the budget that was appropriated in 2015 and, for revenue collectors, how each had successfully collected the revenue as had been budgeted. Our focus is mainly on the comparison of the following:

i) Revenue collected against estimate,

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

iii) Supplementary Appropriations approved and the revised budget.

III) STATEMENT OF AUDITOR INDEPENDENCE

We confirm that when auditing the Kiribati Government Annual Account Part 1 (Revenue and Expenditure) for the year ended 31 December 2015, 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 2015. 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 - 2015

As normally practiced in all democratic countries worldwide, Government has to prepare and approve annual budget. As usual, the budget, after being prepared by individual ministries/offices and approved by Cabinet, is normally debated and finally approved by Te Maneaba n Maungatabu at the end of each year. During the parliament session held in December 2014, Te Maneaba Ni Maungatabu has approved the 2015 expenditure budget as well as the estimated revenue budget in the sum of **$116,907,878** (expenditure) and **$113,257,476** (revenue) as per annual account 2015 respectively.

V) DEVELOPMENT PROJECTS BUDGET - 2015

The budget for development projects, both locally and externally funded, were also approved by the Maneaba ni Maungatabu in the amounts of **$8,446,262(LCDF)** and **$149,344,223(Donor)** respectively. As confirmed major contributors for external funded projects include; World Bank, Australia, Taiwan, New Zealand, ADB, Japan and EU.

VI) HIGHLIGHTS

It is pleasing to note an increase in the number of Ministries, Departments, Offices been issued with Unqualified opinion the number of which has increased from nine (9) in 2014 to fifteen (15) Ministries in the year 2015, an indication of major improvements in the management of public funds by Accountable and Accounting Officers of the respective Offices.

2015 financial year is the second year the government, through its respective Ministries, had again incurred a net saving in the sum of $2.97m

VII) APPROVED SUPPLEMENTARY BUDGET – 2015

Expenditure		Supplementary Approved for FY 2015				2015				
Code	Ministry/Title	Original Budget	Supplementary No. 1	Supplementary No.2	Total Orig Budget plus supplementaries	Revised Budget	Total Actual	(Over)/Under	Variance	Remarks
E02	LCDF	8,446,262	7,055,955	7,011,123	22,513,340	23,150,425	23,150,424	0		
E08	People's Lawyer	324,922		48,858	373,780	326,502	403,843	(77,341)	47,278	Non inclusion of Hire of plant & Equipment(Management report) $47,278
E09	OB	1,708,761			1,708,761	1,708,761	1,797,285	(88,524)		
E10	PSO	602,290			602,290	602,290	637,668	(35,378)		
E11	Judiciary	1,650,029			1,650,029	1,650,030	1,654,347	(4,317)		
E12	KPPS	7,262,783			7,262,783	7,262,784	7,329,687	(66,903)		
E13	PSC	241,817			241,817	241,818	256,698	(14,880)		
E14	MFAI	2,178,570			2,178,570	2,178,571	2,745,375	(566,804)		
E15	MIA	2,175,302		53,908	2,229,210	2,229,210	2,208,340	20,870		
E16	MELAD	2,999,996			2,999,996	2,999,994	2,999,705	289		
E17	MM	3,066,410			3,066,410	3,066,410	2,809,029	257,381		
E18	MCIC	1,480,722			1,480,722	1,480,721	1,379,473	101,248		
E19	KNAO	695,236			695,236	695,236	661,987	33,249		
E20	OAG	689,188			689,188	689,188	708,142	(18,954)		
E21	MFMRD	2,279,744			2,279,744	2,279,744	2,020,278	259,466		
E22	MHMS	15,422,764		100,000	15,522,764	15,522,764	17,792,976	(2,270,212)		
E23	MOE	20,322,553	60,400		20,382,953	20,152,235	19,834,251	317,984	230,718	Non inclusion of Housing assistance $217,00/Overseas service $13,720
E24	MCTTD	2,617,654		60,000	2,677,654	2,677,655	2,666,059	11,596		
E25	MFED	2,894,494		3,544,500	6,438,994	6,438,994	5,864,200	574,794		
E26	MWYSA	1,487,260	18,000	18,800	1,524,060	1,524,060	1,531,335	(7,275)		
E27	MPWU	2,386,335			2,386,335	2,386,335	2,390,739	(4,404)		
E28	MLHRD	3,665,453		19,000	3,684,453	3,684,455	3,684,938	(483)		
E29	MLP	3,175,029			3,175,029	3,175,031	2,828,832	346,199		
E30	Debt Servicing	667,800	60,840	100	728,740	667,800	1,248,999	(581,199)	60,940	GW 05/15 $16,200 election not to be included in debt servicing
E31	Subsidies, grants & Other Commitments (Gov't)	28,466,504	772,600		29,239,104	29,417,304	24,626,469	4,790,835	178,200	Cont/ warrant MCTTD $162,000
	Total	**116,907,878**	**7,967,795**	**10,856,289**	**135,731,962**	**136,208,317**	**133,231,077**	**2,977,240**		

In 2015 the total amount approved (Original Budget) from Parliament as could be sighted above was $116,907,879. However, during the course of the year there were unforeseen but necessary circumstances which prompted some Ministries/Offices to seek for further budget provisions from Government through a Supplementary budget. As confirmed, the amount approved for supplementary in respective of some Ministries/Offices including LCDF, Debt Serving and Other Gov't Expenses was $18,824,084. Consequently, the original budget had therefore increased from $116,907,879 to $136,208,317.

VIII) OVER/UNAUTHORISED EXPENDITURE (2013 – 2015)

EXPENDITURE	FY 2013				FY 2014				FY 2015			
Minitry/Title	Revised Budget	Actual Exp	Net Saving	Overspending	Revised Budget	Actual Exp	Net Saving	Overspending	Revised Budget	Actual Exp	Net Saving	Overspending
LCDF	7,436,223	7,898,303		(462,080)	9,202,983	9,202,983	-	-	23,150,425	23,150,424	-	0
People's Lawyer			-	-			-	-	326,502	403,843		(77,341)
OB	1,350,020	1,541,027		(191,007)	1,493,632	1,700,326		(206,694)	1,708,761	1,797,285		(88,524)
PSO	600,785	622,341		(21,556)	600,987	666,702		(65,715)	602,290	637,668		(35,378)
Judiciary	1,650,467	1,568,448	82,019		1,921,899	1,887,620	34,279		1,650,030	1,654,347		(4,317)
KPPS	7,030,624	6,927,840	102,784		7,116,854	7,136,000		(19,146)	7,262,784	7,329,687		(66,903)
PSC	233,691	255,030		(21,339)	227,901	238,608		(10,707)	241,818	256,698		(14,880)
MFAI	1,835,758	1,894,020		(58,262)	2,132,266	2,570,157		(437,891)	2,178,571	2,745,375		(566,804)
MIA	2,895,618	2,969,234		(73,616)	2,300,998	2,349,336		(48,338)	2,229,210	2,208,340	20,870	
MELAD	2,556,320	2,739,280		(182,960)	2,591,743	2,738,280		(146,537)	2,999,994	2,999,705	289	
MM	3,058,932	3,212,629		(153,697)	2,864,380	2,977,971		(113,591)	3,066,410	2,809,029	257,381	
MCIC	1,228,071	1,163,803	64,268		1,279,920	1,276,641	3,279		1,480,721	1,379,473	101,248	
KNAO	726,750	700,718	26,032		684,961	680,432	4,529		695,236	661,987	33,249	
OAG	590,967	605,111		(14,144)	665,557	665,934		(377)	689,188	708,142		(18,954)
MFMRD	2,163,478	1,908,213	255,265		2,156,517	1,940,188	216,329		2,279,744	2,020,278	259,466	
MHMS	14,835,774	14,930,041		(94,267)	15,423,530	16,376,246		(952,716)	15,522,764	17,792,976		(2,270,212)
MOE	19,592,120	19,212,646	379,474		19,829,311	19,645,065	184,246		20,152,235	19,834,251	317,984	
MCTTD	2,566,332	2,415,559	150,773		2,582,449	2,581,147	1,302		2,677,655	2,666,059	11,596	
MFED	2,804,816	2,711,947	92,869		2,851,835	2,805,515	46,320		6,438,994	5,864,200	574,794	
MWYSA			-	-	1,316,790	1,294,219	22,571		1,524,060	1,531,335		(7,275)
MPWU	2,331,799	2,308,930	22,869		2,350,738	2,273,917	76,821		2,386,335	2,390,739		(4,404)
MLHRD	3,545,963	3,702,697		(156,734)	3,564,240	3,702,884		(138,644)	3,684,455	3,684,938		(483)
MLP	2,698,279	2,594,684	103,595		2,701,008	2,684,460	16,548		3,175,031	2,828,832	346,199	
Debt Servicing	2,082,978	2,740,407		(657,429)	9,659,975	10,087,262		(427,287)	667,800	1,248,999		(581,199)
Subsidies, grants & Other Commitments (Gov't)	21,966,820	20,962,659	1,004,161		26,615,412	22,772,895	3,842,517		29,417,304	24,626,469	4,790,835	
Total	**105,782,585**	**105,585,567**	**2,284,109**	**(2,087,091)**	**122,135,886**	**120,254,788**	**4,448,741**	**(2,567,643)**	**136,208,317**	**133,231,077**	**6,713,912**	**(3,736,672)**

As displayed above the total over/unauthorised expenditure in 2013 and 2014 was $2.09m and $2.57m respectively. However, in this year 2015 the level of unauthorised expenditure had dramatically increased to $3.74m, a further increase of $1.17m was noted when compared to the overspent reported in 2014. This means some Ministries have still not exerted their efforts in trying to reduce the level of their unauthorised expenditure.

IX) OVERSPENT/UNAUTHORISED EXPENDITURE BY MINISTRIES (2013 - 2015)

According to the table above, in 2013 of the total number of Ministries, twelve Ministries/Offices together with Debt Servicing account and LCDF have exceeded their allocated revised budget summing to $2.08m whereas in 2014 only twelve Ministries/Offices which exceeded their approved budget including Debt servicing accounts the total amount of which was over $2.57m. In this fiscal year 2015, thirteen Ministries/Offices together with Debt servicing have exceeded the allocated revised budget in the amount of $3.74m

X) SUBSIDIES, GRANTS AND OTHER COMMITMENTS

As also highlighted in the table above, the overall total net saving under this account of over $4.79m had not been utilised at all. Therefore the supplementary budget being approved for this account had unnecessary inflated the balance of this account expenses, hence as a result should not have been approved in the first place.

XI) SUMMARY OF COMMON ISSUES ACROSS LINE MINISTRIES FOR 2015

1	Under collection
2	Excess spending within approved budget
3	Lack of reconciliation between MFED and line Ministries which result in variances of each output
4	Outstanding imprest
5	Non-compliance with Year leave entitlement policy
6	Contravene relevant section of Procurement Act
7	Failure to update and maintained vote ledger (FR2011)
8	Absentee controlling of log books
9	Misallocation
10	Unavailability of report document for audit verification
11	Absentee control on the bus ticket
12	Unsigned salaries or not returned salaries (Payroll)
13	Failure to prepare bank reconciliation
14	Unavailability of bank audit certificate
15	Arrears of Revenues
16	Outstanding payment paid in the current fiscal years
17	Unsupported of employee salary
18	Missing good and item for Ministry asset/store register.
19	Failure control over revenue collection
20	Arrears of revenues (Outstanding sublease)
21	Unavailability of staff list
22	No proper stocktaking conducted by Supervisor (ration)

F) COMPLIANCE WITH LEGISLATIVE REQUIREMENTS

F.1) LEGISLATIVE COMPLIANCE SYSTEMS

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

F.2) BREACHES OF SIGNIFICANT LEGISLATION

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

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

i) Receipt of revenue

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

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

It is very difficult for auditors when auditing Ministries' or offices' records to check the accuracy of revenue collected or receipted in FY 2015. Most of the ministries and departments relied on the records of MFED. It is the sole responsibility of the ministries or departments to maintain their revenue records for audit purposes and to regularly reconcile their records with that held by MFED. It was also noted not all accounting officers that collect revenue keep records of the arrears of revenue.

ii) Non-compliance with Financial Regulations (FR)

Section 168 (FR)

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

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

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

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

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

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

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

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

G) REPORT ON THE KIRIBATI GOVERNMENT MINISTRIES

1. OFFICE OF PEOPLE'S LAWYER (OPL)

1.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for Office of the People's Lawyer for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 1.3 below.

1.2. STATUS OF PRIOR MANAGEMENT LETTER ITEM

2015 was the year this office was established as a Ministry.

1.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

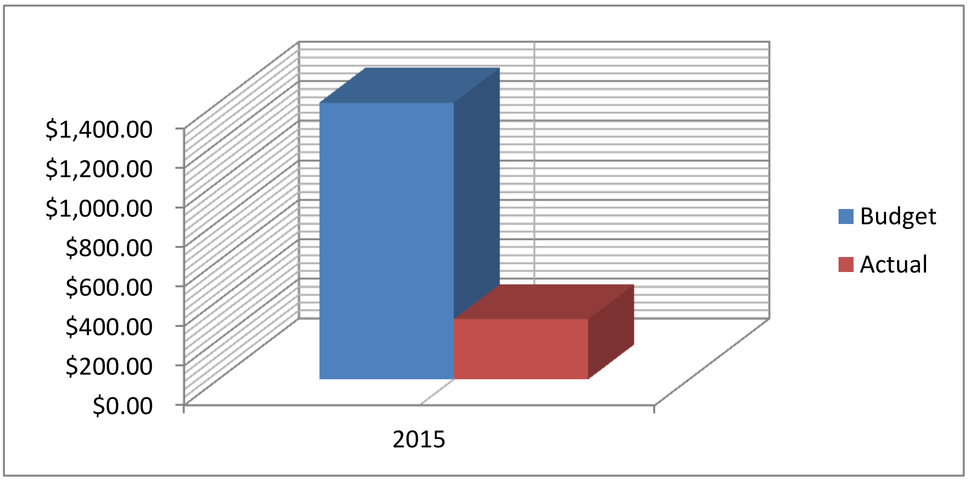
1.3.1 REVENUE (BUDGET)

Findings and analysis:

1.3.1.1 Office of People's Lawyer: Summary Revenue Collection

Description	2015
Budget	$1,400.00
Actual	$304.00
(Over)/Under	$1,096.00

1.3.1.2 Comparative graph of budget revenue against actual

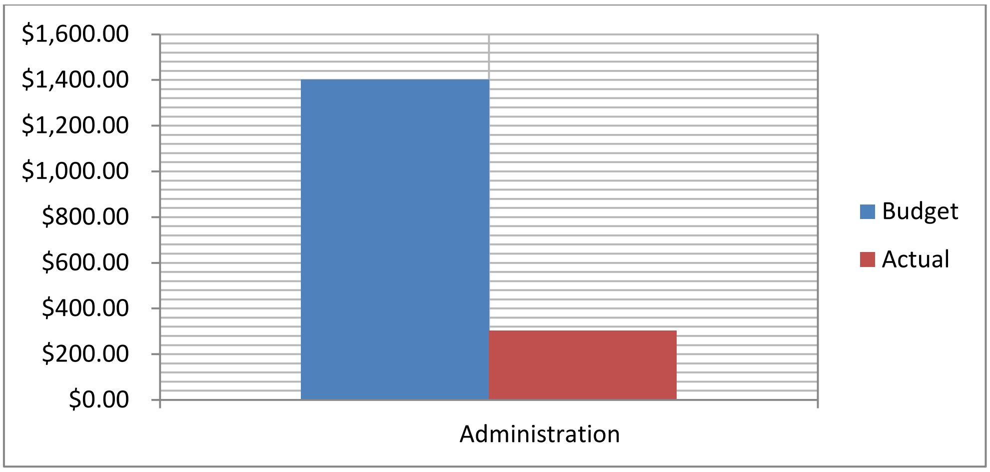


Since the first time OPL operated on its own after being separated from Judiciary, the above analysis clearly showed the Ministry was not able to meet its revenue target. As discussed during the Opening meeting, OPL emphasized that revenue shown in the management report was a mis-posting as they did not expect to collect any revenue in 2015. Therefore an explanation is required as to why there was a budget set for $1,400?

1.3.1.3 Revenue against budget by divisions 2015

Description	Administration	Total
Budget	$1,400.00	$1,400.00
Actual	$304.00	$304.00
(Over)/Under	$1,096.00	$1,096.00

1.3.1.4 Comparative graph of budget revenue against actual by divisions



As noted earlier there should be no revenue collected therefore the above data is mis-leading. However, as that was what actually reflected in the annual accounts, it is of paramount importance for management to ensure its budget for future years is not based on the above data and to ensure they provide a correct budget level, whether there would be revenue expected or NIL.

Recommendation:
Management should ensure it regularly review and reconcile its records with that held by MFED.

Management response:

Management response was received

1.3.1.5 Misposting of Revenue

Findings and Analysis:
The audit confirmed during the audit that the revenue posted under the OPL code; C080103 Practicing fees, C080104 People's lawyer's admission fees (as per management report) was mis-posted. In fact this revenue must be credited to Judiciary.

Implication:

- Mis-posting of proper transaction (code) could cause unrealistic figure disclosed in the management report.
- Failure to regularly reconcile management's records could result in mis-postings been undetected and could affect budget determination for subsequent years.

Recommendation

- ✓ Management is recommended to conduct proper and regular reconciliation with records held by MFED to avoid mispostings and/or instantly take corrective action.

Management response:

Management response was received

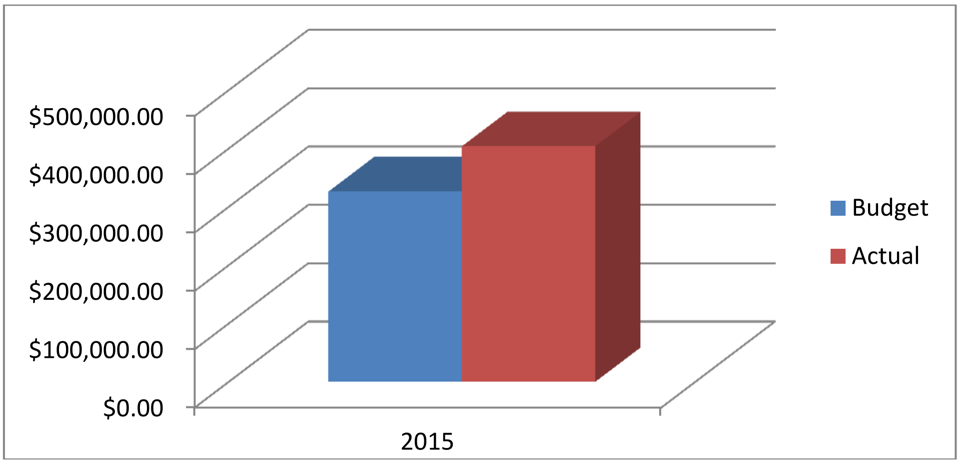
1.3.2. EXPENDITURE (BUDGET)

Findings and analysis:

1.3.2.1 Office of People's Lawyer Budget expenditure summary

Description	2015
Budget	$326,502.00
Actual	$403,842.63
(Over)/Under	-$77,340.63

1.3.2.2 Comparative graph of budget expenditure against actual

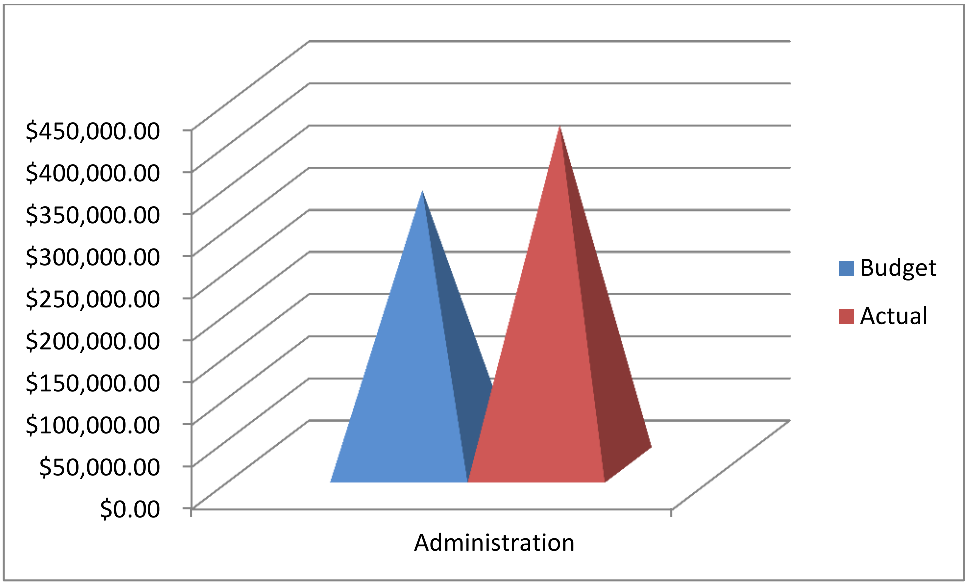


As disclosed above with a budget estimate of $326k for the first time, OPL was not able to manage its spending within it approved budget allocation. Therefore management should ensure in futures to keep its spending level within the approved budget.

1.3.2.3 Expenditure against actual by divisions 2015

Description	Administration	Total
Budget	$326,502.00	$326,502.00
Actual	$403,842.63	$403,842.63
(Over)/Under	-$77,340.63	-$77,340.63

1.3.2.4 Comparative graph of budget expenditure by divisions 2015



As referred above, Administration is the only one division within OPL that topped its budget by $77k.

Recommendation:
Management should ensure its budget level in future is aligned with the activities it has to undertake.

Management response:

Management response was received

1.3.2.5 Vote Book

Finding and Analysis:
It was discovered during the audit that the vote book was not up to date as evidenced with certain number of transactions not completely posted under output (allocation) which resulted in the discrepancies between GL and Management report. This is an indication of poor control by management to ensure that vote ledger is always reconciled and kept up to date.

Implication:
Failure to update the vote ledger is a breach of FR 2011 and absence of reconciliation on postings of incurred transactions into vote ledger would make it difficult for management to agree with records kept by MFED. The absence of above would also undermine the balances as shown at the end of the financial year.

Recommendation:
In conforming with FR 2011 chapter 8 paragraphs 168-169, management must maintain and regularly update its vote book to ease reconciliation with records held by MFED.
Being a new Ministry it is of paramount importance management is fully aware of all governing laws and regulations.

Management response:

Management response was received

1.3.2.6 Log book

Findings and analysis:
It was noted that OPL log books, as noted hereunder, for 2015 were never used for the following vehicles.

Assign Vehicle	Registration #	Remarks
Deputy Peoples lawyer(Saloon car)	GOV 102	Log book never used
Double Cap	BG 464	Log book never used

Since these log books were never used our audit authentication for expenses on driver's overtime, fuel consumption and so forth could not be verified and validated accordingly.

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 such vehicles.

Recommendation:
- ✓ Accounting officer has to remind drivers to return their log books at end of each fiscal year to the accounting unit for account/management and/or audit purposes failing by which a disciplinary action may warrant.
- ✓ Management should ensure it has a monitoring mechanism in place that will control the consumption of fuel.
- ✓ Management should ensure all overtimes claimed are supported with certified log book details failing by which would deem the payments void.

Management response:

Management response was received

1.3.2.7 Unavailability of documents

Findings and Analysis:
During the audit, we selected 7 documents (PVs) with total value of $5,238.29 for vouching, as per details shown below, was not provided by the responsible officials when requested for further verification. Due to the unavailability of such requested documents further audit testing and verification could not be carried out and therefore management should provide explanation as to why these selected PVs of 2015 were missing.

Output Details	Allocation	PV#	Details	Amount	Balance
Internal Travel	E0801_216	OPL t/c 195/15	Officer 1	$ 315.00	
					$ 315.00
Stationery & supplies	E0801_241	OPL 076/15	Officer 2	$ 42.00	
		OPL 289/15	Imbo Eletrical	$ 749.03	
					$ 791.03
Office Equip & Furn	E0801_243	OPL 258/15	Imbo Electrical	$ 303.75	
		OPL 288/15	Koes	$ 2,497.50	
					$ 2,801.25
Local service	E0801_250	OPL 88/015	Officer 2	$ 537.01	
		OPL 293/015	Officer 3	$ 794.00	
					$ 1,331.01
					$ 5,238.29

Implications:

- ➢ Missing or unavailability of documents requested for audit verification is a complete violation of provisions of Cap 79 and government Financial Regulations 2011.
- ➢ The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- ➢ Documents of just last year to have gone missing are an indication of lack of control over the movement of documents within the Ministry and poor record keeping.

Recommendation:

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

Management response:

Management response was received

1.3.2.8 Absence of control on the bus ticket

Finding and Analysis:

The audit noted there were a number of bus tickets not accounted for in the Bust tickets register as shown in the table below;

.90cents(432101-432200)	Quantity	Amount
Last used tickets		
432152-432153		
Missing used tickets		
432153-432200	47x.90	$42.30

- It was also noted the bus tickets were issued out without being signed by the recipient employees.

Implications:

- Failure to control the bus tickets could lead to the misappropriation of bus tickets.
- Unsigned tickets permit actions that may inflict misappropriation of bus tickets as such could easily be converted to cash.

Recommendation:

- Management must ensure that all bus tickets issued out must be accounted for in the Register and signed by the recipient employees.
- Management should ensure its bus ticket register is updated with tickets purchased and when released for use once previous batch has been used up.

Management response:

Management response was received

1.3.2.9 Misposting entry

Finding and Analysis:
In conducting the audit, it was detected some transactions were erroneously charged to incorrect allocation as per details below;

- PV# OPL 012/15 $349, Economic rent E0801-203; posted to Internal travel under GL (E0801-216).
- PV# OPL 204/15 $474.50, Entertainment E0801-239; posted to Stationery & Supplies GL (E0801-241).

Implication:

- ➢ Mis-posting of entry would make it difficult for management to agree with records held by MFED
- ➢ Correct postings would greatly assist management in determining future budget levels.

Recommendation:

- ✓ Management must ensure to conduct proper reconciliation on a regular basis to avoid improper posting and to ensure that all transactions are collectively charged to the correct allocations (output).
- ✓ Officer involved in raising PVs and posting transactions should be reprimanded for such careless mistakes.

Management response:

Management response was received

2. OFFICE OF TE BERETITENTI (OB)

2.1. AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Office of Te Beretitenti for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 issued on the performance of the Office of Te Beretitenti in the fiscal year 2014:

- Overspending of expenditure budget 2014
- Failure to retire special Imprest withdrawn within 10 working days as required.
- Leave entitlement balances
- Unavailability of documents
- Payroll-Unsigned salaries
- Not updating and maintaining of log books

2.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

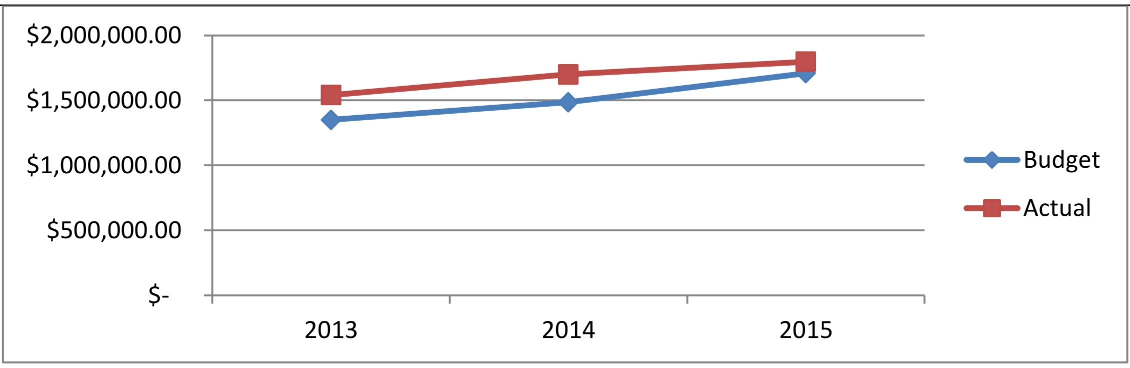
2.3.1 EXPENDITURE (BUDGET)

Findings and Analysis:

2.3.1.1 OB Budget Summary against Actual Expenditure

Year	Budget	Actual	(Over)/Under
2013	$ 1,350,020.00	$ 1,541,027.00	$ (191,007.00)
2014	$ 1,485,797.00	$ 1,700,326.00	$ (214,529.00)
2015	$ 1,708,761.00	$ 1,797,284.50	$ (88,523.50)

2.3.1.2 Comparative Graph Budget Expenditure

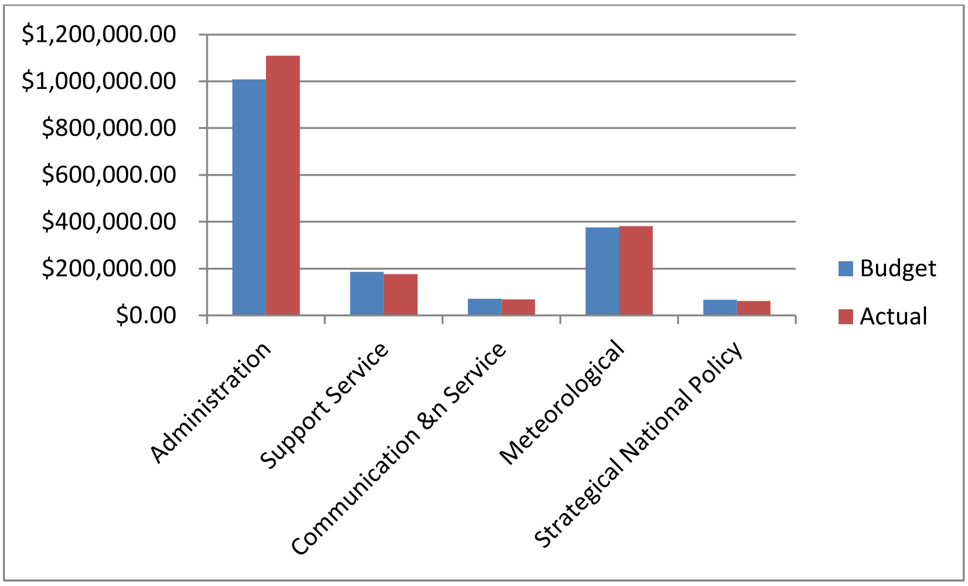


Based on the comparative analysis above, with a slight increase in its budget level over the past three years (2013-2015), the Office of Te Beretitenti still exceeded its budget but by a much lower level of $88k. With a closer gap of overspending incurred management should increase its budget level further in future years so to be able to meet all its important support services that is of beneficial to the public at large. Also of paramount importance is for management to regularly conduct its reconciliation with MFED record so to be able as well to lodge its Supplementary request for approval.

2.3.1.3 OB Expenditure against Budget by Divisions – 2015

Output	Division	Budget	Actual	(Over)/Under
E0901	Administration	$1,007,992.00	$1,108,576.63	-$100,584.63
E0902	Support Service	$186,337.00	$176,010.39	$10,326.61
E0903	Communication &n Service	$71,803.00	$69,411.49	$2,391.51
E0904	Meteorological	$375,460.00	$380,824.77	-$5,364.77
E0905	Strategical National Policy	$67,169.00	$62,461.22	$4,707.78
	Total			-$88,523.50

2.3.1.4 OB Comparative graph against Budget by Divisions – 2015



The above comparative graph depicted the level of spending against budget by all divisions of OB and it revealed two of the five divisions exceeded their approved budget and these were Administration incurring the most of $100k followed by Meteorological of $5k. The remaining three divisions; Support service, Communication & Service and Strategically National Policy have operated within approved budget and therefore should be commended for having dampened the excess overspending thus resulting in a net aggregate net excess spending of over $88k.

2.3.1.6 Lack of control in the bus tickets

Findings and analysis:
The audit revealed after conducting sample testing on the bus tickets that some officers still failed to sign bus tickets once issued out. The total value of $53.20 was detected not signed by the concerned officer. Details and name of the officer can been provided upon requested.

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.

Recommendation:
- ✓ 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 with the governing laws including the FR 11.

Management response:

Management response not received

2.3.1.6 Imprest

Findings and analysis:
It was noted during the audit that the following officers[1] had travelled and failed to retire their Imprest within 10 consecutive working days upon return from such official travels before they retire from government. . The outstanding imprest in 2014 was $23,718.80 and had increased to $434,329.73 in 2015. This increase demonstrated the lack of control, monitoring of the issuance of the Imprests and slack in pursing recovery or retirement of imprests. The audit is concerned as the amount kept increasing and could impose difficulties by management in recovering the outstanding imprests as imprest holders ability to pay could be a hindrance. Details of such are provided in the table below:

NAME		Current	October	Before October	UNALLOCATED	TOTAL
Officer 1	162,140.93	27,312.01	198,821.17		388,274.11	9.91
Officer 2			3,149.00	-295	2,854.00	0.07
Officer 3			100	-60	40	-
Officer 4	4,264.28	7,957.00	2,307.42		14,528.70	0.37
Officer 5	28,703.00		4,124.93	-4,830.01	27,997.92	0.71
Officer 6			635		635	0.02
					$434,329.73	

Implication:

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

Recommendation:

- ✓ 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 maintain a register for Imprest issued for monitoring and recovery purposes.
- ✓ 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 should arrange from recovery through the courts from past imprest holders who have left the Government service.

Management response:

Management response not received

[1] Details of these officers' name, designate and location could be sighted and reference to audit WP Ref: D4/1 – Imprest 2015

2.3.1.7 Unavailability of Documents

Findings and analysis:

When conducting the audit, we noted 15 requested documents (PVs) etc. as per details in table below were not provided for audit verification. The amount involved was $105k. Since these payments were not provided for audit verification we could not confirm the accuracy of such payments. Therefore, reasonable explanations must be provided by the concerned Ministry.

Entertainment					Appropriate Approval	Agreed to supporting documents	Properly Coded	Remarks
Date	Code	PV #	Details	$				
7/22/2015	E09010000239	OB 391/15	hqpv8219/7 ob391/15 tokky muni	3,500.00	x	x	x	misplaced
7/29/2015	E09010000239	OB 390/15	hqpv2615/7 ob390/15 moel	3,191.39	x	x	x	misplaced
Local Services								
2/2/2015	E09010000250	OB 052/15	hqpv 8034 ob 052/15 Boboti ni	1,000.00	x	x	x	misplaced
2/6/2015	E09010000250	OB047/15	hqpv2164/2 ob047/15 mr copy	1,700.07	x	x	x	misplaced
8/22/2015	E09010000250	OB 461/15	hqpv2527/8 ob461/15 imbo elect	1,155.00	x	x	x	misplaced
10/1/2015	E09030000250	OB 521/15	hqpv 2034/10 ob 521/15 st patr	1,970.00	x	x	x	misplaced
12/30/2015	E09030000250	OB 599/15	hqpv3105/12 ob599/15 imbo elec	633.94	x	x	x	misplaced
11/22/2015	E09040000250	OB 129/15	hqpv2585/11 met/ob129/15 taraw	573.75	x	x	x	misplaced
12/28/2015	E09040000250	OB 137/15	hqpv 3403/12 ob 137/15 Marys m	570.00	x	x	x	misplaced
External Travel								
2/28/2015	E09010000227	OB 082/15	hqpv1071/2 ob082/15 tasman ven	71,709.00	x	x	x	misplaced
3/2/2015	E09050000227	TC49/15	RET AU0054/15 USA	6,929.23	x	x	x	misplaced
Stationery & Supplies								
12/26/2015	E09020000241	OB 689/15	hqpv2775/12 ob689/15 angiriin	5,818.50	x	x	x	misplaced
8/17/2015	E09040000241	OB 088/15	hqpv2419/8 ob088/15 angiriin h	619.50	x	x	x	misplaced
12/26/2015	E09040000241	OB 144/15	hqpv2776/12 ob144/15 angiriin	1,030.00	x	x	x	misplaced
12/27/2015	E09040000241	OB 142/15	hqpv2801/12 ob142/15 koes	4,800.02	x	x	x	misplaced
				$ 105,200.40				

Implications:

- Missing and unavailability of documents requested for audit verification such as payment vouchers to support the payments been made is a complete violation of Cap 79 and government Financial Regulations.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- Missing documentations for just last year is an indication of poor record keeping and staff concerned should give this their priority.

Recommendation:

- ✓ Management must ensure all documents are fully supported and kept safely for future audit reference.
- ✓ Management must ensure its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- ✓ Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.
- ✓ Production of the above PVs for confirmation by auditors would strike this query from the report.

Management response:

Management response not received

2.3.1.8 Payroll - Unsigned Salaries and/or Not Returned Salaries

Findings and analysis:
The audit detected that only one staff/officers[2] as per list below did not sign for their salary and either way the accountant also failed to return such salaries to MFED promptly as there was no receipt attached. The total amount involved for such un-signing and/or un-returning of salaries was $67.40***.*** This issue was raised in the previous audit report and it appears that management is not conforming to the recommendation.

Pay Period	Officers	Amount ($)
6/02/2015	Officer 1	54.70
16/10/2015	Officer 1	6.35
27/11/2015	Officer 1	6.35

Implications:
- ➢ There is a risk that unsigned salary could be misappropriated or lost.

Recommendation:
- ✓ 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 replaced 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 response:

Management response not received

2.3.1.9 Log Book

Findings and analysis:
In conducting this audit, it was noted that OB driver has failed to submit log book for financial year 2015. Therefore the audit was unable to check and validate the accuracy of the following itemized expenses:
- Overtime
- Fuel
- To detect mileage used for non-official usage.

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

Recommendation:

- ✓ Accounting officer has to remind drivers to return their log books at year end to the accounting unit for management references and audit purposes.
- ✓ The audit recommends that the log book for vehicles used by Ministry for should be maintained and updated by the driver or those driving the vehicles.
- ✓ Management should ensure it has a monitoring mechanism in place that would control the cost on the refueling of the Ministry's vehicles.

Management response:

Management response not received

3. PUBLIC SERVICE OFFICE

3.1. AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Office of the Public Service Office for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 for PSO performance in the financial year 2014 as follows.

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

3.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

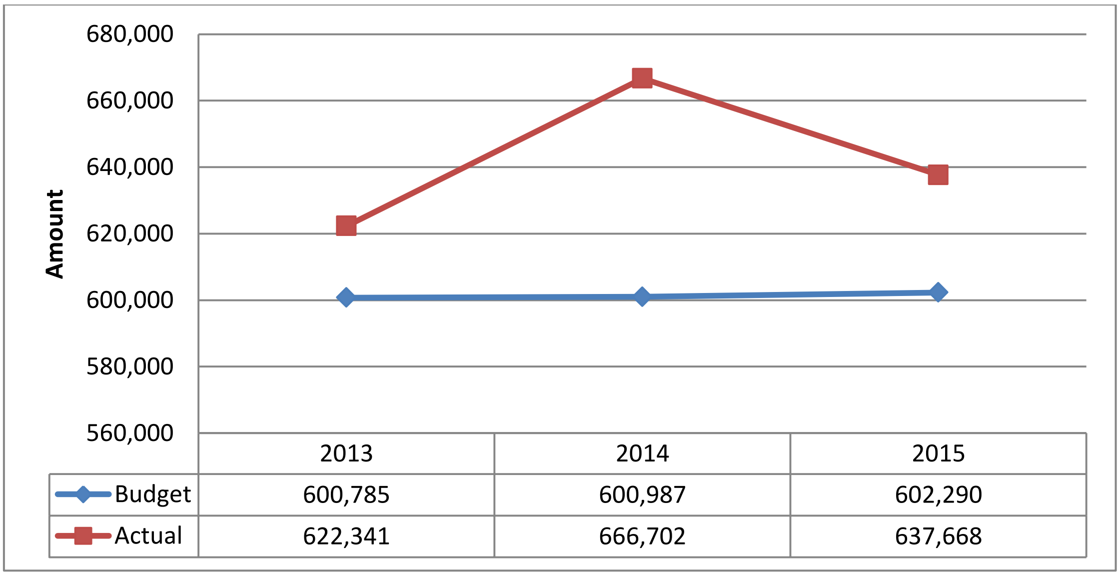
3.3.1 EXPENDITURE BUDGET

Findings and Analysis:

3.3.1.1 Comparative expenditure summary table for 2013-2015

Years	Budget	Actual	(Over)/Under
2013	600,785	622,341	**-21,556**
2014	600,987	666,702	**-65,715**
2015	602,290	637,668	**-35,378**

3.3.1.2 Comparative Expenditure Graph for year 2013-2015

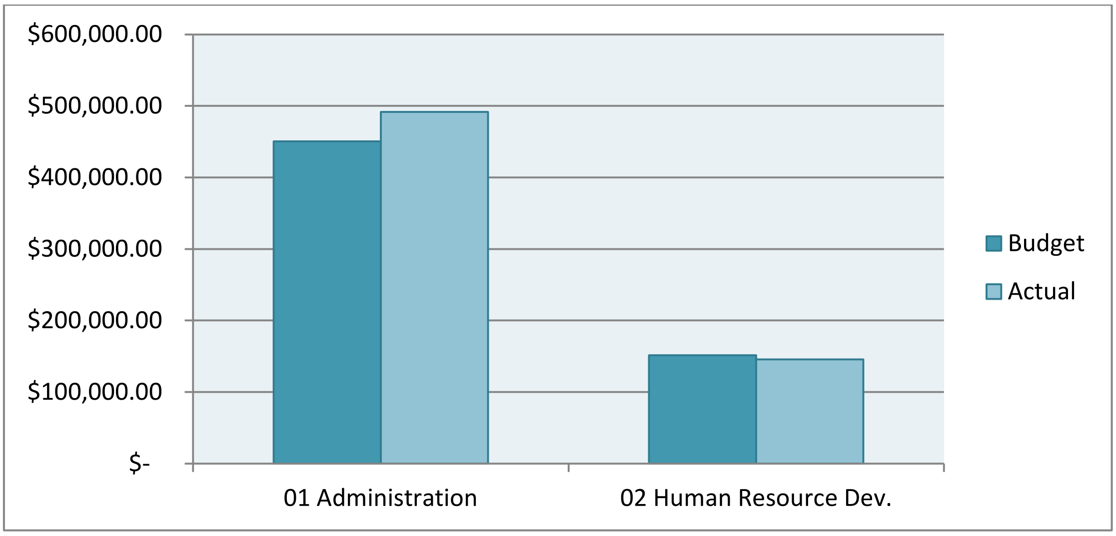


The above graph portrays the trend of expenditure against the estimated budget for years ending 2013 up to 2015. As highligted, the budget level hardly increased while the actual expenditure for the three years were at a much higher level than the budget. Therefore it is of paramount importance for management to pursue a more realistic budget level that is aligned with its planned activities.

3.3.1.3 PSO Expenditure against Budget for Divisions – 2015

Division	01 Administration	02 Human Resource Dev.	Total
Budget (Rev)	$ 450,667.00	$ 151,623.00	$ 602,290.00
Actual	$ 491,814.77	$ 145,852.86	$ 637,667.63
(Over)/Under	**$ (41,147.77)**	**$ 5,770.14**	**$ (35,377.63)**

3.3.1.4 Expenditure graph against Budget by Divisions



The above data displayed the overspending reported in year 2015 which was predominantly incurred by 01 Administration with an amount of over $41k thus contribute to the overall unauthorized spending of $35k. Therefore an improvement is required in future years for the Ministry to ensure the spending level of this division is maintained within its allocated budget.

3.3.1.5 Charged wrong allocation

Findings and Analysis:

The audit detected after testing various payment vouchers that one PV# PSO 93/15 that related to Outfit allowance was paid out from the Housing assistance output(E1102-203) instead of external travel (E1102-227).This is an indication of lack of reconciliation between records of the Ministry and that held by MFED.

Implications:

- Charging the wrong allocation would cause unrealistic figure disclosed under various outputs thus distort the accuracy of the financial report.
- Disclosing of figures that are not reconciled yet would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.
- Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.

Recommendation:

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

Management response:

Management response not received

3.3.1.6 Temporary assistance

Findings and Analysis:

The following issues were noted during the audit:

- PSO had approved payment for Temporary assistance E1001-206 although its budget was exhausted and thus incurred an overspent of $48k for 01 - Administration
- Temporary file requested upon auditing was not provided during the audit thus had made it difficult for the audit to check the accuracy and existence of funds to meet the temporary cost.

Implication:

- ➢ Failure to maintain expenses within the budget allocation, when added with other substantial overspent by other line ministries, would increase the cost to government and a further drain in the RERF.
- ➢ The absence of a temporary file would raise doubt regarding the temporary recruitment appointment and also raises concerns on the authenticity of the recruitment.

Recommendation:

- ✓ Management should avoid incurring excess spending by ensuring that all activities undertaken are within and not beyond the budget as already approved. Payments should be suspended until transfers have been made or where there are no funds available.
- ✓ It is recommended that management must keep all temporary files in a safe place for ease of retrieval in the future.

Management response:

Management response not received

3.3.1.7 KPF Contribution

Findings and Analysis:

The audit noted the following variances exit between the management report and pay costing as a result of lack of reconciliation.

	Management report		Pay costing	
	E1001 Admin	**E1002**	**E1001 Admin**	**E1002 Hum Res**
Salary(Management report)	$ 176,563.37	$86,780.15		
Temporary	$ 76,675.60	nil		
Multiply by 7.5%	* 7.5 %	*7.5%		
KPF contribution	$ 18,992.90	$6,508.50	*$ 19,784.00*	$6,514.50
KPF per Management report 2015	$ 19,409.76	$6,522.01	19409.76	$6,522.01
Variance	-$ 416.86	-$13.51	$ 374.24	-$7.51

Implication:

- Failure to perform reconciliation on a regular basis can result in unrealistic figures which can distort the MFEP records and management decision.

Recommendation:

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

Management response:

Management response not received

4. JUDICIARY

4. 1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for Judiciary for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 4.3 below.

4.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS

Listed below are the significant matters outstanding from previous audits:

- Vote book was not up to date.
- Log book requested for audit purpose was not available.
- Unavailability of selected PVs for audit inspection.

4.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

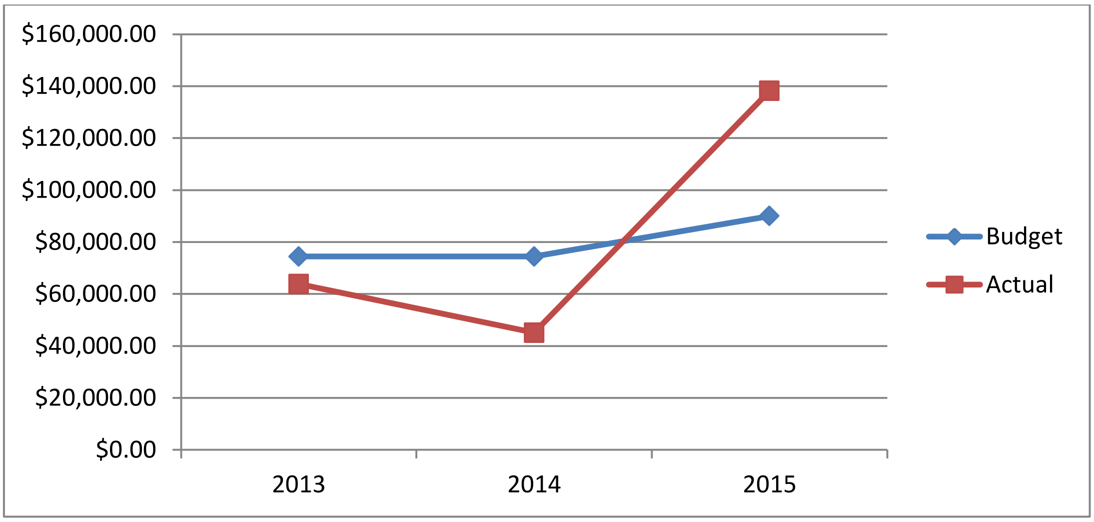
4.3.1 REVENUE (BUDGET)

Findings and analysis:

4.3.1.1 Judiciary summary revenue collection:

Description	2013	2014	2015
Budget	$74,400.00	$74,400.00	$90,000.00
Actual	$63,828.00	$45,101.00	$138,172.84
(Over)/Under	$10,572.00	$29,299.00	-$48,172.84

4.3.1.2 Comparative graph of budget revenue against actual:

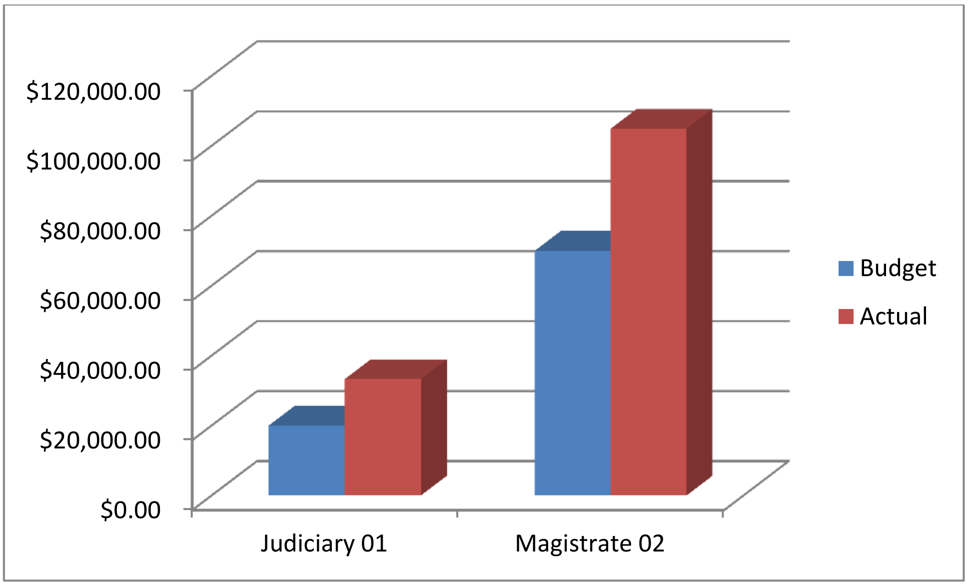


As reported from the above table and graph, the Judiciary has an increased its budget level to $90k in 2015 compared to a steady budget of $74k for 2013 and 2014 respectively. It is pleasing to note Judiciary has managed to collect more than its new increased budget by $48k in 2015 and should therefore be commended for such achievement.

4.3.1.3. Revenue against budget by divisions 2015.

Description	Judiciary 01	Magistrate 02	Total
Budget	$20,000.00	$70,000.00	$90,000.00
Actual	$33,286.13	$104,886.71	$138,172.84
(Over)/Under	-$13,286.13	-$34,886.71	-$48,172.84

4.3.1.4 Comparative graph of budget revenue against actual



As evidenced from the above graph, both two divisions have surpassed their estimated budgets by $35k and $13k respectively.

Recommendation:

- ✓ Management should encourage its divisions to exert efforts in collecting their revenue and to ensure that its budget level is reflective of activities to be performed in future years.

Management response:

Management response was received

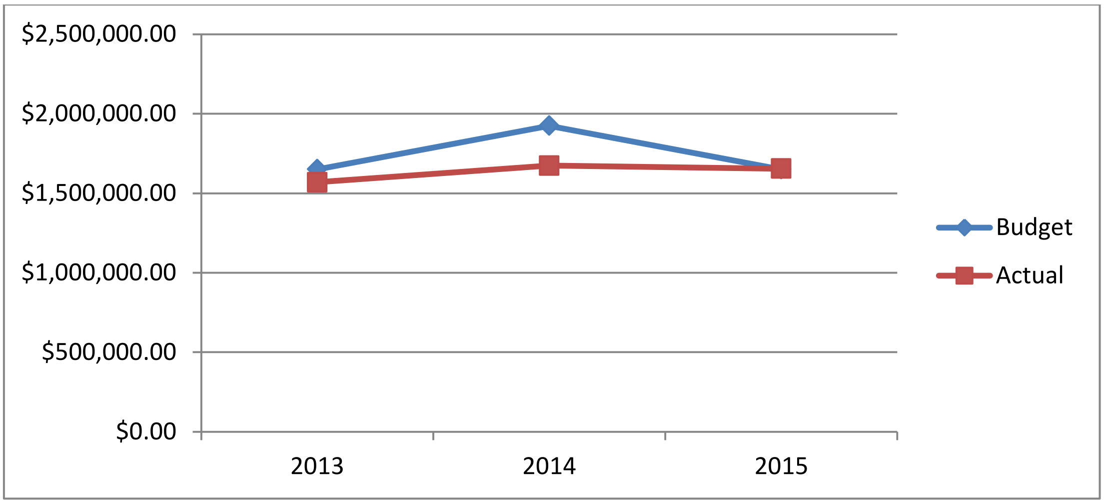
4.3.2. EXPENDITURE (BUDGET)

Findings and analysis:

4.3.2.1 Judiciary budget expenditure summary

Description	2013	2014	2015
Budget	$1,650,467.00	$1,923,619.00	$1,650,030.00
Actual	$1,568,448.00	$1,673,934.00	$1,654,347.49
(Over)/Under	$82,019.00	$249,685.00	-$4,317.49

4.3.2.2. Comparative graph of budget expenditure against actual

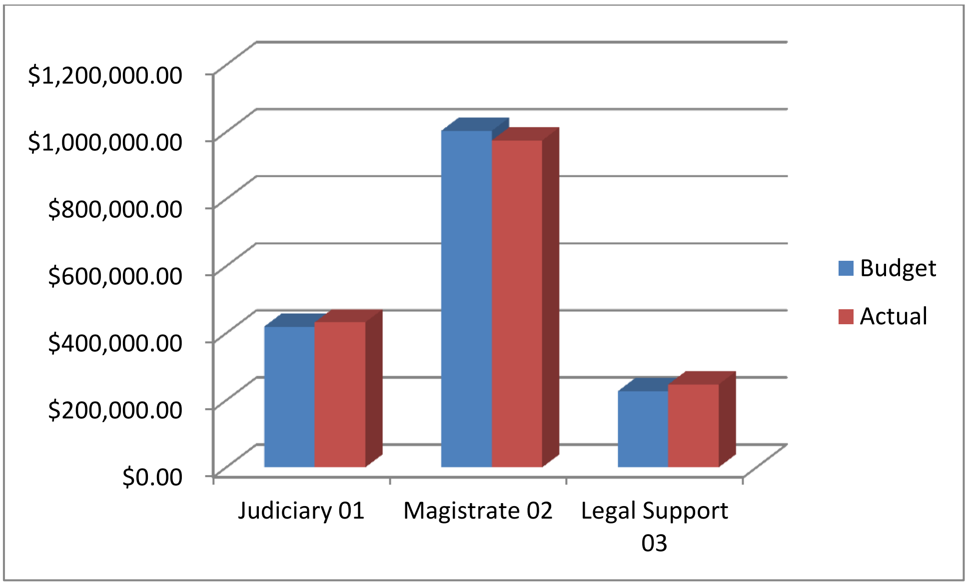


It is evidenced from the above table and graph the budget level has been reduced to a more realistic level that corresponds with the actual spending level when compared to previous year's budget and spending levels.

4.3.2.3 Expenditure against actual by divisions 2015

Description	Judiciary 01	Magistrate 02	Legal Support 03	Total
Budget	$419,649.00	$1,003,345.00	$227,036.00	$1,650,030.00
Actual	$432,452.38	$974,752.65	$247,142.46	$1,654,347.49
(Over)/Under	-$12,803.38	$28,592.35	-$20,106.46	-$4,317.49

4.3.2.4 Comparative graph of budget expenditure by divisions 2015



As illustrated above, the Judiciary 01 and Legal Support services 03 are the only divisions that exceeded their budget allocations by over $12k and $20k respectively and thus incurring a total overspending of $$32. This was partly offset by a saving from the Magistrate division which has reduced the overspending to $4k and this division should therefore be commended for having kept its spending level within its allocated budget.

Recommendation:

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

Management response:

Management response was received

5. KIRIBATI POLICE AND PRISONS SERVICES (KPPS)

5.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Kiribati Police and Prison Services for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 for the Kiribati Police and Prison Services performance in the fiscal year 2014.

- Weaknesses detected in the revenue control system.
- Lack of mechanism in place to monitor ration suppliers delivery.
- Not maintaining and updating vote book.
- Outstanding Imprest not yet retired by imprest holders.
- Lack of reconciliation result in the differences in the KPF (Management report) between MFED and KPPS.
- Salary overpayment
- Non-compliance with 2 year leave entitlement policy.

5.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

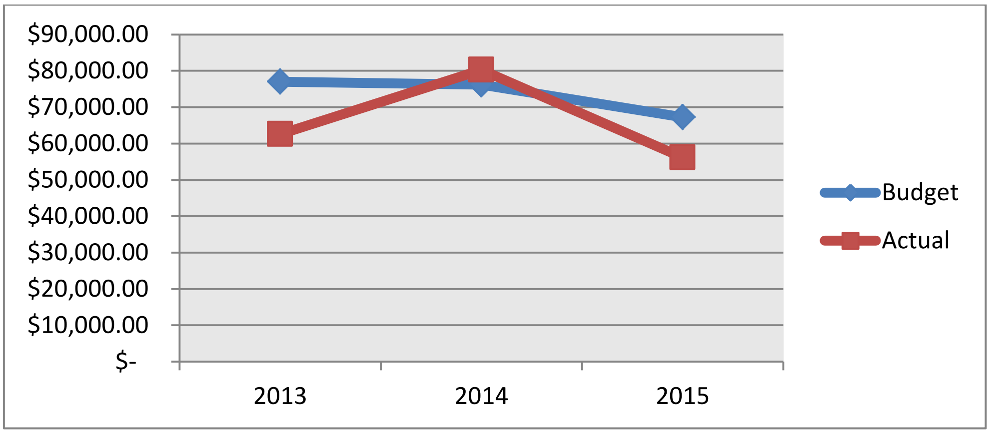
5.3.1 REVENUE (Budget)

Findings and analysis:

5.3.1.1 KPPS Revenue summary collection 2013-2015:

Year	Budget	Actual	Variances(over)/Under
2013	$ 77,000.00	$ 2,534.10	$ 14,465.90
2014	$ 76,200.00	$ 0,202.50	$ (4,002.50)
2015	$ 67,200.00	$ 6,183.42	$ 11,016.58

5.3.1.2 Comparative graph of Budget Revenue against Actual

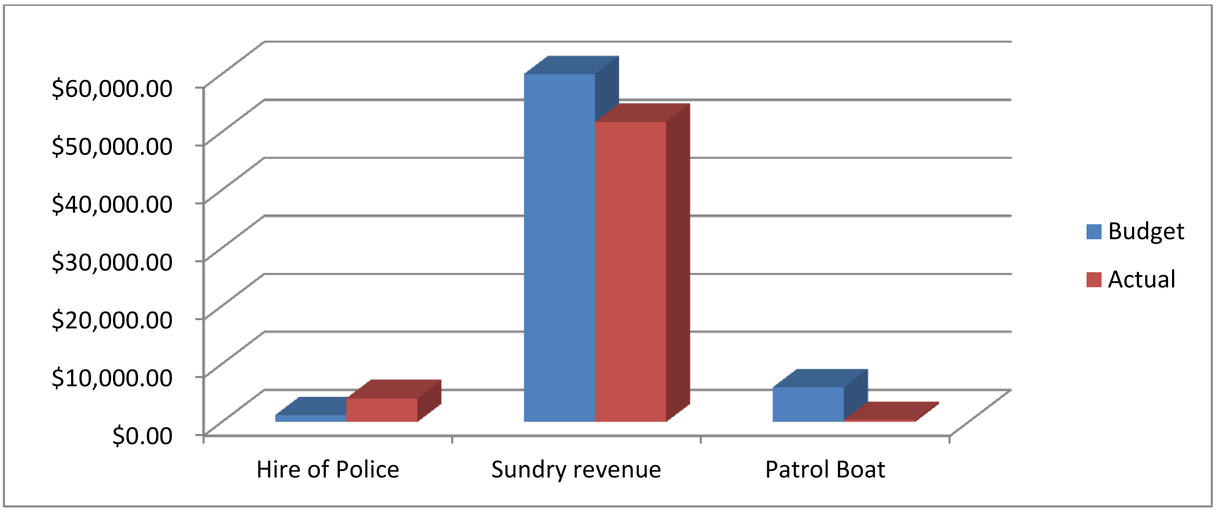


The above analysis depicts revenue projection for the past three years. KPPS revenue collection in 2015 fall short by $11k (Estimate $67,200- Actual $56,183.42) even with a reduced revenue budget.

5.3.1.3 Budget estimate revenue against actual by divisions

	Administration	Administration	Search and Rescue	
Description	**Hire of Police**	**Sundry revenue**	**Patrol Boat**	**Total**
Budget	$1,200.00	$60,000.00	$6,000.00	$67,200.00
Actual	$4,087.50	$51,752.32	$343.60	$56,183.42
(Over)/Under	**($2,887.50)**	**$8,247.68**	**$5,656.40**	**$11,016.58**

5.3.1.4 Comparative graph of Budget revenue against actual per division



The graph above portrays that division 01 - Administration, with two separate revenue sectors, one division had operated above their estimate budget incurring a surplus of $2k for Hire of Police Band while divisions 01- Administration Sundry revenue and 04 - Patrol Boat had failed to collect the allocated budget revenue.

Recommendation:

- ✓ Management must encourage all its division to exert more efforts in meeting their revenue targets.

Management response:

Management response not received

5.3.1.5 Weaknesses over revenue control system

Findings and Analysis:

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

- The audit detected that there were some missing Form A. These were not posted in the general ledger, the amount involved was $897.40 as shown below:

Form A Number	Audit compare receipt book reflected in Cash book	C1201-008A	General ledger	Variance
95/15	236601 - 236620	127.00	-	127.00
96/15	236621 - 236696	346.40	-	346.40
97/15	236697 - 236760	247.00	-	247.00
98/15	236761 - 236800	177.00	-	177.00
		$ 897.40	-	$ 897.40

- The table below shows number of GRRs not recorded in the IRV.

IRV No	Ministry	Type of doc	Serial Number start	Serial Number end
	Police	GRR	186801	187000
	Police	GRR	204601	204800

Implication:

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

Recommendation:

- ✓ Management must ensure all documents are fully supported, maintained and kept for future audit reference.
- ✓ Management should provide explanation on the absence of the GRR # in their record and provide proof for issuances of these GRRs have been issued.
- ✓ Management should reprimand accounting officer concerned if the GRRs noted above could not be sighted.

Management response:

Management response not received

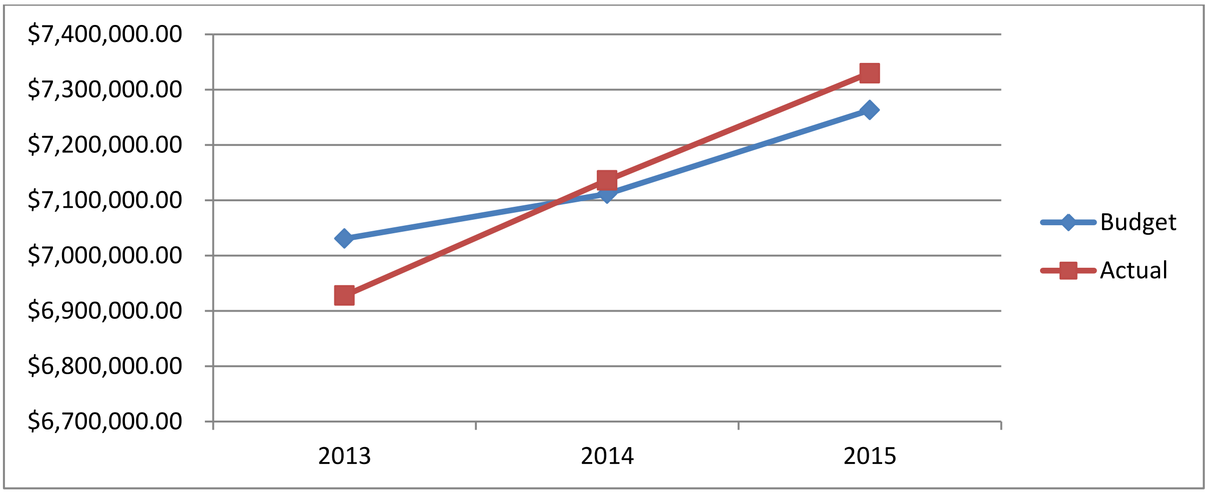
5.3.2 EXPENDITURE (Budget)

Finding and Analysis:

5.3.2.1 KPPS Expenditure summary against budget for 2013 to 2015

Description	2013	2014	2015
Budget	$ 7,030,624.00	$ 7,111,483.59	$ 7,262,784.00
Actual	$ 6,927,840.00	$ 7,136,000.43	$ 7,329,687.01
(Over)/Under	$ 102,784.00	$ (24,516.84)	$ (66,903.01)

5.3.2.2 Comparative graph of Budget Expenditure against Actual 2013 t0 2015

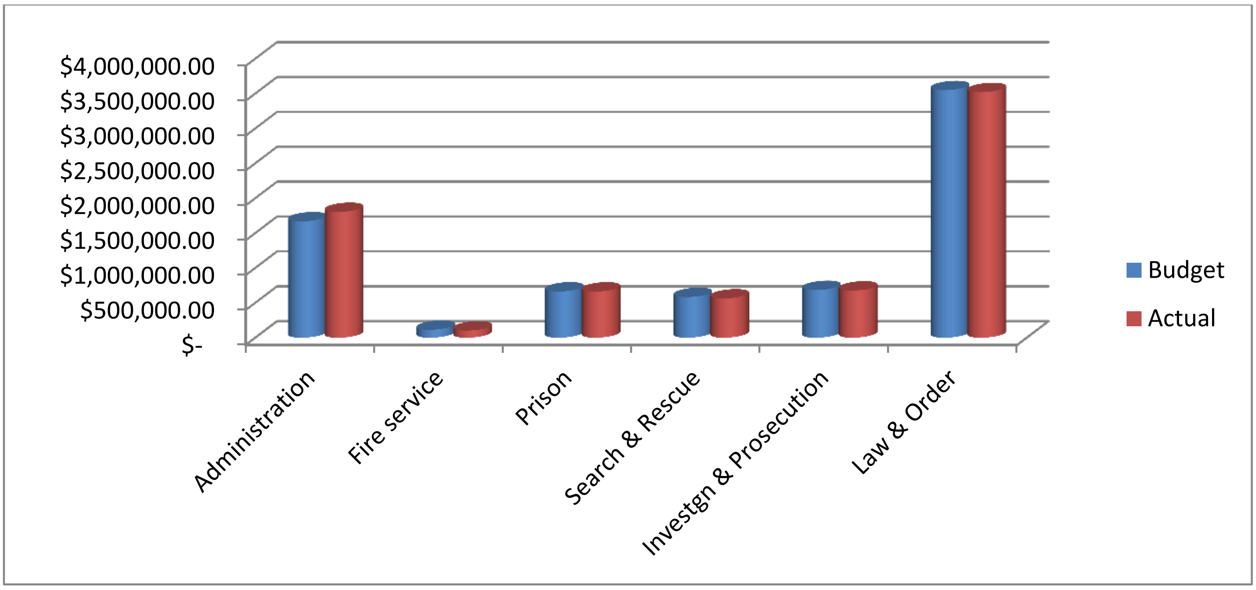


The above comparative line graph clearly portrays the budget expenditure trend which revealed that KPPS, for the second time in 2015 has spent more than its approved budget limit by $67k even with an increased budget level. Management should ensure its budget level in future years is aligned with activities of its divisions.

5.3.2.3 KPPS Expenditure against budget by divisions 2015

Description	Admin	Fire service	Prison	Search & Rescue	Investgn & Prosecution	Law & Order
Budget	$1,668,948.00	$114,016.00	$663,290.00	$583,321.00	$684,197.00	$3,549,012.00
Actual	$1,803,477.13	$102,421.01	$662,950.24	$563,146.61	$677,023.23	$3,520,668.79
(Over)/Under	**$(134,529.13)**	**$11,594.99**	**$339.76**	**$20,174.39**	**$7,173.77**	**$28,343.21**

5.3.2.4 Comparative graph of Budget expenditure against actual per division



As highlighted above, 01 Administration was the only one (1) of the six divisions that had failed to control its operation costs within budget (estimate) thus instigating a net overspending of over $134k.

Recommendation:

- ✓ Management should ensure its divisions operate within or below the budget limit as already pledged and approved by Parliament.
- ✓ Management is requested to provide explanation on the amount overspent particularly by Administration and on details of activities that had supported the increase in its budget level.

Management response:

Management response not received

5.3.2.5 Ration

Finding and Analysis:

- During the stock-take, it was observed that there were discrepancies exist between the stock card balances as opposed to the stock take carried out at the Headquarter as noted below:

Items	Stock card	Stock take	Remark
T/Paper	695pc	605pcs	90 lost
Matches	930boxes	860boxes	70 lost

- As evidenced throughout the stock take, Bairiki Prison has not updated its stock register. This was confirmed by the only stock daily data posted in April 2016 while the remaining months' records were not completed.
- This issue was detected in 2014 and included in the audit report with a recommendation to improve this area in the future. Repetitions of such practice proved responsible officers have not bothered to comply with FR 11 requirements.

Implication:

- Variances detected confirmed there has been misappropriation of Government funds and will continuously increase the risk of public funds losses if there are no monitoring mechanisms put in place by management.
- Continuous failure to maintain and update stock register is a breach of public trust by concerned officers.

Recommendation:

- ✓ Management must ensure that officers receiving supplies/goods should cross check against goods issued out to Prisoners in order to maintain an accurate balance in the register.
- ✓ It is highly recommended that management should ensure that Bairiki Prison must open a stock register and perform regular update of such register.
- ✓ Management should reprimand the staff that had failed to comply with the audit recommendation of 2014 for having breached public trust.

Management response:

Management response not received

5.3.2.6 Imprest outstanding

Finding and Analysis:

The audit confirmed after testing that the total accumulated outstanding Imprest has reached $75,557.71 for years to 2015. Some of the outstanding imprests had not been recovered or cleared from previous years hence the amount still carried forward every fiscal year. Others have been recuperated through salary deduction. The outstanding imprest from the previous audit report (2014) was $23,613.21 giving an increase of $51,944.50. This is an indication of poor control over the retirement of imprest as well as failure to enforce prompt recovery from imprest holders. Details and names of the imprest holders can be provided upon request.

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 loss of funds from those being issued with excess Imprest.
- ➢ The accumulation of unretired special Imprest from previous years showed a lack of control and monitoring over Imprest issued to KPPS responsible officers and it would ultimately lead to the loss of public funds.

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 strictly enforce and implement the Imprest retirement period of 10 working days upon arrival from official trips.

Management response:

Management response not received

5.3.2.7 Kiribati Provident fund

Finding and Analysis:

Due to the lack of performing regular reconciliation the audit discovered a variance of $1670 exist between the MFED records (management report) and audit figure. This variance being noted was the understatement of some employees' KPF contribution. Explanation is required from management as to why there still exists the variance as noted below:

Details	Amount
Total annual Permanent staff salary	$ 3,936,959.26
Total annual Temporary assistance	$ 6,000.00
Total	$ 3,942,959.26
Multiply by 7.5%	$ 295,721.94
KPF per management report 2015	$ 294,051.88
Variance: (Over)/Under	**$ 1,670.06**

Implication:

- ➢ KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.
- ➢ The overspending or understating is a deviation from the 2015 Appropriation Act and some employees KPF benefits may not be paid.

Recommendation:

- ✓ KPPS must ensure to conduct its proper review and regular reconciliation with MFED to avoid discrepancies at the end of financial year.

Management response:

Management response not received

5.3.2.8 Spare Parts (Teanoai) stores

Finding and Analysis:

- The audit revealed during the observation of Teanoai Warehouse that some of the spare parts are not considered recorded in the register such as details noted below:

Item	Colour	Quantity
Navigation light	Red	12
Navigation light	Green	3
Navigation light	white	8

- It was also observed when performing the audit that KPPS had failed to notify the internal audit(Board of Survey) regarding the stock/item that have to be disposed during the end of the fiscal year. Details of stock are indicated in the table below:

Particulars	Value
Boat trailor (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:

- Management failure in promptly recording stock in the register would increase the like hood of abuse and misappropriation of stock.
- Failure to notify the Internal Audit for conducting end of year stock take would also lead to the abuse and misappropriation of stock.

Recommendation:

- ✓ Management should ensure that all purchased stock must be recorded in the register.
- ✓ Management must ensure to send notification to the Internal Audit to conduct end of year stock especially in cases of disposing items.
- ✓ Officers who had carelessly overlooked such important task should be reprimanded for not adhering to the FR 11 requirements.

Management response:

Management response not received

6. PUBLIC SERVICE COMMISSION (PSC)

6.1. AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Public Service Commission for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 issued on the performance of the Public Service Commission in the fiscal year 2014.

- Over spending of approved Budget from Parliament
- Misallocation of some transactions
- No inventory/stock register opened
- Uncertified invoices
- Insufficient control over the issuance of bus tickets
- Failure to comply with normal procedures for Maintenance

6.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

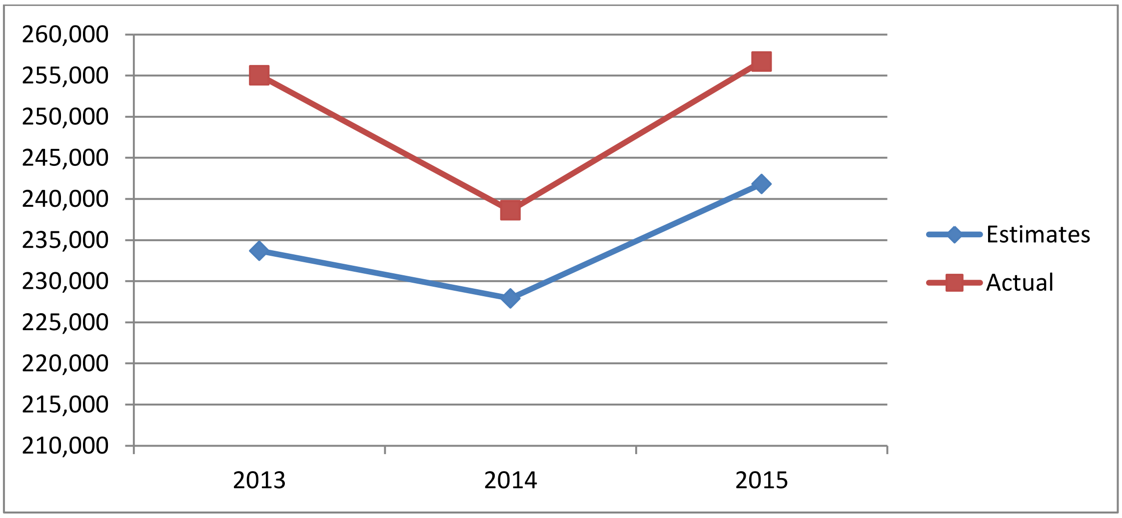
6.3.1 CONTROL OVER EXPENDITURE BUDGET

Finding and Analysis:

6.3.1.1 Comparative table expenditure against estimates

Year	2013	2014	2015
Estimates	233,691	227,901	241,818
Actual	255,030	238,608	256,698
Variance (Over)/Under	**-21,339**	**-10,707**	**-14,880**

6.3.1.2 Comparative graph expenditure against estimates



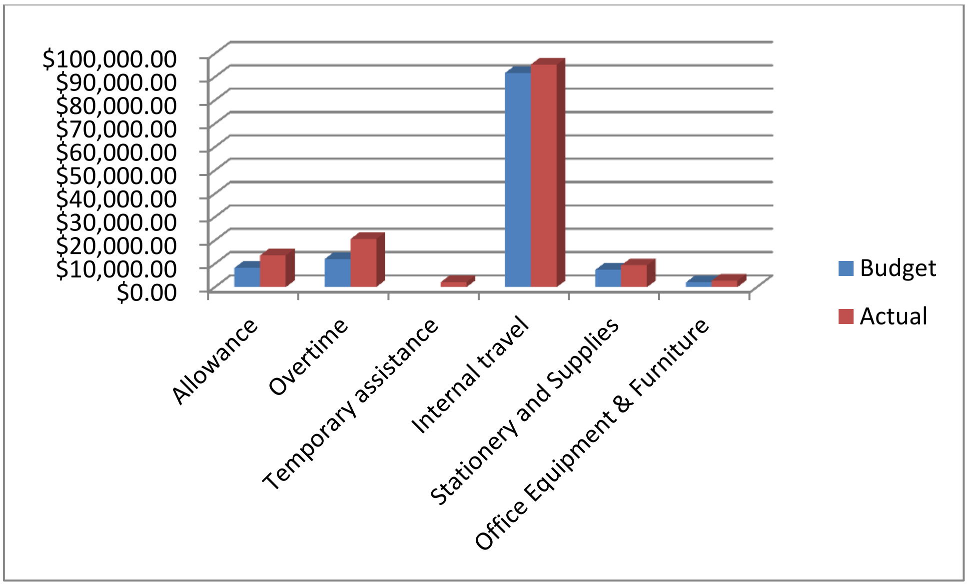
The above graph portrays the level of expenditure against estimates (budget) for years 2013 to 2015. As depicted even with an increase in the budget estimate the Ministry still exceeded the budget level for the third time. Therefore management should exert more control on the level of its spending in future years.

The following table below showed expenditure per output as there is only one division of PSC.

6.3.1.3 Comparative table expenditure against output

Allocation	Description	Budget	Actual	(Over)/Under
E1301-204	Allowance	$ 8,174.00	$ 13,541.71	$ 5,367.71)
E1301-205	Overtime	$ 11,989.00	$ 20,537.56	$ (8,548.56)
E1301-206	Temporary assistance		$ 2,111.20	$ (2,111.20)
E1301-216	Internal travel	$ 91,776.00	$ 95,367.49	$ (3,591.49)
E1301-241	Stationery and Supplies	$ 7,437.00	$ 9,350.88	$ (1,913.88)
E1301-243	Office Equipment & Furniture	$ 2,000.00	$ 2,771.90	$ (771.90)

6.3.1.4 Comparative graph expenditure against output



Management had exceeded the allocated budget for each output.

Recommendation:

- ✓ Management should seek a budget level that accounts for excess spending in the previous year.
- ✓ Management should regularly reconcile its vote ledger with MFED records and to promptly take appropriate actions, one example is a request for a Supplementary, to avoid incurring unauthorized spending.

Management response:

Management response not received

6.3.1.5 Misallocations

Findings and Analysis:

It was found during the audit that some payments made were indeed charged the wrong output/allocation which had resulted in overspending of such outputs. The issues noted were same detected last audit thus proves responsible officer had not bothered to implement the audit recommendation of 2014. Details of such misallocations are included in the table below:

Date	Pv #	Misallocation	Correct code	Amount	Payee
9/6/15	131/3	E13010000241	E13010000250	$856.30	Neways – labour charge,service,pair wheel bearing for BG 327.
22/12/15	200/13	E13010000241	E13010000239	$1,015.00	Big Bite – catering for PSC RM meeting
19/01/15	007/3	E130100000243	E13010000239	$137.50	Peter & Sons gifts design shirt & lavalava
4/03/15	032/13	E13010000243	E13010000231	$160.00	TSKL – Recharge card
23/09/15	141/13	E13010000243	E13010000231	$262.00	Nauoi for anti virus

Implication:

- 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.

Recommendation:

- ✓ Management should ensure to charge a proper and correct allocation (code) according to the nature of spending to avoid misallocation of funds.
- ✓ Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure correct allocations had been made .

Management response:

Management response not received

7. MINISTRY OF FOREIGN AFFAIRS (MFAI)

7.1. AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Office of Te Beretitenti for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 Ministry of Foreign Affairs and Immigration performance in the fiscal year 2014.

- Under collection of estimated revenue
- Poor control over revenue system as detected
- Overspent of Budget 2014
- Lack of reconciliation
- Logbook still not updated
- Lack of compliance with 2 year leave entitlement policy

7.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

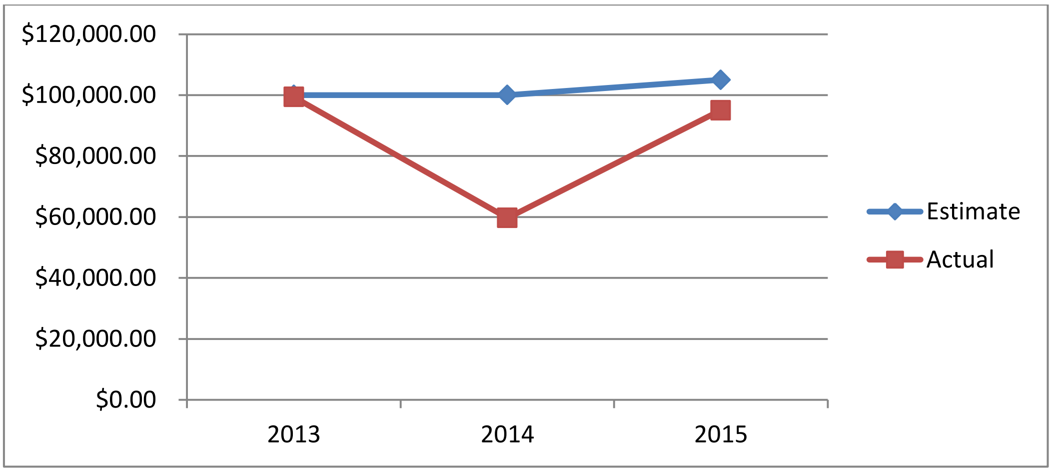
7.3.1 CONTROLS OVER REVENUE:

Findings and Analysis:

7.3.1.1 MFAI Budget (Revenue) Summary 2013-2015

Year	Estimate	Actual	Variance/(0ver/Under)
2013	$ 100,000.00	$ 99,370.00	$ 630.00
2014	$ 100,000.00	$ 59,667.00	$ 40,333.00
2015	$ 105,000.00	$ 95,042.10	$ 9,957.90

7.3.1.2 Comparative Revenue against Budget for Years 2013-2015

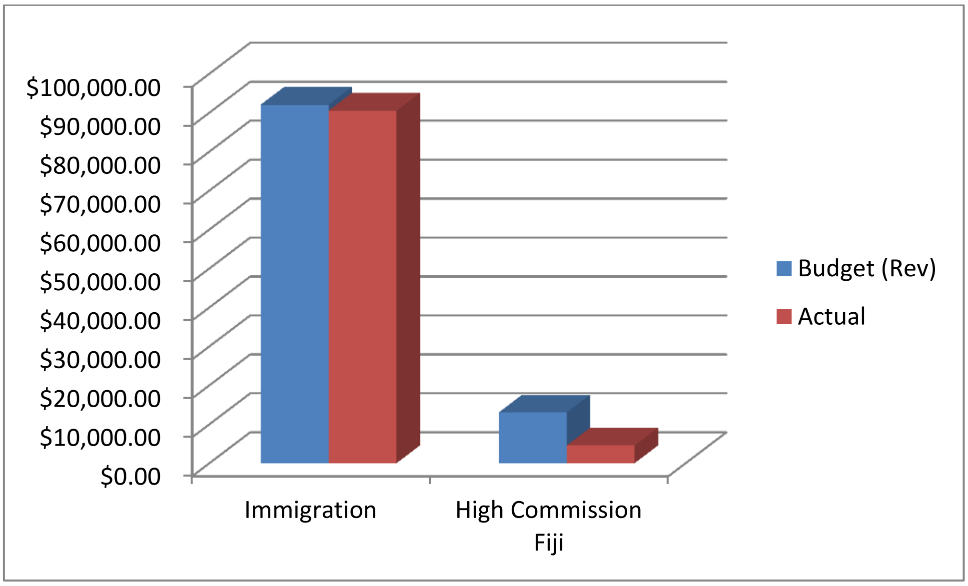


Based on the table and graph above, it was clearly indicated that MFAI shows an improvement in 2015 collecting $95k compared in 2014 when Ministry only collect $59k given that MFAI still not able to collect its estimated revenue as the budget level increase to $105k. It is therefore of paramount importance for MFAI to revise its revenue budget to a more realistic estimate in order to meet its target.

7.3.1.3 MFAI Revenues (Actual) against Budget by Divisions – 2015

Division	Immigration	High Commission Fiji	**Total**
Budget (Rev)	$ 92,000.00	$ 13,000.00	$ 105,000.00
Actual	$ 90,504.84	$ 4,537.26	$ 95,042.10
(Over)/Under	**$ 1,495.16**	**$ 8,462.74**	**$ 9,957.90**

7.3.1.4 Comparative graph of Budget (estimate) against Actual by divisions



The graph above shows the collections through Immigration and KHC of the MFAI. It is not pleasing to note that two divisions do not meet their revenue targets by $1k and $8k[3] respectively. Other divisions namely), i) Mission in Taipei and ii) Mission in New York have no revenue to collect. However, management is encouraged to set a more realistic budget figure in order for the Ministry to be capable for achieving its targets.

[3] Kiribati High Commission (Fiji) would be discussed further in detail of a separate audit report.
[2] Taipei Mission and Mission in New York would be discussed further in detail of a separate audit report.

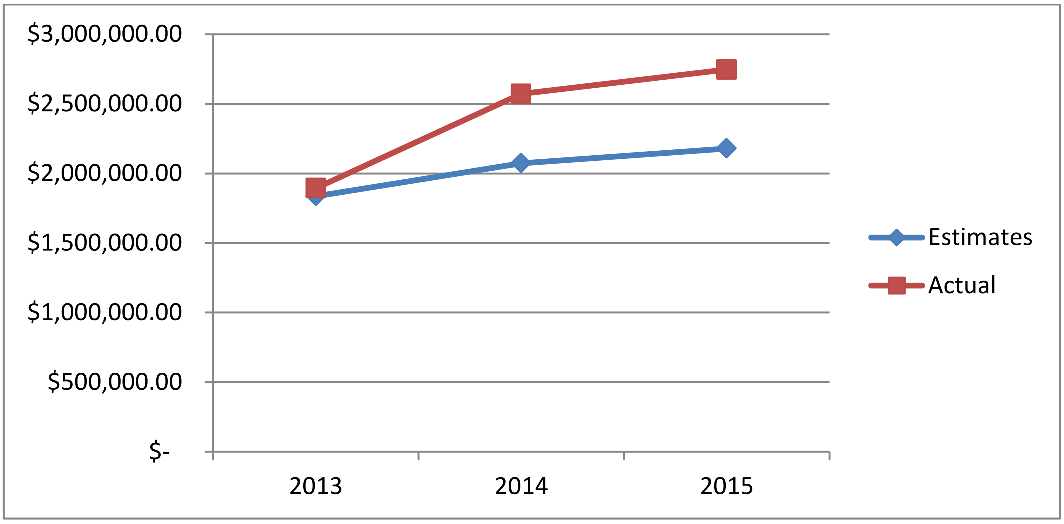
7.3.2 CONTROLS OVER EXPENDITURE:

Findings and Analysis:

7.3.2.1 MFAI Budget Expenditure Summary

Year	2013	2014	2015
Estimates	$ 1,835,758.00	$ 2,073,100.00	$ 2,178,571.00
Actual	$ 1,894,020.00	$ 2,570,157.00	$ 2,745,374.59
Variance Under/(Over)	**$ (58,262.00)**	**$ (497,057.00)**	**$ (566,803.59)**

7.3.2.2 Comparative Expenditure against Budget 2013 - 2015



As presented in the above table and graph is the level of actual expenditure against Budget (Estimate) for the past three years to 2015. It is quite obvious that the Ministry cannot control the intensity of its outflow having escalated its unauthorized spending far more excessive in 2015 when compared with 2014 and 2013.

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.

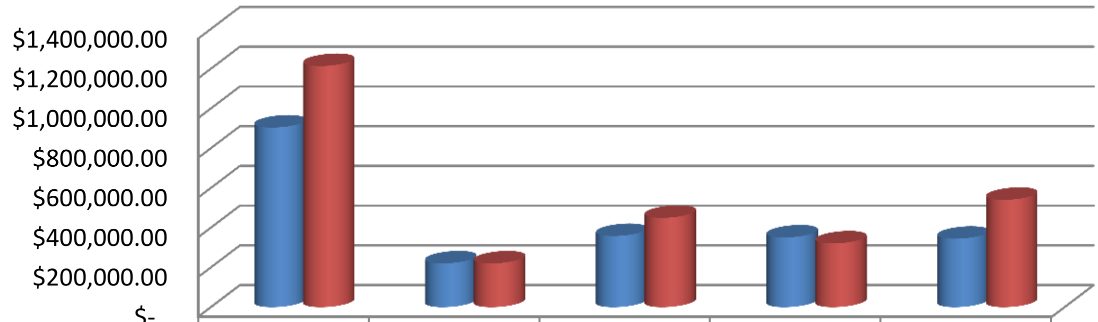
Management response

Management response not received

7.3.2.3 MFAI Budget against Actual by Divisions – 2015

Division	Budget	Actual	Variance (Over)/Under
Administration	$ 904,372.00	$ 1,214,103.89	$ (309,731.89)
Immigration Services	$ 220,497.00	$ 220,397.78	$ 99.22
Kiribati High Commission	$ 358,183.00	$ 449,615.62	$ (91,432.62)
Mission in Taipei	$ 350,988.00	$ 320,868.78	$ 30,119.22
Mission in New York	$ 344,531.00	$ 540,388.52	$ (195,857.52)
Total	**$ 2,178,571.00**	**$ 2,745,374.59**	**$ (566,803.59)**

7.3.2.4 Comparative Graph Budget against Actual by divisions– 2015



	Adminstrati om	Immigration Services	Kiribati High Commission	Mission in Taipei	Mission in New Yorlk
Budget	$904,372.00	$220,497.00	$358,183.00	$350,988.00	$344,531.00
Actual	$1,214,103.8	$220,397.78	$449,615.62	$320,868.78	$540,388.52

As clearly stated above three of the Ministry's divisions had exceeded their budget by $309k (Administration), $91k (KHC) and $195k by High Mission Office in New York. The remaining two divisions with savings at the end of the year should be commended for having managed their spending within their budget.

Recommendation

- ✓ MFAI needs to revise its estimate budget in the subsequent fiscal year for the three divisions which had incurred excessive overspending in 2015.
- ✓ Management to provide reasons for the excessive spending by output per division as stated above.
- ✓ Management to ensure its divisions maintain and reconcile their vote ledger with records held by MFED on a monthly basis and make adjustments promptly to avoid incurring unauthorized spending in future years.

Management response:

Management response not received

7.3.2.5 Procurement act

Findings and Analysis:

The audit detected after conducting sample testing on some payment that Ministry not currently performing procurement activities in accordance with the Procurement act related to the issuing out of department warrant to Kiribati High Commission for the purchase of HE and his team air fare for attending various overseas meeting. Details of department warrants are appended below:

DW#	Details	Inv#	Amount
54/15	Airfare iro HE and his delegates to Korea and return	25607	$ 20,678.26
60/15	To cater for HE and his delegates airfare from Nad/Syd/Bris/PNG	25617	$ 10,682.00
70/15	Airfare for the new ticket iro HE and his delegates to NY and LA	25635	$ 16,793.20
49/15	Airfare iro HE and his delegates to NY for attending UN security	50 13820 07	$ 59,100.00
65/15	To cater for airfare of HE, Madam and delegates Trw/nad/Lax/nad /suv/funafuti	25633	$ 73,247.46

Implications:

- Poor value for money and an increased risk of poor performance may result as where alternative quotations are not obtained for significant purchases. There is also a lack of transparency in purchasing and an increased risk of corruption where suppliers are selected without any competitive element.
- There is certain degree that public funds can be misappropriated

Recommendation:

- ✓ Management recommend complying with a formal procurement process in accordance with Procurement that involves a hierarchy of tendering procedures based upon the value of the procured goods or services. This involves observing the thresholds established in the procurement procedure.

Management response:

Management response not received

7.3.2.6 Overtime Docket (driver)

Findings and Analysis:

Based on the audit testing it was found that the driver overtime docket for the period of 4/9-8/12/15 had not been review or checked via the logbook to ensure that all hours claim are properly endorsed.

Implication:

- If overtime is not preapproved there is a risk that management feel obligated to approve overtime that has already been performed, regardless of whether the overtime was necessary, and increasing the risk of overspends on staff costs.
- Overtime claims are being approved without being scrutinized by those responsible for authorizing overtime payments.

Recommendation:

- ✓ Audit recommend that management must ensure that all overtime claims are subject to checked by responsible officer and that the justification for overtime is valid before approving.

Management response:

Management response not received

7.3.2.7 Control over log book

Findings and Analysis:
The Log Book for BG 205 (Mini Bus) is a major concern from the driver as the driver fail to update and complete Mileage details.

Implication:

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

Recommendation:

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

Management response:

Management response not received

7.4. AUDIT REPORT ON THE ACCOUNT OF KIRIBATI HIGH COMMISSION SUVA, FIJI FOR THE YEAR ENDED 31 DECEMBER 2015

7.4.1 CONTROL OVER REVENUE – KHC 2015

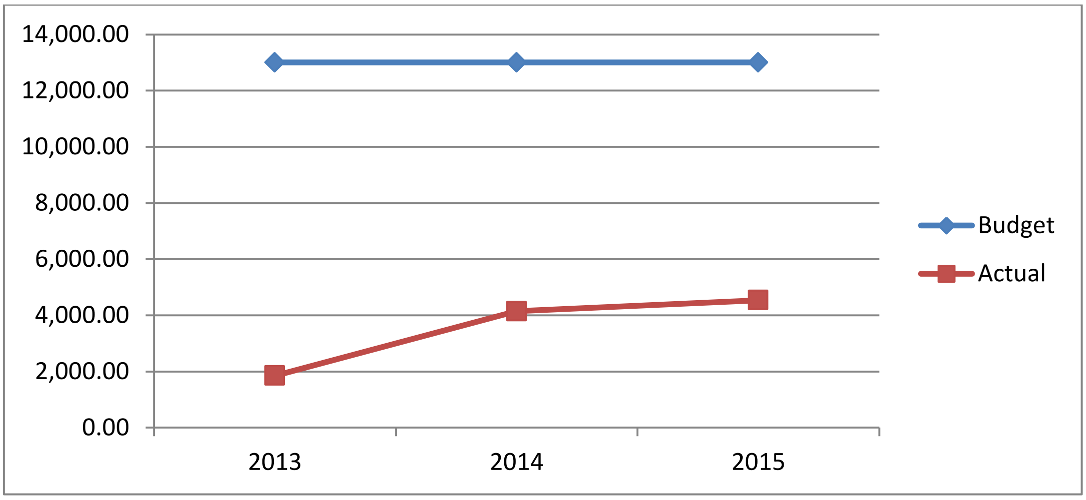
Findings and Analysis:

7.4.1.1 Revenue Budget – 2013 to 2015

Year	2013	2014	2015
Budget	13,000.00	13,000.00	13,000.00
Actual	1850.00	4,145.67	4,537.26
Under/(Over)	11,150.00	8,854.33	8,462.74

(Source: Management Report 2013 – 2015)

7.4.1.2 Comparative revenue graph against estimates 2013 – 2015 - KHC

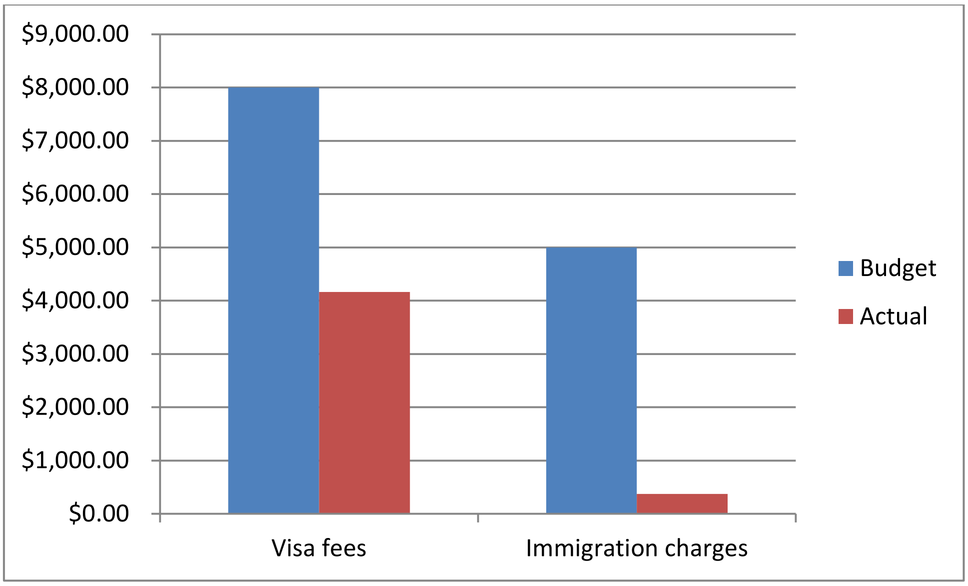


The above statistics display the Kiribati High Commission comparative revenue budget and collections for the last three financial years ending 31st December 2013 to 2015. As per noted, a steady collection of $4k in 2015 indicate that KHC had still not met its approved revenue target of $13k the outcome of which an under collection of $8k which is slightly similar to 2014 an under collection of $8k.

7.4.1.3 Budget against actual by allocation

Description	Visa fees	Immigration charges
Budget	$ 8,000.00	$ 5,000.00
Actual	$ 4,163.32	$ 373.94
(Over)/Under	$ 3,836.68	$ 4,626.06

7.4.1.4 Comparative revenue graph against by allocation



The above table and graph shows the comparative revenue collections for each allocation. As evidence, two of the allocations Visa fees and Immigration fail to collect approved revenue estimate of $8k and $5k respectively which result under collection of $3k and $4k respectively.

7.4.1.5 KHC Bank Reconciliation – as at 31/12/2015

Findings and Analysis:
The monthly bank reconciliation for 2015 was only updated and completed up to end of August 31st 2015 and it was found that the remaining month (September-December) had not been performed to date. The issue with the bank reconciliation has not been neither addressed nor resolved over the past audit years as management failed to comply with the recommendation raised in previous audit.

Implications:

- ➢ Unsupported excessive variance would undermine the integrity of the posting system by MFED.
- ➢ Misstatement of funds and fraud would be triggered if no regular bank reconciliation is conducted by the KHC.
- ➢ The absence of performing proper bank reconciliation with MFED records could also lead to a misleading end of year records on the bank balances of consolidated Government account.

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 was encouraged to ensure and reconciles her bank balances against MFED's records including other Gov't Ministries and/or Agencies on a regular basis (Monthly basis).
- ✓ Before printing out the annual account balance for KHC, MFED should ensure that KHC reconciled bank account was taken into account to avoid huge overstatement by MFED.
- ✓ MFED should consider curative measures to end the recurring issue of non-bank reconciliation by SA of KHC and to foster segregation of duty either by i) appointing a more competent SA, or ii) exploring avenues of involving some of staff at KHC in the accounting work, or iii) recruit a second accounting assistance from I-Kiribati residing in Fiji to save repatriation costs.

Management response:

Management response not received

7.4.1.6 KHC Cash book status - 2015

Findings and Analysis:
The audit noted after checking the Cash book that it was not updated nor would be problematic from the audit perspective to check the accuracy and confirm the correct balance disclosed at the year ended as at 31/12/2015. This would be difficult for SA to detect items that are appeared in the bank but are not entered in the Cash book such as direct debit and credit, charges, fees and etc when performing reconciliation.

Implications

- Failure to update cash book could add to incorrect balances shown on Kiribati High Commission records as well as distort the records with the MFEP
- Absence of regular bank reconciliation would lead to differences in balances in the bank and that maintained in the cash book and thus exposing the system to fraud.

Recommendation

- ✓ Management should regularly reconcile the cash book with the bank statement.
- ✓ Management should ensure that the cash book must be updated and maintained.

Management response:

Management response not received

7.4.1.7 Undeposited receipts ($722)

Finding and Analysis:

- In performing the audit testing through RR#, it was noted with utmost concern that some of the receipts were not accounted for in the 2015 records considering that those revenue had already receipted appeared in the cash book but not deposited in the Bank as there is no evidence in the bank statement when the audit compared the Form A via the receipt books. Details of the receipts can be noted in the table below:

Undeposited receipts			
9/2/2015	739582	return the perdiem - Reteta	$350.00
12/11/2015	192577	Ordinary Passport	$93.00
"	192582	Ordinary Passport	$93.00
"	192583	Ordinary Passport	$93.00
"	192584	Ordinary Passport	$93.00
			$722.00

- The deposit were untimely or not performing on regular basis since some of the revenue collections receipted in October and December 2015 were deposited in July and September 2016 as this evidence when the audit sight Form A 1/16. Breakdown and details of the receipts can be provided when request.

Implication:

- ➢ Undeposited receipts pursue the prospect of concealing fraud and misappropriation of public funds.
- ➢ Untimely deposit or failure to deposit on a regular basis caused the risk of misusing the public funds and exposing to fraud.
- ➢ There is a possibility that there is a loss of revenue which could lead to the outflow of the government public funds.

Recommendation:

- ✓ Management must take immediate and urgent action who held accountable for such losses to reimburse the amount of revenue not deposited
- ✓ Management must appoint the most SRO to conduct review on a regular basis once the deposit had been made by the SA.

Management response:

Management response not received

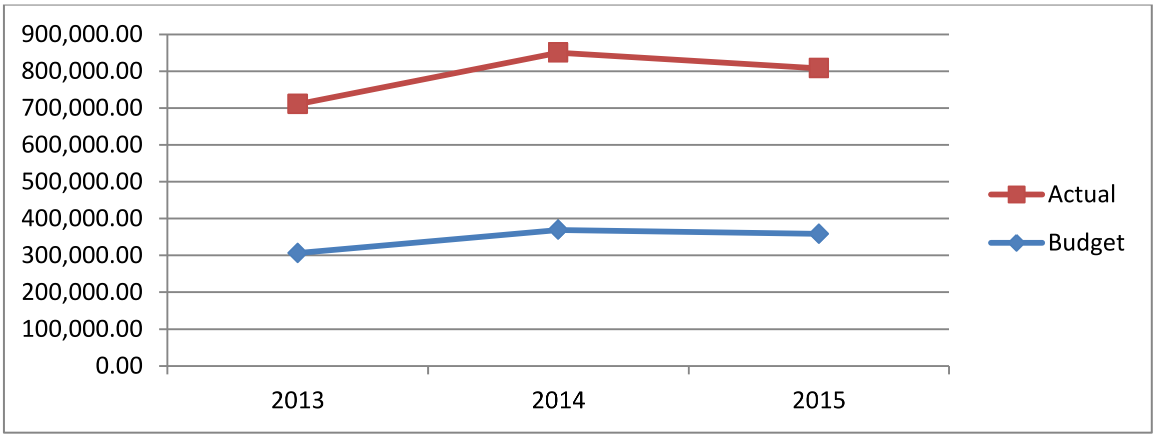
7.4.2 CONTROL OVER EXPENDITURE – KHC 2015

Findings and Analysis:

7.4.2.1 Summary Expenditure against Budget 2015

Year	2013	2014	2015
Budget	306,357.00	368,963.00	358,183.00
Actual	404256.96	481,433.58	449,615.62
Under/(Over)	-97,899.96	-112,470.58	-91,432.62

7.4.2.2 Comparative graph Expenditure against budget 2013-2015

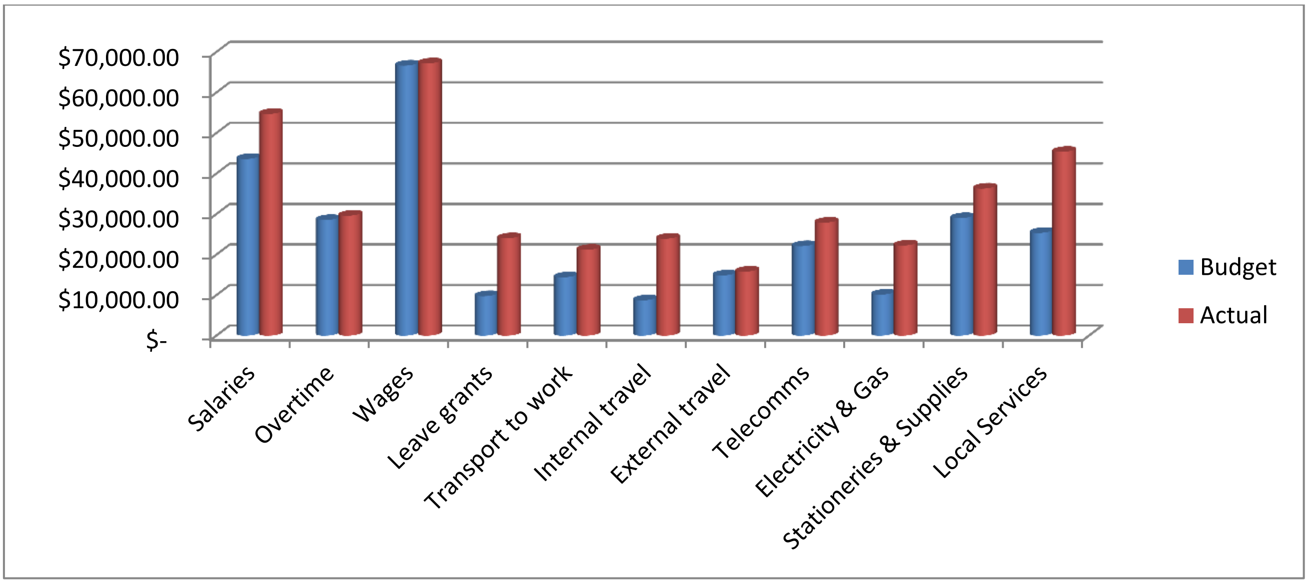


The above graph depicted a similar pattern of the revenue collection where in this case the budgets were way down low when the actual spending levels were high up for all years 2013 to 2015. As could be sighted the gap between budget and actual expenditure pattern determined the failure of KHC to control the intensity of its spending level. It is therefore highly recommended that management review its budget and ensure future estimates are aligned with activities of the Commission.

7.4.2.3 Over Expenditure table by allocations – KHC 2015

Code	Allocation	Revised Budget	Actual	Variance
E14030000202	Salaries	$ 43,602.00	$ 54,714.04	$ (11,112.04)
E14030000205	Overtime	$ 28,535.00	$ 29,607.91	$ (1,072.91)
E14030000207	Wages	$ 66,643.00	$ 67,189.18	$ (546.18)
E14030000208	Leave grants	$ 9,750.00	$ 24,031.31	$ (14,281.31)
E14030000215	Transport to work	$ 14,400.00	$ 21,179.13	$ (6,779.13)
E14030000216	Internal travel	$ 8,724.00	$ 23,932.02	$ (15,208.02)
E14030000227	External travel	$ 14,860.00	$ 15,801.71	$ (941.71)
E14030000231	Telecoms	$ 22,088.00	$ 27,884.29	$ (5,796.29)
E14030000232	Electricity & Gas	$ 10,126.00	$ 22,254.09	$ (12,128.09)
E14030000241	Stationeries & Supplies	$ 29,000.00	$ 36,285.34	$ (7,285.34)
E14030000250	Local Services	$ 25,350.00	$ 45,357.82	$ (20,007.82)

7.4.2.4 Comparative graph over expenditure by allocation



As illustrated above, the audit noted that almost all of KHC outputs/allocations were reported overspent. In the absence of a Supplementary KHC had incurred unauthorized spending on all its outputs.

Recommendation:

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

Management response:

Management response not received

7.4.2.5 Overpaid of two staff allowances

Finding and Analysis:

After performing testing of the KHC staff allowance through extracting allowance paid per annum from GL it was noted that some payments related to the two permanent staff of the KHC had exceeded the amount in the contract appointment (Remuneration package).The table below noted details of the overpayment of the KHC staff allowance as follows:

Name	RPAUD(pa)	RPFJD	Rate	Fortnight	Total paid AUD	Overpaid AUD
First Secretary	$8,954.00	$ 13,113.00	1.4546	$344.00	$ 14,048.39	-$5,094.39
Third Secretary(SA)	$7,163.00	$ 10,490.00	1.4546	$ 275.50	$ 8,570.00	-$1,407.00

Implication:

- ➢ The excessive payment of allowance is a violation and abuse of the contract appointment as approved by the MFAI.
- ➢ The overpayment of allowance could elicit the tendency of taking advantages by misusing public funds and misappropriation of funds.

Recommendation:

- ✓ Management must immediately take urgent action on recovering the excessive amount of allowance overpaid.
- ✓ Responsible officers should be reprimanded severely for breach of public trust.

Management response:

Management response not received

7.4.2.6 Housing assistance (Third Secretary)

Finding and Analysis:

As per sighted through agreement of service, the audit noted that the third secretary must contribute to pay the cost of the rental by a deduction from fortnight salary based on the officer's local housing entitlement. There has been no deduction made from fortnight salary since the officer took her new post i.e. 2013

Implication:

- ➢ Failure to deduct from fortnight salary to cater for the cost of the rental is a deviation from or breach of the agreement of service.

Recommendation:

- ✓ Management must ensure to conform to the agreement of service and take immediate action to recover outstanding rental as stated in the contract. Management and MFED should ensure the responsible officer to manage the KHC is a reliable and compliant senior officer. Also both, management and MFED, should instantly arrange for replacements when violations of any agreements and of foremost the FR 11 provisions are detected in order to uphold the public trust on those assigned the management of the government coffer.

Management response:

Management response not received

7.4.2.7 Transport to work (Unofficial)

Finding and Analysis:
The audit had performed testing by selecting PV sample from GL based on the transport to normal work and revealed the following issues:

- Some payments claimed by the Third secretary were not relevant and reliable for the intent purpose of the official transport and this was evidenced when the audit discovered PV# 78/09, 108/70,125/09,02/09 related to transport were unofficial and not in line with the contract appointment/Agreement of service.
- PV#118/09, 52/09, claimed by the SSO was not supported by the receipts and also not signed by the recipients (signature of receiver).

Implication:

- ➢ Payments which are not supported by receipts raise doubt on the validity of the payment been made.
- ➢ Unsupported payments and were processed was definitely a violation of the Financial Regulations.

Recommendation:

- ✓ Cost of unofficial trips should be reimbursed immediately by concerned staff
- ✓ Management must ensure to conduct regular review and check to ensure that such payments were made for the intended purpose of that allocation/output
- ✓ SA must ensure that all payments made on daily basis must be well supported
- ✓ Payments related to SA should be scrutinized by other senior officials within the Commission office before payment.
- ✓ Being a remote Authority the Accountant General should ensure the senior accountant posted to the KHC is trustworthy and well versed with provisions of FR 11 and proficient in managing the financial transactions of the High Commission.

Management response:

Management response not received

7.4.2.8 External travel – Outstanding imprest

Finding and Analysis:

- **The following issues have been noted during the audit:**
  The total remaining outstanding imprests still not recovered by the imprest holders as at 31/12/2015 was $33,182.12. Details and titles of the imprest holders can be viewed in the table below:

Name	Date	Purpose	PV ref	Amount
Third Secretary	21/4/15	Close 2014 a/c TRW	78/04	$ 4,146.00
High Commissioner	24/4/15	HC-Noumea	99/04	$ 1,500.00
High Commissioner	30/7/15	Meeting- Cook Is	128/07	$ 2,000.00
High Commissioner	4/8/2015	Incidental- Cook Is		$ 1,958.35
High Commissioner	4/9/2015	Forum PNG	21/09	$ 5,000.00
High Commissioner	10/9/2015	PNG additional	58/09	$ 1,192.77
First Secretary	15/9/2015	Accomp FL- Korea	74/09	$ 5,000.00
First Secretaty	21/9/2015	Accomp HE meeting US	98/09	$ 8,000.00
High Commissioner	28/9/2015	Accomp HE Tuvalu	128/09	$ 1,600.00
High Commissioner	28/9/2015	Accomp HE Tuvalu	130/09	$ 2,785.00
		Total		**$ 33,182.12**

- Most of the above payments had not been supported by travelling claims, absence forms, itinerary nor other relevant supporting documents to indicate the purpose of the trip.

Implication:

- ➢ The absence again of utilizing a PV without attaching relevant supporting documentations such as travelling claims, absence form, invitation, itinerary confirms KHC failure in conforming with the normally accepted government procedures in regards to the issuance and retirements (within 10 days) of Imprest.
- ➢ Failure to retire imprest within 10 working days will increase the risk of misappropriation of imprest.

Recommendation:

- ✓ It is recommended that management must ensure that each officer must retire imprest after 10 working days upon returning from official trip.
- ✓ Senior accountant should ensure officials that had not retired their imprests should not be given any imprest when next travel.
- ✓ Senior accountant should have a register and have it updated each time a trip commences and ensures she chases up for retirement of imprest once the travellers have returned to base.
- ✓ Management must ensure in future that all travel (External & Travel) must be supported by the travelling claim, absence form, invitation and etc.

Management response:

Management response not received

7.4.2.9 Reimbursement of 75% School fees

Finding and Analysis:

- When sighting the Agreement of Service to ensure that the reimbursement of school fees is included as part of the officer's remuneration package, the audit noted with concern that the claim for the reimbursement of 75% school fees that was claimed on PV# 18/04 was not consistent with the remuneration package.
- In addition, the audit detected that the missing receipts for term 1 and 3(Primary) were lost but still the claim was made on the PV18/04. Additionally, there were two missing receipts term 1 and 3(Secondary) meaning that only receipts #1331 was available for the claim.

Implication:

- ➢ The reimbursement/claim that is not conforming to the contract is definitely a violation and a breach of agreement of service.
- ➢ Unsupported disbursements could increase the risks of loss of funds and are indeed improper and should have not been paid in the first place.

Recommendation:

- ✓ Management must avoid payments which are not included as part of remuneration package.
- ✓ All payments incurred on a daily basis must always be supported with appropriate documentations.
- ✓ Recovery of unauthorized payments mentioned above should be made with immediate effect and staff concerned should be reprimanded.

Management response:

Management response not received

7.4.2.10. Outstanding claim on the Bank charge

Finding and Analysis:

- After the audit performed testing by vouching PV# 60/04 and PV#59/04 the audit had raised a query regarding the outstanding claim on the bank charge paid from 2012-2015 to the KHC staff as per PV sighted. As conveyed from Third Secretary (SA) these bank charges were the deduction made from personal bank account which included normal ACT MNT FEE, debit fee. KHC is required to provide with written explanation as this should be acceptable given under the direction of MFAI or MFEP.
- Further, the claim made on PV#60/04 and PV#59/04 are incorrectly allocated under E14030000201 whereas in the GL the two PV's posted under E14030000202.

Implication:

- ➢ Outstanding claim which were not subject to approval and proper consultation from MFAI or MFEP could give assurance that the payment are deemed improper or process without authorization.
- ➢ Improper posting to the appropriate allocation could lead to incorrect figures which likely distort/misleading the MFED records.

Recommendation:

- ✓ Management must ensure that outstanding claim (previous years) are subject to the consent of respective department (MFAI) and seeking approval for further clarification.
- ✓ Management must ensure that proper reconciliation adhered to avoid discrepancies in the future between the KHC and MFEP.

Management response:

Management response not received

7.4.2.11 Misallocation

Finding and Analysis:

As part of the audit testing/program it has to ensure that all transactions incurred in the normal operation on a daily basis are reflected in the GL as well as accounted for in the proper allocation. Based on the selection from the GL (significant of PV's) it was noted that the following payments were incorrectly posted under (E1403000241) Stationeries and Supplies. In fact, the following payment should charge local Services (E14030000250).

Details	Allocation	Code	Amount
Petty cash reimbursement office expenses	Stationeries & Supplies	E14030241	$ 112.96
HC of medical expenses	Stationeries & Supplies	E14030241	$ 217.99
SSO reimbursement of medical expenses	Stationeries & Supplies	E14030241	$ 66.61
HC reimbursement of medical expenses	Stationeries & Supplies	E14030241	$ 37.21
SA (3rd Sec) reimbursement of medical	Stationeries & Supplies	E14030241	$ 74.17
108/07 SA (3rd Sec) medical expenses	Stationeries & Supplies	E14030241	$ 52.29
14-Aug SA (3rd Sec) refund medical	Stationeries & Supplies	E14030241	$ 79.70
74/08 SA (3rd Sec) medical refund	Stationeries & Supplies	E14030241	$ 40.56
2-Sep SA (3rd Sec) medical claim	Stationeries & Supplies	E14030241	$ 120.55
45/09 SA (3rd Sec) reimbursement of medical	Stationeries & Supplies	E14030241	$ 66.08
53/09 SA (3rd Sec) refund - medical	Stationeries & Supplies	E14030241	$ 53.75
125/09 SA (3rd Sec) cost of medical	Stationeries & Supplies	E14030241	$51.66
71/10 SA (3rd Sec) medical expenses	Stationeries & Supplies	E14030241	$ 22.54
SA (3rd Sec) reimbursement medical expense	Stationeries & Supplies	E14030241	$ 65.51
9-Dec SA (3rd Sec) medical expenses	Stationeries & Supplies	E14030241	$ 70.66
			$ 1,132.24

Implication:

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

Recommendation:

- ✓ Management must conduct a proper reconciliation to ensure that all transactions are charged the correct allocation and to avoid future discrepancies between MFED and KHC.

- ✓ Responsible officer should be fully conversant with the requirements and provisions of the governing FR 11.

Management response:

Management response not received

7.4.2.12 Internal travel

Finding and Analysis:
After conducting the audit testing on the selected payment vouchers (PV# 103/04,126/07, 23/08, 61/09, 67/10, 95/10, 34/11, 53/11, 77/12, 79/12) the audit revealed that the officers are failed to retire imprest by producing receipts and supporting documents.

Implication:
- ➢ Failure to retire imprest in support of receipt and supporting documents increased the risk of misappropriation of imprest.

Recommendation:
- ✓ It is recommended that management must ensure that each officer must retire imprest after 10 working days in support with travelling claim attached with copy of receipts, invitation, funding instruction and etc.

Management response:

Management response not received

7.4.2.13 Wages Advances

Findings and analysis:

- o The audit notes with concern the failure of the SA (senior accountant) to provide details breakdown of the Salary advances thus therefore it would be difficult for the audit to check the validity of the payments and authority under which the KHC officer had paid out such advances. As conveyed from the SA, the audit is of the belief that most staffs are taking advantages by treating the advance as their personal loan.
- o Furthermore, In compliance with the NCS Sec E1.4 (n) regarding the salary (wages) advance, advances are only subject to the following: First appointment, when proceeding on paid leave, School fees, and compassionate ground. As I recall from the previous audit report (2014), the audit could not confirm the outstanding amount of $7,550 whether such amount had been recovered or still accumulating.

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

Recommendation:

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

Management response:

Management response not received

7.5. AUDIT REPORT ON THE ACCOUNT OF THE PERMANENT MISSION OF KIRIBATI TO THE UNITED NATION IN NEW YORK FOR END AUGUST TO 31 DECEMBER 2013 AND FOR THE YEAR ENDED 31 DECEMBER 2014.

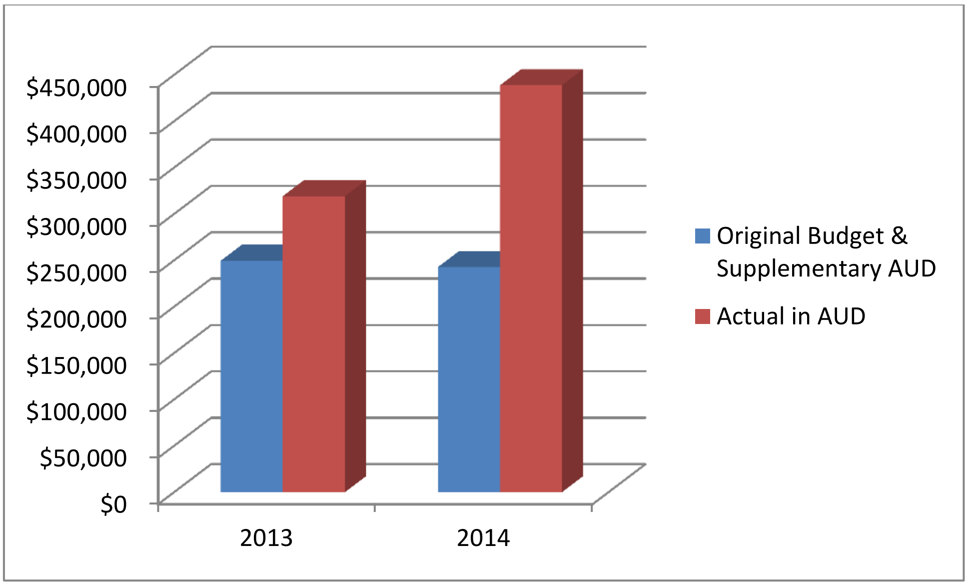
7.5.1 EXPENDITURE (BUDGET)

Finding and Analysis:

7.5.1.1 Permanent mission of Kiribati to the united nation expenditure summary

Year	Original Budget & Supplementary AUD	Budget Equivalent in USD	Actual in AUD	Over/Under AUD
2013	$249,563 (rate of .957)	$238,831.80	$319,243.62	($69,681)
2014	$242,846(rate of .9533)	$287,908.04	$438,789.00	($195,943)

7.5.1.2 Comparative graph of Budget expenditure against actual.



The above graph depicts the trend of the budget level from 2013 and 2014. As could be observed, for 2014 a further increase in the operational costs compared with 2013. As noted from the table, the Permanent Mission had utilized more than the approved estimate budget which caused an excess spending of $195k (AUD). The bulk of the overspent was contributed to the unexpected cost of the Mission which was not budgeted for such as Payment of Twin Otter legal cost, united nation fees and Bank charges.

7.5.2 CONSIDERATION FOR IMPROVEMENT IN FUTURE

7.5.2.1 IT control/Back up data

Finding and Analysis:

Kiribati Mission NY maintained all their financial and non-financial records electronically. As per discussion with secretary it is backed up each onto an external drive. The data backup is not secure - as such there is a risk that backups are accidentally deleted, overwritten or corrupted. The external hard drive might be misplaced, lost or damaged and this can cause Kiribati Mission NY data backups to be lost and so not retrievable/

Implication:

- ➢ Failure to back up regularly may lead to a significant loss of Mission data given their dependence on electronic documents. Equally the lack of a formal backing up regime could mean that in the event of data loss at Kiribati Mission that backups are not up to date and data is lost.

Recommendation:

- ✓ Kiribati Mission NY should develop a regular formalized backup process. Consideration should be given to using a dedicated external hard drive and in the longer term implementing a small network with automated backup processes.

Management response:

Management response not received

7.5.2.2 Financial regulations should be fully complied

Finding and Analysis:

Several fundamental control and accounting processes of the financial regulations are still not being performed despite being recommended and discussed with the Kiribati Mission NY. These include maintaining Asset/Store register, Vote book/ledger, using a stamp paid on all payment vouchers, signing of blank cheques as result of shortage of staff.

Implication:

- ➢ Failure to perform basic internal accounting controls at Kiribati Mission NY would lead to a delay in generating monthly accounting report and it would ultimately delay the preparation of the Embassy's financial report at the year end.

Recommendation:

- ✓ All relevant sections of the financial regulation must be strictly complied with.
- ✓ Employing a local to assist with the financial management of the New York Kiribati Mission would be of great assistance to the Embassy in having better internal control in place and producing timely and quality financial report.

Management response:

Management response not received

7.5.2.3 Proper reconciliation between Mission and MFAI- or the capital must be properly carried out before the Annual Account is finalized.

Finding and Analysis:

As evidence during the audit, it was noted that the figures shown in the management report (MFED) did not match with the records of Mission in New York due to the failure of (MFAI) to conduct proper reconciliation before the annual account is finalized.

Implication:

- Kiribati Mission New York is reliant upon MFED to produce financial annual account and this has led to an increasing risk of errors. The risk of errors is increased as the MFED prepare the financial annual account are distant from its transactions and lack the understanding of day-to-day operations of the Kiribati Mission NY held by Mission staff. This unfamiliarity has led to a number of mis-postings, and errors by MFED. Equally Kiribati Mission has experienced variances in obtaining financial record from the MFED (often over a year).
- Failure to reconcile record with MFED can likely increase the errors in the accounting record and distort the account.

Recommendation:

- ✓ Financial management at the Kiribati Mission must conduct regular reconciliation before closing off the account with the MFED.

Management response:

Management response not received

7.5.2.4 Procurement procedures should be developed in accordance with the current practice in New York Mission

Finding and Analysis:

Permanent Mission in New York indicated to auditors that they were currently not performing procurement activities in accordance with procurement regulations since there was no significant amount to be procured. Auditors observed that purchasing suppliers are based on quality and lowest price of the product.

Implications:

- Poor value for money and an increased risk of poor performance may result due to the absence of alternative quotations to choose from. There is also a lack of transparency in purchasing and an increased risk of corruption where suppliers are selected without any competitive element.

Recommendation:

- ✓ Audit recommended that Permanent Mission in New York establishes a formal procurement process in accordance with Procurement Act 2002 that involves a hierarchy of tendering procedures based upon the value of the procured goods or services. This involves the thresholds established in the Manual for each type of procurement procedure.

Management response:

Management response not received

7.5.2.5 Stakeholder's file must be properly maintained

Finding and Analysis:
It was noted during the audit that the file for all stakeholders' are not maintained. This is an important document to keep track of the records and information observed in the events of the organization operations. In fact it will also assist the auditors in verifying and confirming *stakeholder's funding agreement* when checking the records..

Implications:
- ➢ Failure to maintain and keeping all the records lead to inability for the auditors to check the accuracy and completeness of the stakeholder's funding information being provided.

Recommendation:
- ✓ Management should open and maintain a file in order to record and keep track of the available information which will be useful for future references and audit purposes.

Management response:

Management response not received

7.5.2.6 Bank audit certificate

Finding and Analysis:
There was no Bank audit certificate being issued out during the fiscal years 2013-2014 since the management of the Mission is not fully aware of the system. This is an integral part of bank confirmation certificate that must be issued to the Bank and response also received by the Bank that states the current balance held as at the end of the fiscal year.

Implication:
- ➢ Without obtaining a bank audit certificate there is a possibility that the management will not be able to confirm currents at the end of the fiscal year.

Recommendation:
- ✓ Audit recommended that the template must be provided to the Mission in order to issue out the bank audit certificate in the future years.

Management response:

Management response not received

7.5.2.7 Imprest

Finding and Analysis:
Audit observed different procedures followed by the Mission as the imprest was issued out and paid on the Payment voucher. In terms of reimbursement, the officer will retire an imprest. If the retirement exceed the imprest drawn the officer will claim the difference but if it under the imprest drawn the officer will pay back and this will offset against the Payment voucher. These procedures depart the financial regulations in which all imprest must be treated and it would be difficult from the audit perspective to determine the accuracy of the outstanding imprest not yet recovered by an officer on regular basis.

Implication:

- 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.

Recommendation:

- ✓ Managements should have a monitoring mechanism in place for ensuring all Imprest are retired within the period of 10 days after return from official trips.

Management response:

Management response not received

7.6. AUDIT REPORT ON THE ACCOUNT OF THE EMBASSY OF KIRIBATI IN TAIWAN FOR THE END JUNE TO 31 DECEMBER 2013 AND FOR THE YEAR ENDED 31 DECEMBER 2014.

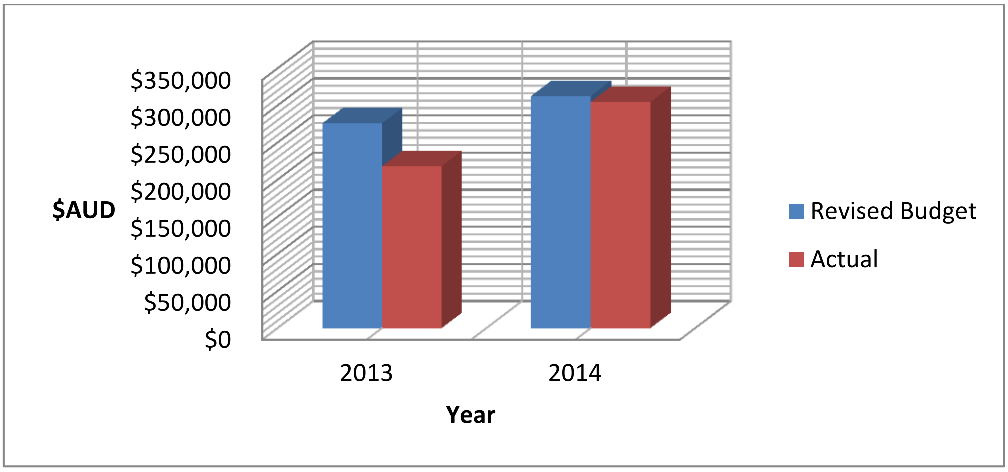
7.6.1 EXPENDITURE (BUDGET)

FINDINGS AND ANALYSIS:

7.6.1.1 Embassy of Kiribati Expenditure budget Summary

Year	Revised Budget AUD	Budget Equivalent in Taiwan	Actual	Over/Under
2013	$275,811(rate of 27)	$7,446,897.00	$218,054AUD	$57,757.00AUD
2014	$312,705 (rate of 27)	$8,443,035.00	$304,825.33AUD	$7879.67AUD

7.6.1.2 Comparative graph of budget expenditure against actual



As clearly evidenced from the above graph, since the start of the Embassy in June 2013 to December 2014, the embassy has managed to operate within approved budget of $275k and $312k; given the control and the reduction in its operation costs which resulted in net saving of $57k and $7k respectively. Therefore management should be commended for such achievement.

Recommendation:

- ✓ Management must sustain and continue an effort to operate within approved budget to avoid excess spending in future years.

Management response:

Management response not received

7. 6.2 CONSIDERATION FOR THE EMBASSY IMPROVEMENT IN FUTURE

7.6.2.1 IT control/Back up data

Finding and Analysis:
Embassy of Kiribati also maintains all their financial and non-financial records electronically. As per discussion with Executive Assistant it is backed onto an external drive. The backup is not maintained on a regular basis (daily, weekly, and monthly). Therefore the data backup is not secure - as such there is a risk that backups could accidentally deleted, overwritten or corrupted.

Implication:

- ➢ Failure to back up regularly may lead to a significant loss of Embassy data given their dependence on electronic documents.

Recommendation:

- ✓ Embassy of Kiribati Taipei should develop a regular formalized backup process. Consideration should be given to using a dedicated external hard drive and in the longer term implementing a small network with automated backup processes.
- ✓ The Embassy could arrange for an online back system such as creating a “Dropbox” for saving data.

Management response:

Management response not received

7.6.2.2 Bank reconciliation

Finding and Analysis:
Embassy of Kiribati in Taipei has not maintained regular bank reconciliation. As the audit confirmed after testing the cash book, practically the Embassy relied on checking the Bank statement against record (Cashbook) and to confirm that every detail of transaction is posted correctly. However, this is not the basic procedure for performing bank reconciliations.

Implication:

- ➢ Without a proper bank reconciliation statement, direct debits or any other bank errors would not easily be detected which could ultimately lead to loss of public funds. Lack of proper bank reconciliation statement contravened FR 16.13.
- ➢ The absence of reconciliation with records held by MFED would undermine the balances appearing in the government annual account and could result in issuing a disclaimer opinion.

Recommendation:

- ✓ The Senior Accountant should ensure also to conduct a regular reconciliation with records held by MFED to agree on the balances and should be able to provide explanations to support the anomalies detected in the Annual Account 2014.
- ✓ The audit strongly recommends that the responsible officer and the accountable staff should use the proper format when preparing the monthly bank reconciliation statement.

Management response:

Management response not received

7.6.2.3 Lack of training to the assistant staff

Finding and Analysis:

The audit examined the detailed posting of the transaction for the embassy. The audit noted that there were misunderstanding/mistakes in the posting which led to the misallocations. This was caused by the limited knowledge of the staff concerned on the accounting treatment of the transactions being made. As mentioned during the meeting to discuss audit findings, management is fully aware of their current situation and had sought assistance from the MFED but had not received any positive feedback to date.

Implication:

- ➢ Lack of staff capacity development can result in the misinterpretation of the accounts and wrong balances would appear at year end.

Recommendation:

- ✓ Audit recommended that the staff concerned visited the MFED for induction course and trained on-the-job so to get exposure on the accounting treatment of different transactions been encountered during the training period. This will include the training on the implementation of the MFEP system (Spread sheet, database system) thus will greatly assist with the development of the staff capacity and knowledge on the government accounting system.

Management response:

Management response not received

7.6.2.4 Financial risk policy

Finding and Analysis:

Embassy of Kiribati does not have a written fraud policy.

Implication:

- ➢ The absence of a fraud policy would increase the risk of not being able to detect fraud at the Embassy of Kiribati in Taiwan. There will also be a lack of clarity of where and how suspected fraud can be reported and what action should be taken should fraudulent activities be detected.

Recommendation:

- ✓ Management must develop a formal fraud policy. This should include how the Mission should report fraud and what action is to be taken by the Embassy of Kiribati Taipei.

Management response:

Management response not received

7.6.2.5 Financial regulations should be fully complied with

Finding and Analysis:
Several fundamental control and accounting processes of the financial regulations are still not being implemented despite being recommended and discussed with the Embassy of Kiribati. These include Asset/Store register, Vote book/ledger, PV must be stamp paid, signature of claimant, signing of blank withdrawal slip.

Implication:
- Failure to execute basic accounting controls at Embassy of Kiribati would make it difficult to produce timely and reliable accounting information. This had resulted in delays in preparing its own financial annual account. Weaknesses in the control system increase errors in the accounting records and financial annual account of the Mission.

Recommendation:
- ✓ Management must ensure to comply with the requirements of the FR 11.

Management response:

Management response not received

7.6.2.6 Lack of reconciliation between Mission and MFAI- or the capital, must be properly carried out before the Annual Account is finalized.

Finding and Analysis:
As evidenced during the audit, which the figures shown in the management report (MFED) did not match with the records of the Embassy of Kiribati due to the failure of (MFAI) in carrying out proper reconciliation with the Embassy of Kiribati before the annual account is finalized.

Implication:
- Failure to reconcile records with MFAI will result in distorted balances at the year end.

Recommendation:
- ✓ It is therefore recommended that Embassy through MFAI must ensure to conduct proper review and regular reconciliation with MFED records to avoid future discrepancies (over/understated) in the balance of the Embassy’s outputs.

Management response:

Management response not received

7.6.2.7 Procurement procedures should be developed in accordance with the procurement act

Finding and Analysis:
Embassy of Kiribati informed auditors that they were not following the procurement requirement since there were no items with significant costs to be procured. Auditors observed that the selection of suppliers is based on quality and lowest price of the goods or services being provided.

Implications:
- ➢ Poor value for money and an increased risk of poor performance may result due to the absence of a competitive list of suppliers with their quotations for the Embassy to choose from. There is also a lack of transparency in the purchasing process.

Recommendation:
- ✓ Audit recommends that Embassy of Kiribati must establish a formal procurement process in accordance with Procurement Act 2002 that involves a hierarchy of tendering procedures based upon the value of the procured goods or services. There is a threshold established in the Manual for each type of procurement procedure to be followed.

Management response:

Management response not received

7.6.2.8 Stakeholder's file must be properly maintained

Finding and Analysis:
It was noted during the audit that the file for all stakeholders' are not maintained. This is an important document to keep track of the records and information observed in the event of the organization's operations. This will also assist the auditors in verifying and confirming *stakeholder's funding agreement* when checking the records.

Implications:
- ➢ Failure to maintain and keep all the records lead to inability for the auditors to check the accuracy and completeness of the stakeholder's funding agreement information being provided.

Recommendation:
- ✓ Management must open and maintain the file in order to record and keep track of the available information which will be useful for future references and audit purposes.

Management response:

Management response not received

7.6.2.9 Bank audit certificate

Finding and Analysis:
There was no Bank audit certificate being issued out during the fiscal year 2013-2014 since the management of the Embassy is not fully aware of the system. This is an integral part of bank confirmation certificate that must be issued by the Bank and response also by the Bank to state the balance held as at the end of the fiscal year.

Implication:

- ➢ Without obtaining the bank audit certificate it would be difficult for management to neither confirm the balance at the end of the fiscal year nor be able to sight and confirm direct credits and debits being made and shown in the bank statement.

Recommendation:

- ✓ Audit recommends that the template must be provided by KNAO to the Embassy of Kiribati in order to issue out the bank audit certificate in future years.

Management response:

Management response not received

7.6.2.10 Imprest

Finding and Analysis:

As noted during the audit, the Embassy of Kiribati has a record of the imprest being issued out based on the ambassador official duty. The record had been submitted to the MFAI for checking purposes and reconciliation with records held by the MFED. However, there was no immediate feedback from the MFAI.

Implication:

- ➢ 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.

Recommendation:

- ✓ Managements should have a monitoring mechanism in place for ensuring all Imprest are retired within the period of 10 days after return from official trips.
- ✓ Management should also ensure imprests are not issued if previous outstanding ones have not been cleared nor any recovery arrangements have been made.

Management response:

Management response not received

8. MINISTRY OF INTERNAL AFFAIRS (MIA)

8.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Internal Affairs for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 8.3 below.

8.2. 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 fiscal year 2014.

- Exceeding the amount approved (Budget) from Parliament
- Under collection of revenue in physical year 2014
- Lack of control over the bus ticket issuance.
- Not maintaining and updating Log books

8.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

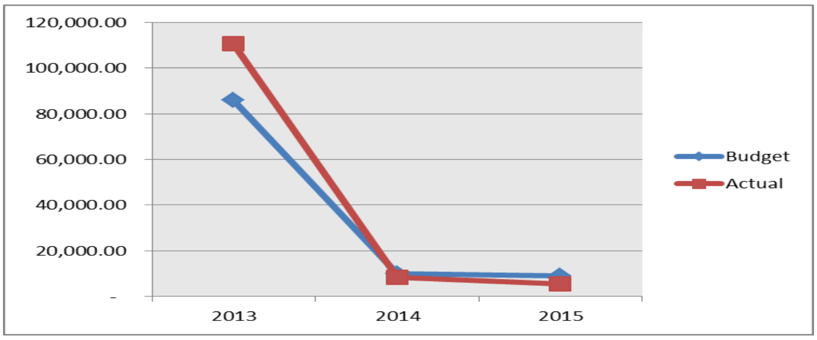
8.3.1 REVENUE (BUDGET)

Finding and Analysis:

8.3.1.1 MIA Revenue summary collection:

Year	Budget	Actual	(Over)/Under
2013	86,000.00	110,664.00	- 24,664.00
2014	10,000.00	8,577.00	1,423.00
2015	9,000.00	5,643.72	3,356.28

8.3.1.2 MIA Comparative graph of budget revenue against actual

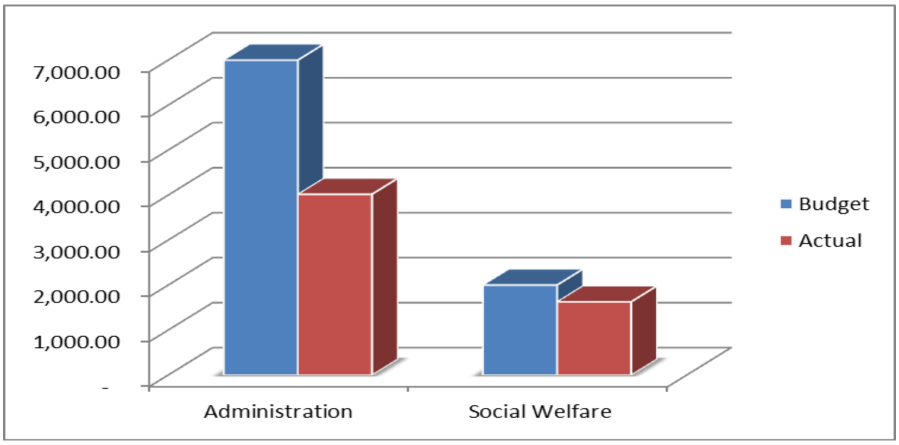


As clearly reflected in the above graph/table, the concerned Ministry had again reported its under collection of revenue by $3k, a gradual increase of under collection by $2k from last year's. The Ministry should ensure it meets its revenue target in future years.

8.3.1.3 MIA Revenue Budget against actual by divisions

Description	Administration	Social Welfare
Budget	7,000.00	2,000.00
Actual	4,017.09	1,626.63
(Over)/Under	2,982.91	373.37

8.3.1.4 MIA Comparative graph of Revenue against actual by divisions



As illustrated above only 2 divisions from the 4 divisions under the MIA that generate namely; Administration and Social Welfare Division. It was noted that both divisions were not able to meet their estimated revenue which resulted in a net under collection of $3k in total.

Recommendation

- ✓ Management should ensure each divisional Head is responsible for managing and meeting their revenue budget
- ✓ Management must ensure its revenue divisions exert extra efforts in future to meet their revenue targets.
- ✓ Management should review its budget level and to ensure its future budget is aligned with the activities its division will perform.

Management response:

Management response was received

8.3.1.5 Unavailability of valid documents

Findings and analysis:

It was noted during the audit that the Ministry concerned had failed to provide the following documents for audit validation; i) Form A copies ii) Receipts copies (Receipt Book). These are very important documents for confirming monies being receipted and recorded in the Ministry cash book and/or Management report. In this incident, the audit was unable to confirm the amount of revenue reflected in the Management report amounted to $3k.

Implications:

- ➢ Missing and Unavailability of valid documents requested for audit verification (comparative figures against cash book) is a complete violation of Cap 79 and Government Financial Regulations (FR 2011).
- ➢ The absence of above requested documents would make it difficult to confirm the actual charges made in the budget and revenue received, all of which would increase the risk of misappropriation and loss of public funds.

Recommendation:

- ✓ Management must ensure all documents are fully supported and kept for future audit and management reference.
- ✓ Management must ensure its responsible officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- ✓ Management should consider appropriate reprimand action on staff involved with the unavailability of revenue financial instruments.

Management response:

Management response was received

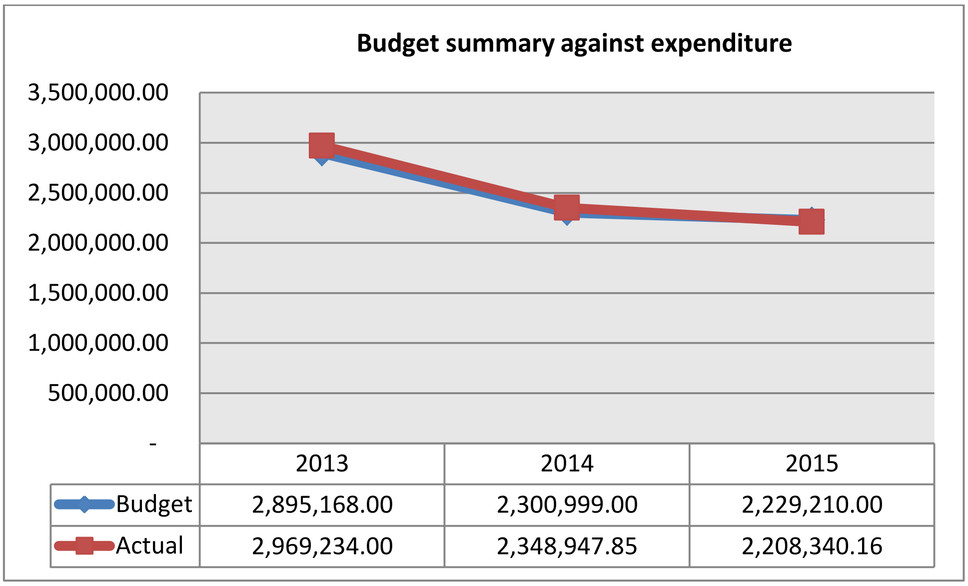
8.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

8.3.2.1 MIA Expenditure summary

Year	2013	2014	2015
Budget	2,895,168.00	2,300,999.00	2,229,210.00
Actual	2,969,234.00	2,348,947.85	2,208,340.16
(Over)/Under	**- 74,066.00**	**- 47,948.85**	**20,869.84**

8.3.2.2 Comparative graph of budget expenditure against actual

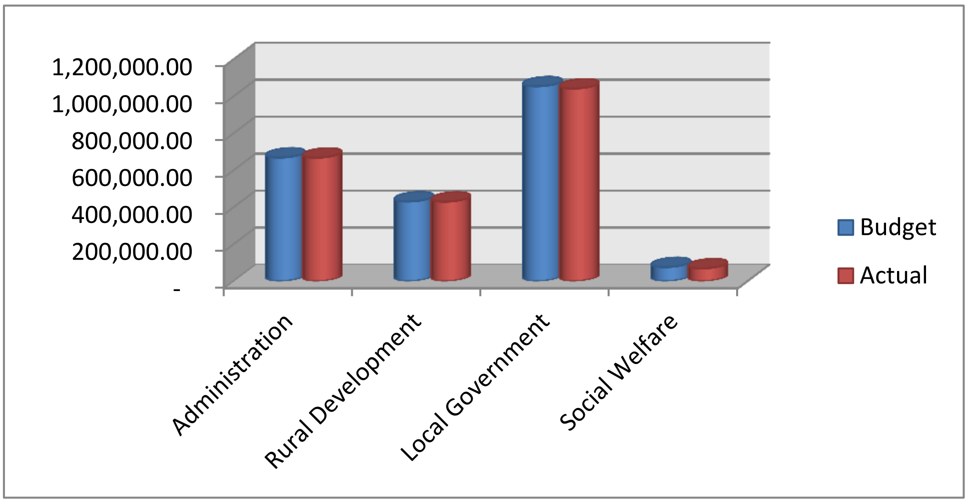


As shown in the above graph/table, with a slight decrease in the budget level MIA had still been successful in further reducing its spending level by 5% and that was within the appropriated budget and thus has resulted in net saving of over $20k. The Ministry should be applauded for such notable achievement.

8.3.2.3 Expenditure against actual by divisions

Description	Administration	Rural Development	Local Government	Social Welfare
Budget	668,490.00	430,807.00	1,054,078.00	75,835.00
Actual	667,840.48	429,766.69	1,041,949.66	68,783.33
(Over)/Under	**649.52**	**1,040.31**	**12,128.34**	**7,051.67**

8.3.2.4 Comparative graph budget Expenditure against actual by divisions



The audit noted that all the 4 divisions of MIA for the first time had managed to save an aggregate sum that really far outweighed the over spending being reported in previous years and thus collectively increased the net saving in this fiscal year 2015 by $20k. All divisions should be commended for having managed to operate within their allocated budget.

Recommendation:

- ✓ The Ministry concerned should continue and maintain this spectacular effort in monitoring and controlling its level of spending in future years.
- ✓ Management should encourage all heads from different divisions to continuously keep their level of spending within their allocated provisions to avoid future grievances.

Management response:

Management response was received

8.3.2.5 KPF Contribution

Findings and Analysis:
The table provided below showed the comparison of Management Report Budget, General Ledger against the Audit Calculation 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	16,002.00	17,692.06	234,572.72	7.5%	17,592.95	(1,690.06)	(1,590.95)	(99.11)	OVERSTATED CONTRIBUTION
E15020000201	KPF Contribution	23,240.00	23,161.71	276,089.50	7.5%	20,706.71	78.29	2,533.29	(2,455.00)	OVERSTATED CONTRIBUTION
E15030000201	KPF Contribution	60,380.00	51,284.96	635,380.50	7.5%	47,653.54	9,095.04	12,726.46	(3,631.42)	OVERSTATED CONTRIBUTION
E15040000201	KPF Contribution	-	-	2,019.20	7.5%	151.44	-	(151.44)	151.44	UNDERSTATED CONTRIBUTION
E15050000201	KPF Contribution	3,372.00	2,256.52	20,167.50	7.5%	1,512.56	1,115.48	1,859.44	(743.96)	OVERSTATED CONTRIBUTION
	TOTAL	**102,994.00**	**94,395.25**	**1,168,229.42**		**87,617.21**	**8,598.75**	**15,376.79**	**(6,778.04)**	**TOTAL OVERSTATED**

As shown above the total overstated figure of over $6k for KPF contribution was noted after comparing Finance GL report value of $94k against the Audit Figure of $87k. The audit (figure) calculation was derived from the annual gross per output including temporary assistance multiply by existing rate 7.5%. However, such variance was seems too excessive and 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, do proper filing and do regular reconciliation would not confront variances by the end of the year.

Recommendation:

- ✓ 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 FR 11 and other governing laws.
- ✓ Management should consider appropriate reprimand action on staff that had deviated from the above governing laws.

Management response:

Management response was received

8.3.2.6 Control over bust ticket

Finding and analysis:
The following are identical issues detected in last year's audit:

i) A number of unrecorded bus tickets and a number of unsigned tickets were noted in the issuance register and the amount involved was $4.80 and $7.60 respectively, as stated in the table hereunder. The responsible officer should repay the value of such tickets.

Unrecorded Bus Tickets

Denomination	Serial	no. of tickets	Value
0.80 cents	506344-506349	6	4.80
Total			**$ 4.80**

Unsigned Bus Tickets

Dates	Denomination	Recipient	Serial No.	No of ticket	Value	Amount
25/08/15	0.60 cents	Officer 1	650797-650798	2	1.20	1.20
	0.80 cents	Officer 2	477985-477988	4	3.20	
		Officer 3	478007-477008	2	1.60	
		Officer 4	478050-478051	2	1.60	
						6.40
Total						**$ 7.60**

ii) Ticket numbers stated in the table below were signed by one person without authoritative letter and the amount involved was $57.00.

Dates	Denomination	Recipient	Serial no	no of ticket	value	Amount
14/04/15	$ 0.60	Officer 5	606529-606542	14	$8.40	
		Officer 6	606543-606503	18	$10.80	
						$19.20
	$ 0.70	Officer 7	396248-396270	24	$16.80	
		Officer 8	396271-396286	16	$11.20	
		Officer 9	396287-396300	14	$9.80	
						$37.80
Total						**$57.00**

2014 Implications:

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

2014 Recommendations:

- ✓ Management should regularly review its bus ticket register and to take immediate appropriate action where deviations are noted.
- ✓ Management to provide response on the above issue or advise on the action been taken against the officer concerned.
- ✓ Issuing Officer should ensure all recipients of bus tickets sign against their names and collection by other officers should be supported by written authority.

Management response:

Management response was received

8.3.2.7 Log book

Findings and analysis:
Audit discovered that Log books for vehicles plate number BG 261/Gov 106A and BG 310 were noted available although not updated. This was evidenced when the audit went through such log books and found that some periods were off recorded in the log books. It was further noted with great concern that the missing period of 01/01/15 to 05/07/15 from the log book (BG 261) was still not made accessible to date.

Implications:

- ➢ Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and that 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 monitoring mechanism is put in place by management to monitor the fuel consumption and usage of government vehicles.
- ➢ Claims on overtime in this instance would deem improper if not supported with log book details.

Recommendation:

- ✓ Accounting officer has to remind drivers to return their log books to the accounting unit for account/management and/or audit purposes and to be updated regularly.
- ✓ Management should reject claims for overtime and refuelling if no appropriate records are provided by drivers.
- ✓ Management should put in place a monitoring mechanism for controlling fuel consumption and to deter private usage of government vehicles.

Management response:

Management response was received

8.3.2.8 Leave balances – 2 years entitlement policy

Findings and analysis:
The audit had selected 7 different officers to perform its testing mainly on their leave balances. As confirmed these selected officers had leave balances exceeding 2 years entitlement as these had been accumulated for more than 3 to 4 years back which is of course not in line with Cabinet Decision Minute No. 77/10. Details of which are appended below:

PF#	Leave Balance	Title
2006282	114	Treasurer
96110	158	Clerk
4946	119	Clerk
98094	129	Clerk
2002200	96	Treasurer
2004170	174.5	Secretary
96106	92	Chief LGO

Implications:
- ➢ Failure to follow or comply with the newly 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.

Recommendation:
- ✓ 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 response:

Management response was received

8.3.2.9 Vote Ledger

Findings and Analysis:
It was noted during the audit that MIA vote book for fiscal year 2015 was not maintained and kept up to date by the responsible officer. This was evidenced after we went through the transactions being posted and found that some postings were just ceased in January and November mainly for KPF & Salaries allocations and Internal Travel output allocations.

Implications:
- ➢ Reconciliation would be difficult for MIA if the vote ledger was not updated and there was no regular review performed by most senior officers and thus is a breach of Financial Regulation 2011.
- ➢ Maintenance of a vote ledger would provide support to the Ministry when seeking supplementary to meet excess spending during the year.
- ➢ A vote ledger is a tool for management to monitor its level of spending during the year and a warning whenever some outputs are almost exhausted for transfers within the outputs the absence of which would result in undetected overspending.

Recommendation:

- ✓ Management has to ensure to maintain and regularly update its vote ledger for ease of reconciliation with records held by Finance as clearly depicted under FR 2011, chapter 8 paragraphs 168 -169, failure by which would mean a violation of such provisions that would trigger imposition of appropriate reprimand actions.

Management response:

Management response was received

8.3.2.10 Miss posting & double posting of PV

Findings and Analysis:

In carrying out this year's audit some transactions (PVs) as per details provided in table below were being noted as a miss-posting and double posting of PV. As discovered the PV should be posted to MFAI instead of MIA and the amount involved was $2,266.88. It was also noted that one payment voucher (MIA 868/15) was posted twice under allocation E1501-285 Hire of plant & equipment (refer GL report 2015) and the amount involved was $1,136.32

Since these payments were being noted as misspostngs and double posted this confirmed the lack of proper and regular reconciliation by the Ministry with records held by MFED. Therefore, reasonable explanations must be provided on the following:

Miss- posting of PV

OutPuts Details	Allocation	PV #	Inv	Details	Amount	Balance
Hire of Plant	E1501_285	MFAI 460/15		PVU	$2,266.88	
						$2,266.88
Total						$2,266.88

Double posting of PV

OutPuts Details	Allocation	PV #	Inv	Details	Amount	Balance
Hire of Plant	E1501_285	MIA 868/15		Adjustment of PVs	$1,136.32	**$1,136.32**
Total						**$1,136.32**

Implications:

- ➢ Miss-posting and double posting of some payment vouchers to other allocations could increase the actual spending of that allocation would then lead to un-necessary and unauthorized spending that may inflict the defilement of the appropriation act.
- ➢ Double posting is a sign of careless and slack in performing regular reconciliation.
- ➢ It could also undermine the integrity and credibility of the system being used in the workforce.

Recommendations:

- ✓ In order to avoid unexpected miss-posting and double posting of PV in future times management has to ensure that valid monthly reconciliation should be conducted regularly by its responsible officers.

Management response:

Management response was received

8.3.2.11 Unavailability of requested documents

Findings and Analysis:

The table provided below shows the number of requested document (PVs) with a total involved amount of $87k in which the Ministry had failed to produce copies of for further audit authentication. Given that these documents were unable to be provided from MIA the audit could of course not validate the accuracy of such payments, therefore, MIA was requested again to provide reasonable explanations as this was the same issue with last year audit.

Output Details	Allocation	PV#	Details	Amount	Balance
Internal Travel	E1501_216	MIA 63/15	Maneiko	$2,600.00	
		MIA 91/15	Maneiko	$2,685.00	
		MIA T/C 196/15	Ret AU 0108/15 xmas	$2,770.00	
		MIA 431/15	Officer 1	$630.00	
		MIA T/C 693/15	Ret AU 100/15 Pelea T	$1,735.00	
	E1502_216	MIA 55/15	Maneiko	$2,400.00	
		MIA 326/15	Air Kir	$1,357.00	
		MIA t/c 698/15	Officer 2-Retirement	$1,634.45	
		MIA t/c 910/15	Ueen bub	$1,703.50	
		MIA t/c 687/15	C/fee	$2,827.00	
		MIA t/c 1144/15	Air Kir	$1,610.00	
		MIA t/c 1131/15	Tobaraoi	$1,840.00	
	E1503_216	MIA 55/15	Maneiko	$4,880.00	
		MIA 868/15	Adjustment of PVs	$2,782.30	
					$31,454.25
External Travel	E1501_227	MIA 188/15	Tobaraoi	$1,120.00	
		MIA t/c 295/5	Ret.Au 0106/15 22/1-5/02/15 xmas	$1,487.54	
		MIA 703/15	Ret.A Au 514 SAS	$1,620.00	
		MIA 709/15	SAS	$939.80	
		MIA 795/15	CLGA	$4,114.15	
		MIA t/c 1029/15	Ret. AU 848/15 CRCD - HVP	$5,215.10	
		MIA t/c 1152/15	Ret. IMP from SAS - HVP	$2,296.84	
					$16,793.43
	E1502_227	MIA t/c 453/15	Ret. AU 0363/15 Korea	$1,602.60	
		MIA t/c 712/15	Ret. AU 1528/15 EA	$2,062.75	
		MIA t/c 736/15	Ret. Au 843/15 Sec	$7,526.30	
		MIA t/c 943/15	Ret. Au 1528/15 Officer 2	$1,722.10	
					$12,913.75
	E1503_227	MIA t/c 39/15	Ret. Au 0992/14 Samoa	$636.00	
		MIA t/c 1178/15	Ret. Au 555/12 Canada	$400.00	
		MIA t/c 301/15	hqpv 5988 mia 301/15	$300.00	
		MIA t/c 763/15	hqpv 5199 mia 763/15	$300.00	
					$1,636.00
Hire of Plant	E1501_285	MIA 821/15	Tarawa	$5,625.00	
		MIA 868/15	Adjustment of PV	$1,136.32	
		MIA 909/15	Swis tra	$1,575.00	
		MA 1069/15	Hire replacement	$3,050.00	
		MIA 1088/15	PVU	$9,815.00	
		MIA 959/15	PVU	$3,965.00	
					$25,166.32
Grand Total					**$87,963.75**

2014 Implications:

- Missing and unavailability of documents requested for audit verification such as payment vouchers to support the payments been made is a complete violation of the provisions of Cap 79 and government Financial Regulations.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- The absence of records for just last year is an indication of poor performance by staff concerned.

2014 Recommendations:

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

Management response:
Management response was received

8.3.2.12 Other Commitments

Finding and Analysis:

Year 2015	A	B	C	A & B	A &C	B &C
Description	**Budget**	**Actual (GL)**	**Ministry record**	**Variance**	**Variance**	**Variance**
Support Grant	1,300,673.00	1,954,872.00	1,095,659.85	- 654,199.00	205,013.15	859,212.15
Elections	315,531.00	167,337.98	149,320.03	148,193.02	166,210.97	18,017.95
Local Council Grant	180,656.00	84,385.00	84,481.02	96,271.00	96,174.98	- 96.02

As confirmed after the comparison analysis there were discrepancies being noted between the GL report figure against that of the Ministry concerned record in the sum of $937k for Support grant, $18k for Elections and -$96.02 for local council grant respectively. Such discrepancies were believed would not be materialized if proper reconciliation had been performed regularly. In addition, if we used the GL report figure as the most accurate value regarding the actual expenditure then the following issues were noted as follows:

i) An excess spending of $654k for Support grant was incurred.
ii) Net savings of $148k and $96k for Elections and Local council grant were also noted accordingly.

Implications:

- Unauthorized spending would increase if enormous excess spending still incurred outside the budget allocation and there was no Supplementary submitted to cater for such.
- Distributions of such locally funded projects are statutory payments and any overstatement/understatement in particular would have an adverse effect on the overall total of other commitments for the Ministry.

2014 Recommendation:

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

Management response:

Management response was received

9. MINISTRY OF ENVIRONMENT, LANDS AND AGRICULTURAL DEVELOPMENT (MELAD)

9.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Environment, Lands and Agricultural Development for the year ended 31st December 2015 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 Ministry of Environment Lands & Agriculture Development performance in the fiscal year 2014.

- Weaknesses in the revenue collections.
- Unavailability of documents for audit purposes.
- Outstanding payment for 2013 paid in 2014.
- Improper payment.
- Outstanding imprests still not recovered in 2014.
- Vote book was not maintained nor updated.
- Salary overpayment.
- Unsigned salaries.
- Variances detected in the Housing assistance and Leave grants resulted by lack of reconciliation.
- Non-compliance with the two years Leave entitlement policy.
- Negative Leave balances.

9.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

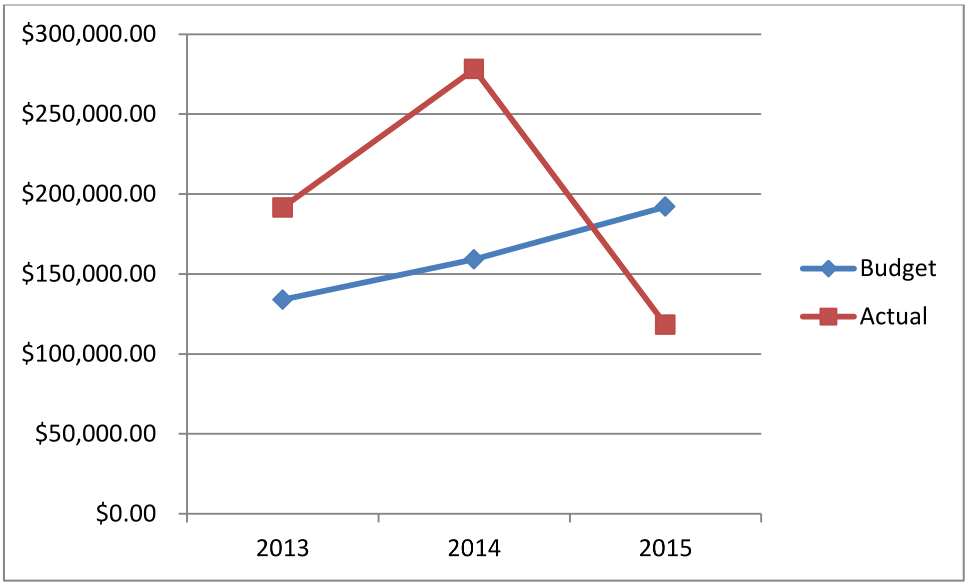
9.3.1 REVENUE (Budget)

Findings and analysis:

9.3.1.1 MELAD Revenue summary collection:

	2013	2014	2015
Budget	$133,943.00	$159,150.00	$192,100.00
Actual	$191,609.90	$278,091.40	$118,172.96
Under/(Over)	($57,667)	($118,941.40)	$73,927.04

9.3.1.2 Comparative graph of budget revenue against actual



As observed from the above graph/ table, the Ministry for the first time in 2015, had failed to collect estimate revenue, thus resulted in an under collection of $73k compared with an excess collection of $118k and $57k for 2014 and 2013 respectively.

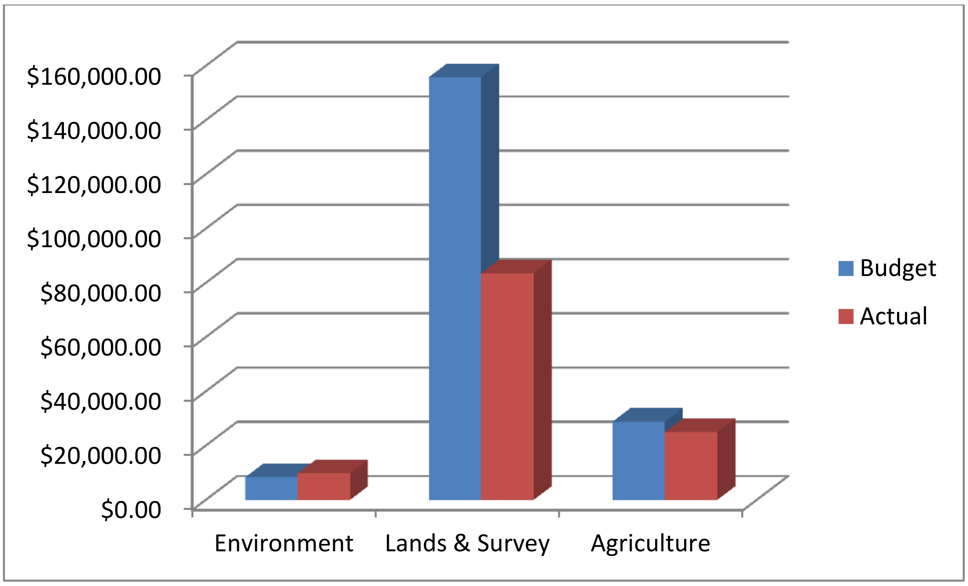
Recommendation:

- ✓ The Ministry therefore needs to adjust its budget level in future years to align it with actual revenue it expects to collect.

9.3.1.3 MELAD Revenues against budget by divisions.

Division	Budget	Actual	(Over)/Under
Environment	$8,300.00	$9,716.27	($1,416.27)
Lands & Survey	$155,800.00	$83,534.24	$70,265.76
Agriculture	$28,800.00	$24,922.45	$3,077.55

9.3.1.4 Comparative graph of budget revenue against actual per division



The above table/comparative graph depicts the revenue trends per division, as noted for the three divisions, two of which failed to collect the allocated budget; Lands & Survey with under collection of $70k and Agriculture of $3k respectively. Despite the slight net saving of $288.74, there were several outputs that failed to operate within allocated budget as per details in the table below:

Further details of an under collection for the divisions by outputs can be viewed in the table below:

C1602Environment	Budget	Actual	(Over)/Under
Fines	$ 200.00	$ 300.00	$ (100.00)
Fees	$ 3,500.00	$ 4,739.37	$ (1,239.37)
Environment license	$ 1,800.00	$ 2,044.10	$ (244.10)
Wild life fees	$ 2,800.00	$ 2,632.80	$ 167.20
			$ (1,416.27)
C1603 Lands			
Fees	$ 14,300.00	$ 15,419.55	$ (1,119.55)
DNE	$ 3,000.00	$ 2,329.89	$ 670.11
Sale of state lands	$ 6,000.00	$ 1,357.35	$ 4,642.65
Sublease rents	$ 132,500.00	$ 64,427.45	$ 68,072.55
			$ 72,265.76
C1604 Agriculture			
Quarantine	$ 8,000.00	$ 4,855.85	$ 3,144.15
Sale of state lands		$ 1,029.50	$ (1,029.50)
Livestock sales	$ 20,000.00	$ 19,037.10	$ 962.90
			$ 3,077.55
Total			$ 73,927.04

As can be observed above, the bulk of the under collection was contributed by the sublease rents with total amount of $68k followed by Sale of state lands of $4k. The other two remaining outputs with an immaterial amount are DNE $670.11 and Wild life fees $167.20 respectively.

Management response:

Management response was received

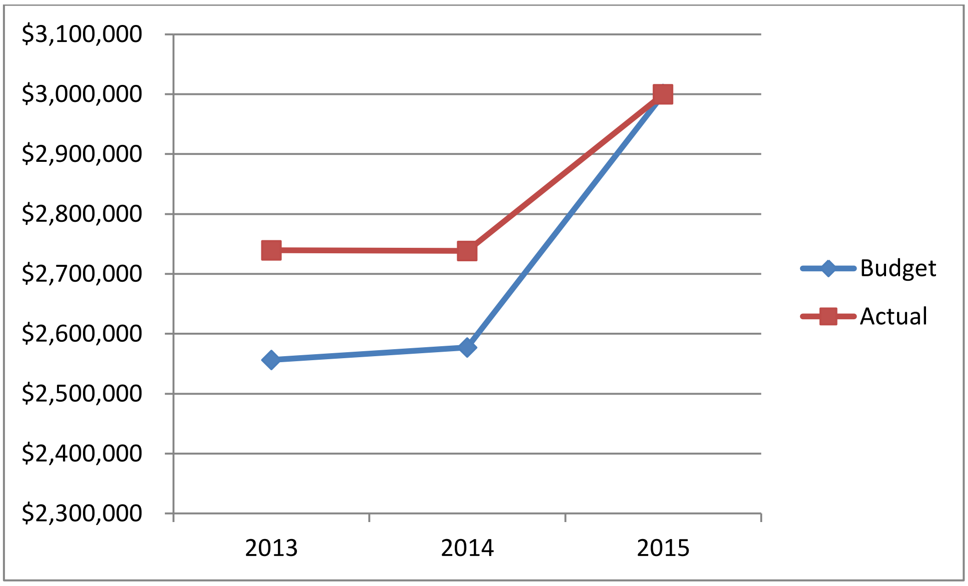
9.3.2 EXPENDITURE (Budget)

Finding and Analysis:

9.3.2.1 MELAD Expenditure summary

Year	Budget	Actual	(Over)/Under
2013	$2,556,320	$2,739,280.28	($182,960)
2014	$2,577,140	$2,738,280	($161,140)
2015	$2,999,994	$2,999,705.26	$289

9.3.2.2 Comparative graph of Budget Expenditure against Actual.



The above graph/table depicts MELAD expenditure trend between the approved budget and actual expenditure for the the last three years (2013-2015). As noted above, the budget level had escalated and Ministry for the first time in 2015 had reported a saving of $289 when compared to an excess spending of $161k and $182k for 2014 and 2013 respectively. Therefore, management must be applauded for being able for the first time to keep within its budget level and for having set a realistic budget level.

Recommendation:

- ✓ Management must ensure to operate within its appropriated budget level in future years to avoid excess spending.

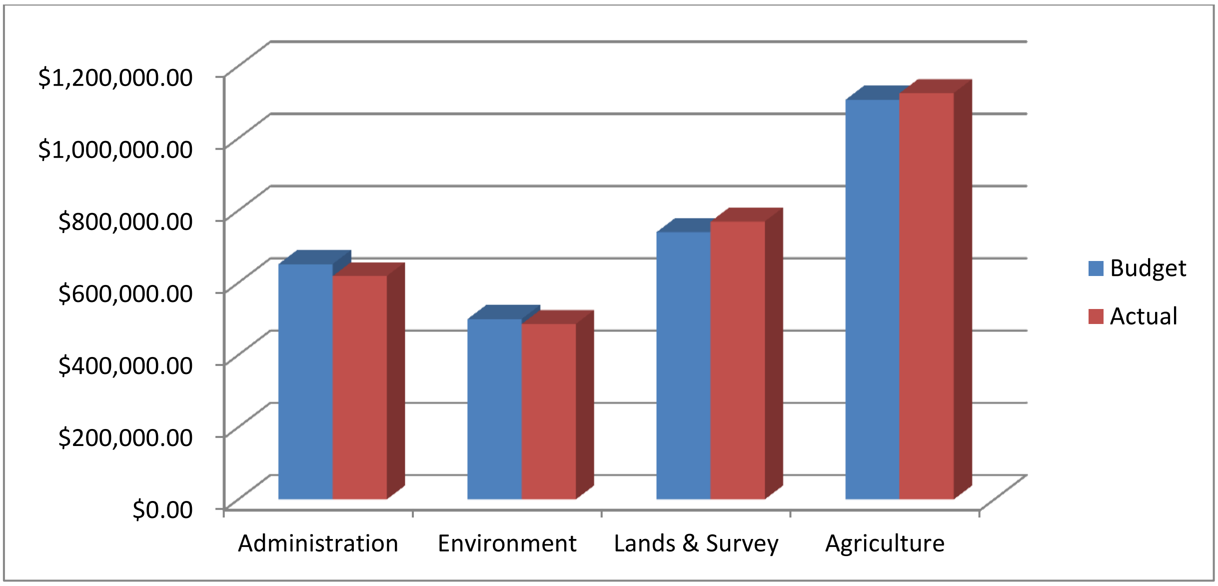
Management response:

Management response was received

9.3.2.3 MELAD Expenditure budget against actual by divisions.

Division	Budget	Actual	(Over)/Under
Administration	$652,197.00	$618,720.90	$33,476.10
Environment	$499,917.00	$485,916.46	$14,000.54
Lands & Survey	$740,572.00	$769,710.23	($29,138.23)
Agriculture	$1,107,308.00	$1,125,357.70	($18,049.70)

9.3.2.4 Comparative graph of Bugdet expenditure against actual per division



The above table/comparative graph depicts the expenditure trends per division, and as noted of the four divisions, two divisions incurred spending over and above approved budget, i.e. Lands & Survey with an excess spending of $29k and Agriculture of $18k respectively. Despite the slight net saving of $288.74, there were several outputs that far exceeded their allocated budgets by substantial amounts as they had failed to operate within allocated budget as details in the table below:

	Budget	Actual	(0ver)/Under
C1603 Lands			
KPF contribution	$ 25,701.25	$ 25,703.05	$ (1.80)
Stationeries & Supplies	$ 22,706.00	$ 41,072.70	$ (18,366.70)
Local Services	$ 24,487.37	$ 39,757.20	$ (15,269.83)
			$ (33,638.33)
C1604 Agriculture			
Stationeries & Supplies	$ 10,530.00	$ 13,674.58	$ (3,144.58)
Local Services	$ 59,650.00	$ 78,258.07	$ (18,608.07)
Livestock sales	$ 20,000.00	$ 19,037.10	$ 962.90
			$ (20,789.75)
Total			

Management response

Management response was received

9.3.2.5 Arrears of revenue (outstanding sublease)

Finding and Analysis:
The audit could not extend further testing on the outstanding sublease for 2015 including unsettled balances from previous years as the audit revealed that there was no records/register maintained and updated by the Lands division due to the failure to conduct follow up with MFED to keep update and reconcile their records. In the essence of the matter raised-in, the audit cannot confirm or check the accuracy and existence of the outstanding balances for prior years.

Implication:

- Delay by management in promptly enforcing recovery or collection actions would increase the risk of loss of funds where some will become time barred.
- The absence of a recovery mechanism would make it difficult for management to pursue recovery of any outstanding dues.

Recommendation:

- ✓ Management should ensure it has a legal recovery mechanism in place for pursuing recovery actions.
- ✓ Managements should regularly update and review its register to avoid missing out on some of the tenants.

Management response:

Management response was received

9.3.2.6 Payroll variances

Finding and Analysis:
In conducting the audit of payroll, it was detected that the following variances exist between the management reports, general ledger and pay costing as per details in the table below:

		X	Y	Z	1	2	3
Code	**Accounts**	**Mgn't Rep - Budget**	**Gen Led**	**PayCosting**	**Variance btwn X & Y**	**Variance btwn X & Z**	**Variance btwn Y & Z**
E16010000201	Administration	200,591.00	200,544.88	212,351.58	46.12	(11,760.58)	(11,806.70)
E16020000201	Environment	194,166.00	193,963.90	200,578.10	202.10	(6,412.10)	(6,614.20)
E16030000201	Lands	333,569.63	333,569.63	317,991.40	-	15,578.23	15,578.23
E16040000201	Agriculture	559,946.00	559,934.55	559,926.70	11.45	19.30	7.85
					$ 259.67	**$ (2,575.15)**	**$ (2,834.82)**
1 = X - Y	Variance between the Revised Budget and General Ledger						
2 = X - Z	Variance between the Revised Budget and Paycosting						
3 = Y - Z	Variance between the Genera Ledger and Paycosting						

Implication:
Failure to perform reconciliation on a regular basis can result in unrealistic figures which can distort the MFED records and management decision.

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

Management response:

Management response was received

9.3.2.7 Vote book

Finding and Analysis:
Audit discovered that the vote book was not maintained and kept up to date by the Headquarter thus would make it difficult for the Ministry to conduct and perform reconciliation with the MFED records.

Implication:
- Failure to update the vote ledger would make reconciliation difficult and a breach of FR11.

Recommendation:
- ✓ In conforming with FR11 chapter 8 paragraphs 168-169, management must maintain and regularly update its vote book to ease reconciliation with records held by MFED.

Management response:

Management response was received

9.3.2.8 Outstanding imprest of $62,474.40

Finding and Analysis:
The Ministry outstanding Imprest for 2015 was $62,474.40. It was also noted during the audit some of the staff failed to retire their Imprest upon return from official trip and yet some were even allowed further Imprests despite having previous outstanding. The outstanding imprest in 2014 was $8,125 providing that the increase of $54,349.40(2014 $8125-$62,474.40 2015) resulted by the lack of prompt recovery from imprest holders.

Outstanding Imprest as at 2015			
Name	**O/S Imprest**	**Name**	**O/S Imprest**
Officer 1	$8,905.78	Officer 16	$1,344.91
Officer 2	$569.97	Officer 17	$14,780.47
Officer 3	$29.55	Officer 18	$1,100.00
Officer 4	$6,133.48	Officer 19	$56.52
Officer 5	$41.88	Officer 20	$700.00
Officer 6	$122.77	Officer 21	$945.00
Officer 7	$18,574.90	Officer 22	$97.30
Officer 8	$110.00	Officer 23	$629.97
Officer 9	$80.00	Officer 24	$315.00
Officer 10	$90.00	Officer 25	$3,732.98
Officer 11	$300.00	Officer 26	$55.00
Officer 12	$135.00	Officer 27	$315.00
Officer 13	$1,354.00	Officer 28	$199.96
Officer 14	$720.00	Officer 29	$314.96
Officer 15	$405.00	Officer 30	$315.00
	$37,572.33		**$24,902.07**
	$62,474.40		

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 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 should provide explanation on why there was a slack in adopting the approach in 2014 that had only resulted with an outstanding imprest of less than $10k.
- ✓ The officer handing imprests in 2014 should be commended for such notable good work.

Management response:

Management response was received

9.3.2.9 Unsigned bus tickets

Finding and Analysis:

The audit noted total amount of $44.00 was not signed by MELAD officers once issued with bus tickets. Tables below provide further details regarding unsigned bus ticket.

hq	50 cents			60 cents			70 cents			80 cents			
Date	From	To	Value	From	To	Value	From	To	Value	From	To	Value	
25/6/2015	339582	339583	1.00										
19/8/2015	339587	339591	2.50										
31/8/2015	339593	339593	0.50										
29/10/2015	339616	339616	0.50										
20/10/2015				464011	464012	1.20							
8/9/2015							307614	307615	1.40				
22/10/2015							307729	307730	1.40	346011	346011	0.80	
5/6/2015										321383	321385	2.40	
			$ 4.50			$ 1.20			$ 2.80			$ 3.20	$ 11.70

TANAEA	50 cents			60 cents			70cents			80 cents			90 cents			
Date	From	To	Value	From	To	Value	From	To	Value	From	To	Value	From	To	Value	
16/4/2015										452698	452700	2.40				
22/5/2015													480748	480751	3.60	
22/6/2015										476925	476926	1.60	417543	417547	4.50	
20/8/2015	501322	501326	2.50	682614	682616	1.80	433421	433421	0.70							
24/8/2015				682624	682625	1.20							438503	438504	1.80	
25/8/2015	501338	501340	1.50	682635	682637	1.80	433431	433431	0.70				499112	499112	0.90	
29/4/2015	353201	353208	4.00													
13/5/2015	353257	353257	0.50							358584	358584	0.80				
19/5/2015										358587	358587	0.80				
9/12/2015				687486	687487	1.20										
			$ 8.50			$ 6.00			$ 1.40			$ 5.60			$10.80	$32.30

Implication:

- ➢ Failure to sign bus tickets increase the risk of misappropriation of tickets
- ➢ Increase the possibility of reclaiming another bus tickets

Recommendation:

- ✓ Management must strictly monitor the bus tickets and to ensure that all employees must sign once claim bus tickets.

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Management response:

Management response was received

10. MANEABA NI MAUNGATABU

10.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Maneaba ni Maungatabu for the year ended 31st December 2015 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 Maneaba ni Maungatabu performance in the fiscal year 2014.

- Revenue system weaknesses- deposits not reviewed by the most senior staff prior depositing.
- Lack of performing proper reconciliation at end of physical year
- Outstanding imprest still irrecoverable.
- Lack of control over Bus ticket.
- Overtime dockets not made available when requested.
- Still vote ledger was not maintained and updated.
- Log book for TC009 was not available for audit verification.
- Outstanding accumulated leave balances.

10.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

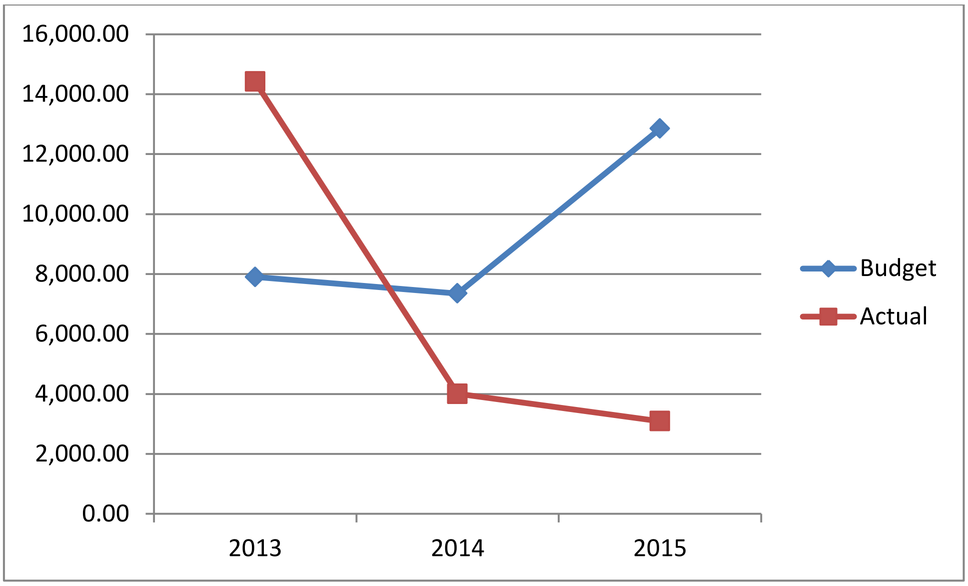
10.3.1 REVENUE (Budget)

Findings and Analysis:

10.3.1.1 MNM Summary Revenue Collection – 2013-2015

Year	2013	2014	2015
Estimates	7,900.00	7,350.00	12,850.00
Actual	14,420.03	4,001.25	3,093.00
Under/(Over)	**-6,520.03**	3,348.75	**9,757.00**

10.3.1.2 MNM Comparative Graph of Budget Revenue- 2013-2015

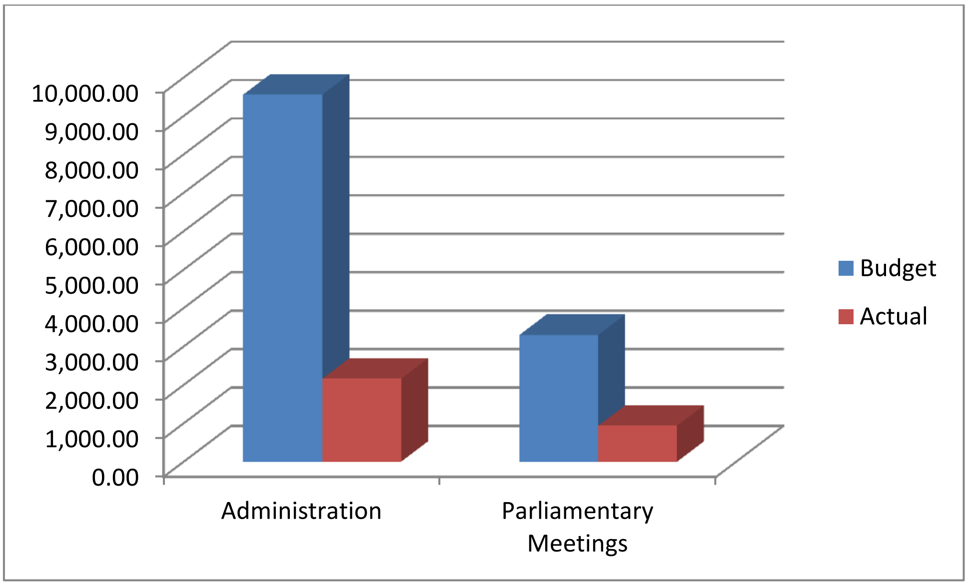


The above comparative analysis shows the revenue trends and the budget for the years 2013-2015. As depicted the revenue collection had dropped from 2014 and again in 2015 while the budget conversely increased. Explanation is sought from management why they had increased their budget level when their revenue collection continuously dropped since 2014?

10.3.1.3 MNM Revenues against Budget by Divisions

Divisions	Administration	Parliamentary Meetings
Estimate	9,550.00	3,300.00
Actual	2,155.75	937.25
(Over)/Under	**7,394.25**	**2362.75**

10.3.1.4 MNM Comparative graph Estimate Revenue by Divisions



As clearly indicated from the above graph, Administration has under collected its revenue by $7k and Parliamentary Meetings did same by $2k thus resulting in an overall shortfall of over $9k.

Implications:

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

Recommendation:

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

Management response:

Management response was received

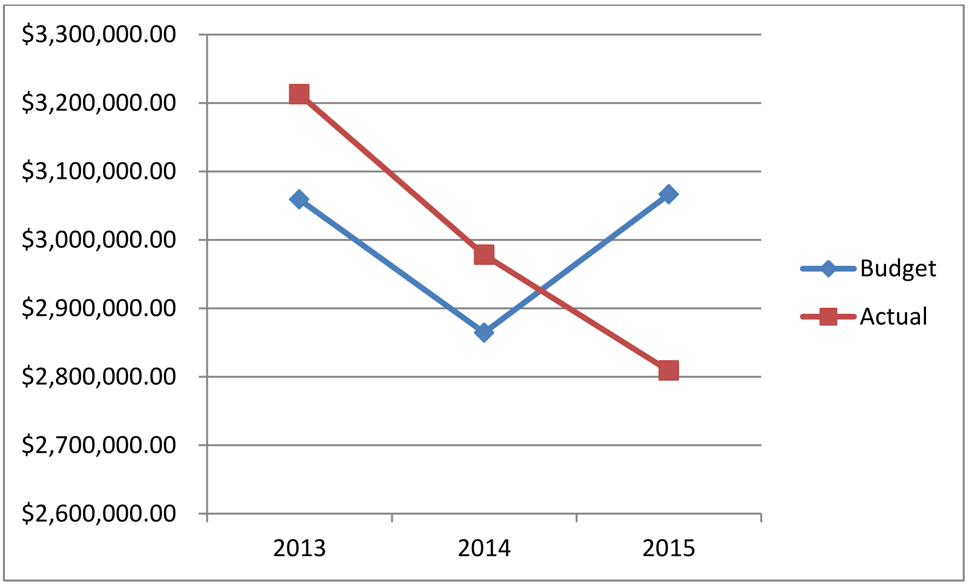
10.3.2 EXPENDITURE (Budget)

Findings and Analysis:

10.3.2.1 Parliament Budget Summary against Actual Expenditure

Year	Budget	Actual	(Over)/Under
2013	$ 3,058,932.00	$ 3,212,629.00	**$ (153,697.00)**
2014	$ 2,864,380.00	$ 2,977,971.00	**$ (113,591.00)**
2015	$ 3,066,410.00	$ 2,809,028.88	**$257,381.12**

10.3.2.2 Comparative Graph Budget Expenditure

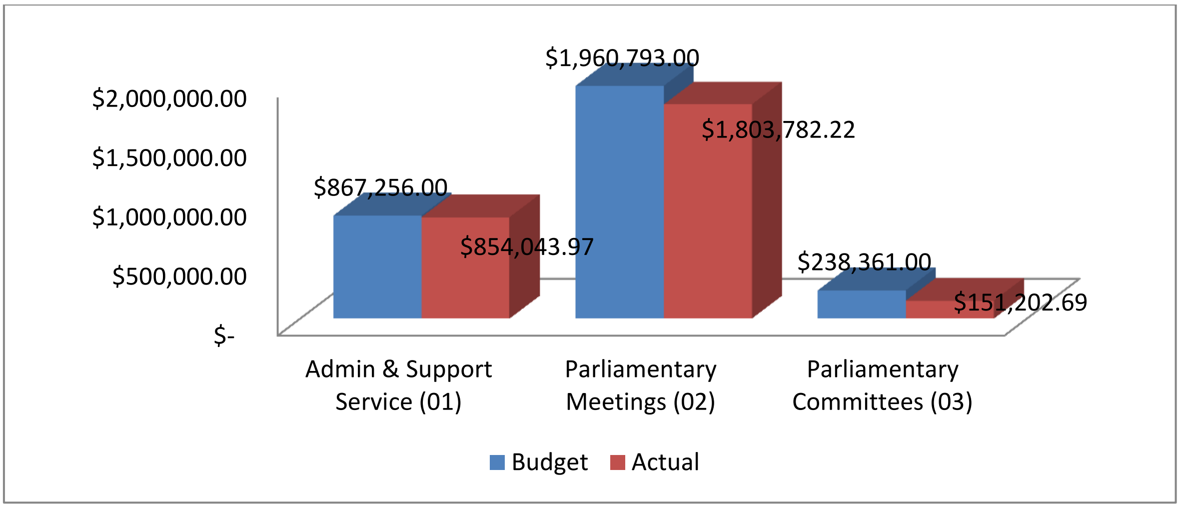


As clearly revealed above, for the first time (2015) the Parliament had managed to keep its operational costs within the budget limit. Therefore management should be applauded for such notable achievement in 2015.

10.3.2.3 MNM Expenditure against Budget by Divisions – 2015

Division	Budget	Actual	(Over)/Under
Admin & Support Service (01)	**$ 867,256.00**	**$ 854,043.97**	**$ 13,212.03**
Parliamentary Meetings (02)	**$ 1,960,793.00**	**$ 1,803,782.22**	**$ 157,010.78**
Parliamentary Committees (03)	**$ 238,361.00**	**$ 151,202.69**	**$ 87,158.31**

10.3.2.4 MNM comparative graph against Budget by Divisions – 2015



From the exhibited graph above, it is pleasing to note that all divisions; Admin & Support service 01, Parliament meetings 02 and Parliamentary committees have all operated within their approved budget and thus all had contributed to a net aggregate saving of over $257k.

Implication

- Additional savings in the budget is a sign of good management and therefore Parliament should ensure it maintains such remarkable achievement in future years.

Recommendation

- ✓ Parliament must continue to monitor all its divisions spending level in future years.

Management response:

Management response was received

10.3.2.5 Imprest - Outstanding

Findings and Analysis:

The audit discovered that the outstanding imprest had accumulated to total of $730k and these still had not yet been recovered or cleared by each respective imprest holder until to date. Details and names of imprest holders can be provided upon request. The outstanding imprest in 2014 was $241,724 meaning there has been an increase of $489k (2014 $241k-$730k 2015) in 2015.

Implication

- Failure to clear or recover outstanding Imprests in full would have an effect on the cash flow of Gov't.

Recommendation

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

Management response:

Management response was received

10.3.2.6 Vote Ledger – 2015

Findings and Analysis:
When conducting the audit it was noted that the vote book provided for Parliament was not updated as could be confirmed when the audit conducted testing on all transactions posted into the vote ledger. The last date/month posted for salaries (01&02) was only updated to October and June respectively, which means all activities incurred for the rest of the months were not accounted for.

Implications:

- ➢ Not updating the vote book on a regular basis would result in reporting of an incorrect figure by the year end on any output been affected.
- ➢ A non-updated vote ledger would make it difficult for management to reconcile its vote balance against that held by MFED and could lead to overspending at the end of the year.

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 regularly reconciles transactions in its vote book with MFED records.

Management response:

Management response was received

10.3.2.7 Log Book

Findings and Analysis:
The log books for Parliament vehicles were not made available for some vehicles while those provided were noted not updated by the responsible driver as per findings shown below:

- Log book for Mini bus BG 309 used for employees' transport has been noted not available during the audit.
- Log book for Clerk TG 361 was also not made available upon request.
- Log book for Saloon car BG 271 the Speaker's transport has been available but it was not updated. The driver for this vehicle did not show any mileage taken on the log book for the period 22/9/2015 to 26/9/2015.
- This was an issue raised in 2014 audit report but again repeated in the 2015 audit which simply indicates that management had failed to put in place mechanisms to monitor the movement of vehicles.

Implication:

- ➢ Failure in maintaining a gov't vehicle log book would raises questions in particular on the genuineness of claims for fuel and overtime.
- ➢ The absence of updating mileage in the log book will trigger the possibility of the misuse of government vehicles.

Recommendation:

- ✓ Therefore the audit recommends that each vehicle used by Parliament has a log book and it is updated and readily available when requested.
- ✓ Audit recommends that the drivers always update their log books to record of the movement of such vehicles.
- ✓ Management should ensure it has a monitoring mechanism that will also control the fuel consumption.
- ✓ Management should also ensure all overtimes claimed by drivers are supported by certified log book details.

Management response:

Management response was received

10.3.2.8 Leave Balances – 2 years entitlement

Findings and Analysis:
After verifying leave balances for the three selected officers, audit confirmed that two staff (Clerk to Parliament and Parliamentary council) of the three selected had outstanding leave balances of 176w.ds and 150 w.ds, a total of which had been accumulated for more than two years and this is not in line with Cabinet Decision Minute No. 77/10 where it stated that all outstanding leave balances for all civil servants to be brought forward should only be for 2 years back. This issue has been brought up in the previous audit (2014) and as noted management failed to comply with the audit recommendation.

Staff	Post Title	Entitlement	Leave Balance	Supported?	2 Years entitlement
Officer 1	Clerk	30	176	Yes	No
Officer 2	Parliamentary council	30	150	Yes	No

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 2017 automatically forfeited in 2017.

Recommendations:

- ✓ Parliament should enforce and implement the Cabinet Decision Minute No. 77/10 to all it staffs for leave balances verification accordingly.
- ✓ Management should ensure 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.
- ✓ Management should have its leave Roster maintained for all staff as a means of controlling accumulation of leave balances.

Management response:

Management response was received

11. MINISTRY OF COMMERCE, INDUSTRY AND COOPERATIVE

11.1 AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Commerce, Industry and Cooperative for the year ended 31st December 2015 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 Ministry of Commerce Industry and Cooperatives performance in the fiscal year 2014.

- Salary and Temporary overpayment.
- Lack of reconciliation resulted in the variances existed between Management report and Pay costing.
- Unavailability of requested temporary files.
- Failure to maintain and review log books by concerned officers
- Not updating the Vote Ledger 2014.
- Non-compliance with the 2 year leave entitlement policy.
- Accumulated outstanding imprest still irrecoverable.

11.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

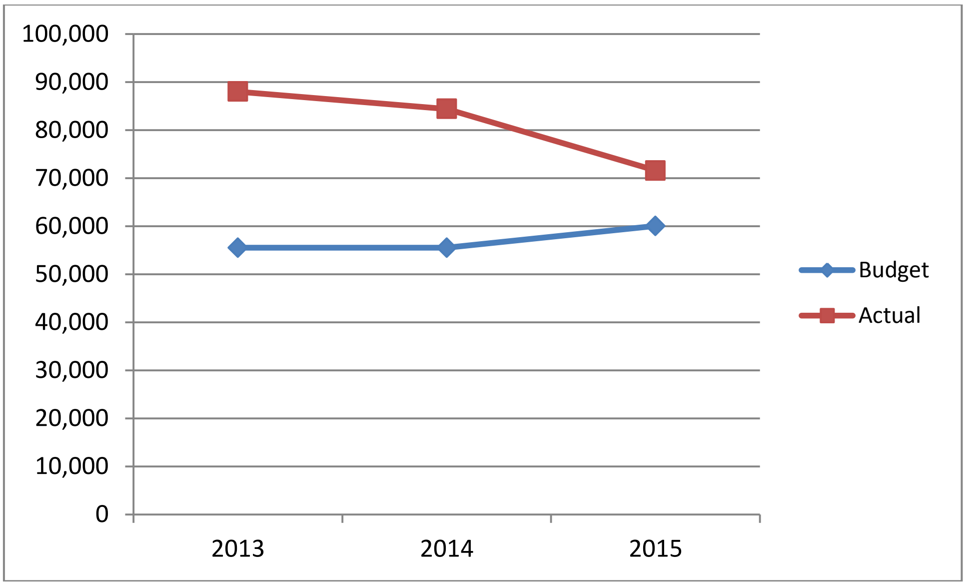
11.3.1 REVENUE (BUDGET)

Findings and analysis:

11.3.1.1 MCIC Revenue summary collection (2013-2015)

Year	Budget	Actual	Under/(Over)
2013	55,516	88,041	**-32,525**
2014	55,520	84,420	**-28,900**
2015	60,060	71,596	**-11,536**

11.3.1.2 Comparative graph of Budget Revenue against actual

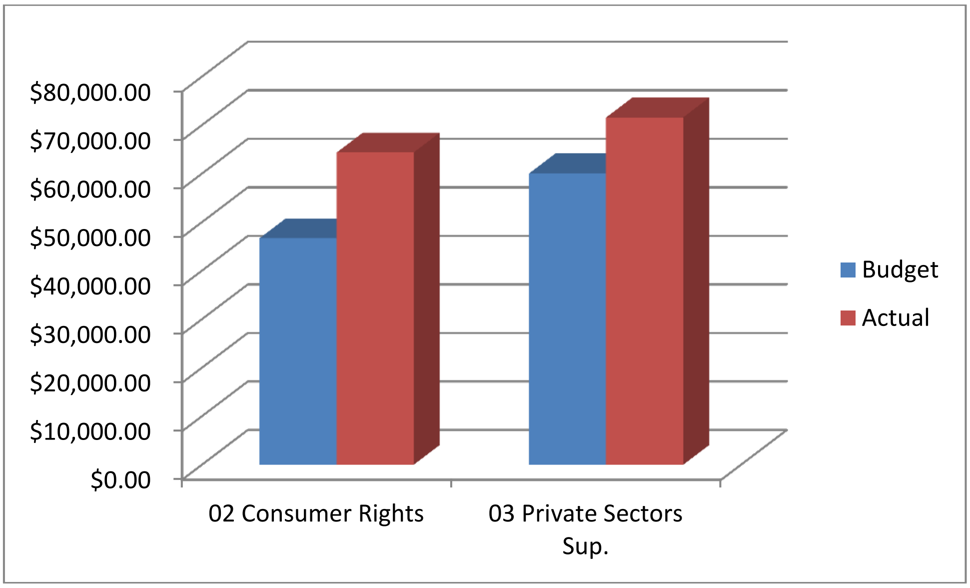


The data above disclosed MCIC, though with a downward collection trend and a slight upward budget level, had still, for the third time, managed to exceed its budget level this year, 2015 by over $11k . Therefore management should be commended for such ability to collect more than its revenue target.

11.3.1.3 MCIC Revenues against Budget by divisions – 2015

Description	02 Consumer Rights	03 Private Sectors Sup.
Budget	$46,700.00	$60,060.00
Actual	$64,359.39	$71,595.54
Over/Under	($17,659.39)	($11,535.54)

11.3.1.4 Comparative graph of Bugdet revenue against actual by division



The above statistics clearly portrayed that the two(2) revenue generating divisions of MCIC had both managed to report an excess collection of over $17k for 02 Consumer rights & protection and Private Sector Development of $11k.

Recommendation

- ✓ Management must be applauded for maintaining such achievement over the past three years and to be encouraged to ensure its divisions exert same effort in collecting their revenue targets in future years.

Management response:

Management response was received

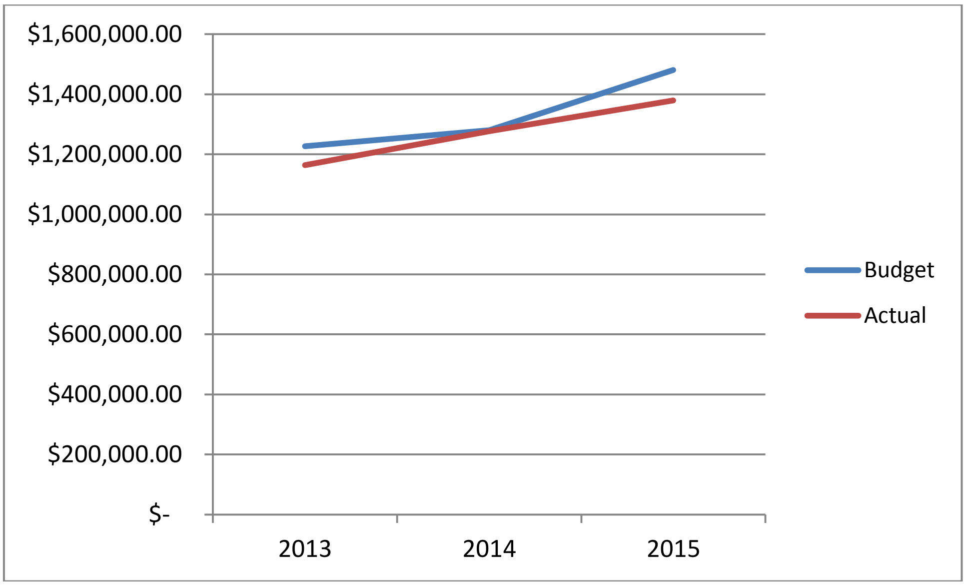
11.3.2 EXPENDITURE (BUDGET)

Findings and analysis

11.3.2.1 MCIC Expenditure summary

Year	2013	2014	2015
Budget	$ 1,227,210.00	$ 1,279,920.00	$ 1,480,721.00
Actual	$ 1,163,803.00	$ 1,276,641.00	$ 1,379,472.89
(Over)/ Under	**$ 63,407.00**	**$ 3,279.00**	**$ 101,248.11**

11.3.2.2 Comparative graph of Expenditure budget against actual

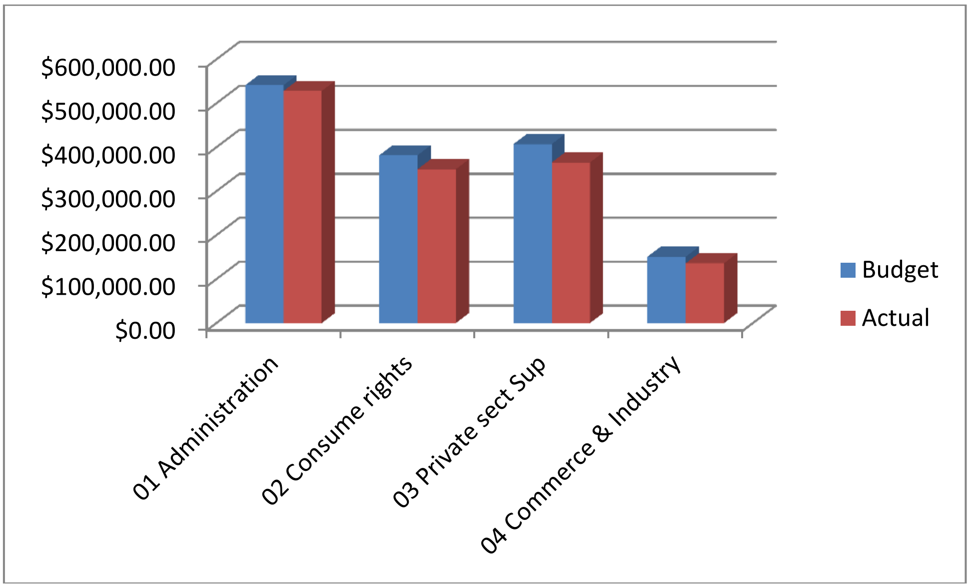


The above table and graph observed a dramatic increase in the budget level by $201k over that of 2014 ($1,279m - $1,480m for 2015) which fully supported the increase in actual spending by $103k in 2015 when compared to that incurred in 2014. Management should therefore be commended for such prominent performance.

11.3.2.3 MCIC Expenditure against budget by division

Divisions	01 Administration	02 Consume rights	03 Private sect Sup	04 Commerce & Industry
Budget	$ 541,009.00	$381,688.00	$407,010.00	$151,014.00
Actual	$ 528,049.10	$350,001.98	$365,348.04	$136,073.77
(Over)/Under	$ 12,959.90	$31,686.02	$41,661.96	$14,940.23

11.3.2.4 Comparative graph of Budget Expenditure against Actual by division.



The above graph portrays the level of spending of each division within the Ministry against their estimated budget for the year 2015. It is pleasing to note the overall remarkable performance of each division as not one spent more than its allocated budget. Therefore all divisional supervisors should be commended for such notable achievement.

Recommendation:

- ✓ Management must ensure to continuously retain its level of spending within the approved budget in future years.

Management response:

Management response was received

11.3.2.5 KPF contribution

Findings and Analysis:

One of the repetitive issues noted throughout the audit is the lack of reconciliation that resulted in the variances between the MFED records and the Ministry's. This was confirmed by the discrepancies noted on the KPF calculations on the Salaries and Temporary as noted in the table below:

Allocation	Revised Budget 1	Actual MR 2	Pay Costing 3	Variance 1 & 2	Variance btwn 1 & 3	Variance btwn 2 & 3
E18010000201A	12,377.00	12,163.53	$13,824.74	213.47	-1447.74	-1661.21
E18020000201A	13,616.00	11,933.14	$10,382.06	1,682.86	3233.94	1551.08
E18030000201A	15,838.00	11,375.76	$11,631.00	4,462.24	4207.00	-255.24
E18040000201A	5,544.00	3,709.62	$3709.62	1,834.38	1834.38	nil
Total	47,375.00	39,182.05	39,547.64	$8,192.95	7,827.36	-365.16

Implications:

- KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.

Recommendation:

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

Management response:

Management response was received

11.3.2.6 Overtime

Findings and Analysis

During the audit the following issues were discovered as indicated below:

- The variance of $5,383.68 was noted after calculating the total annual overtime per annum and the balance in the management report reflected the lack of regular and proper reconciliation.

Month	Pay period	Details	Amount
January	9/1/2015	No Overtime include this pay day	
January	23/1/2015	Overtime payable	1,000.55
February	6/2/2015	Overtime payable	352.32
February	20/2/2015	Overtime payable	665.25
March	6/3/2015	Overtime payable	587.03
March	20/3/2015	Overtime payable	885.68
April	4/4/2015	Overtime payable	329.77
April	17/4/2015	Overtime payable	367.32
May	1/5/2015	Overtime payable	486.00
May	15/5/2015	Overtime payable	942.42
May	29/5/2015	Overtime payable	900.67
June	12/6/2015	Overtime payable	326.21
June	26/6/2015	Overtime payable	483.62
July	10/7/2015	O/time payable	2,046.88
July	24/7/2015	No Overtime include this pay day	
August	7/8/2015	Overtime payable	599.13
August	21/8/2015	Overtime payable	606.61
September	4/9/2015	Overtime payable	422.76
September	18/9/2015	Overtime payable	379.31
October	2/10/2015	Overtime payable	321.00
October	16/10/2015	Overtime payable	1,824.66
October	30/10/2015	Overtime payable	235.44
November	13/11/2015	Overtime payable	835.38
November	27/11/2015	No Overtime include this pay day	
December	11/12/2015	Overtime payable	1,050.21
December	25/12/2015	Overtime payable	290.81
		Annual Overtime Payment	**15,939.03**
		Actual Budget for 2015 - Management Reports	**21,322.71**
		Variance	**5,383.68**

Implications:

- Failure to perform reconciliation on a regular basis could result in variances between MFED figures and that of the Ministry's thus would produce unrealistic/incorrect figures disclosed in the management report.
- Reconciled figures would greatly assist management when determining its budget level for future years.

Recommendations:

- ✓ Management must always perform regular reconciliation to avoid discrepancies between MFED records and MCIC's.

Management response:

Management response was received

11.3.2.7 Log Book

Findings and Analysis:
It was witnessed during the audit that the log books for the following were noted not available during the audit and neither was updated by the driver responsible for each vehicle as noted in the table below:

Vehicle Type	Vehicle Number	Description	Log Book available	Maintained & Updated?	Reviewed?
Mini bus	BG 470	Transport	No	No	No
Double cab	BG 241	Minister	No	No	No
Saloon Car	BG 001	Secretary	No	No	No

Implication:

- ➢ Failure in maintaining a gov't vehicle log book would increase the risk of misuse of public vehicles and would undermine the genuineness of claims for fuel, driver's overtime, etc by drivers.
- ➢ The absence of a control mechanism for refuelling vehicles could increase the risk of loss of public funds.

Recommendation:

- ✓ It is therefore strongly recommended that a log book is provided for each vehicle and updated by the driver of the vehicle when in use.
- ✓ Management should regularly check and review the drivers' log books and also to ensure that future claims for overtime by drivers, in particular, must be well supported with log book detailing each official trip.
- ✓ Management should have a control mechanism in place for refuelling of vehicles.

Management response:

Management response was received

11.3.2.8 Refuelling of private vehicles

Findings and analysis:
The audit noted with concern the practice applied by staff by refuelling private vehicles without the consent and authority of the most senior responsible officer. Management must provide explanation and further clarification regarding this issue. Details of vehicles and names can be sighted upon request.

Implication:

- ➢ There is a great risk that staff will use government public funds for refuelling their private vehicles.

Recommendation:

- ✓ Management must ensure that only government vehicles are permitted for refuelling for the intended purposes.
- ✓ Management must provide permit pass to the driver giving the authority for refuelling government transport only.

Management response:

Management response was received

12. KIRIBATI NATIONAL AUDIT OFFICE AND ACKNOWLEDGEMENT

12.1 KIRIBATI NATIONAL AUDIT OFFICE

The report that was last lodged for the Kiribati National Audit Office was in 2007. This report will pave the way to producing a more comprehensive report in future years once the Audit Bill, which is being drafted by the Office of the Attorney General, is enacted in 2017.

The following sections relate to the issues and events relevant to my office during the fiscal year 2015.

12.2 AUDIT RESULT

2015 was the first year the KNAO managed to complete its audit on twelve (12) of the sixteen (16) financial statements received from SOEs and were on hand as of 2015. The remaining 4 were not audited and this was largely due to delays caused by the concerned management and/or unavailability of staff to assist the audit team.

The audit on the Government annual accounts 2015 for the first time was completed well in advance before the end of the year and the report would have been lodged in same year had there been a Parliament sitting in December.

With regards to the audit of major projects in particular those funded by the World Bank the reports, as was in past years, were all completed well in time before the set deadline of June 30, 2015. This continued achievement would obviously increase the confidence of the World Bank in the integrity of the Government in managing donors' taxpayers' funds as appropriated by their respective Parliaments.

12.3 BUDGET MANAGEMENT

12.3.1 REVENUE

The revenue target for 2015 of $60,000 was not met, a shortfall of $26k was realized, and this was due to the inclusion of audit fees on Island Councils and Ministries which apparently are not subject to such levy.

KNAO is giving this serious consideration and to ensure its future budget is aligned with the audit plan that will depict the actual number of audited entities that are subject to audit fee.

12.3.2 EXPENDITURE

KNAO managed to keep its spending level within its budget limit and thus resulted in savings in the vicinity $33k.

12.4 ACKNOWLEDGEMENT

I must recognize and greatly appreciate the tireless efforts exerted by my entire staff without whose efforts, contributions, and dedications in one way or another we, as a team, would not have been able to accomplish our constitutional role in completing the audits in the year the financial statements were received.

…………………………

Matereta Raiman
Auditor General

13. OFFICE OF ATTORNEY GENERAL

13.1 AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Office of Attorney General for the year ended 31st December 2015 with **"Emphasis of matter"** 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 the Office of the Attorney General performance in the fiscal year 2014.

- Un- posting of PV 21/14
- Lack of performing reconciliation which resulted in the variances for the Housing assistance.
- Insufficient control on the bus tickets.
- Not updating vote ledger.

13.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

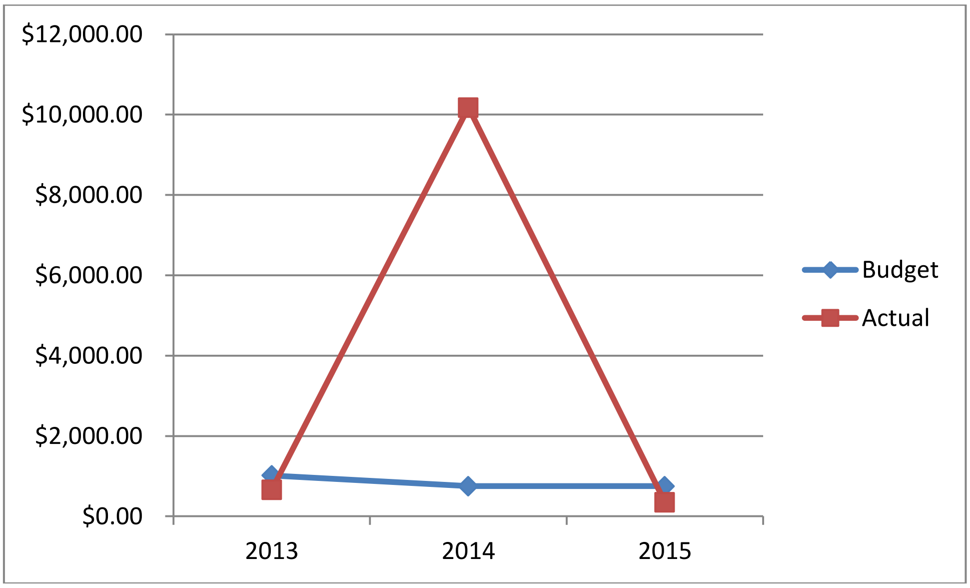
13.3.1 CONTROL OVER REVENUE - BUDGET

Findings and analysis:

13.3.1.1 Revenue summary collection – OAG 2013-2015

Year	2013	2014	2015
Budget	$1,020.00	$750.00	$750.00
Actual	$658.98	$10,177.50	$354.60
Variance	**$361.02**	**($9,427.50)**	**$395.40**

13.3.1.2 Comparative graph of revenue budget against actual



The above analysis exemplified the level of budget for the past three years (2013-2015) which showed the OAG had failed to collect its forecasted revenue of $750 when compared to the previous years (2014) where the

Ministry collected far more than the budget by over $9k. It is of paramount importance for the Ministry (Management) to provide a more realistic budget figure that is aligned with the income it expected to collect.

13.3.1.3 Revenue budget against actual – OAG 2015

Division	Budget	Actual	(Over)/Under
Administration & Policy Development	$750.00	$354.60	$395.40

It is evidenced from the table above only one of the three divisions of OAG that generates revenue and therefore this division should ensure its future budget allocation is reflective of the level of revenue it expects to collect.

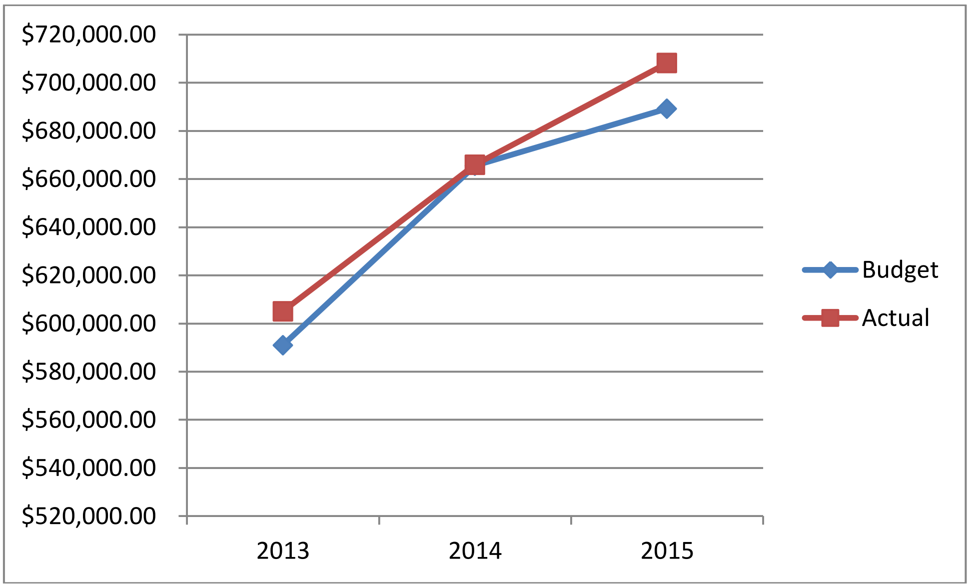
13.3.2 CONTROL OVER EXPENDITURE - BUDGET

FINDINGS AND ANALYSIS:

13.3.2.1 Expenditure budget summary- OAG

Year	2013	2014	2015
Budget	$ 590,967.00	$ 665,556.00	$ 689,188.00
Actual	$ 605,111.00	$ 665,934.42	$ 708,141.50
Variance Under/(Over)	$ (14,144.00)	$ (378.42)	$ (18,953.50)

13.3.2.2 Comparative graph of budget expenditure against actual



The graph above depicts a comparative level of expenditure which constantly escalates while the Budget level was not increased to keep with the level of spending thus resulting in an excess spending of over $18k which is far more than that incurred in 2014 of $378.

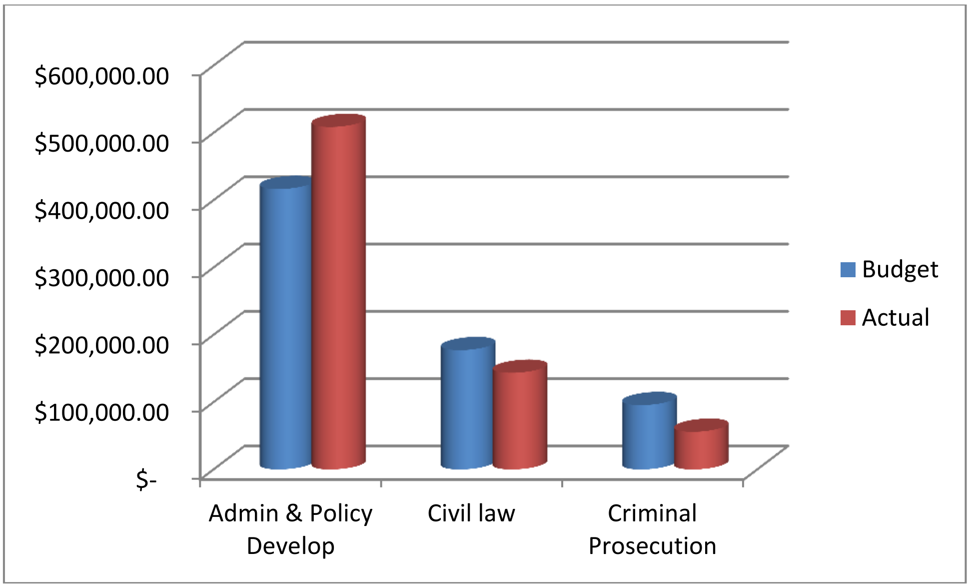
Recommendation

- ✓ Management should ensure to align its future budget level with the activities its divisions will undertake.

13.3.2.3 Expenditure Budget against Actual By Divisions – 2015

Division	Budget	Actual	Variance
Admin & Policy Develop	$ 416,524.00	$ 508,760.78	$ (92,236.78)
Civil law	$ 177,205.00	$ 143,498.38	$ 33,706.62
Criminal Prosecution	$ 95,459.00	$ 55,882.34	$ 39,576.66
Total	$689,188.00	$ 708,141.50	$(18,953.50)

13.3.2.4 OAG Expenditure against budget by divisions



As revealed above, of the three divisions' Civil law and Criminal prosecution saved their outputs by $33k and $39k respectively while Administration & Policy development far exceeded its budget level by over $92k thus absorbing all net savings of the two divisions and incurring a net aggregate overspent of $18k.

Management response:

Management response not received

13.3.2.5 KPF contribution

Findings and Analysis:
In conducting the audit testing it was revealed that there was no proper reconciliation conducted between the MFEP and OAG when the audit observed the variances exist in the amount of $2870(management report) as noted below:

E2001 Admin	**Amount**
KPF Contribution per M/R	$9,304.53
Audit figure	$12,174.62
Variance	**$(2,870.09)**

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

Recommendation:
To avoid discrepancies in the future the audit strongly recommends that management should perform a monthly reconciliation with MFED records.

Management response:

Management response not received

13.3.2.6 Log book

Findings and Analysis:
The log-book was not provided during the audit. Therefore, it is difficult from the audit to check the accuracy of the fuel cost for each vehicle, mileage taken per trip and overtime claimed by the driver.

Implications:

- Failure to provide logbook would the trigger the possibility 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 claims.
- Overtimes claimed without certified log book details would deem the payment, if processed, invalid.

Recommendation:
- ✓ Therefore the audit recommends that each vehicle used by OAG has a log book and ensure to have it available whenever the audits carry out.
- ✓ Audit recommends that the driver will always make use of the log book by updating details of the vehicle's movement.

Management response:

Management response not received

13.3.2.7 Vote ledger

Findings and analysis:

It was found during the audit that the proper Vote Ledger to be used to record all transactions elicited from time to time was not updated and well maintained by concerned officer. This was evidenced from the database shown on the last posting was from 15 October 2015 meaning that the remaining months from November to December has not been taken into account.

Due to un-maintaining and non-updating of vote ledger OAG would face difficulties in performing its proper reconciliation against records held by Finance and therefore would not be able to easily detect any variances/errors for making adjustments where necessary and thus could cause wrong overspending figures at year end.

Implication:

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

Recommendation:

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

Management response:

Management response not received

14. MINISTRY OF FISHERIES AND MARINE RESOURCES DEVELOPMENT (MFMRD)

14.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Fisheries and Marine Resources Development for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 14.3 below.

14.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The Ministry was again one of the Government Ministries being issued an Unqualified opinion for FY 2014.

14.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

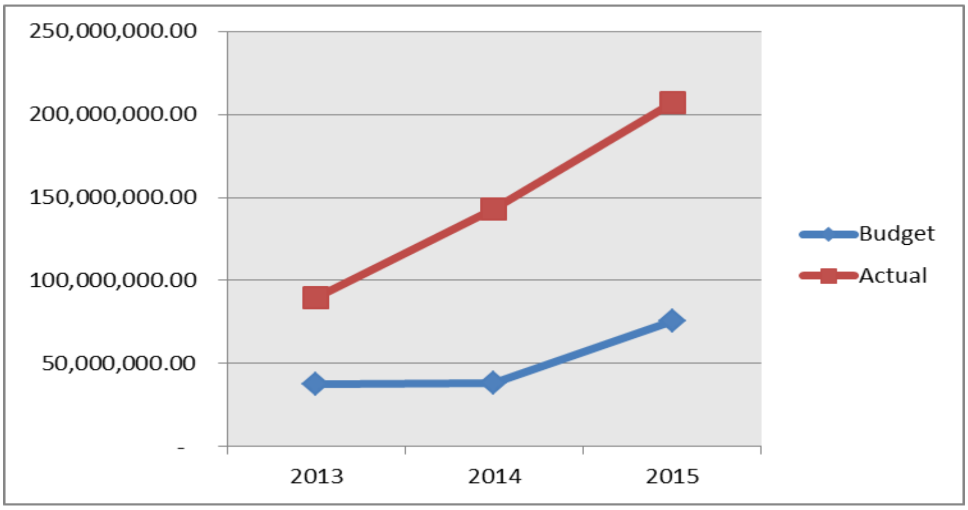
14.3.1 REVENUE (BUDGET)

Findings and analysis:

14.3.1.1 MFMRD Revenue summary collection:

Year	Budget	Actual	(Over)/Under
2013	37,352,000.00	89,777,086.68	**- 52,425,086.68**
2014	38,413,500.00	142,682,264.97	**- 104,268,764.97**
2015	75,633,500.00	207,103,634.94	**- 131,470,134.94**

14.3.1.2 Comparative graph of budget revenue against actual

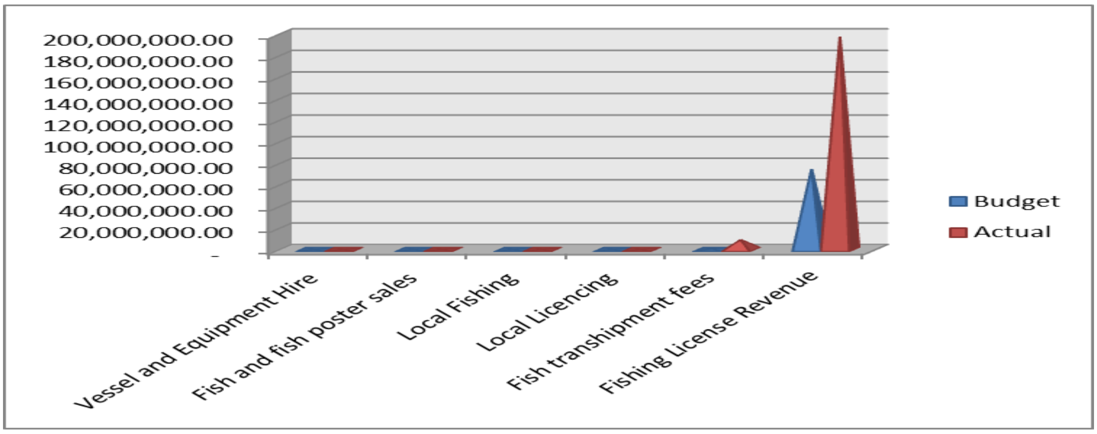


As witnessed from the above graph, the Ministry has continuously collected more than its revenue budget and this year it has far exceeded the budget by over $131m, an increase of $27m over the surplus in 2014. Thus, the Ministry, being one of the major revenue collectors for Government, should be commended for the unrelenting tireless efforts that had contributed and increased the government revenue surpluses.

14.3.1.3 MFMRD Revenue against budget by division

Descriptions	Budget	Actual	(Over)/Under
Vessel and Equipment Hire	1,500.00	6,802.70	- 5,302.70
Fish and fish poster sales	30,000.00	27,788.75	2,211.25
Local Fishing	57,000.00	54,912.84	2,087.16
Local Licencing	45,000.00	34,799.85	10,200.15
Fish transhipment fees	500,000.00	9,225,168.24	- 8,725,168.24
Fishing License Revenue	75,000,000.00	197,754,162.56	- 122,754,162.56
Total	$ 75,633,500.00	$ 207,103,634.94	-$ 131,470,134.94

14.3.1.4 Comparative graph of budget revenue against actual per division



As depicted above, the bulk of the revenue collection derived from 3 outputs; fishing license revenue with an excess of $122m, fish transshipment fees $8m and vessel and equipment hire of $5k respectively. The remaining output allocations fall short of the revenue budget.

Recommendation:
The Ministry should maintain such remarkable performance and to encourage other fund managers that failed to meet their targets this year to exert efforts in future years so to be able to meet their divisional revenue targets as well.

Management response:

Management response was received:

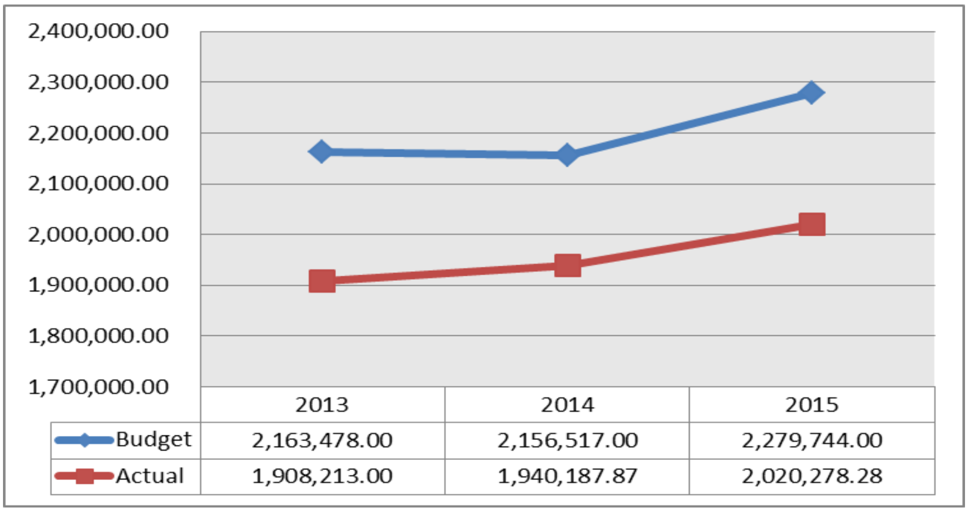
14.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

14.3.2.1 MFMRD Expenditure summary

Year	2013	2014	2015
Budget	2,163,478.00	2,156,517.00	2,279,744.00
Actual	1,908,213.00	1,940,187.87	2,020,278.28
(Over)/Under	**255,265.00**	**216,329.13**	**259,465.72**

14.3.2.2 Comparative graph of budget expenditure against actual

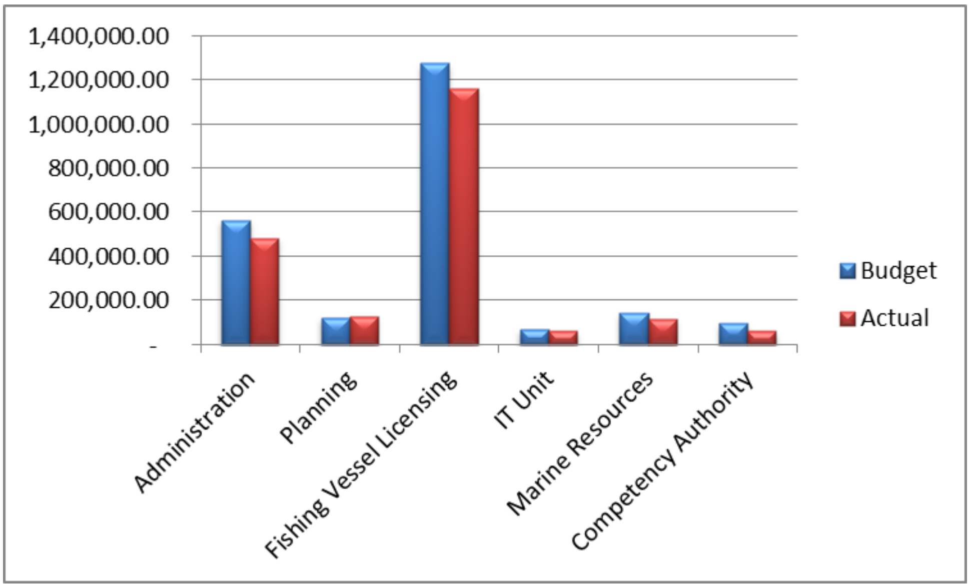


The above graph portrays the pattern of the acutal spending against the approved budgets for the last three consecutive years 2013 to 2015. In 2015 the Ministry had still managed to operate its activities within the budget limit incurring a net saving of over $259k. In comparison with its previous years spending of 16% (2014) and 2% (2013) increases the Ministry was still able to keep its spending within its budget level and therefore management should be applauded for such remarkable achievement.

14.3.2.3 MFMRD Expenditure budget against actual by divisions

Division	Administration	Planning	Fishing Vessel Licensing	IT Unit	Marine Resources	Competency Authority
Budget	564,933.00	123,157.00	1,276,762.00	72,408.00	143,650.00	98,834.00
Actual	484,497.77	130,760.67	1,161,562.50	62,010.64	119,349.81	62,096.89
(Over)/Under	**80,435.23**	**- 7,603.67**	**115,199.50**	**10,397.36**	**24,300.19**	**36,737.11**

14.3.2.4 Comparative graph of budget expenditure against actual per division



As reflected in the above graph/table, all different divisions under MFMRD have managed to carry out their respective activities within the approved budget from Parliament, except division 02, Planning which exceeded its budget allocation by over $7k.

Recommendation:
Management to encourage all its divisions to continuously maintain their spending levels within their approved budgets.

Management response:

Management response was received

15. MINISTRY OF HEALTH AND MEDICAL SERVICES (MHMS)

15.1. AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Ministry of Health and Medical Services for the year ended 31 December 2015 **"Except for"** the effects of the maters 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 Health and Medical Services performance in the fiscal year 2014.

- Revenue deposits were not performed on a daily basis.
- Lack of reconciliation resulted in the variances concerning the Payroll.
- Unsigned salaries.
- Unavailability of documents.
- Log-book not available upon audit request.
- Poor control over ration.
- Non-compliance with the two years Leave entitlement policy.
- Vote ledger not available during the audit.

15.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

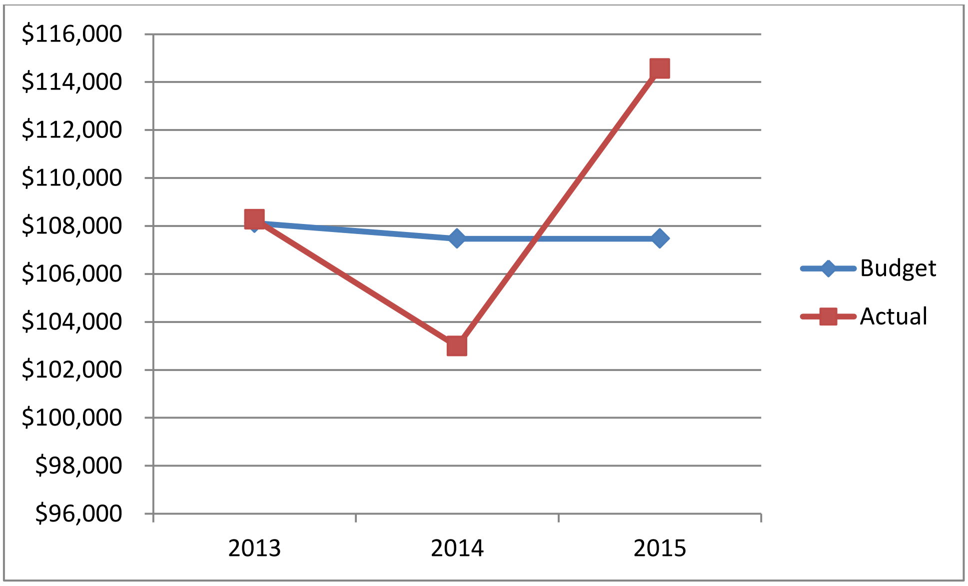
15.3.1 REVENUE (Budget)

Finding and Analysis:

15.3.1.1 MHMS Revenue summary collection:

Year	Budget	Actual	(Over)/Under
2013	$108,126	$108,271	($145)
2014	$107,470	$102,986	$4,484
2015	$107,470	$114,563.40	($7,093)

15.3.1.2 Comparative graph of budget revenue against actual



The analysis for the above revenue projection revealed that the Ministry of Health & Medical Services had shown a dramatic achievement in its revenue collection for 2015. As reported, such collection exceeded the estimate budget by $7k, a remarkable achievement compared to its performance in 2014 with a shortfall of $4k.

Recommendation:
Management must be commended for such achievement in the revenue collection and should maintain such determination in future years.

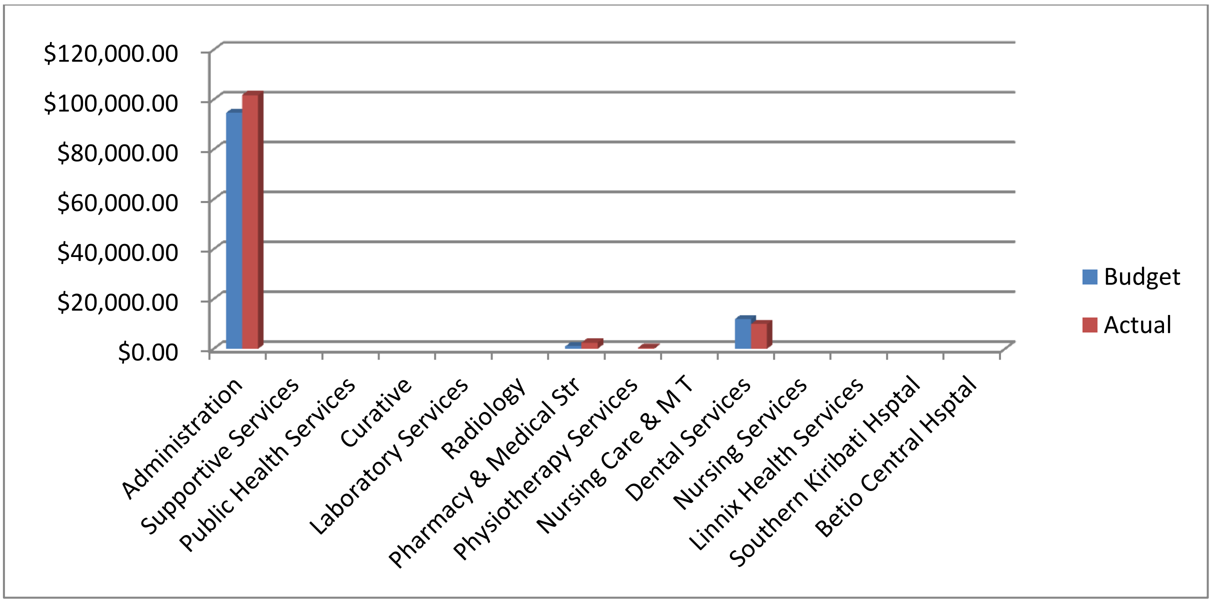
Management response:

Management response not received

15.3.1.3 MHMS Revenue against budget by division

Divisions	Budget	Actual	(Over)/Under
Administration	$94,600.00	$101,800.00	($7,200.00)
Supportive Services			
Public Health Services			
Curative			
Laboratory Services			
Radiology			
Pharmacy & Medical Store	$1,000.00	$2,453.65	($1,453.65)
Physiotherapy Services		$435.00	($435.00)
Nursing Care & M T			
Dental Services	$11,870.00	$9,874.75	$1,995.25
Nursing Services			
Linnix Health Services			
Southern Kiribati Hospital			
Betio Central Hospital			

15.3.1.4 Comparative graph of budget revenue against actual per division



The graph and table above depicted that, of 14 divisions of the Ministry 4 divisions collect revenue and of which 3 divisions (Administration $7k, Pharmacy & Medical store $1k, Physiotherapy services $435) operate above their estimated budget with one division (dental services) failing to collect estimate revenue by $2k. The remaining divisions have no revenue. Further details of the revenue collection by divisions against output are as follows:

Divisions	Budget	Actual	(Over)/Under
01 Administration			
Private ward fees	$45,000.00	$45,022.00	-$22.00
Sundry revenue	$3,100.00	$7,692.45	-$4,592.45
Medical check up	$46,500.00	$49,085.55	-$2,585.55
07 Pharmacy & Medical Str			
Sale of medical supplies	$1,000.00	$2,453.65	-$1,453.65
08Physiotherapy Services			
Sale of debentures		$435.00	-$435.00
22 Dental Services			
Sale of debentures	$11,870.00	$9,874.75	$1,995.25

The major contributors that led to the increase in the revenue collection were Sundry revenue $4k, Medical check-up $2k and Private ward fees $22 (01 Administration). Other contributing sectors in the revenue collection are the Sale of medical supplies of $4k (07 Pharmacy & Medical Store) and sale of debentures of $435 (08 Physiotherapy services). In contrast, one division (10 Dental Services) that composed of sale of debentures was unable to meet revenue target by $2k.

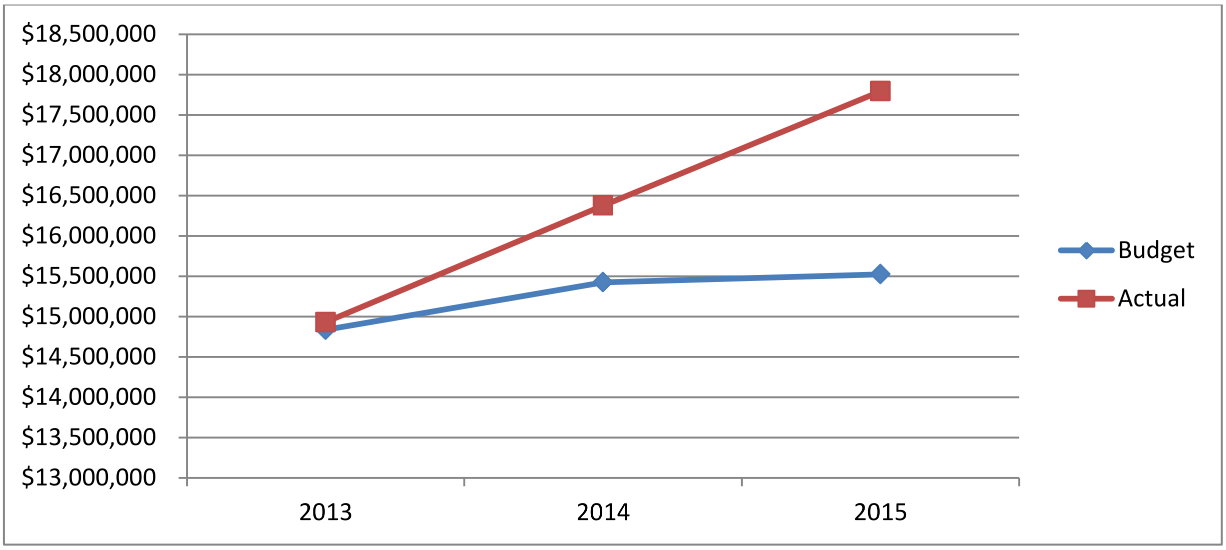
15.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

15.3.2.1 MHMS Expenditure summary

Year	Budget	Actual	(Over)/Under
2013	$14,835,774	$14,930,040	($94,266)
2014	$15,423,530	$16,376,246	($952,716)
2015	$15,522,764	$17,792,976	($2,270,212)

15.3.2.2 Comparative graph of budget against actual



The comparative graph/table above depicted a sharp increase in the expenditure level which was not supported by the slight increase in the budget level for 2015 and thus resulting in a colossal excess spending of $2.2m.

Recommendation:

- ✓ Management must ensure its budget level is aligned with its operational tasks.
- ✓ Management must ensure to operate within its appropriated budget level in future years.
- ✓ Management should prioritize activities within allocated budget to avoid future excess spending over the coming years.

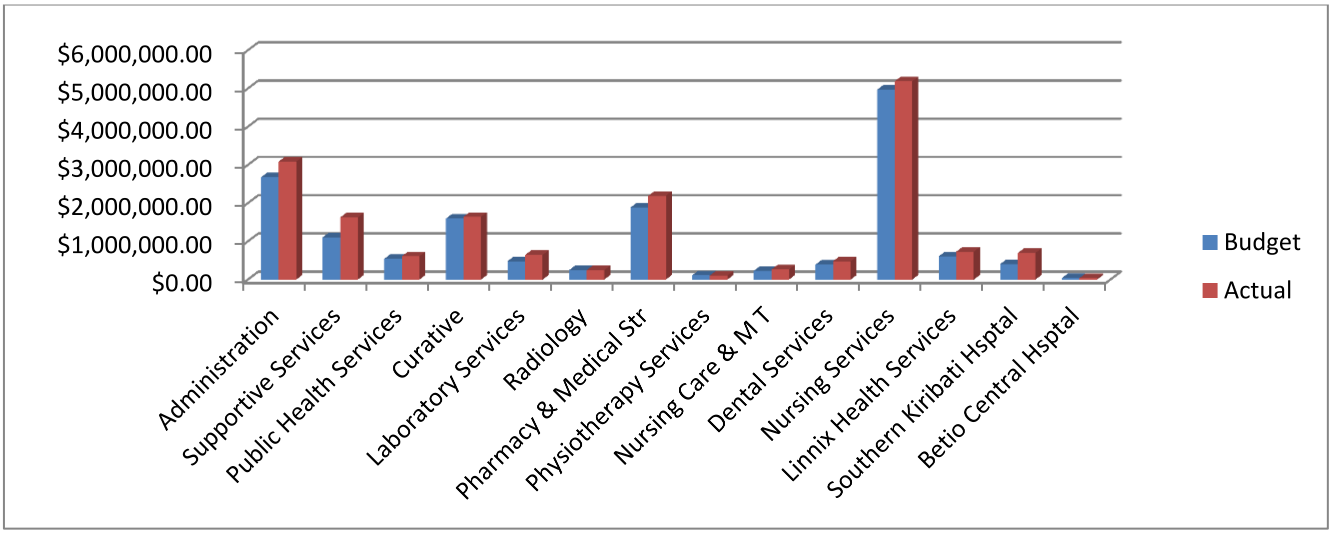
Management response:

Management response not received

15.3.2.3 MHMS Expenditure against budget by divisions

Divisions	Budget	Actual	(Over)/Under
Administration	$2,677,588.00	$3,089,900.40	($412,312.40)
Supportive Services	$1,106,710.00	$1,626,938.89	($520,228.89)
Public Health Services	$543,331.00	$611,397.42	($68,066.42)
Curative	$1,595,006.00	$1,642,419.00	($47,413.00)
Laboratory Services	$480,562.00	$644,598.24	($164,036.24)
Radiology	$247,135.00	$246,806.36	$328.64
Pharmacy & Medical Str	$1,888,771.00	$2,191,515.64	($302,744.64)
Physiotherapy Services	$112,053.00	$105,740.46	$6,312.54
Nursing Care & M T	$231,322.00	$265,726.69	($34,404.69)
Dental Services	$392,073.00	$480,980.16	($88,907.16)
Nursing Services	$4,966,843.00	$5,189,404.41	($222,561.41)
Linnix Health Services	$606,748.00	$730,670.26	($123,922.26)
Southern Kiribati Hsptal	$406,998.00	$698,686.82	($291,688.82)
Betio Central Hsptal	$39,670.00	$38,069.18	$1,600.82

15.3.2.4 Comparative graph of budget expenditure against actual by division



As referred above, three of the MHMS departments successfully operate within the allocated budget. These divisions were: Radiology with a saving of $328, Physiotherapy services $6k and Betio Hospital $1k and therefore should be commended for such achievement. The remaining eleven divisions exceeded their budget by substantial amounts.

Implications

The excess spending is unauthorized spending.

Recommendation:

- ✓ Management should regularly reconcile its records with MFED and apply for Supplementary where overspending were predicted beforehand.
- ✓ Management should ensure its accounts staff do regular forecasts on costs of upcoming activities including commitments so to avoid incurring exponential over spending at the year end.

Management response:

Management response not received

15.3.2.5 Cuban doctors rental payments incorrectly paid under the housing assistance (recurrent budget)

Findings & Analysis:
After verifying the selected PVs, the audit noted that the payments were paid under the Recurrent budget E22010000203 (Housing assistance) when there is insufficient fund from the Taiwan Medical Fund. As conveyed from project officer, the payment was not supposed to be financed under recurrent budget. In fact, there's a specific fund allocated under the project (H2201443877246/H2204C056261) funded by Taiwan for the purpose of accommodating rental payments as per details in the table below:

Date	Details	PV#	Amount
3/12/2015	Tarati Apartment	0771/15	2,000.00
3/12/2015	Tarati Apartment	0772/15	2,000.00
3/26/2015	Tarati Apartment	0903/15	1,000.00
3/26/2015	Tarati Apartment	0903/15	1,200.00
4/20/2015	Tarati Apartment	1128/15	2,400.00
4/20/2015	Tarati Apartment	1128/15	260.00
5/6/2015	Tarati Apartment	1310a/15	2,000.00
5/6/2015	Tarati Apartment	1311a/15	2,400.00
5/6/2015	Tarati Apartment	1312/15	1,200.00
5/6/2015	Tarati Apartment	1301/15	1,000.00
5/20/2015	Tarati Apartment	1435/15	1,200.00
6/3/2015	Tarati Apartment	1573/15	2,400.00
6/3/2015	Tarati Apartment	1572/15	1,200.00

Implication:
Settlement of project claims from the Recurrent Budget contravenes the FR 11 and where funds relating to such payments were later received, these could not be credited against the expenditure vote thus would result in excess spending under the related code in the budget.

Recommendation:
Management must ensure that project payments are only paid when project funds are available.
Management should make arrangements with donors for their prompt action in replenishing their pool of funds to support their grants to Government. Thus would save the Ministry from drawing funds out from its recurrent budget.

Management response:

Management response not received

15.3.2.6 Purchase specialist register

Finding and Analysis:
The audit discovered that the MHMS had maintained a register which is known as M-supply for recording all incoming and movement of medications. After checking the records, the audit noted that register was not updated as the record was last updated from August to October. The month of Jan-July and November to December were missing. This precluded the audit from verifying medical supplies records such as the accuracy of the cost/quantity of items ordered, name of suppliers, issuance date etc.

Implication:
An incomplete record or register would increase the risk of misallocation of drugs thus could result in unnecessary increase in the budget cost and could inflate the budget for future years.

Recommendation:
Management should regularly update their records as a means of ensuring items purchased are safely kept and properly accounted for and for monitoring all items that were purchased during the fiscal year.

Management response:

Management response not received

15.3.2.7 Outstanding imprest

Finding and Analysis:
The audit could not extend further testing on the outstanding imprest since the record was not updated. Thus, therefore made it difficult to audit the validity and accuracy of the imprest been issued out and also to verify the outstanding imprest not recovered by any officer once returned from overseas official trip.

Implication:

- Failure to maintain and update records could cause hardship on determining the outstanding imprest.
- Untimely retirement of Imprests is in contravention with FR 11 requirement and would weaken 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 cause hardship on the holder if recoveries were hastened at a later stage.
- Imprest not retired within the fiscal year is a deviation from the policy for retirement of imprest within 10 days once return from a trip and would affect the balance of the following year's recurrent budget where refunds are payable.

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:

Management response not received

15.3.2.8 Control over vote ledger

Findings & Analysis:

After going through the Vote Ledger system provided by the ministry (HQ) the audit found out that a number of output allocations did not agree to the Management report. This is an indication of poor control and absence of regular reconciliation over the management of vote ledger where it should always be agreed or reconciled against MFED record. This is one of the issues raised in the 2014 audit report but MHMS had again failed to comply with that recommendation. Details of output are provided in the table below:

Outputs	Select one Code Details	Details	Posting Updated?	Reconciled? Vote book/Mgment Report
1	E22010000285A	Hire of plant equipment	yes	no
2	E22020000227A	External travel	yes	no
3	E22010000205A	Overtime	yes	no

Implication:
Failure to reconcile record with MFED would either overstate or understate the account balance and in turn distort the actual position of the account.

Recommendation:
- ✓ Vote Ledger should be well maintained and always be reconciled against the Finance records.
- ✓ Management should take appropriate action on staff that had not adhered to implement recommendations already raised last audit.

Management response:

Management response not received

15.3.2.9 Ration

Finding and Analysis:
The control over ration at the Hospital Kitchen remained an outstanding issue from the previous audit (2014) and not been addressed as stated below:

- There was no proper stocktaking done on a regular basis. As a result it was difficult to determine the actual balance of stock or food item on hand, those consumed and the level of re-order point**.** This is another direct deviation from the Stores Regulation.
- No individual stock card prepared by the kitchen to determine the actual balance for each stock on hand before proceeding with the next order.
- As conveyed from the Nutritionist officer, there is a concern regarding the number of referral cases from Outer Islands (patients) admitted at the Nawerewere ward but relocated at the Maneaba ward. Those patients could stay for at least six month after treatment without the consent of the MHMS (Administration office) providing that those patients are expected to return to Home Island. In fact, their meals were still provided and included in the menu.

Implication:

- ➢ If management failed to conduct proper stock take on regular basis then management will not be able to determine the remaining stock before proceeding with placing the next order and also it could lead to temptation for the misappropriation of a ration by staffs.
- ➢ The absence of the stock card could cause hardship to determine the individual balance for each stock on hand.
- ➢ It could affect the government current year's budget.

Recommendation:

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

- ✓ Management is strongly recommended to check referral cases and ensure that the cured patients must return to Home Island with immediate effect to save public fund leakage.
- ✓ Management should have a register showing the number of referral cases, number of patients with care takers and number been treated and left the hospital.
- ✓ Management should reconcile the above record with allocation of ration.

Management response:

Management response not received

15.3.2.10 Transport to normal work

Finding and Analysis:
The audit could not confirm and verify the validity of agreement between the MHMS and transport provider (Kenn enterprises) as the contract agreement was not found in the file provided by the accounting officer.

Implication:
The absence of the agreement between the MHMS and transport provider could raise suspicion on the selection of the supplier and doubt of whether the Ministry followed the procurement selection process.

Recommendation:
- ✓ Management must always preserve copies of the agreement in a safe environment for audit purposes and future references.
- ✓ Staff concerned should be reprimanded for breach of the public trust.

Management response:

Management response not received

16. MINISTRY OF EDUCATION (MOE)

16.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Education for the year ended 31st December 2015 with **"Emphasis of matter"** 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 Education performance in the fiscal year 2014.

- Not reporting of outstanding school fees and library fines
- Lack of control over MOE drivers log books
- Failure to provide requested accounting documents
- Failure to produce bus ticket register
- Misallocation of various outputs
- Failure to comply with policy on the two years' leaves entitlements.

16.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

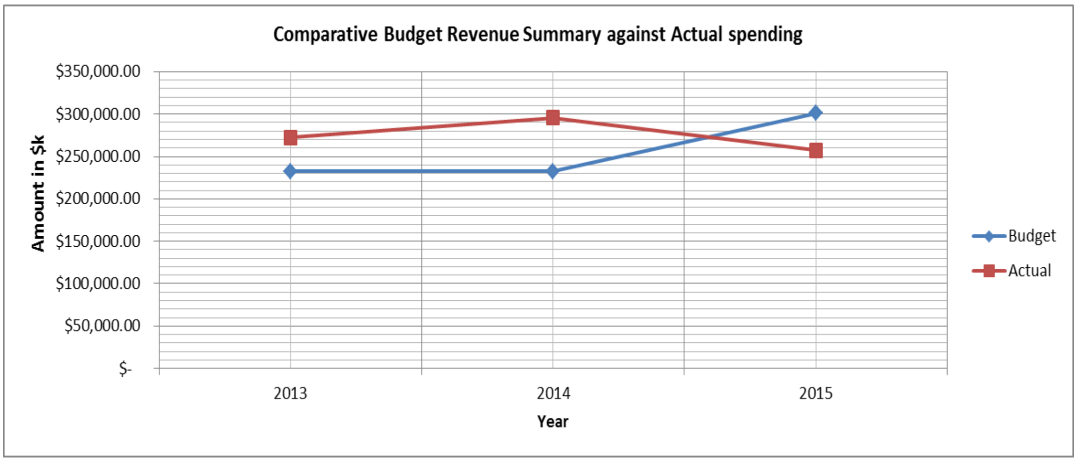
16.3.1 REVENUE (BUDGET)

Finding and Analysis:

16.3.1.1 MOE comparative Revenue summary collection (2013-15)

Comparative schedule for Budget Revenue Summary against Actual			
Year	**Budget**	**Actual**	**(over)/under**
2013	**$ 232,693.00**	**$ 272,559.00**	**(39,866.00)**
2014	**$ 232,693.00**	**$ 295,453.00**	**(62,760.00)**
2015	**$ 301,300.00**	**$ 257,570.20**	**43,729.80**

16.3.1.2 Comparative graph of Budget Revenue against Actual (2013-15)

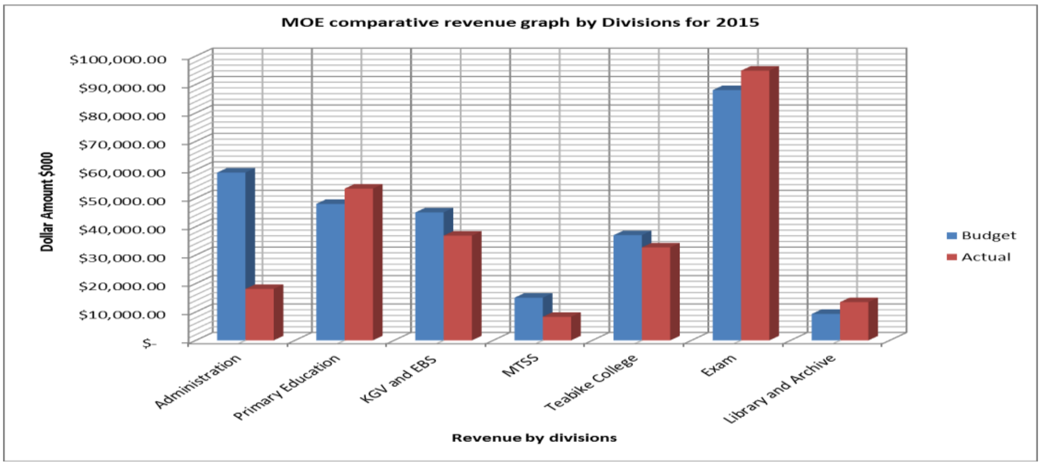


Despite a significant increase in the budget for 2015 by 22% over that of 2014 the Ministry's collection for the year fall short by 13% below that collected in 2014 thus incurring a revenue loss of $43k in 2015.

16.3.1.3 MOE Revenues against budget by divisions

Divisional Codes	Divisions (Names)	Budget	Actual	(Over)/Under
C2301	Administration	$ 59,000.00	$ 18,092.23	$ 40,907.77
C2302	Primary Education	$ 48,000.00	$ 53,351.75	-$ 5,351.75
C2304	KGV and EBS	$ 45,000.00	$ 36,833.00	$ 8,167.00
C2305	MTSS	$ 15,000.00	$ 8,290.00	$ 6,710.00
C2306	Teabike College	$ 37,000.00	$ 32,691.95	$ 4,308.05
C2308	Exam	$ 88,000.00	$ 94,851.00	-$ 6,851.00
C2310	Library and Archive	$ 9,300.00	$ 13,460.27	-$ 4,160.27
	Total	$301,300.00	$257,570.20	$ 43,729.80

16.3.1.4 Comparative graph of Bugdet revenue against actual per division



As could be seen above, of the seven divisions within MOE that collected revenue three divisions managed to exceed their revenue budgets and therefore should be commended for such achievement. The remaining four divisions failed to collect their targets thus has resulted in an aggregate loss for the Ministry by over $43k.

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:

Management response not received

16.3.1.5 MOE Outstanding school fees & library fines

Findings and Analysis:
Appended below is the status of MOE outstanding school fees including library fines noted during the audit of MOE account:

School Name	Amount as of 2015	Amount as of 2014	Remark
Rurubao School	$5,608.25	$20,322.00	$14,713.75 (dec in value)
MTSS School	$2,600.00	$600.00	$2,000.00 (inc in value)
KGV & EBS	$17,365.00	$15,675.00	$1,690.00 (same as above)
Teabike Secondary	$23,660.00	$13,210.00	$10,450.00 (same as above)
Library Fines	Unknown	$1,410.00	The library fine in 2015 was not made available due to misplace of MOE records.

It is apparent from the above table that only Rurubao School outstanding fees was decreased in 2015 whereas the remaining schools incurred further increases to their outstanding dues as per indicated above. Further, as confirmed the status of library fines were not provided by officer responsible due to misplacing of listing and other documents relevant for Library fines.

2014 Implications:

- Failure to collect above outstanding fees/fines would encourage non-payment 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.
- The absence of proper control or lack of monitoring revenue collected would undermine the credibility of the collection system adopted by MOE.

Recommendation:

- ✓ Management has to ensure that above outstanding fees/fines, as was the case of Rurubao School, must be collected to reduce the level of arrears of revenue for MOE.
- ✓ Management has to review its existing revenue collection system and consider establishing a more robust internal revenue control device with regular reminder to ensure that all outstanding fees/fines are paid promptly as anticipated accordingly.
- ✓ Management explanation also required regarding the issue on library fines as indicated above.

Management response:

Management response not received

16.3.1.6 Form A no. 23/15 $683.90 – Receipts not attached

Findings and Analysis:
When the audit conducted its walkthrough testing on the 2015 Form As of MOE the following matters had been highlighted as indicated below:

- Form A No. 23/15 amounted to $683.90 had been wrongly posted to GL as Form A No. 22/15 with same amount. (refer to C2301-15 2015 GL report)
- Copies of Receipt # **180401-180408** for same Form A noted above were not attached as supporting documents.
- Hence, responses from Management should be provided to settle such matters accordingly.

Implications:

- ➢ By failing to produce proper accounting records, documents would open opportunities to conceal frauds and missing financial documents.
- ➢ Failure to post receipts in the Form A would increase risk of cash misappropriation.
- ➢ Posting of Form A number in error is a careless mistake which would make duplicate posting of same allocation if no proper review made from most senior officials.
- ➢ Also posting in error made by MFED officers and no regular reconciliation by the Ministry would make reconciliation at a later date even more difficult.

Recommendations:

- ✓ Management should ensure that all relevant accounting records must be monitored and stored in a safe environment and kept under the custody of senior accountant.
- ✓ Management through its Account Section shall ensure that copies of receipts written in the Form A should be attached as supporting documents.
- ✓ Proper and regular reconciliation should be performed in order to promptly detect and make corrections when wrong postings are been identified, if any.
- ✓ Responsible officers should be reprimanded for careless mistakes.

Management response:

Management response not received

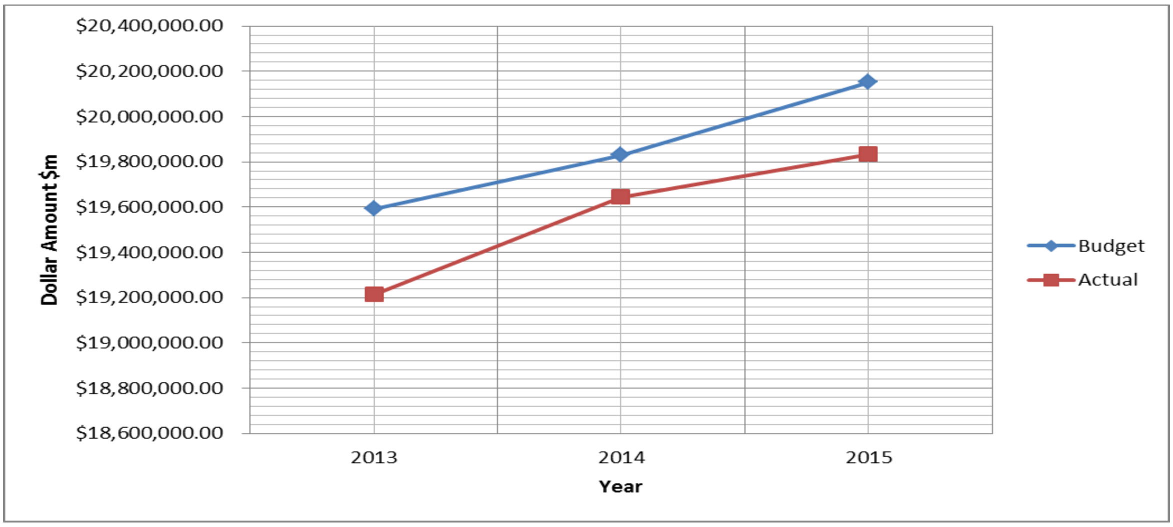
16.3.2 EXPENDITURE (BUDGET)

Findings and analysis:

16.3.2.1 MOE Expenditure summary against actual (2013-15)

Schedule for Budget summary against actual expenditure			
Description	**2013**	**2014**	**2015**
Budget	**$19,592,120.00**	**$ 19,829,311.00**	**$ 20,152,235.00**
Actual	**$19,212,646.00**	**$ 19,645,065.00**	**$ 19,834,250.71**
(Over)/Under	**$ 379,474.00**	**$ 184,246.00**	**$ 317,984.29**

16.3.2.2 Comparative graph of Budget Expenditure against Actual

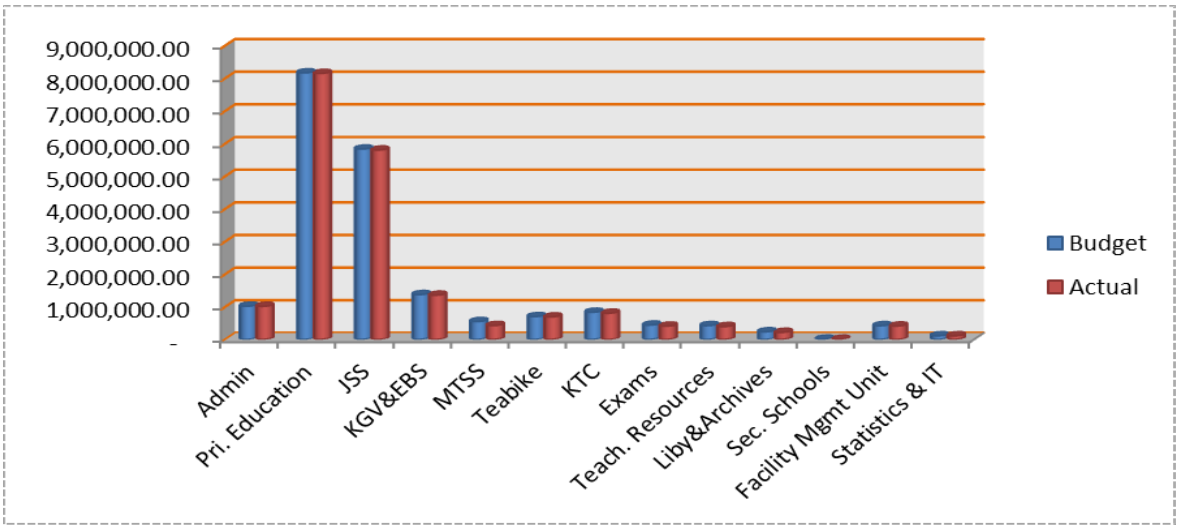


It is pleasing to note MOE has continuously operated its activities within its budget range for the past three consecutive years and therefore Management should be commended for such notable achievement.

16.3.2.3 MOE Expenditure against budget by divisions

	01	02	03	04	05	06	07	08	09	10	11	12	13
Description	Admin	Pri. Education	JSS	KGV&EBS	MTSS	Teabike	KTC	Exams	Teach. Resources	Liby&Archives	Sec. Schools	Facility Mgmt Unit	Statistics & IT
Budget	1,021,144.00	8,169,645.00	5,836,588.00	1,377,559.00	551,721.00	701,898.00	836,866.00	443,898.00	427,216.00	238,182.00	8,424.00	424,108.00	114,986.00
Actual	1,018,776.31	8,152,863.88	5,806,370.71	1,359,668.18	430,169.76	692,917.98	806,498.73	411,422.11	397,927.40	220,644.09	7,662.32	415,721.79	113,607.45
(Over)/Under	2,367.69	16,781.12	30,217.29	17,890.82	121,551.24	8,980.02	30,367.27	32,475.89	29,288.60	17,537.91	761.68	8,386.21	1,378.55

16.3.2.4 Comparative graph of budget expenditure against actual by division



Based on the above graph analysis it is apparent that in financial year 2015 all different respective divisions under MOE had managed to operate within their estimated budget limit and thus resulted in a net saving of over $317k as per indicated above. Therefore each divisional head should be commended for their remarkable achievement.

Recommendation:

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

Management response:

Management response not received

16.3.2.5 Control over Payroll

Findings and Analysis:

Rural Incentive allowance

The allowance above was only payable to teachers who work on outer islands with the amount of $20.00 every fortnightly, meaning an extra total of $520.00 would be added to their annual salary. As explained by the officer responsible (OM), no letter is required since this is part of their entitlement, hence only if this allowance was not processed to them that they should write to claim for the payment.

However, for this year one teacher was found to have been wrongly paid this kind of allowance. This officer was a former primary teacher who has just started to work as a Senior Secondary Teacher at KGV&EBS from last year till to date, but as noted, the officer was continuously receiving this incentive allowance. This is an issue which requires clarification and if agreed with the comment, then a total amount of **$520.00** has to be reimbursed by the officer concerned for being wrongly paid with such kind of allowance, re details shown below.

Wrong payments of Incentive Allowance				
Date of payment	Till to date	No of Payperiods	Incentive allowance	Expected total
9/1/2015	25/12/15	26	20.00	$520.00

Temporary Assistant

Valid explanation is required from responsible officers to clarify the cause of the differences in the amounts paid to the following temporary staffs as per Pay Costing and as per their appointment letters. These officers were found overpaid and therefore reimbursement has to be made to recover the amounts been overpaid if agreed with the comment raised. Details of which are appended below:

Pay date	Post to be filled	Duration of temp	Sal Level	Pay Costing	Per Sal scale	Different
Primary school						
1/9/2015	Nikunau Pri Teacher	31/8-31/10/15	L13/1	414.00	300.00	$ 114.00
1/9/2015	Tab/North Pri Teacher	31/8-31/10/15	L13/4	450.00	321.00	$ 129.00
1/9/2015	Arorae Pri Teacher	26/5/-26/7/15	L13/4	334.99	321.00	$ 13.99

KPF Contribution for Primary Teachers

Audit noted a variance of over $26k between the Management report figures and the total extracted KPF per Pay Costing as per indicated in the table hereunder.

2015	KPF Contri
Total salaries per management report	479,468.76
Total as per above table (extraction)	452,959.27
Different	$ (26,509.49)

Conversely, the discrepancy noted above represents the overstatement in the final figure reported in the management report as expected by the audit and therefore requires an explanation as the variance is considered material.

Implications emerged from issues above:

- Paying out of incentive allowance erroneously would increase the risk of misappropriation of public funds.
- Overpayment to temporary staffs noted above would also contribute to the increase in losses of public funds.
- Noted variances between the Management report and Pay costing would undermine the reliability and credibility of the system in place by the Ministry.
- Payroll would be costly to the Ministry if control measurement practices in the system were not sufficient in producing the actual figure of employees' salaries.

Recommendations:

- ✓ Management should ensure that different entitlements to teachers should be processed and paid appropriately in line with the terms & conditions as described in the agreement between the employer and employees. For instance; Incentive allowance should only be processed to teachers who work on Outer islands and to be ceased once a teacher transferred and work on S. Tarawa. Secondly, teachers who are employed on temporary basis will be paid according to the salary scale described in the given terms of temporary.
- ✓ An approved written formal letter should be officially processed by responsible officers, DEOs (Districts Educational Officer) for ceasing payment of Incentive allowance to those teachers who have been transferred from Outer islands and work on South Tarawa.
- ✓ Remedial recovery actions should be instigated by Accounts Staff of MOE especially on those who have been noted overpaid as per above findings.

Management responses:

Management response not received

16.3.2.6 Salaries & Overtime – Admin, JSS AND MTSS

Findings and Analysis:

Listed below are some of the issues noted while carrying out the audit on the above:

- Audit discovered that MOE staff listing for year 2015 was not made available during the audit.
- The variance noted in the table below was detected when comparing the GL report amount and the consolidated payroll for pay period 03/04/15, re details shown below.

GL Date	Details	Code/Output	Amount per GL	Amt per consolidated payroll	Variance
03.04.15	Salaries	E2303-202	$156,056.80	$155,938.57	$118.20

Hence, justification regarding the above variance is also required from responsible officers.

- As reflected in JV# 1023 (MOE 47/15) the credit allocation/output of E2304-206 amounted to $62,000 did not match with figures shown in the attachment of same output in the sum of $61,362.00, which has resulted in triggering the variance of $638.00 dollars.
- Temporary files were noted not available in respective of temporary staffs working at Junior Secondary School and that had prevented auditors from verifying the accuracy of amounts been paid.
- Further, the overtime allowance of $848.00 (DW 126/15 refers) payable to one respective person at MTSS seemed not appear and reflected under the proper charge code of E2305-250. As confirmed, the actual expenditure reflected under this output (GL report and Management report refers) was an exclusive of the above amounts.
- Also noted after performing our walkthrough test on some overtime payments we (auditors) have found that one MOE officer had claimed his/her overtime for serving customers during the lunch hours from 12:30 – 13:30 for more than three weeks (refer to overtime docket). However, no written instructions from OIC could be seen indicating that officer was allowed to serve customers during working hours, hence such overtime payment was improper and this practice should not be entertained in future.

Implications:

- Not providing Nominal list when requested would undermine the credibility and reliability of the related workplace and could result in not detecting deceitful payments.
- Failure to provide temporary appointment letter for above staff indicates that such payment made were deemed improper and would undermine the credibility of the Ministry.
- Failure to post payment according to their proper allocations would cause the understatement of the so called outputs and could lead to disclosing of unrealistic figures at year end.
- The absence of proper control over the overtime payment would result in the unnecessary drain out of public funds.

Recommendations:

- ✓ Therefore it is recommended that management should provide the requested data (staff listing & temporary files) in order to settle this matter and to be cleared from this report accordingly.
- ✓ Management should provide reasonable explanations regarding the variance noted in bullet point ii above.
- ✓ Management should ensure to perform its reconciliation regularly with Finance to avoid excessive discrepancies from un-detecting the non-posting of some payments.
- ✓ Management should ensure overtime documents are checked thoroughly for accurate hours worked, over time was authorized and certified by supervisor before payment is made.
- ✓ Management should arrange for recovery of over payment of overtime from concerned staff.

Management responses:

Management response not received

16.3.2.7 Control over school rations

Findings and Analysis:
Appended below were some of the anomalies discovered when carrying out the audit for MOE 2015 account as follows:

- The control over School rations was noted very poor. As discovered there is **No** Subsidiary Ledger Card (job 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 provide a summary report on a separate worksheet which had shown the final record of such items at year end.

- No involvements of accounting officers in monitoring and controlling over these rations. As evidenced during the audit, only FMU (Facility Management Unit) division is taking full custody over the School ration.

- Although no other related division involvement in controlling such rations, payment officer should demand valid certification from related bodies when orders been lodged for payment of next rations. As conveyed from Account Unit, since that only FMU taking full custody over these items it is our concern on the other hand mainly on the future orders of such items as sometimes we have different views on the necessitated rations. For instance, sometimes the account division is of the belief that the remaining stock was sufficient to meet the demand for other schools whereas the custodian thought it was not enough hence the order was lodged for next school rations.

- FMU division also failed to produce the updated records of rations that had been distributed already to different respective schools at outer islands for further audit authentication. As a result, the audit team was unable to confirm the actual number of stocks being sent to outer island throughout the year, 2015.

- Stated below are the variances discovered after the audit performed it stock taking of the remaining rations against that of responsible officer records.

Unit number	Item	Decription/Detail	PC/PKT in 1 carton	Quantity			Taken after Stock	Balance	Stock with Audit(PCS)	Different	Remarks
				Carton	Pieces	Total(pcs)					
	Ball pen	black	1000	15	1800	16800	1080	15720	16000	280	surplus
	Ball pen	blue	1000	8	6100	14100	580	13520	12350	-1170	short
	Ex. Book	B4	200	390	105	78105	318	77787	81515	3728	surplus
	Ex. Book	A4	120	1	31	151	20	131	361	230	surplus
	Ex.Book	Math 4C 72pgs							790	790	not accounted
	Ex.Book	A4 graph book	200	38		7600		7600	8940	1340	surplus
	Ex.Book	graph book(48pgs)	144	19		2736		2736	2622	-114	short
	Graph Book	48 pgs	144	38	126	5598		5598	2622	-2976	short
	Per. Marker	red	144	7	639	1647	108	1539	1637	98	surplus
	Per. Marker	blue	144	8	737	1889	108	1781	1826	45	surplus
	Per. Marker	green	144	2	739	1027	108	919	896	-23	short
	Per. Marker	black	144	11	310	1894	108	1786	1172	-614	short
	Plain paper	A3 paper	5	28		140	2	138	157	19	surplus
	Shovel		1		12	12	1	11	11	0	
	Crow bar				2	2		2	2	0	
	Spade		1		5	5	1	4	4	0	
	Cooking Pots	standard							23	23	not accounted
	Kerosene Stove	two burner							7	7	not accounted

- Therefore, Management response must be provided in order to resolve the detected issues noted above from bullet point (i) up to (v) accordingly.

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 inaccurateness 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 receive, 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:

Management response not received

16.3.2.8 Testing on expenditure selected allocations

Findings and Analysis:

The audit had selected three allocations amongst several allocations under the MOE. The aim or the purpose for doing this, is to ensure that payments of expenditure are processed in line with the purpose intended and to follow normal procedures in the disbursement of public money. The following codes were being selected for auditing as follows:

- **E2302-216 Primary School– Internal travel**
- **E2304-250 KGV&EBS - Local services**
- **E2310-251 Library& Archive - Overseas Services**

The audit revealed some of the issues that need to be addressed after performing its testing on the selected allocations noted above. Details of issues were noted as follows:

i) After verifying payments under output E23100000251, the audit found some differences existed between actual amounts processed via PV and the amount recorded or posted in the Database system, re details shown in the table below:

E2310000251 Library & Archive: Overseas Services			
PV#	PV $	$	Different
673/15	820.82	1,016.77	$ (195.95)
1087/15	6,998.90	6,542.41	$ 456.49
4231/15	4,993.79	5,095.44	$ (101.65)
			$ **158.89**

ii) A total payment of $275,243.57 (i.e. $7,115.87+7,098.20+261,029.50) for codes E2302-216, E2304-250 & E3199-350 respectively, were noted that their PVs not made available when requested, therefore, made it not possible for auditors to verify the accuracy of amount been paid via such PVs.

Details of which are highlighted in the table shown below:

Codes	Date	PV #	$	Pay appr	Amnt corr	Well sup	Prop coded	Acco for	Remarks
E23020000216: Primary education; Internal travel									
		1948/15	1,530.00	no	no	no	no	yes	not yet provided
	24/2/15	500/15	1,956.00	no	no	no	no	yes	not yet provided
	30/4/15	hqpv310/04	2,143.75	no	no	no	no	yes	not yet provided
	21/12/15	4446/15	1,486.12	no	no	no	no	yes	not yet provided
			7,115.87						
E23040000250 KGV & EBS: Local Services									
	7/3/2015	615/15	2,856.00	no	no	no	no	yes	not yet provided
	8/6/2015	2114/15	2,982.00	no	no	no	no	yes	not yet provided
	24/12/15	4690/15	353.00	no	no	no	no	yes	not yet provided
	24/12/15	4613/15	907.20	no	no	no	no	yes	not yet provided
			7,098.20						
E31990000350 Student school ration									
	"	"	41,029.50	no	no	no	no	no	not yet provided
	21/12/15	4470/15	220,000.00	no	no	no	no	no	not yet provided
			261,029.50						
Actual Total			**$ 275,243.57**						

Implications:

- Posting of huge figures in error would undermine the credibility and the capability of the responsible officer and it could also make other related outputs overspends as a result.
- Unavailability of Payment Vouchers would make it difficult for the audit to validate the correctness of amount paid and it is a complete violation of government financial regulation.

Recommendations:

- ✓ Expenditure shall be incurred only for the purpose for which the money is provided and shall be classified strictly in accordance with the estimates or other authority governing the use of public monies. (F.R. 165, Chapter 8).
- ✓ The responsible division is highly recommended to provide the audit with appropriate explanations in clarifying the differences incurred between actual amount per PV and amounts recorded in the system.
- ✓ Supporting documents should be provided by the ministry concerned in support of every transaction taking place. This will assist in ensuring the existence and completeness of every single transaction being made during the year.

Management response:

Management response not received

16.3.2.9 Control over imprest

Findings and Analysis:

Audit still noted that MOE Imprest Register figures regarding outstanding Imprest did not match, same case last year, with records that were held by MFED as per indicated below:

- Discrepancies noted of over $2k between MOE records and MFED records, re details shown below.

Date	Imprest #	MOE Record	MFED record	Variance
29/1/15	various	3,370.00	3,220.00	**-150.00**
18/02/15	various	1,595.00	1,100.00	**-495.00**
3/11/2015	various	4,710.00	206.66	**-4,503.34**
31/3/15	various	2,160.00	2,630.00	**470.00**
4/08/2015	37/15	300.00	805.00	**505.00**
13/05/15	56/15	315.00	3,760.00	**3,445.00**
13/05/15	58/15	315.00	659.99	**344.99**
19/05/15	68/15	190.00	595.00	**405.00**
29/06/15	82/15	630.00	945.00	**315.00**
"	109/15	270.00	199.96	**-70.04**
"	110/15	270.00	-276.00	**-6.00**
9/11/2015	various	2,120.00	2,119.31	**-0.69**
"	120/15	315.00	1,374.00	**1,059.00**
"	173/15	315.00	1,141.25	**826.25**
10/12/2015	various	440.00	305.00	**-135.00**
		17,315.00	**19,820.17**	**2,010.17**

- It was further noted that some officers outstanding Imprest had been cleared in MFED records but still outstanding in the MOE register to date as indicated in the table below.

Date	PV #	MOE Record	MFED Record	Variance
5/06/2015	45/15	90.00	0.00	**-90.00**
19/05/15	71/15	315.00	0.00	**-315.00**
23/07/15	93/15	585.00	0.00	**-585.00**
27/07/15	98/15	315.00	0.00	**-315.00**
18/05/15	108/15	270.00	0.00	**-270.00**
		1,575.00	**0.00**	**-1,575.00**

- From the above mentioned, it has been confirmed there was no proper and regular reconciliation made by MOE.

Implications:

- Failure to disclosure un-reconciled figures will cast doubt on the reliability and the accuracy of the financial report and would also undermine the proficiency and capability of those managing the Imprest records.

Recommendation:

- ✓ Management must ensure it regularly reconciles its Imprest records, say on a monthly basis, with its counterpart i.e. MFED to save future grievances.
- ✓ Management should ensure that the above stated total Imprest outstanding were agreed with by each concerned respective employee and to pursue speedy recovery actions on those still not bothered to retire or clear their outstanding due.
- ✓ Management should ensure to follow the issuing policy of imprest where those not retiring their imprests should not be issued with imprest in their subsequent travels until all past dues were cleared.

Management response:

Management response not received

16.3.2.10 Telecom charges – Administration (E2301-231)

Findings and Analysis:

After performing the analytical review by the audit team the following issues were noted as follows:

- Audit noted the variance of $396.44 between the MOE figure and Audit figure as shown in the table provided below. The audit figure was extracted from the MOE listing for telecom charges.

Date	PV #	Details	MOE Figure (match with GL)	Audit Figure	Variances
20/4/15	995/15	TSKL	$4,837.29	$4,440.85	$396.44

- In referring to PV 1091/15 dated 04/05/15 provided from MOE the amount stated in the PV of $748.54 was not tallied with the amount reflected in the GL report of $4,531.03, incurring the overpayment of over $3k. Also the summary noted and attached with PV contains different figure with that reflected in the same Payment Voucher 1091/15.
- Supporting document regarding the above PV 1091/15 for instance invoices from supplier also noted not attached hence made it not possible for audit team to confirm the accuracy of the bills been paid.

Implications:

- ➢ Failure to carefully review payment vouchers prior dispensation of such payment would result in incurring overpayment that could lead to an overspending by related outputs.
- ➢ The absence of payment vouchers and/or supporting documentations could veil actions that may had inflicted misappropriation of public funds.

Recommendations:

- ✓ Management has to ensure that proper review should be practiced by most senior staff to carefully check Payment vouchers prior dispatching them to Finance for processing such payments.
- ✓ Senior officers responsible for signing PVs should ensure all supporting documentations are attached.
- ✓ Management should reprimand staff that signed PVs without supporting documentations.
- ✓ Management should ensure its officials are fully conversant and comply with the provisions of all financial governing rules, laws and regulations

Management responses:

Management response not received

16.3.2.11 Misallocation – Entertainment

Findings and Analysis:

One significant payment made via PV#1176/15 amounted to $2,689.00 was indeed charged the wrong output or allocation as noted during the audit field work. As confirmed, the allocation of E2301-239 (Entertainment) was mistakenly charged where in fact should charge the internal travel allocation (E2301-216) instead.

Implications:

- ➢ Charging the wrong output/allocation would lead to the unnecessary overspending of the output/allocation mistakenly charged.
- ➢ The action of wrongly charging outputs would also lead Management astray especially when deciding on the appropriate budget level for succeeding years.

2014 Recommendations:

- ✓ MOE through its Account Unit should ensure to charge a proper and correct allocation according to the nature and purpose of such output/allocation so as to avoid future misallocations of funds.
- ✓ Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure allocation of payments are in order.

Management response:

Management response not received

16.3.2.12 Unavailability of payment vouchers requested

Findings and Analysis:

In conducting of this year's audit three different payment vouchers selected such as PV 2053/15, PV 2505/15 & PV 441/15 were noted not made available upon request. The total amount involved for such PVs was $20,762.85.

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.

For PVs of one year back to go missing raises doubt on the record keeping of the officials concerned.

2014 Implications:

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

2014 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:

Management response not received

17. MINISTRY OF COMMUNICATION, TRANSPORT AND TOURISM DEV'T (MCTTD)

17.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for Ministry of Communication, Transport and Tourism Development for the year ended 31st December 2015 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 audit opinion for Ministry of Communication Transport and Tourism Development performance in the financial year 2014:

- Lack of custody over accounts documents.
- Lack of control on the Bus tickets.
- Poor recording of the store ledger.
- Failure to update and maintained vote ledger.
- The accumulating of outstanding irrecoverable imprest.
- Lack of reconciliation between MFEP and MCTTD.
- Non-compliances with 2 years leave entitlement policy.

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 (BUDGET)

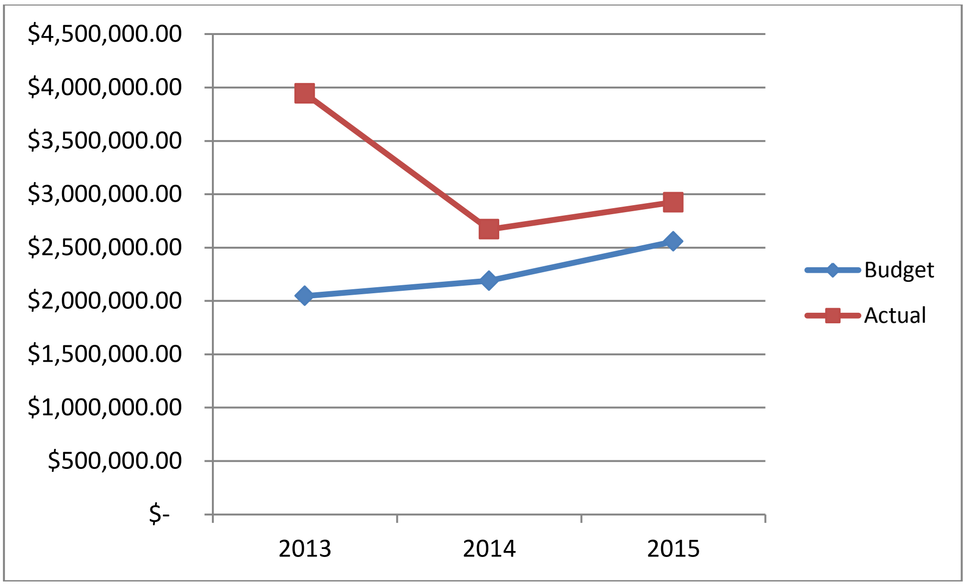
Findings and analysis:

17.3.1.1 MCTTD Revenue summary collection:

The comparison of the MCTTD's revenue for 2015 is summarized and displayed in the table and graph below:

Year	Budget	Actual	(over)/Under
2013	$ 2,047,000.00	$ 3,944,266.89	$ (1,897,266.89)
2014	$ 2,189,200.00	$ 2,671,218.31	$ (482,018.31)
2015	$ 2,557,401.00	$ 2,924,551.22	$ (367,150.22)

17.3.1.2 MCTTD Comparative graph of budget revenue against actual

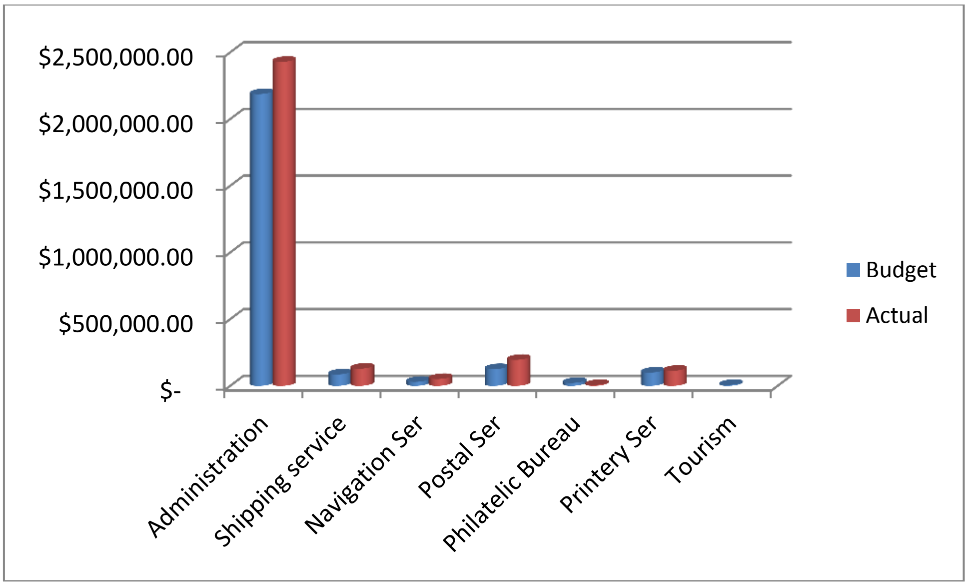


As reflected in the table and the graph above, in 2015 the MCTTD's actual amount of revenue collected exceeded the budgeted revenue of $2.5m. Further, despite an increase in revenue budget this year, MCTTD still continued to collect more than the approved budget. Actually, the ministry has been reporting an over collection of revenue for three consecutive years (i.e. 2015: $367k; 2014: $482k and 2013: $1.89m) and this trend permits further consideration on an increase in revenue budget for next year.

17.3.1.3 Bugdet revenue against actual by division

Divisions	Budget	Actual	(Over)/Under
Administration	$ 2,187,201.00	$ 2,428,786.25	$ (241,585.25)
Shipping service	$ 86,000.00	$ 129,035.35	$ (43,035.35)
Navigation Ser	$ 30,000.00	$ 51,474.63	$ (21,474.63)
Postal Ser	$ 125,200.00	$ 195,036.20	$ (69,836.20)
Philatelic Bureau	$ 22,000.00	$ 6,634.46	$ 15,365.54
Printery Ser	$ 100,000.00	$ 113,584.33	$ (13,584.33)
Tourism	$ 7,000.00		$ 7,000.00

17.3.1.4 Comparative graph of Bugdet revenue against actual by division



The above graph depicted the actual amount of revenue collected against the budget by division for fiscal year 2015. As observed, all Divisions exceeded the estimate revenue budget except for Philatelic Bureau and Tourism, with their revenue shortfall as detailed in the table below:

Output	**Budget**	**Actual**	**(Over)/Under**
01Administration			
Jaxa (Air Service)	$ 860,234.00	$ 1,071,092.47	$ (210,858.47)
Jaxa (Downrange)	$ 646,967.00	$ 646,877.03	$ 89.97
Open Ship Registration	$ 680,000.00	$ 710,816.75	$ (30,816.75)
02 Shipping Services			
Recruitment & Exam fee	$ 18,000.00	$ 31,719.65	$ (13,719.65)
License for Foreign vessel	$ 40,000.00	$ 64,110.50	$ (24,110.50)
License for domestic vessel	$ 25,000.00	$ 29,997.20	$ (4,997.20)
Seaworthiness	$ 3,000.00	$ 3,208.00	$ (208.00)
03 Navigation Services			
Light dues	$ 30,000.00	$ 51,474.63	$ (21,474.63)
06 Postal Services			
Sundry revenue	$ 1,000.00	$ 1,297.89	$ (297.89)
Letter post terminal	$ 100.10	$ 19,230.80	$ (19,130.70)
Sale of stamps	$ 28,000.00	$ 20,885.10	$ 7,114.90
Parcel post terminal	$ 100.00	$ 12,000.00	$ (11,900.00)
Private box rental	$ 6,000.00	$ 4,986.10	$ 1,013.90
Commission on money	$ 90,000.00	$ 136,636.31	$ (46,636.31)
07 Philatelic Bureau			
Philatelic local sales	$ 4,000.00	$ 3,362.51	$ 637.49
Philatelic Overseas sales	$ 18,000.00	$ 3,271.95	$ 14,728.05
08 Printery service			
Printing sales	$ 100,000.00	$ 113,584.33	$ (13,584.33)
09 Tourism			
Cruise Line Fees	$ 7,000.00		$ 7,000.00

As reflected above almost all outputs had collected more than the approved budget revenue, except for Philatelic local with a total collection of $637.49, Philatelic Overseas $14k, and Jaxa (downrange): $90.

Implications:

- The revenue collection expected from Ministries and other government major sources of revenue will help increase the value of the RERF. The amount of injection to the RERF made this year could have been more if MCTTD divisions particularly the Philatelic had collected more than its revenue target.

Recommendation:

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

Management response:

Management response was received

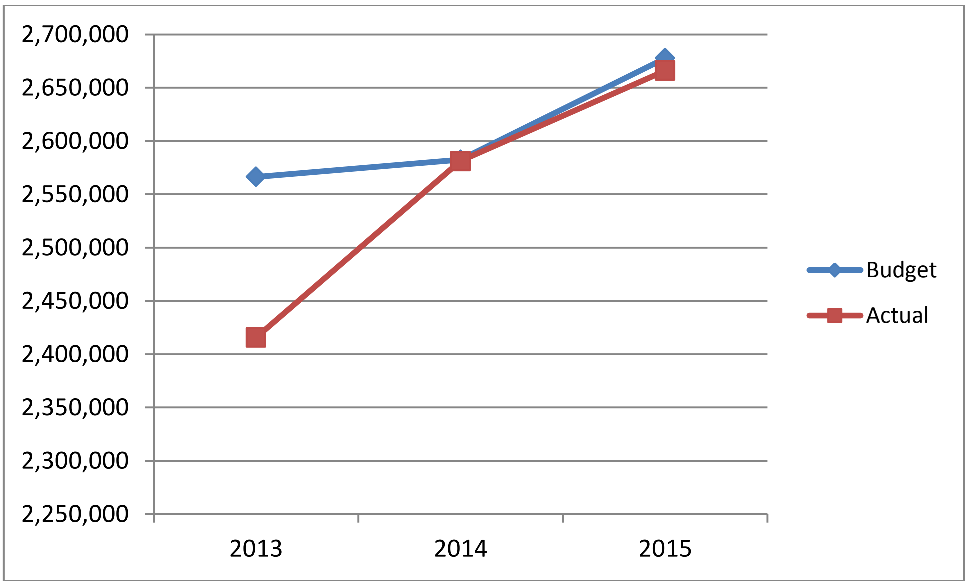
17.3.2 CONTROL OVER EXPENDITURE

Finding and Analysis:
Presented below is the analysis for the Ministry's 2015 Expenditure

17.3.2.1 Comparative Expenditure against budget.

Year	2013	2014	2015
Budget	2,566,332	2,582,449	2,677,655
Actual	2,415,559	2,581,147	2,666,059
(Over)/Under	150,773	1,302	11,596

17.3.2.2 Comparative graph of Expenditure budget against actual

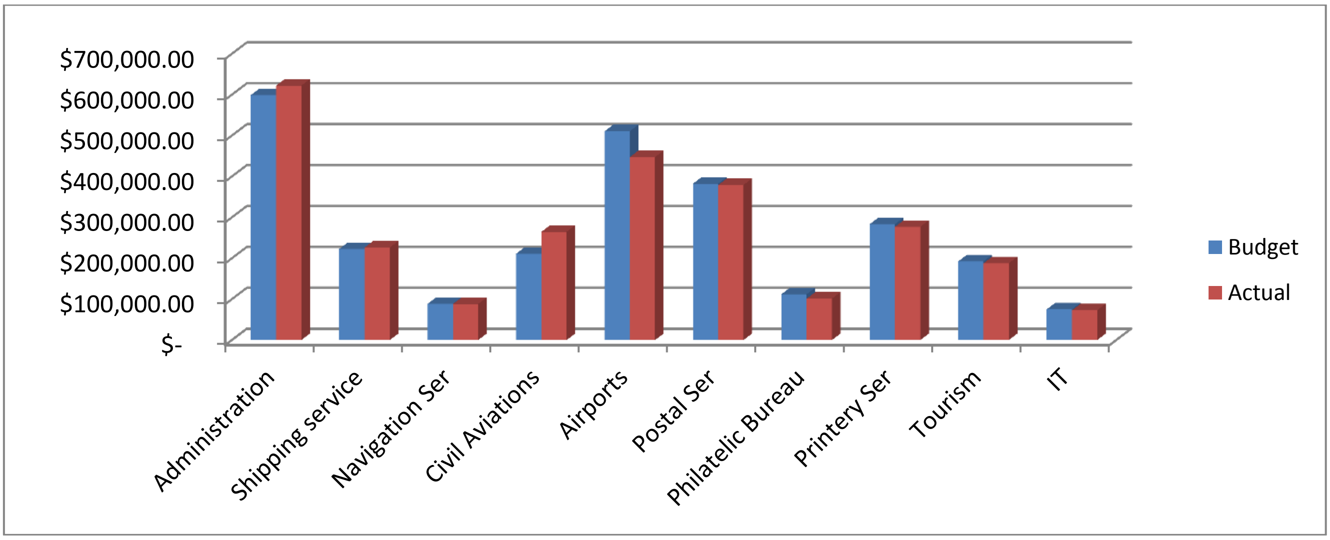


From the above analysis, management had maintained and sustained its operation within approved allocated budget for the last three consecutive years (2013-2015); therefore management should be applauded for such continued notable achievements.

17.3.2.3 MCTTD Expenditure against budget by divisions 2015

Divisions	Budget	Actual	(Over)/Under
Administration	$ 599,026.00	$ 622,115.19	$ (23,089.19)
Shipping service	$ 222,803.00	$ 226,213.57	$ (3,410.57)
Navigation Ser	$ 88,718.00	$ 88,082.20	$ 635.80
Civil Aviation's	$ 211,083.00	$ 264,663.09	$ (53,580.09)
Airports	$ 510,546.00	$ 447,244.48	$ 63,301.52
Postal Ser	$ 382,334.00	$ 379,116.95	$ 3,217.05
Philatelic Bureau	$ 112,069.00	$ 101,174.47	$ 10,894.53
Printery Ser	$ 283,657.00	$ 276,941.13	$ 6,715.87
Tourism	$ 192,397.00	$ 187,670.30	$ 4,726.70
IT	$ 75,022.00	$ 72,837.41	$ 2,184.59

17.3.2.4 Comparative graph of Expenditure (actual) against budget by divisions



The three divisions (Administration, Shipping services and Civil Aviation) with a gross overspending amount can be analysed in the table below:

Output	Budget	Actual	(Over)/Under
01Administration			
KPF contribution	$ 16,596.00	$ 17,754.00	$ (1,158.00)
Allowances	$ 9,400.00	$ 19,555.29	$ (10,155.29)
Overtime	$ 9,000.00	$ 22,195.86	$ (13,195.86)
Temporary assistance	$ 4,000.00	$ 24,894.35	$ (20,894.35)
Telecomms	$ 18,000.00	$ 18,000.20	$ (0.20)
Office & Furniture	$ 3,200.00	$ 3,979.60	$ (779.60)
02 Shipping Services			
Overtime	$ 5,000.00	$ 10,683.70	$ (5,683.70)
Temporary assistance	$ 4,000.00	$ 11,667.70	$ (7,667.70)
Leave grants	$ 11,250.00	$ 13,438.79	$ (2,188.79)
04 Civil Aviation			
KPF contribution	$ 4,757.00	$ 4,843.27	$ (86.27)
Housing assistance	$ 4,000.00	$ 4,074.00	$ (74.00)
Temporary assistance	$ 1,000.00	$ 7,947.60	$ (6,947.60)
External travel	$ 22,955.00	$ 77,673.21	$ (54,718.21)

As highlighted in the table above, the overspending amounts for all three divisions were quite substantial. Additionally, the Shipping services division had reported an erroneous actual spending for Leave grant of $13,438.79, as such this figure cannot be divided by $1,500, a leave grant entitlement for each employee.

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

Management response:

Management response was received

17.3.2.5 Imprest – External travel

Finding and Analysis:
The audit checks revealed that the total accumulated outstanding imprest still irrecoverable to year 2015 had reached $72,489.24. The outstanding imprest from the previous audit report (2014) was $39,342.86 giving an increase of $33,146.38. This is an indication of poor control over the retirement of imprest as well as failure to enforce prompt recovery by imprest holders.

PF #	Amount	PF#	Amount	PF#	Amount
6471	19,903.87	2005106	28.00	7826	764.96
6471	3,535.60	2003147	1,005.00	2010107	1,329.98
200098	2,361.69	2007075	480.00	2009124	1,590.00
7599	10,216.22	2009125	77.64	97072	215.99
2012134	47.17	99099	630.00		$**3,900.93**
2002142	1,533.00	7704	1,805.32		
20103091	2,895.00	7551	3,436.70		
97088	6,506.00	2009171	242.52		
2013216	1,251.99	PF unavailable	5,200.00		
2011043	1,440.00	201013	300.00		
2014086	405.00	2006186	613.59		
2013161	315.00	2004194	679.00		
2015136	180.00	PF unavailable	3,500.00		
	$**50,590.54**		$**17,997.77**		

Implication:

- Failure to retire Imprest within 10 days and/or not retired at all upon return from official trips is a breach of some relevant clauses of FR 2011 and the noncompliance with the policy for Special Imprests.
- Also unretired imprest for a prolong period of time would be susceptible to the risk of loss of public funds and
- The substantial total amount of accumulated unretired special Imprests would lead to a significant reduction of the following year's recurrent budget for external travels.

Recommendation:

- ✓ Management must strictly comply with the 10 days retirement policy upon the return from official trips.
- ✓ MCTTD should not issue future Imprest to its officers until such outstanding from previous years had been cleared or arrangement for recovery had been made.

Management response:

Management response was received

17.3.2.6 Kiribati Provident Fund

Finding and Analysis:

The amount of $(245.48) was the variance detected when comparison between the MFED records (management report) and audit figure was made. The variance shown in the table below was the net total amount in respect of some employees' KPF contribution therefore explanations for such variance are required from MFED, being the Ministry responsible for payment of KPF for public civil servants. MCTTD however, has a crucial role in reconciling its record with MFED's to ensure the deductions appearing in their monthly reports reflect 7.5% of its staff total salary and temporary each pay period. Details of such variances are elaborated in the following table below:

	Salaries	temporary	Total	KPF 7.5%	Total after KPF	Mgmt. report	Variance
Admin	$ 195,105.10	$ 24,894.35	$ 219,999.45	**0.075**	$16499.96	$17754.18	1254.22
Shipping ser	$ 107,986.81	$ 11,667.70	$ 119,654.51	0.075	$8974	$8763.12	-210.88
Navigations	$ 20,461.00	$ 3,048.00	$ 23,509.00	0.075	$1763.15	$1673.2	-89.95
Civil	$ 57097.95	$ 7947.6	$ 65045.55	0.075	$4878.4	$4843.27	-35.13
Airports	$ 214,884.95	$ 22,297.60	$ 237,182.55	0.075	$17788	$17464.77	-323.23
Postal	$ 144,993.40	$ 3,510.87	$ 148,504.27	0.075	$11137.8	$10392.45	-745.35
Philatelic	$ 38,994.10	$ 1,299.20	$ 40,293.30	0.075	$3021.9	$3063.97	42.07
Printery	$ 125,600.80	$ 1,201.60	$ 126,802.40	0.075	$9510.2	$9470.7	-39.5
Tourism	$ 78,418.40	$ 177.30	$ 78,595.70	0.075	$5894.7	$5910.13	15.43
IT	$ 26,406.00		$ 26,406.00	0.075	$1980.45	$1867.29	-113.16
Total							$-245.48

The above table highlighted the variance that regarded as immaterial; Navigations $89.95, Civil $35.13, $Philatelic $42.07, Printery $39.95 and Tourism $15.43.

Implication:

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

Recommendation:

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

Management response:

Management response was received

17.3.2.7 Log book

Finding and Analysis:
The log book had neither been updated nor maintained by the driver of the MCTTD. Certainly, this was an indication of poor control over the movement of the vehicles. As a result, the audit to check for mileage, fuel consumption, driver's overtime and the daily movement of the vehicles from time to time had not been carried out. Further details of the log-book are summarized in the table below.

Vehicle Type	Vehicle Number	Description	Vehicle Driver	Log Book available	Maintained & Updated?	Reviewed?
	AIRPORT - AVIATION					
Double cab	BG 274	Patrol 1	Fire	No	No	No
	MCTTD - HEADQUATER					
Saloon Car	Gov. 107	Minister	Chauffer	No	No	No
Double cab	Gov. 131	Secretary	Sec	No	No	No
	MARINE DIVISION					
Double cab	BG 236	Marine	Driver	No	No	No

Implication:
Failure to maintain and update log book would not conducive to controlling the misuse of the government public vehicles.

Recommendation:
- ✓ Management should ensure the Driver maintains and updates logbook to keep track of the vehicles movement from time to time.
- ✓ Management should ensure that the Office Manager checks and reviews the logbook on a regular basis.
- ✓ Management should have a control mechanism in place to deter abuse of public assets.

Management response:

Management response was received

18. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT (MFED)

18.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Finance and Economic Development for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 18.3 below.

18.2. 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 2014.

- Lack of control over bus ticket
- Failure to update leave balances of officials
- Non-updating of vote ledger (database)
- Excessive variances of KPF contribution.
- Accumulated outstanding imprest totalled to $54,613.14.

18.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

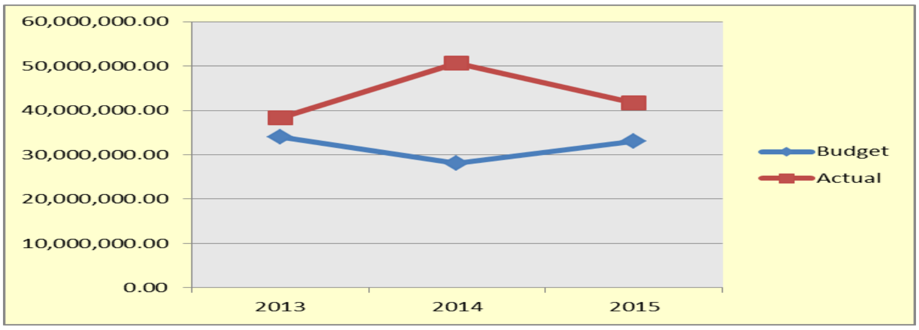
18.3.1 REVENUE (BUDGET)

Findings and Analysis:

18.3.1.1 Budget revenue summary against actual collection

Year	2013	2014	2015
Budget	33,964,400.00	28,112,700.00	32,977,700.00
Actual	38,357,038.00	50,678,817.62	41,630,770.14
Under/(Over)	-4,392,638.00	-22,566,117.62	-8,653,070.14

18.3.1.2 MFED Revenue comparative graph against budget

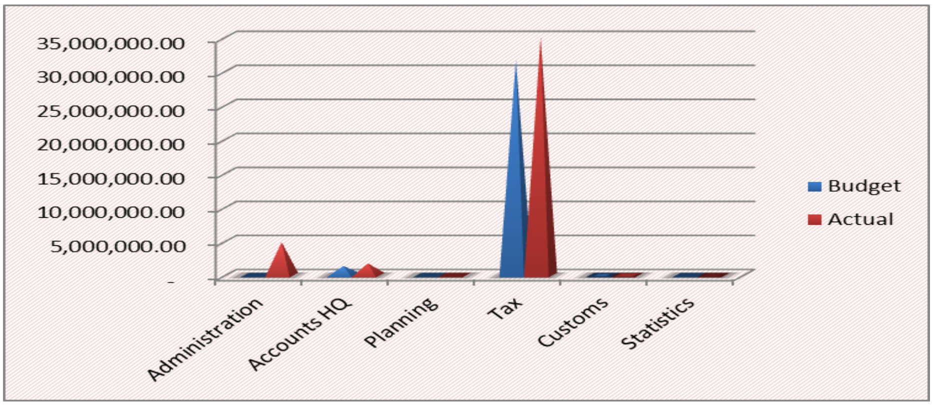


As depicted above, over the past three consecutive years MFED had continuously managed to collect above its revenue estimate, thus resulting in an excess collection of $8.65m for 2015. The Ministry should be applauded for such notable achievement. For future years the Ministry should ensure its budget level is aligned with the revenue its divisions expect to collect.

18.3.1.3 MFED revenue against budget by divisions

Division	Budget	Actual	Under/(Over)
Administration	-	4,869,589.35	- 4,869,589.35
Accounts HQ	1,350,000.00	1,730,810.32	- 380,810.32
Planning	-	-	-
Tax	31,600,000.00	34,977,736.14	- 3,377,736.14
Customs	27,700.00	52,604.33	- 24,904.33
Statistics	-	30.00	- 30.00
Total	**32,977,700.00**	**41,630,770.14**	**- 8,653,070.14**

18.3.1.4 Comparative 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 and therefore should be commended for such achievement. It is also pleasing to note that 2015 is the first year of record the Government had not made any withdrawal from the RERF. As noted from Accounting Division records huge millions of dollars had been deposited into the Consolidated Fund in 2015 amounted to $175m but according to NEPO records only $50m was actually received in 2015. Further detail on the RERF is elaborated in the last section of Part 2 of the Audit Report 2015.

It was further noted, as was the case in 2014, revenues collected under Administration was not budgeted for in the fiscal year 2015. Again these were noted as direct credits been made to the No.1 Bank account and allocated under revenue code for Administration Division such as C2501-102, C2501-150 & C2501-151. An explanation is therefore sought here from management.

Recommendation

- ✓ 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:

Management response not received

18.3.1.5 Arrears of Revenue

Findings and Analysis:

Audit noted unsettlement of various Debit notes that relate to reimbursement of overtime from several Shipping Line Agencies for the year ended 2014 and 2015 in the sum of $5,233.75 and $8,134.25 respectively. These amounts should be paid back to credit the Customs Service Output but there were no sign of disbursements from the concerned Shipping Agencies till to date. Details are appended as follows:

Month	Details - FY 2015	Debit note #	Amount
Feb& March	Kiribati Seas company	112578	1,515.00
January	SAOK T/Islander 1055	112579	775.50
October	Oceanic Shipping Services	112582	736.00
January	SaOK H/Chief 1407N	112584	402.75
"	CPPL MV Moamoa	112585	1,517.00
"	CPPL MV Moamoa	112586	1,447.00
"	CPPL MV Moamoa	112590	480.00
February	Dojin S/Pearl 96	112593	555.00
March	SAOK P/chief 322N	112595	706.00
	Total		**$ 8,134.25**
Month	**Details - FY 2014**	**Debit note #**	**Amount**
August	SAOK P/chief V 319N	109914	555.00
June	Betio Mini-Market (LC Temauri)	109916	622.00
Septembr	SAOK MV H/Chief 1405	109935	408.00
"	SAOK Coral Island V1045	109940	540.00
October	Dojin (PDL- S/Pear/89	109941	485.00
"	SAOK MV P/chief voy 320N	109943	770.00
"	SAOK P/chief V 320N	109946	918.75
January	SAOK	109883	410.00
April	Dojin (PDL- S/Pear/81	109898	525.00
	Total		**$ 5,233.75**

Implication:

Failure to recover the said amount from concerned agencies would result in public fund losses.

Recommendation:

- ✓ MFED through its Custom 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 Division accordingly.

Management response:

Management response not received

18.3.1.6 Sundry Revenue – C2502-08

Findings and Analysis:
In conducting this year's audit the following anomalies were noted:

- Misallocation of JV#1273, dated 31/12/15 posted into C2502-08, Sundry Revenue, amounted to $9,000 (Sundry Revenue GL report refers). The correct allocation to be posted to is I005-027A, Telmo allocation,
- There were various JVs raised during the year some of which were provided and appended in the table below. As confirmed there were no valid supporting documents attached to substantiate all figures been noted therein.

Code	Credit	JV #	PV#	Chq #	Particulars
C2502-08	$20,456.25	HQJV1285	34/01	321415	Reversing entry for Cancelled chq
C2502-08	$249,634.35	HQJV1285	20/12	284968	Reversing entry for Cancelled chq - chq numb
C2502-08	$5,141.75	HQJV1280	Not stated	449988	Adjustment entry for Btl/15 adj of unclaimed chq
C2502-08	$9,000.00	HQJV1273	Not stated	299229	Reversing Entry for Double posted of chq
C2502-08	$6,001.35	HQJV1270	Not stated	262808	Reversing entry for Cancelled chq

- All cheque numbers reflected therein should be cancelled as these payments had not been claimed to date. However, when the audit team went through the status of each cheque we found that the cheque butts were not marked as cancelled and we could not sight the cheque leaves as these should be attached indicating that such had been cancelled except for cheque number 262808.
- Further, the audit also noted that a reimbursement of air fare as shown in the table below did not have supporting document to actually reveal the accurate amount to be reimbursed from the concerned Ministry (OB) such as, payment voucher that paid out air fare, etc. This reimbursement was done by OB in which they converted the amount of $5,879.00 USD into $AUD equivalent to $7,010.37 as specifically shown in the attached currency purchase receipt from ANZ bank, then deposited into the No.1 Bank Account and receipted at MFED's sundry Revenue. Therefore, we (audit team) cannot authenticate the actual amount to be paid as a reimbursement due to the above reasons stated.

Code	Credit	RV #	Particulars
C2502-08	$7,010.37	201510116	Reimbursement of air fare

- The audit also discovered that there were two existing codes for Sundry Revenue (i.e. C2502-08 & C2502-03). Hence, the above reimbursement was allocated to C2502-03 as per RR 241629, dated 22/10/15.

Implications:

- The amount for misallocation noted above is material and that could distort the total balance of other related outputs.
- Failure in categorizing revenue by code type could lead to misallocation of government revenue and would distort future budget projections.
- The absence of required supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- Fraudulent activity could occur in this case if Management had still not performed regular review especially on the cancellation of stale cheques.
- Having two different allocations for the same output (sundry revenue) could result in producing two separate balances for same output. Also it could undermine the credibility and reliability of the system in place by the Ministry concerned.

Recommendations:

- ✓ Accounting Division must ensure all financial documents (PV, JV, RV) are fully supported and kept safely for future audit/management reference.
- ✓ MFED should ensure too that its officials are fully conversant and comply with the provisions of financial government rules, laws and regulations.
- ✓ The concerned Ministry should provide its justification on the actual amount of monies concerning the reimbursement of air fare, which need to be paid back to the consolidated fund
- ✓ Whenever a cheque becomes stale responsible officers should cancel such cheque leaves including the cheque butts and attach together and keep it in a safe place for future audit references
- ✓ Movement register for all accounting source documents should be maintained and ensure the movement of batches are properly recorded and monitored regularly.
- ✓ MFED should also ensure that only one code for the output on the system should exist and not two as noted during the audit.

Management response:

Management response not received

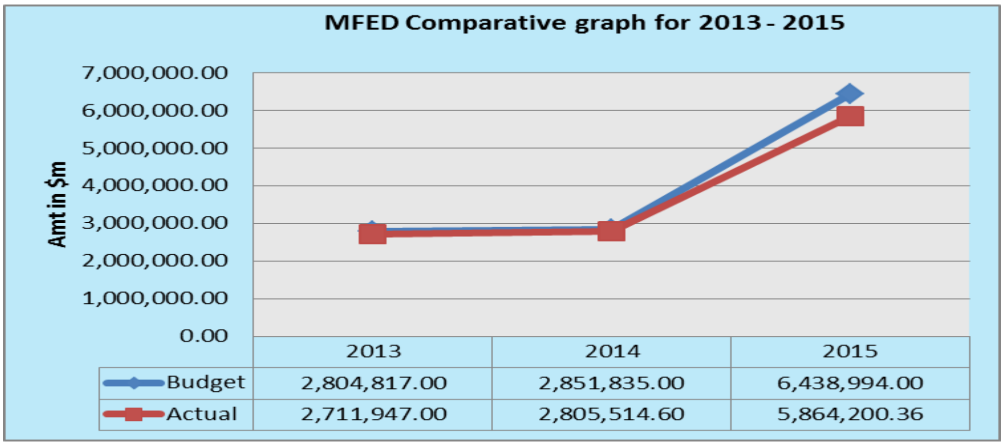
18.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

18.3.2.1 MFED Comparative Expenditure against Budget

Year	2013	2014	2015
Budget	2,804,817.00	2,851,835.00	6,438,994.00
Actual	2,711,947.00	2,805,514.60	5,864,200.36
Under/(Over)	**92,870.00**	**46,320.40**	**574,793.64**

18.3.2.2 MFED Comparative expenditure graph against Budget

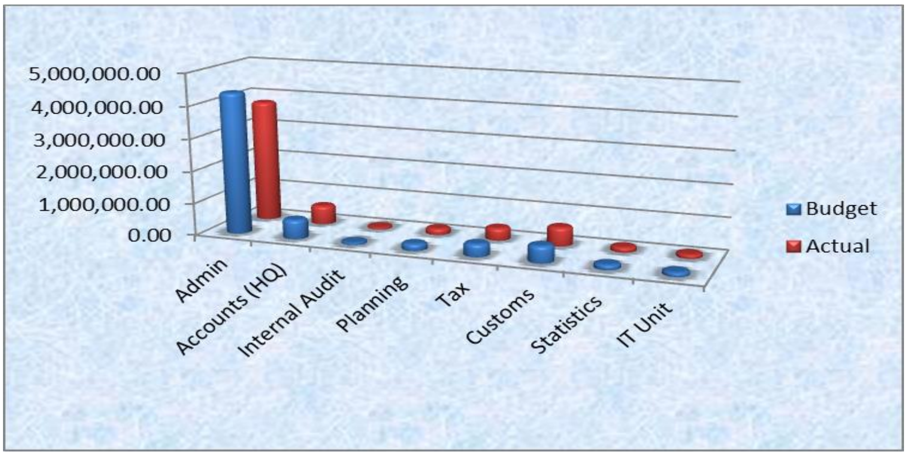


With a dramatic increase in its estimate budget by 55.7% from 2014 level, the MFED's actual expenditure level had also vividly increased significantly by 52.1%, a total of which fall below the estimate budget thus resulting in a net saving of over $574k or slightly over half a million. This therefore calls, though the increase in the budget level corresponded to the Ministry's annual operational costs, for more accurate budget level that is aligned with the Ministry's MOP in order to reduce the gap as noted in 2015.

18.3.2.3 MFED Comparative Expenditure Table by Divisions

Code	Division	Budget	Actual	Under/(Over)
E2501	Admin	4,375,800.00	3,786,474.67	589,325.33
E2502	Accounts (HQ)	596,058.00	584,571.75	11,486.25
E2503	Internal Audit	73,554.00	70,513.55	3,040.45
E2504	Planning	207,796.00	193,216.13	14,579.87
E2505	Tax	389,334.00	380,929.75	8,404.25
E2506	Customs	515,369.77	578,701.99	-63,332.22
E2607	Statistics	151,836.00	148,925.48	2,910.52
E2508	IT Unit	129,246.23	120,867.04	8,379.19
	Total	**6,438,994.00**	**5,864,200.36**	**574,793.64**

18.3.2.4 MFED Comparative Expenditure Graph by Divisions



The above graph displayed the level of expenditure by Division for the year ended 31/12/15. Accordingly as shown above almost all divisions under this Ministry (MFED) had managed to operate within their budget limit except for Customs Division only in which had overrun its estimated budget significantly by $63k. The remaining divisions' net savings, when added together, resulted in an overall net saving of over $574k as per indicated above.

These divisions should be encouraged to manage and ensure their spending levels in future years are kept within the allocated budget.

Recommendation:
Management should ensure the budget for future years is aligned with the activities of its divisions.

Management Response:

Management response not received

18.3.2.5 Payroll 2015

Findings and Analysis:
In 2015 the audit had performed it analytical review on the payroll for Custom Division (E2506) and Administration Division (E2501). Appended below is the result of our comparison between the Audit Figure[4] and the Management Report produced by the Finance as follows:

Table 1: E2506 Custom Division

Details	Audit Figure (Pay Costing)	Management Report	Variances
Overtime	$102,918.99	$94,318.03	$8,600.96
Allowances	$45,013.00	$6,580.22	$38,432.78
KPF	$17,869.32	$19,311.19	$1,441.87
Salaries	$238,023.12	$207,442.27	$30,580.85

Table 2: E2501 Administration

Details	Audit figure (Pay Costing)	Management Report	Variances
Overtime	$25,221.95	$22,615.05	$2,606.90
Allowance	$41,050.14	$19,311.19	$21,738.95
KPF	$13,798.56	$14,457.87	$659.31
Salaries	$183,763.80	$166,514.07	$17,249.73

It is apparent from the table above the audit figures do not match with the Finance figure which thus resulted in reporting significant discrepancies (overstatement/understatement) as shown above. Hence management clarifications on this matter should be provided accordingly.

[4] Audit Figure was mainly derived from the pay costing provided from MFED.

Implications:

- KPF payments are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry if still included in overall net total figure.
- Variances noted would not provide accurate financial status of the Ministry and could lead management astray in their decision making.
- The absence of proper regular reconciliation would widen the gap between actual Ministry's divisions' figures with that of MFED/Head Quarter.
- Being a lead Ministry in Government financial management system one would expect MFED to be clean of issues highlighted above and any discrepancies noted would undermine the integrity of management in managing the entire Government financial system.

Recommendations:

- ✓ Therefore, it is strongly recommended that each divisional head must ensure to conduct proper review and regular reconciliation with MFED (Head Quarter) to avoid discrepancies at the end of the financial year.
- ✓ The Ministry of Finance should ensure all KPF figures appearing under each Ministry/Departments correspond with the total sum of the remaining salary and temporary figure.
- ✓ Management should ensure issues highlighted above would not appear in future years.

Management response:

Management response not received

18.3.2.6 Control over Overtime – Custom Division

Findings and Analysis:

The audit had selected 10 payment vouchers for overtime summing up to $11,152.00 for the pay period of 06/03/15 – 20/03/15 and 26/06/15. As confirmed no clearance for temporary staffs (appointment letter) and overtime dockets attached to these PVs hence audit could not confirm the accuracy of such payments.

Implications:

- Payment Vouchers with no supporting documentations would undermine the integrity and capability of Management.
- Failure to record valid accounting documents would result in records gone missing and this is a completely deviation of Cap 79 and FR 2011.

Recommendations:

- ✓ 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 justifications are also sought herewith.

Management response:

Management response not received

18.3.2.7 Electricity and Gas

Findings and Analysis:
Appended below are issues/anomalies noted during the audit:

- Overpayment made via PV 56/15 to PUB by an immaterial amount of $5.00.
- Supporting documents for PV 200/15 such as invoices were gone missing from the PV file.
- Hence, management comments should be provided to elaborate further on the above matters.

Implications:

- ➢ An immaterial overpayment could be material when added with other overpayments from line Ministries and thus would increase the risk of misappropriation and losses of public funds.
- ➢ Payment Vouchers with no supporting documentations would undermine the integrity and capability of Management and is a breach of CAP 79 and FR 11.
- ➢ Duplicated claims could arise undetected if supporting documents were gone missing from the vouchers.
- ➢ The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.

Recommendation:

- ✓ Being a lead Ministry in management of financial instruments it should ensure all documents are fully supported and are safely kept for future retrieval.
- ✓ In order to avoid future overpayment management should perform proper regular review on payment vouchers prior making payment to clients.
- ✓ Management should ensure its officials are fully conversant and comply with the provisions of all financial governing rules, laws and regulations.

Management response:

Management response not received

18.3.2.8 Control over Log Books - 2015

Findings and Analysis:
It was found during the audit that almost all MFED drivers have failed to submit their log books for 2015 except two drivers from Tax Division and Custom Division. Although the said drivers had submitted their log books the audit confirmed that such log books had not been updated and this was evidenced when the audit went through such log books and discovered that January to October transactions were not recorded by Tax Division driver as well as January to August 2015 for Custom Division driver respectively. Therefore, the audit was unable to check and confirm the accuracy of the overtime, fuel and to detect mileage used for non-official usage.

Implications:

- ➢ Failure to submit log books would make it not possible for auditors to confirm claims been lodged for overtime, refuelling and proper uses of the vehicle are in order.
- ➢ All payments including overtime 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 conducts 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 refuelling monitoring mechanism for control purposes.

Management response:

Management response not received

18.3.2.9 Telecommunication

Findings and Analysis:
Management responses should be provided in order to settle issues noted during the audit as appended below:
- Late payment for telephone bills for months of October up to December 2014 which have paid out in 2015 via PV 512/15 $9,994.87, dated 02/02/15.
- The amount reflected on PV 283/15 of $3,966.47 does not match with GL figure of $4,496.05 incurring an overstatement figure of $529.58.
- The Last page of Invoice # 127577 was not attached to payment voucher (PV 80/15 refers).
- According to PV 521/15, the invoice number stated in the calculation breakdown was different from the invoice number being attached as supporting documents. Obviously, the invoice number 135390 amounted to $813.70 was attached as supporting documents whereas in the breakdown calculation of same PV indicated a different invoice number of 134645 amounted to $730.24.
- PVs 449/15 and 561/15 were noted gone missing from PV file and the officer responsible was unable to trace the whereabouts of such payment vouchers. Hence, further verifications by audit team were made not possible as a result.

Implications:
- ➢ Late payment of telephone bills could affect the current financial budget resulting in not entertaining necessary activities as already planned for that financial year.
- ➢ The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- ➢ Payment Vouchers with no supporting documentations and not detecting careless mistakes would undermine the integrity and capability of Management.

Recommendations:
- ✓ Management should ensure that payment of bills must be made within the current financial year in order to avoid payments that may affect the subsequent financial year provisions.
- ✓ Management should ensure that proper and regular review should be conducted on its accounting officer's field works.
- ✓ Responsible officers should provide explanation on the whereabouts of the unavailability of requested payment vouchers as reflected above, failure by which would indicate a poor monitoring and controlling over the financial accounting documents.

Management response:

Management response not received

18.3.2.10 Vote Ledger - 2015

Findings and Analysis:
Audit discovered that Vote ledger for Custom Division and Account Unit (MFED) provided were noted not updated as could be seen in the following table. The table below shows 5 different amounts of allocations in each table (audit samples) including variances noted after cross checking with figures appeared in the management report for same allocations as follows:

Account Division Vote Ledger Balance (MFED)

Allocation	Details	Vote Ledger	Management Report/GL	Variances	Posting Updated?	Reconciled? Vote book/Mgment Report
E2501-202	Salaries	$ 165,175.00	$ 166,514.07	$ 1,339.07	No	No
E2501-208	Leave grants	$ 15,075.00	$ 2,911,754.17	$2,896,679.17	No	No
E2501-227	External travel	$ 127,505.00	$ 285,888.76	$ 158,383.76	No	No
E2502-201	KPF Contribution	$ 25,139.00	$ 27,319.56	$ 2,180.56	No	No
E2501-232	Electricity and gas	$ 126,251.00	$ 123,797.05	-$ 2,453.95	No	No

Custom Division Vote Ledger Balance (MFED)

Allocation	Details	Vote Ledger	Management Report/ GL	Variances	Posting Updated?	Reconciled? Vote book/Mgment Report
E2506-201	KPF Contribution	nil	$17,802.40	$17,802.40	No	No
E2506-202	Salaries	nil	$207,442.27	$207,442.27	No	No
E2506-204	Allowances	$ 31.00	$ 6,580.22	$6,549.22	No	No
E2506-205	Overtime	nil	$94,318.03	$94,318.03	No	No
E2506-227	External travel	$22,293.00	$21,922.47	-$370.53	No	No

Implication:
Failure to update and maintain vote ledger would result in making reconciliation complicated and utterly a breach of FR 11, section 9 (8).

Recommendation:
- ✓ In conforming to FR11.9 (8), accounting officers must maintain and regularly update their vote book and have it readily available any time such report is needed by management and also to ease reconciliation with records held by MFED.

Management response:

Management response not received

18.3.2.11 Hire of Plant and Vehicles Equipment

Findings and Analysis:

In conducting this audit some of the issues related to the above output were detected and details of which are itemized in bullet point as follows:

- It was also found that there was an underpayment amounted to $58,485.78. The figure reported as the underpayment was the difference between the audit figure of $96,725.00 and the actual amount disclosed in the management report for payment of permanent hire amounted to $38,239.22. Hence management responses are sought herewith.
- And PV 127/15 supporting documents was noted gone missing from the payment voucher file.

Implications:

- ➢ The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- ➢ The missing payment voucher to support the payments been made is a complete violation of the CAP 79 and the governing FR 2011.
- ➢ Being the lead Ministry in safeguarding public funds it should abide by all governing financial rules, laws and regulations failing by which would raise doubts on the integrity of management.

Recommendations:

- ✓ Being a lead Ministry in management of financial instruments it should ensure all documents are fully supported and are safely kept for instant future retrieval.
- ✓ Management should have a stringent system in place that will deter deviations from the governing laws mentioned above.
- ✓ Management should provide proper explanations on the aforementioned issues vis-à-vis the excessive underpayments detected above.

Management response:

Management response not received

19. MINISTRY OF WOME'S YOUTH AND SOCIAL AFFAIRS (MWYSA)

19.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Women's Youth and Social Affairs for the year ended 31st December 2015 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 qualified audit opinion for MWYSA in fiscal year 2014 as follows:

- Failure to provide driver's log books for audit verification
- Salary overpayment in respect of one officer valued to $355.59
- Lack of control over the retirement of Imprest withdrawn by respective officers
- Temporary staff were working not according to their appointment letters

19.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

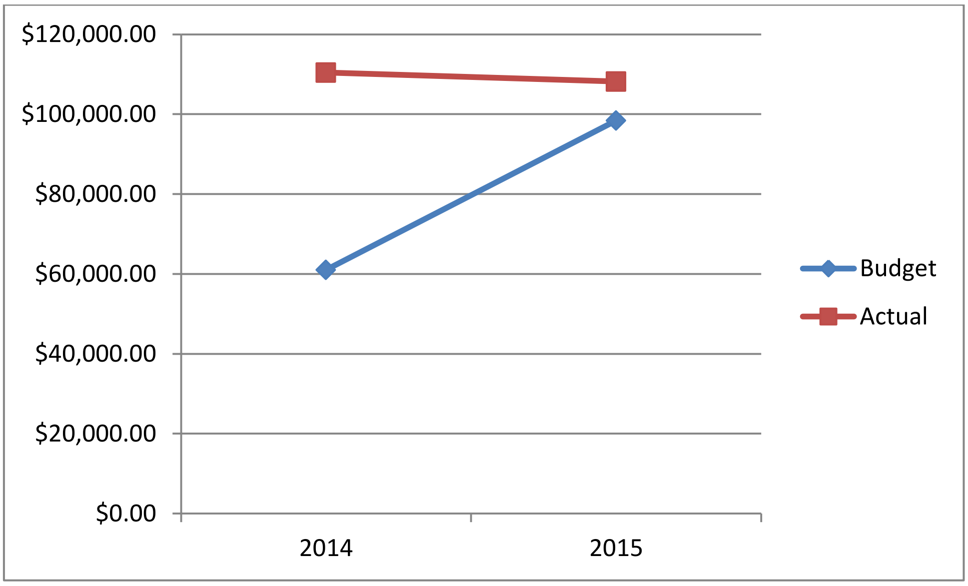
19.3.1 REVENUE (BUDGET)

Finding and Analysis:

19.3.1.1 MWYSA Revenue summary collection

Year	2014	2015
Budget	$61,000.00	$98,400.00
Actual	$110,396.00	$108,172.58
(Over)/Under	-$49,396.00	-$9,772.58

19.3.1.2 MWYSA Graph of budget revenue against actual

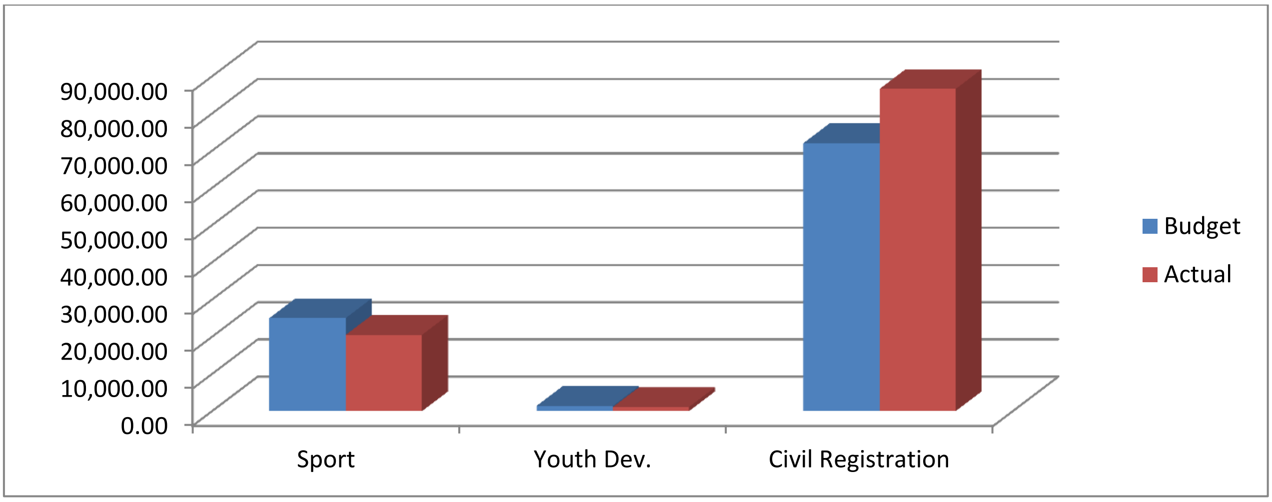


As obviously shown above, for the second time in its year of operation the Ministry had again showed an extraordinary performance by exceeding its revenue estimate budget in the sum of over $9k, despite the increase in its revenue budget stream of $37k (i.e. 2015 Budget $98,400 less 2014 Budget $61,000). Therefore, the Ministry should be commended again for such good achievement.

19.3.1.3 MWYSA Revenues budget against actual by divisions

Divisions	Sport	Youth Dev.	Civil Registration	Total
Budget	25,000.00	1,400.00	72,000.00	**98,400.00**
Actual	20,489.60	1,100.00	86,582.58	**108,172.18**
(Over)/Under	**4,510.40**	**300.00**	**(14,582.58)**	**(9,772.18)**

19.3.1.4 MWYSA Comparative graph of Revenue budget against actual by divisions



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 amounting to $14k. Conversely, the other two divisions had collected lower than their revenue budget by $4k and $300.00 for Sports Development and Youth Development respectively. The Civil Registration should be commended for such achievement and in particular for having managed to generate a net revenue gain for the Ministry of $9.8k.

Recommendation

- ✓ Management should ensure that all divisional Heads are responsible for managing and meeting their revenue targets.

Management response:

Management response was received

19.3.1.5 Physical cash counting

Findings and Analysis:

When conducting this year's audit, the physical cash counting was carried out on the 24/08/16 within MWYSA with its Cashier and found the shortage of $0.90, however such shortage was not yet receipted to date, re details shown below:

Description	**Amount ($)**
Receipt Number: 310981 - 3111000	$ 383.45
Less: Cash on hand counted	
Cash (notes & coins)	$ 302.55
Chq # 9272678	80.00
Total Cash & Cheque	$ 382.55
Shortage	**$ 0.90**

Implication:

- ➢ Whenever physical cash counting carried out any surplus/shortage detected should be receipted and accounted for in the system when found so to give a true picture of the revenue in that period, failure by which would arouse temptation for private use.
- ➢ When shortages are found during the audit the officer concerned will be severely punished the penalty of which could lead to an expulsion. However, given the immateriality of the amount this short fall should immediately recoup and would be regarded a first and last warning to those concerned.

Recommendations:

- ✓ Management should conduct their regular review mainly on the cashier's revenue collections on a daily basis to avoid future malpractices.
- ✓ The MWSYA Cashiers have to ensure that their safes are free of customers' interventions, whether on changes or dues.

Management response:

Management response was received

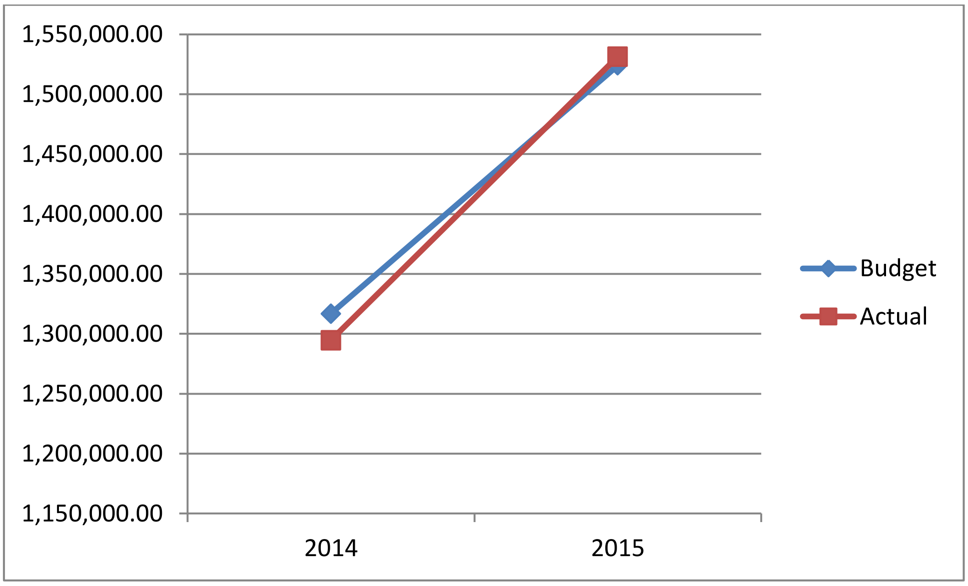
19.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

19.3.2.1 MWYSA Expenditure summary

Year	2014	2015
Budget	1,316,790.00	1,524,060.00
Actual	1,294,611.95	1,531,335.09
(Over)/Under	22,178.05	(7,275.09)

19.3.2.2 MWYSA Graph of budget expenditure against actual

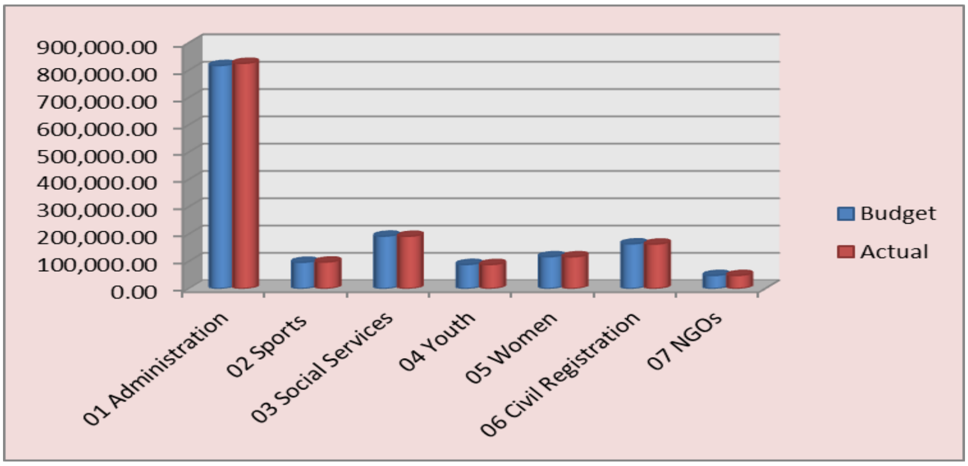


As highlighted above, the Ministry had failed in its second year of operation to carry out all its operations within its approved budget limit resulting in an excess spending as reported of over $7k despite an increase of 13% in its budget level from FY 2014. Therefore management should exert more control over the spending of its divisions to ensure all are spending within the allocated budgets and to conduct regular reconciliation with MFED records.

19.3.2.3 MWYSA Expenditure against actual by divisions

Divisions	Budget	Actual	(Over)Under
01 Administration	817,135.00	825,265.81	-8,130.81
02 Sports	96,629.00	97,591.38	-962.38
03 Social Services	192,310.00	191,816.43	493.57
04 Youth	88,615.00	88,256.82	358.18
05 Women	116,988.00	116,648.88	339.12
06 Civil Registration	164,039.00	163,376.37	662.63
07 NGOs	48,344.00	48,379.40	-35.40
Total	**1,524,060.00**	**1,531,335.09**	**-7,275.09**

19.3.2.4 Comparative graph budget expenditure against actual by divisions



The major contributors to the overspending as reported derived from; 01 Admin with its additional spending of $8k, 02 Sports of $962.38 and lastly NGO's with an immaterial amount of $35.40 respectively. The remaining divisions were able to spend below their budget margin and thus had incurred net savings as shown in the table above.

Recommendation:

- ✓ Management should encourage each divisional Head to ensure to keep within their allocated budget in future years.

Management response:

Management response was received

19.3.2.5 Kiribati Provident Fund Contribution (KPF)

Findings and Analysis:

When 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 2015	303,040.08	11,490.00	128,891.80	31,222.40	24,084.30	44,355.60	32,220.00
Multiply by 7.5% (rate)	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
KPF contribution (Audit Figure)	*22,728.01*	*861.75*	*9,666.89*	*2,341.68*	*1,806.32*	*3,326.67*	*2,416.50*
KPF per Management report 2015 (Actual)	23,524.77	784.69	6,809.55	3,349.13	2,070.24	6,205.94	1,644.00
Total Variance	**- 796.76**	**77.06**	**2,857.34**	**- 1,007.45**	**- 263.92**	**- 2,879.27**	**772.50**

By referring the above table, almost all divisions except two (E2602 & E2607) had overstated some employee's contributions as per the audit figure shown above which fall below the amount reflected in the management report (table above refers). 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 understating of KPF contribution is a deviation from the 2015 Appropriation Act and some employees KPF benefits may not be paid.

Recommendation:

✓ Therefore it is recommended that Management must ensure to perform its proper review and regular reconciliation with MFED to avoid future discrepancies at the end of each fiscal year.

✓ Also MFED should make sure that KPF contributions for each division is not overspent or overstated as these are subject to a fixed calculation of 7.5% on the gross salary.

Management response:

Management response was received

19.3.2.6 Salary overpayment

Findings and Analysis:

Officer LWP effective date: 01/05/16 - 29/02/16

Description	No. of Payday	Gross Pay	Total
2015	17.00	349.00	5,933.00
2016	5.00	349.00	1,745.00
	22.00	349.00	**$ 7,678.00**

The audit had revealed the amount of $7,678 as a salary overpayment in respect of one officer who was continuously paid within the approved leave without pay period as indicated in the above table. According to PSO letter dated 12/05/15, issued an approval on the leave without pay from 01/05/16 – 29/02/16, but the officer still received her salary for same period which has resulted in reporting the overpaid salary of $7,678.00.

Implications:

➢ Management's failure in promptly ceasing salary payment would cause colossal 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 to ensure recovery is activated from overpaid officer.

Management response:

Management response was received

19.3.2.7 Leave balances

Findings and Analysis:

Appended below were some issues discovered when conducting this year's audit as follows:

- MWYSA had not maintained its leave roster
- 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 entitlement were noted to have accumulated their excessive leave balances for more than 2 years.
- And some officers also had negative leave balances as per indicated in the table below.

Post Title	Entitlement	Leave Balance	2 Years entitlement compliance
DS	30	101	No
Data Analyst	26	-3	yes
Senior registration officer	22	5	yes
Deputy Registar	26	-14	yes
Registration clerk	18	-5	yes
ASWO	22	105	no
Welfare Officer	22	150	No
ASWO	22	203	No
PSWO	30	107	No
SWO	30	145	No

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 completely 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 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:

Management response was received

19.3.2.8 Control over Log book

Findings and Analysis:

The log book for BG 264 was noted available although it is not updated as evidenced by detecting the omitted periods of 01/01/15 up to 07/08/15 as observed during the review. The audit also noted that log book for BG 177 was not made available and provided upon audit request, hence, made it not possible for auditors to conduct further testing due to such reasons stated above.

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 contribute to the unnecessary drain out 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.

Recommendations:

- ✓ Proper regular review should be conducted by most senior staff ensuring that all log books must be maintained, updated and kept safely by respective drivers, and returned it 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 refuelling 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:

Management response was received

19.3.2.9 Vote Ledger 2015

Findings and Analysis:

It was confirmed in conducting this audit for MWSYA that the Vote Ledger was not maintained and updated by the responsible officer. This was evidenced when the audit had requested a copy of such and found that the officer concerned was still in the process of entering and updating their record.

Implications:

- Failure to update the vote ledger would make reconciliation difficult and a breach of relevant provisions of Financial Regulation (FR) 2011. It could also increase risk of overspending in some related outputs as a result.

Recommendations:

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

Management response:

Management response was received

19.3.2.10 Control over imprest – Outstanding Imprest of $13,283.05

Finding and Analysis:

According to the Finance listing of the outstanding Imprest it has been confirmed that MWSYA, like other Ministries, had also an accumulated outstanding Imprest valued to $13,283.05[5]**.**The outstanding imprest from the previous audit report (2014) was **$79,989.33** giving a decrease of $66,706.28. This is an indication of good control over the retirement of imprest from previous imprest holders.

Implications:

- Not retiring of Imprests within the 10 days graces period and if officers are still allowed to travel this 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 response was received

[5] Further details of this figure could be viewed under Audit WP Ref: Imprest Outstanding (excel format)

20. MINISTRY OF PUBLIC WORKS AND UTILITIES (MPWU)

20.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Public Works and Utilities for the year ended 31st December 2015 with **“Emphasis of matter”** as discussed in detail from 20.3 below.

20.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Ministry of Public Works and Utilities performance in the fiscal year 2014.

- Shortfall of revenue reported of over $11k
- Miss-allocation of revenue
- Lack of control over the issuance of bus ticket
- Absence of control mechanism over telephone calls to overseas for unofficial purpose
- Failure to submit driver’s log book for 2014
- Not adhere to Cabinet Decision Minute No. 77/10 – Leave entitlement policy

20.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

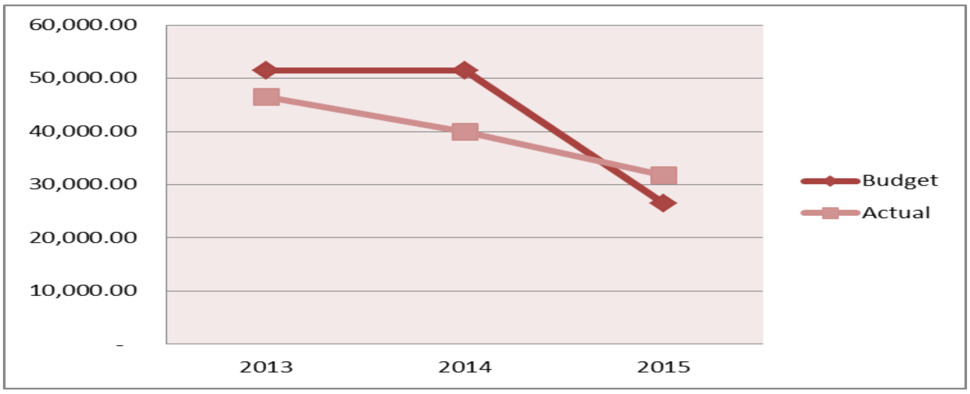
20.3.1 REVENUE BUDGET

Findings and analysis:

20.3.1.1 MPWU Revenue summary collection

Year	2013	2014	2015
Budget	$51,400.00	$51,400.00	$26,430.00
Actual	$46,411.00	$39,981.00	$31,790.24
(over)/Under	$4,989.00	$11,419.00	-$5,360.24

20.3.1.2 Comparative graph budget revenue against actual

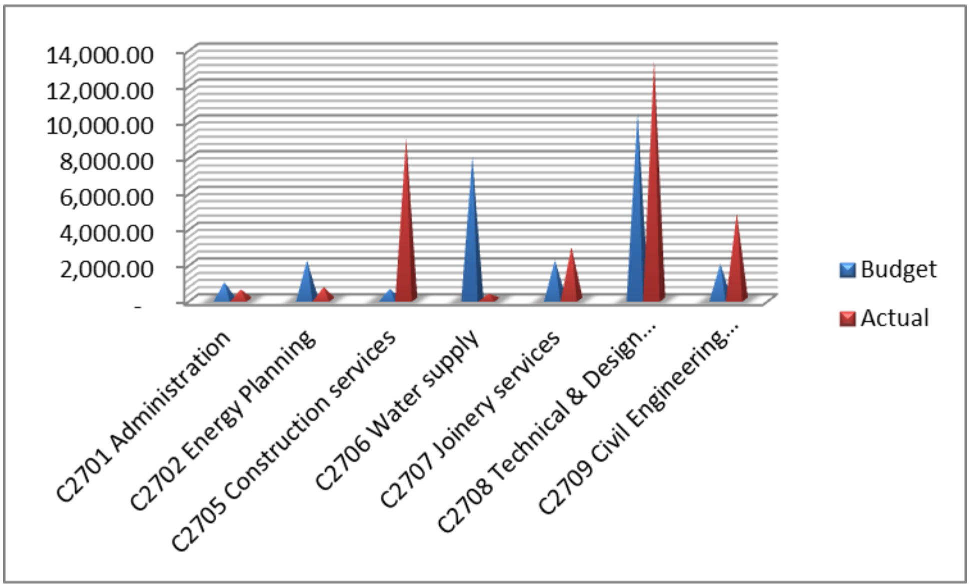


It is evidenced from the above graph the trend of actual revenue collected for the last three years had declined and the budget level set for 2015, which was reduced by 48%, appear to be the correct budget level for the Ministry. An explanation though is required from management as to why the actual collection trend declined from 2013.

20.3.1.3 MPWU Revenues against budget by divisions

Divisions	Budget	Actual	(Over)/Under
C2701 Administration	980.00	572.25	407.75
C2702 Energy Planning	2,190.00	707.05	1,482.95
C2705 Construction services	600.00	9,022.34	- 8,422.34
C2706 Water supply	8,000.00	337.55	7,662.45
C2707 Joinery services	2,210.00	2,943.66	- 733.66
C2708 Technical & Design services	10,450.00	13,384.64	- 2,934.64
C2709 Civil Engineering services	2,000.00	4,822.75	- 2,822.75
Total	**26,430.00**	**31,790.24**	**- 5,360.24**

20.3.1.4 MPWU Comparative graph of revenue budget against actual by divisions



Basically there are 10 divisions under MPWU of which only 7 generate revenue as clearly indicated in the above graph/table. However, out of the 7 divisions reflected above, only 4 surpassed the revenue budget whilst the remaining divisions were unable to meet their revenue target as reported above.

Recommendation:

- ✓ Management must encourage all divisions who had failed this year to increase their revenue collection in order to achieve their revenue targets so all could contribute to the growth of the government revenue.
- ✓ Management has to revise its revenue budget for some of its divisions to a more realistic estimate or, if the estimate is as expected, to encourage these divisions to exert efforts in collecting the revenue in order to meet their targets.

Management response:

Management response not received

20.3.1.5 Insufficient source of documents

Findings and Analysis:

The audit noted RRs with value of $4,103.90 were not provided for audit verification when requested. As a result the audit team could not confirm the accuracy of the amount (revenue) revealed in the Management report. Refer to the table provided below for further details and clarification.

These receipts were tested and found missing from related form A							
DATE	FORM A#	RR FROM	RR TO	$	ACTUAL	VARIANCE	REMARKS
11/6/2015	30/15	207681	207688	649.20	323.70	325.50	RR# 207681 - 207684 not attached - treated as missing documents
9/6/2015	28/15	207653	207676	3,205.20	2,188.40	1,016.80	RR# 207661 - 207668 not attached - treated as missing documents
25/5/2015	23/15	207601	207612	1,124.90	1,022.40	102.50	RR# 207601 - 207602 not attached - treated as missing documents
16/3/2015	08/15	184849	184900	4,401.20	2,610.50	1,790.70	RR# 184857 - 184860 & 184865 - 184876 not attached - treated as missing documents
22/1/2015	02/15	151989	152000				
		166801	166840	7,037.00	6,168.60	868.40	RR# 151989 - 151992 not attached - treated as missing documents
						$ 4,103.90	

Implications:

- Missing and Unavailability of valid documents requested for audit verification is a complete violation of Cap 79 and Government Financial Regulations (FR 2011).
- The absence of above requested documents would make it difficult to confirm the actual charges made in the budget and revenues received, all of which would increase the risk of misappropriation and loss of public funds.

Recommendation:

- ✓ The Ministry concerned through its accounts division should ensure that all revenue documentations are fully supported and kept in safe place for future management and/or audit reference.
- ✓ Management must ensure its responsible officials are also fully conversant and comply with the provisions of financial government rules, laws and regulations in order to avoid future grievances.

Management response:

Management response not received

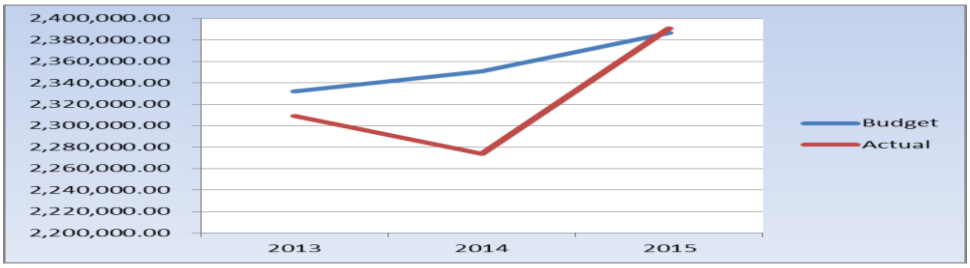
20.3.2 EXPENDTIDURE BUDGET

Findings and analysis:

20.3.2.1 MPWU Expenditure summary

Year	Budget	Actual	(Over)/Under
2013	2,331,798.00	2,308,930.00	22,868.00
2014	2,350,738.00	2,273,917.07	76,820.93
2015	2,386,335.00	2,390,738.79	- **4,403.79**

20.3.2.2 Comparative graph of Expenditures budget against actual.

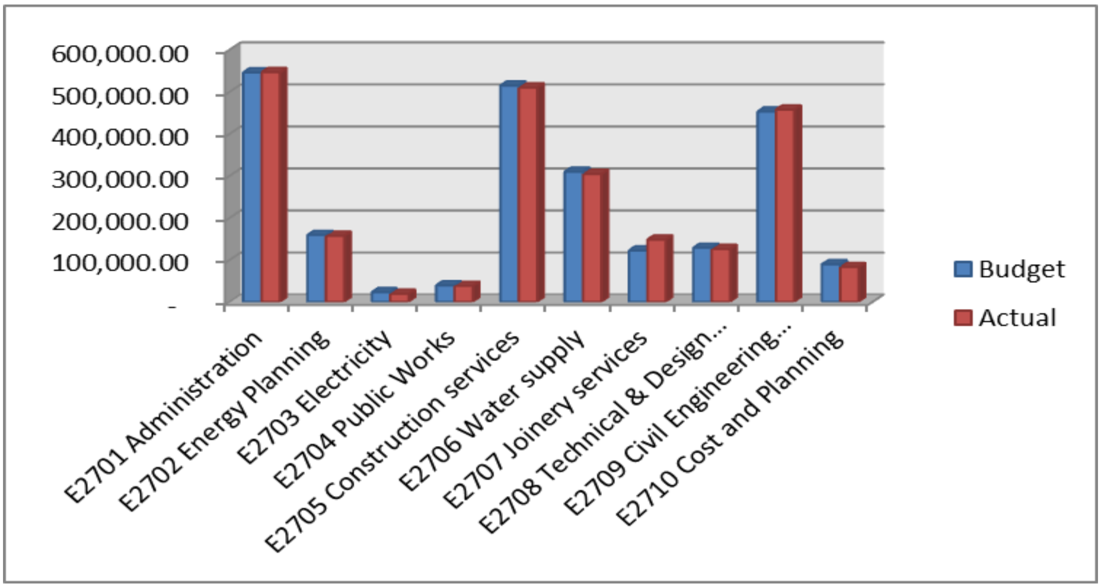


As indicated in the above graph/table, the level of spending of the Ministry fluctuated and had increased dramatically in 2015 to the extent of incurring a net loss of $4.4k. The budget increase of 1.5% was not sufficient to meet the increase in the actual spending incurred by the Ministry. Therefore management should ensure its future budget level is aligned with activities of all of its divisions.

20.3.2.3 MPWU Expenditure budget against actual by divisions.

Divisions	Budget	Actual	(Over)/Under
E2701 Administration	546,117.00	546,611.44	- 494.44
E2702 Energy Planning	159,198.00	157,256.80	1,941.20
E2703 Electricity	23,162.00	19,392.55	3,769.45
E2704 Public Works	39,294.00	38,046.77	1,247.23
E2705 Construction services	514,929.00	509,937.11	4,991.89
E2706 Water supply	309,785.00	304,374.71	5,410.29
E2707 Joinery services	122,587.00	148,320.97	- 25,733.97
E2708 Technical & Design services	128,810.00	125,911.61	2,898.39
E2709 Civil Engineering services	453,080.00	457,859.98	- 4,779.98
E2710 Cost and Planning	89,373.00	83,026.85	6,346.15
Total	**2,386,335.00**	**2,390,738.79**	**- 4,403.79**

20.3.2.4 Comparative graph of budget expenditure against actual per divisions.



The bulk of the unauthorized spending reported above was mainly caused by 07 Joinery Services in the sum of $25k followed by 09 Civil Engineering Services and 01 Administration amounting to $4k and $494.44 respectively. However, the rest of divisions were able to spend within their budget limits.

Recommendation:
Management has to revise its expenditure budget to a more realistic estimate or, if the estimate is as expected, to exert efforts in improving the level of their spending within the allocated budget so as to report net savings in future years.

Management response:

Management response not received

20.3.2.5 Overspending by individual sub outputs 2015

Findings and Analysis:

OVERSPENDING BY INDIVIDUAL SUB OUTPUTS FOR 2015				
CODE	DETAILS	BUDGET	ACTUAL	VARIANCE
E27010000201	KPF Contribution	30,021.03	30,061.31	(40.28)
E27010000202	Salaries	160,688.31	164,239.81	(3,551.50)
E27010000241	Stationery & Supplies	3,642.43	3,642.48	(0.05)
E27020000202	Salaries	78,929.16	80,046.16	(1,117.00)
E27030000201	KPF Contribution	-	17.40	(17.40)
E27030000202	Salaries	-	232.00	(232.00)
E27030000204	Allowances	-	2.50	(2.50)
E27050000202	Salaries	268,626.02	268,626.32	(0.30)
E27050000231	Telecomms	18,622.80	18,622.89	(0.09)
E27060000216	Internal Travel	14,917.40	15,846.90	(929.50)
E27070000208	Leave grants	5,250.00	11,351.25	(6,101.25)
E27070000216	Internal Travel	1,900.00	27,061.93	(25,161.93)
E27090000201	KPF Contribution	16,577.84	16,961.84	(384.00)
E27090000202	Salaries	244,705.99	249,847.69	(5,141.70)
E27090000203	Housing Assistance	2,700.00	2,700.00	-
E27090000204	Allowances	1,905.58	2,045.60	(140.02)
E27090000205	Overtime	1,204.00	4,509.53	(3,305.53)
		$ 849,690.56	**$ 895,815.61**	**$ (46,125.05)**

The above table revealed all outputs that were overspent during the course of the year and the bulk of which was mainly caused by outputs: E2707-216 Internal travel with it excess spending of over $25k, followed by E2707-218 leave grant and E2709-202 Salaries in the sum of over $6k and $5k respectively. When adding these overspent with the remaining overspent outputs it comes to over $46k unauthorized spending in total as per indicated above.

20.3.2.6 Budgeted Expenditure but not used up during the Year.

Findings and Analysis:

BUDGETED FOR EXPENSES BUT NOT USED UP DURING THE YEAR 2015				
E27040000215	Transport to work	58.00	-	58.00
E27040000285	Hire of Plant/Equipment	55.08	-	55.08
E27070000244	Repairs Equipment	1,000.00	-	1,000.00
E27070000251	Overseas Services	765.00	-	765.00
E27080000251	Overseas Services	700.00	-	700.00
E27100000205	Overtime	330.00	-	330.00
E27100000215	Transport to work	500.00	-	500.00
E27100000240	Printing	900.00	-	900.00
E27100000251	Overseas Services	600.00	-	600.00
		$ 2,330.00	**$ -**	**$ 2,330.00**

As reflected above, there was some expenditure output budget that had not been utilized during the year. These unutilized budgets could have better been used via transfers to other activities that are in dire need of funds.

Recommendations:

- ✓ Management has to ensure that all Supplementary and/or transfers within the Ministry outputs should be done on a timely basis in order to give a virtuous picture of the Ministry's accounts.

Management response:

Management response not received

20.3.2.7 Temporary Appointment

Findings and Analysis:
It was noted during the audit that the following employees' temporary appointment letters were not made available hence made it not possible for the audit team to validate the accuracy of the appointment and their salary levels.

- Officer 1
- Officer 2

Implications:

- ➢ Failure to provide temporary appointment letters for above employees could raise doubts on the validity of the payment and would undermine the credibility of the Ministry.
- ➢ The absence of appointment letters would also annul all payments been made to the so called temporary or contract officers.

Recommendation:

- ✓ Accounting Officer should make copies of all vital accounting documents and kept them safely for future reference and/or audit purposes.
- ✓ Management should also provide the above requested temporary appointment letters to settle this matter and to have this finding cleared from the report.

Management response:

Management response not received

20.3.2.8 Control over Imprest – Outstanding.

Findings and Analysis:

The audit had selected 21 officers from different divisions under the Ministry of Public Works and Utilities to perform its testing primarily on their outstanding Imprest. It was confirmed after the checking that these officers had failed to retire their Imprest within 10 consecutive working days upon their arrival as evidenced by reporting the total outstanding Imprest of over $59k as reflected in the table hereunder:

Outstanding impress at 2015	
Name	**O/S Impress**
Officer 1	18,635.85
Officer 2	300.00
Officer 3	17,834.29
Officer 4	4,226.88
Officer 5	211.50
Officer 6	315.00
Officer 7	360.00
Officer 8	10.00
Officer 9	135.00
Officer 10	500.00
Officer 11	1,585.10
Officer 12	10,020.75
Officer 13	315.00
Officer 14	47.95
Officer 15	1,350.00
Officer 16	675.00
Officer 17	4.90
Officer 18	20.00
Officer 19	135.00
Officer 20	2,618.00
Officer 21	113.00
	$ 59,413.22

Implications:

- Timely retirement of Imprest is in compliance with FR 11 requirement and would contribute to the strength of the cash flow of Government.
- Failure to retire the current issued 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.

Recommendations:

- ✓ Imprest retirement policy should be enforced by the accounting unit and/or recovery should be made especially for those who had accumulated huge outstanding Imprests.
- ✓ Management must maintain a register for Imprest to monitor the retirement by officials.
- ✓ Management should ensure that all above identified officers have retired their Imprests and no further Imprest will be given, and to pursue speedy recovery on those still yet to retire their Imprests.

Management response:

Management response not received

20.3.2.9 Log books

Findings and analysis:
The audit noted that driver's log book was not submitted for audit validation, therefore, made it not possible for auditors to check and verify the following;

- the number of miles used in the morning pick up and afternoon drop off
- the overtime hours in the morning pick up and afternoon drop off
- the number of days the vehicle was refuelled – in terms of full tank

Implication:
- ➢ Failure in maintaining and reviewing of log books will increase risk of abuse and misuse of government's vehicles thus could also increase the cost in the budget.

Recommendations:
- ✓ Management has to remind drivers to return their log books at year end to the accounting unit for future management and/or audit references.
- ✓ Management should regularly review the drivers' log books to ensure such are updated by drivers.

Management response:

Management response not received

20.3.2.10 Unavailability of documents

Findings and Analysis:
When conducting this year's audit it was noted that almost all requested documents were not made available by the responsible officer for further audit authentication and the amount involved was **$113,732.64.** Thus, the audit team could not confirm the accuracy of such payments and management should provide valid explanation on this matter. Details of which are provided in the table below:

DATE	CODE	CODE DETAILS	PERIOD	BATCH NUMBER	REFERENCE	DESCRIPTION OF REVENUES	DEBIT
5/15/2015	E27010000216	Internal Travel	5-May	312	tc006/15	ret au318&257/15 Xmas,2/3-19/3	4,140.00
5/18/2015	E27010000216	Internal Travel	5-May	344	155	hqpv2488/5 mpwu0490/15 coral s	1,445.00
9/3/2015	E27010000216	Internal Travel	8-Aug	567	HQJV429	moe 14/15 Adj of Misallocation	713.00
1/1/2015	E27010000227	External Travel	2-Feb	96	TC005/15	RET AU409/15 JAPAN	7,140.50
3/17/2015	E27010000227	External Travel	3-Mar	132	0249/27	hqpv2396/3 mpwu0249/15 tobarao	3,400.00
4/18/2015	E27010000227	External Travel	4-Apr	206	0379/27	hqpv2475/4 mpwu0379/15 lpo#029	3,453.72
4/27/2015	E27010000227	External Travel	4-Apr	243	SUB#02/15A	hqpv2696/4 mpwu0397/15 airfare	5,569.00
4/27/2015	E27010000227	External Travel	4-Apr	243	331329	hqpv2697/4 mpwu0403/15 airfare	5,746.00
4/27/2015	E27010000227	External Travel	4-Apr	243	849	hqpv2698/4 mpwu0057/15 airfare	3,880.00
3/31/2015	E27020000216	Internal Travel	3-Mar	158	TC48/15	RET AU0258/15 XMAS	1,948.48
2/10/2015	E27020000227	External Travel	2-Feb	48	0075/27	hqpv2278/2 mpwu0075/15 tobarao	1,764.00
3/18/2015	E27020000227	External Travel	3-Mar	156	TC24/15	RET AU1321/14 FIJI	1,851.03
10/12/2015	E27020000227	External Travel	10-Oct	813	4006	hqpv 2449 mpwu 0982/27 Maneiko	4,177.00
10/27/2015	E27020000227	External Travel	10-Oct	824	T1086/16	RET AU0952/15 UEANITI KIRITIMA	673.40
11/2/2015	E27020000227	External Travel	11-Nov	836	4015	hqpv2035/11 mpwu1018/15 maneik	4,340.00
11/6/2015	E27020000227	External Travel	11-Nov	840	AU 1398/15	hqpv 5130 mpwu 065/15 Riteta I	3,760.00
11/19/2015	E27020000227	External Travel	11-Nov	875	1089/27	hqpv 5467 mpwu 1089/27 Teuea T	300.00
11/23/2015	E27020000227	External Travel	11-Nov	878	2954/15	hqpv 5566 mpwu 2954/15 Ueaniti	266.00
12/6/2015	E27020000227	External Travel	12-Dec	1003	tc069/15	ret au1341,1376,1330/15 Waysan	4,985.13
12/9/2015	E27020000227	External Travel	12-Dec	970	1135/27	hqpv 5263 mpwu 1135/27 Kaiea B	300.00
12/31/2015	E27020000227	External Travel	12-Dec	1014	1177/27	hqpv 6336 mpwu 1177/27 Peter E	300.00
12/31/2015	E27020000227	External Travel	12-Dec	1014	1178/27	hqpv 6350 mpwu 1178/27 Beretei	300.00
2/5/2015	E27040000216	Internal Travel	2-Feb	48	0023/27	hqpv2110/2 mpwu0023/15 air kir	600.00
3/19/2015	E27040000227	External Travel	3-Mar	153	tc42/15	ret au0030/15 AbuDhabi 15-29/1	5,018.18
9/5/2015	E27040000227	External Travel	9-Sep	681	150849	hqpv2110/9 mpwu0772/15 tobarao	3,885.00
9/7/2015	E27040000227	External Travel	9-Sep	681	47	hqpv 1023 mpwu 0808/27 ANZ SAM	4,238.99
3/17/2015	E27060000216	Internal Travel	3-Mar	152	TC316/15	RET AU0225/15 ABAIANG	315.00
4/8/2015	E27060000216	Internal Travel	4-Apr	228	tc35/15	ret imp(Onotoa 21/4-28/4/15)	315.00
5/15/2015	E27060000216	Internal Travel	5-May	312	tc38/15	ret au1283/14 trip23/10-15/12/	348.70
8/31/2015	E27060000216	Internal Travel	8-Aug	582	903777	xmashqpv85/8FBRCV	235.20
8/31/2015	E27060000216	Internal Travel	8-Aug	633	KTATT0026-15A	hqpv2820/8 mpwu0796/15 air kir	560.00
9/8/2015	E27060000216	Internal Travel	9-Sep	715	tc24/15	ret au1339/15 Keebwa Teremita	315.00
10/10/2015	E27060000216	Internal Travel	10-Oct	821	tc317/15	ret au142/15,858/14 Renate Wil	730.00
10/10/2015	E27060000216	Internal Travel	10-Oct	821	tc061/15	ret au1338/15 Wanro Ngutu	315.00
2/28/2015	E27070000216	Internal Travel	2-Feb	89	0178/27	hqpv2943/2 mtc106/15 pub	9,000.00
7/13/2015	E27070000216	Internal Travel	7-Jul	510	331377	hqpv2276/7 mpwu0595/15 tobarao	3,278.00
9/17/2015	E27070000216	Internal Travel	9-Sep	683	3313378	hqpv 2352 mpwu 0636/27 Tobarao	3,278.00
12/9/2015	E27070000216	Internal Travel	12-Dec	970	AU 0877/15	hqpv 5249 mpwu 070/15 Bereteit	3,794.99
1/24/2015	E27080000216	Internal Travel	1-Jan	26	0024/27	hqpv2351/1 mpwu0024/15 kssl	2,782.47
2/9/2015	E27080000216	Internal Travel	2-Feb	48	0071/27	hqpv2261/2 mpwu0071/15 pacific	2,241.00
3/31/2015	E27080000216	Internal Travel	4-Apr	193	925629	hqpv141/03Lap 383/15PVU	560.00
1/25/2015	E27090000216	Internal Travel	1-Jan	27	0011/27	hqpv2395/1 mpwu0011/15 pvu	3,370.70
2/24/2015	E27090000216	Internal Travel	2-Feb	85	0126/27	hqpv2660/2 mpwu0126/15 maneiko	5,000.00
9/4/2015	E27090000216	Internal Travel	9-Sep	716	2006	hqpv2731/9 mpwu0872/15 ub ship	3,099.15
							$ 113,732.64

Implications:

- Relevant provisions of Cap 79 and Government Financial Regulation 2011 could be desecrated if the Ministry still failed to provide the above requested documents for further audit verification.
- The absence of payment vouchers and/or supporting documentations could veil actions that may have inflicted misappropriation of public funds.
- Missing documents for just last year is an indication of poor record keeping therefore management should consider appropriate action against the responsible officers concerned.

Recommendations:

- ✓ It is the responsibility of the Senior Accountant to ensure that all accounting source documents in each fiscal year should be recorded in the movement register in order to easily trace the whereabouts of the missing documents.
- ✓ Management should also ensure its officials are fully conversant and comply with the provisions of financial government policies, laws and regulations.

Management response:

Management response not received

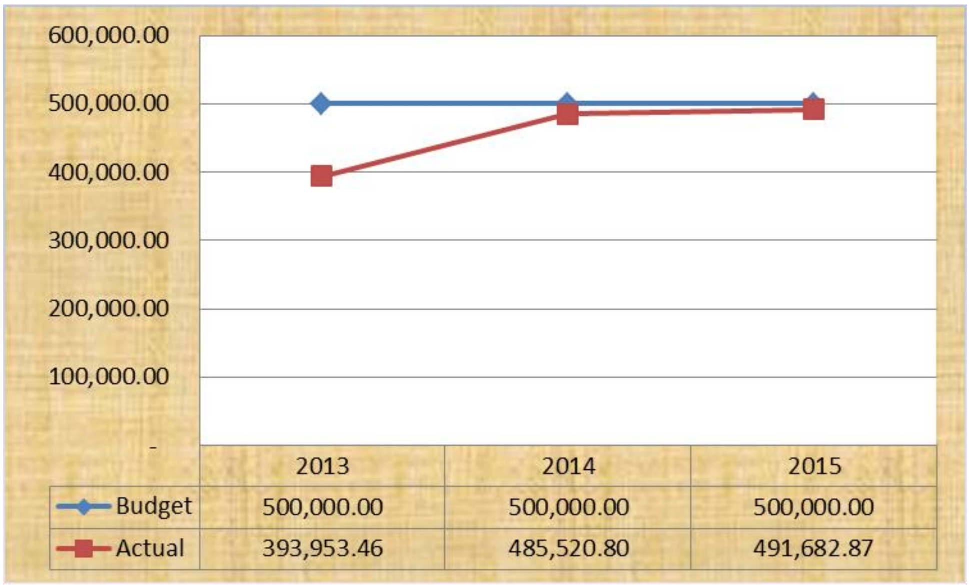
20.3.3. GOVERNMENT BUILDINGS MAINTENANCE - E31600000289

Finding and Analysis:

20.3.3.1 Government Buildings Maintenance expenditure summary

Year	2013	2014	2015
Budget	500,000.00	500,000.00	500,000.00
Actual	393,953.46	485,520.80	491,682.87
(Over)/Under	**106,046.54**	**14,479.20**	**8,317.13**

20.3.3.2 Comparative graph expenditure budget against actual



It is pleasing to note there is no overspending incurred on this maintenance fund. However the questions that could be raised could include concerns as to which buildings have been renovated or Ministries that benefitted this year and what plans of actions have been put in place for the ongoing and efficient use of such fund.

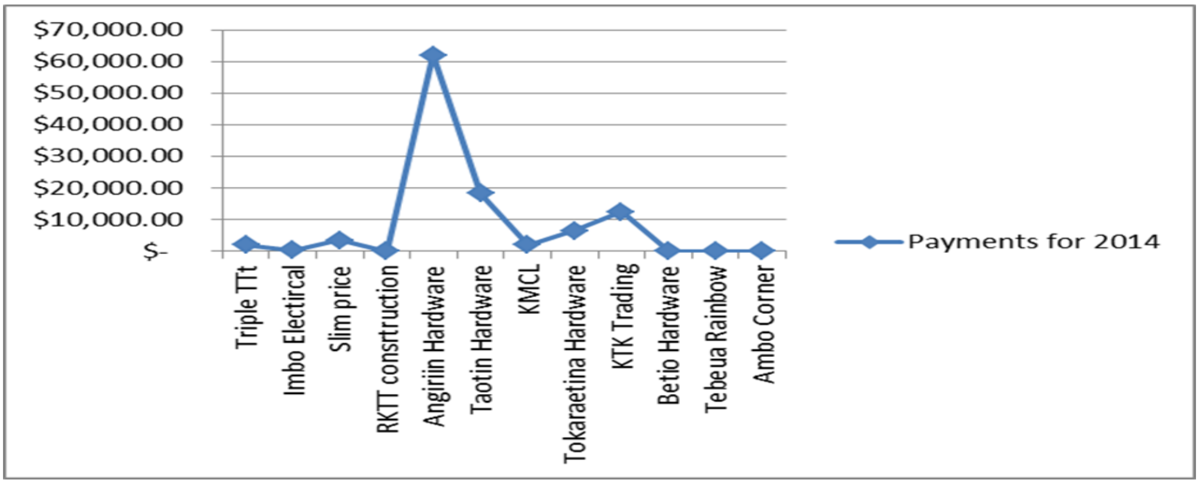
Management response:

Management response not received

20.3.4 2015 SUMMARY OF PROCURED PAYMENTS FOR DELIVERING OF GOODS & SERVICES IN RESPECT OF REGISTERED HARD-WARES

Descriptions	Payments for 2014
Triple TTt	$ 2,057.65
Imbo Electircal	$ 373.05
Slim price	$ 3,582.65
RKTT consrtruction	$ -
Angiriin Hardware	$ 61,968.20
Taotin Hardware	$ 18,404.51
KMCL	$ 2,052.51
Tokaraetina Hardware	$ 6,578.16
KTK Trading	$ 12,490.25
Betio Hardware	$ -
Tebeua Rainbow	$ -
Ambo Corner	$ -

20.3.5 COMPARATIVE PROCURED PAYMENTS GRAPH FOR DELIVERING OF GOOD & SERVICES IN RESPECT OF REGISTERED HARD-WARES.



From the above table/graph above it was noted that the bulk of payments in 2014 was made to Angiriin Hardware in the sum of over $61k, followed by Taotin Trading and KTK Trading amounting to $18k and $12k respectively. However, the remaining hardware's had also claimed their payments but not that much compared with payments made to Angiriin Hardware. Therefore, in this incident, the audit had further carried out its testing on significant areas and found the following issues to which responses are required from the officer responsible accordingly.

20.3.6 SELECTION OF SUPPLIERS

The selection for suppliers was not consistent with procurement act hence Angiriin hardware had been the most favoured by the store man/maid to purchase their materials from. And this could be seen by the amount spent of **$61,968.20** compared with other registered hard-wares as per stated above. Some issues discovered during the audit were as follows:

- Selecting suppliers via phone was not adequate as there was no proper quotations provided hence the officer could give ***false information*** by:

  i. *Pretending that she/he had been contacting many suppliers when in fact, only one supplier was contacted via phone in which could have increased the risk of having conflict of interest in terms of a friend or have is relative.*

  ii. *Materials could be easily swopped to another item for gaining or to be used for personal advantages & benefit.*

- The recommended supplier for goods & services to be purchased from could be easily replaced and changed without stating reasons as indicated in the table provided below:

PV no.		Quotation	Date ofon which quotation was collected	Comments
04/14	Angirinn hardware	179.00	no quotation attacted	only one supplier Angiriin contacted by phone
05/14	Angirinn hardware	4,176.20	no quotation attacted	only one supplier Angiriin contacted by phone
06/14	Angirinn hardware	3,481.20	no quotation attacted	only one supplier Angiriin contacted by phone
11/14	Angirinn hardware	2,461.90		48 bags gravel and 36 sand was not included in the list of material
941/14	Angirinn hardware	3,036.00	no quotation attacted	
973/14	Angirinn hardware	5,030.00	check finance	
628/14	Angirinn hardware	2,264.00	no quotation attacted	only one supplier Angiriin contacted by phone
572/14	Angirinn hardware	2,036.60	no quotation attacted	three suppliers contacted by phone
525/14	Angirinn hardware	4,966.00	no quotation attacted	three suppliers contacted by phone
524/14	Angirinn hardware	1,282.50	no quotation attacted	only one supplier Angiriin contacted by phone
563/14	Angirinn hardware	1,930.95	no quotation attacted	three suppliers contacted by phone
561/14	Angirinn hardware	3,084.50	no quotation attacted	Fair Price was recommended with 30 box $1,350.00 vinil tile but swop to Angiriin
				with materials that not listed in Procured Purchased Form amounted $3,082.50

Management response:

Management response not received

20.3.7 FORGED DOCUMENT

Findings and Analysis:

20.3.7.1 Invoices being manipulated

The invoices for the two contractors; AT and SR contractors plus letter from claimant were being manipulated thus trigger false claims and payments. It was found the manipulation and creation of such false statement was done mainly by the store man/maid. It was further noted that the cheques payable to the two contractors amounting to $2,342.80 were also collected by the same named store maid.
Further to that, during the verification of such payments, the audit noted that she actually forged the document, signature or other imitation of an object of value used with the intent to deceive another and to gain monies for her personal benefits as indicated below:

- The audit is of believed that the payment was allegedly forged by the storeman. In fact, the two invoices submitted for the claim were manipulated by contractor's.

Table 1a

Date	Code	PV #	Invoice	Cheque	Contractors	Items	Amount
23/03/15	E316_289	0294/27	971651	845298	AT Contractor	33 tins of Acrylic under coat @ $50.60	1,667.80
15/04/15	E316_289	0365/27	971652	845604	SR Contractor	9 bags of CTF @$75	675.00
							$ 2,342.80

- Cheque payable to SR Contractor amounting to **$675** was endorsed and collected by the store maid. However, the store maid husband is a brother of SR Contractor husband *(the owner of SR contractor, a registered contractor)* and they lived together under one roof. As confirmed she was the one who signed (forged signature) the payment vouchers and then initial the wrong name, along with her forged signature where she should initial her real name on the payment voucher instead of naming herself! It was further noted that upon collecting monies at MFED there was no authoritative letter and consent from SR Contractor indicating that she has been authorized to collect such monies on behalf of the Contractor. In this case the audit had confirmed that she has committed an unlawful act, therefore severe penalty and recovery actions through the courts on the false claim should be instigated with immediate effect. Management should provide an update on this case.

- By comparing the unit price as per supplier's price it was also noted that the store maid had been offered the very expensive prices for the said contractors as per details appended as follow:

Date	Pv no.	Invoice no.	Items	Unit Price	Procured	Store maid	Angiriin hardware
18/8/14	572/14	0156	4 bags of ctf	30.90	Yes		123.00
15/4/15	0365/15	971652	9 bags of ctf	75.00	Yes	675.00	

- In addition, the cheque which was payable to AT contractor ***(Ghost contractor)*** amounted to $1,667.80 was also forged by the same person. As discovered, the same officer had made up fake claims by forging the signature in the sense of pretending that the contractor (AT) was an existing contractor. It was noted AT Contractor was not a registered contractor but a Ghost Contractor and this Ghost Contractor had been utilized by the store maid to buy 33 tins of Acrylic undercoat paint and sold that to MPWU. Such action together with the forged initial signature by same person is deliberate commitment of fraud and this person should be severely penalized in accordance with the provisions of the Penal Code.

20.3.8 CONFIRMATION OF COLLECTING PAYMENTS AT PAYMENT DEPARTMENT WITHIN MFED

Findings and Analysis:
The audit had confirmed that the payments for the two Contractors had been collected the store maid after the interview and discussion between the audit team and the Accountant from MPWU, and Account officer, from Payment Unit, MFED as follows:

- As noted during the discussion with the accountant from MPWU, the two payments were collected by the store maid only, using forged document and signature as per stated in the signature list of the receiver for these payments without the consent and authority of AT (Ghost Contractor) and SR Contractor. Refer to forged signature and forged document attached.

- It was also confirmed by the Account officer from Payment Unit, MFED that she (the store maid) was the one who signed all payments and collecting cheques of the said Contractors as per stated in the table hereunder:

Date	Code	PV #	Invoices	Contractors	Items	Amount
23/03/2015	E316_289	0294/27	971651	AT Contractor	33 tins of Acrylic under coat @ $50.60	1,667.80
15/04/2015	E316_289	0365/27	971652	SR Contractor	9 bags of CTF @$75	675.00
3/05/2015	E316_289	0224/27	letter	Temeere Tekieru	180 bags of sand @ $1.00	180.00
						$ 2,522.80

20.3.9 DELIVERING AND PROVIDING OF ITEM MATERIALS FOR BUILDING AND MAINTENANCE WORK

Findings and Analysis:

In the case of delivering and providing item materials for building and maintenance work by Contractors were not allowed on the purpose that they were contractors and were not licensed and registered for the purpose of providing of such good & service (raw materials) as per discussed with Building Engineering Officer, Construction Department. However, the store man/maid had ignored the instruction by forging document and signatures for the two Contractors for delivering of good & services (materials) illegally as follows:

- ✓ AT Contractor was not registered and licensed for delivering of the materials that related with hard ware services, raised the invoice by herself and not AT contractor.
- ✓ SR Contractor was a registered contractor which also not registered or licensed for delivering of such good & services (materials for maintenance work) that dealt with hard ware services.
- ✓ The services delivered by AT (Ghost contractor) and SR contractor would be inadequate hence the purpose of their registrations and licenses were for building and maintenance work only, not providing raw materials for maintenance work as per noted above.

Implications emerged for above issues:

- ➢ Contacting suppliers for materials through phone conversation would increase the risk of having false statement.
- ➢ Failure to provide quotations for the required goods & services is a complete violation of procurement act 2002.
- ➢ Changing the recommended supplier to another supplier with the unlisted materials in the procured purchase form is commitment of fraud that would increase the risk of misappropriation of public funds or to increase the loss of funds.
- ➢ Manipulating the financial documents and creating false statement, claims for better personal gaining is totally an act of fraud and that also breached the relevant provisions of National Condition of Services (NCS).
- ➢ Issuing out payment at MFED without authoritative letter or consent from such contractors would also lead to the losses of public funds.

Recommendations:

- ✓ Management shall ensure its officials are fully conversant and comply with the provisions of financial government policies, laws and regulations including procurement act.
- ✓ Payment Officer at MFED should always demand the authoritative letter or consent from the rigorous recipient in order to avoid future untruthful payment.
- ✓ This case should be reported to the Police for full investigation and recovery through the courts.
- ✓ The officer concerned should be suspended without pay with immediate effect and to await the decision of the courts.

Management response:

Management response not received

21. MINISTRY OF LABOUR AND HUMAN RESOURCE DEV'T

21.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Labour Human Resource Development for the year ended 31st December 2015 with **"Emphasis of matter"** 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 for the Ministry of labour & Human Resources Development performance in the fiscal year 2014.

- Under collection of revenue budget
- Huge spending in the estimate budget which resulted in the overspent.
- Lack of control on the bus tickets.
- The accumulation of outstanding imprest and failure to retire imprest.
- Unavailability of documents.
- Log book was not available upon audit request.
- KIT failed to maintained and update its vote book.
- Lack of reconciliation resulted in various variances
- Unsigned salaries.
- Overtime dockets did not match with pay costing.
- Unavailability of charge-allowance
- Non-compliance with the 2 year Leave entitlement policy.

21.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

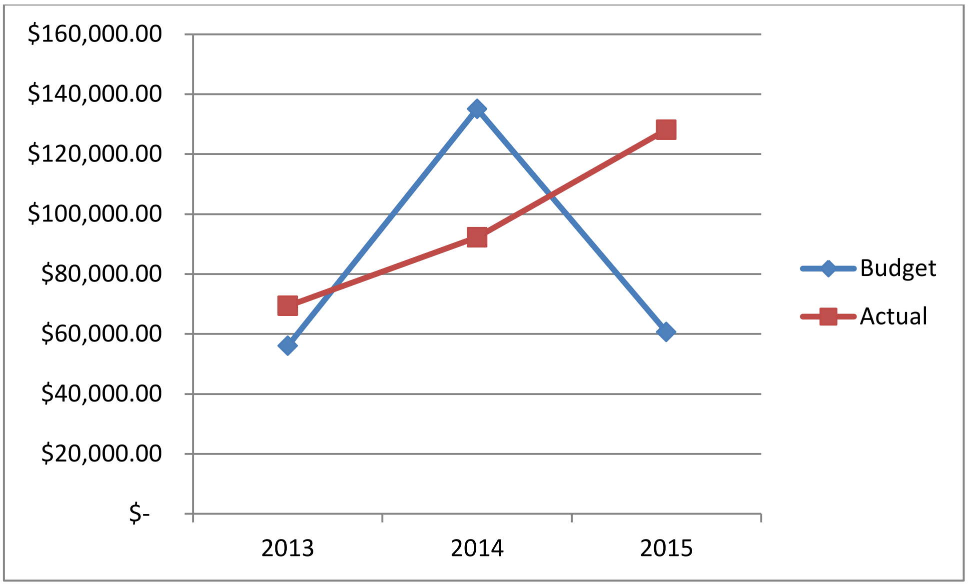
21.3.1 REVENUE BUDGET

Finding and Analysis:
The Ministry's revenue analysis is presented in the table below:

21.3.1.1 MLHRD Revenue summary collection:

Year	Budget	Actual	(Over)/Under
2013	$ 56,005.00	$ 69,355.00	$ (13,350.00)
2014	$ 135,021.00	$ 92,244.93	$ 42,776.07
2015	$ 60,611.00	$ 128,097.87	$ (67,486.87)

21.3.1.2 Comparative graph of budget revenue against actual



As reflected in the table/graph above, the MLHRD revenue budget seemed to have been incorrectly estimated when compared with the 2014 Revenue Budget. Indeed, the estimated revenue for MTC division had been significantly understated and resulted in the excess revenue collection of over $67k. Despite the above the Ministry should be applauded for such an unexpected boost in its revenue collection.

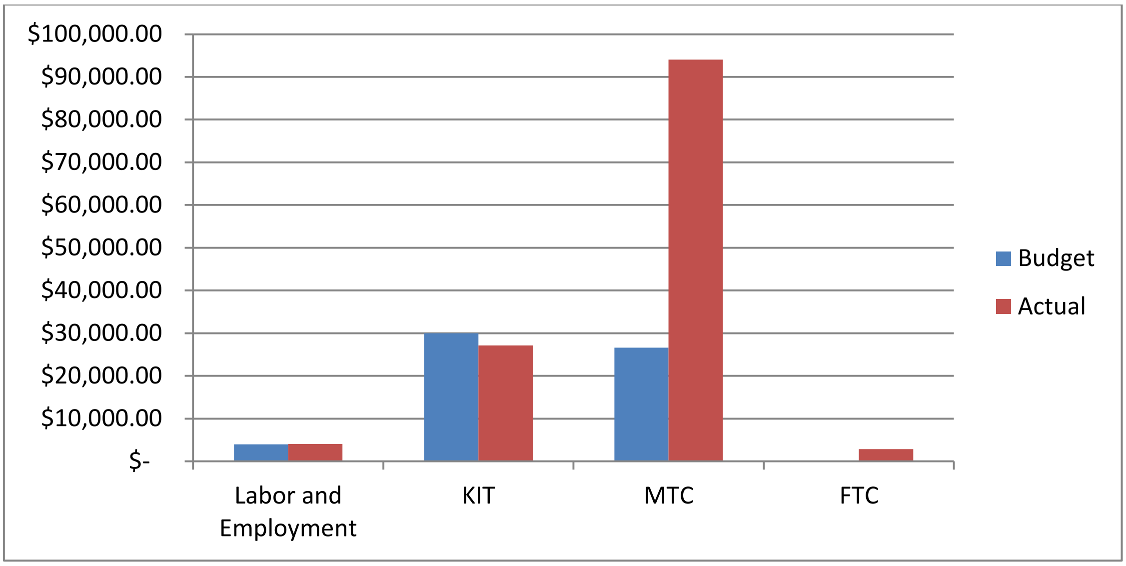
The following table depicts the revenue collected per subhead and it is evidenced the budget for MTC appear to have been understated for the year.

21.3.1.3 MLHRD Revenues against budget by divisions

Divisions	Budget	Actual	(Over)/Under
Labour and Employment	$ 4,000.00	$ 4,016.00	$ (16.00)
KIT	$ 30,000.00	$ 27,157.52	$ 2,842.48
MTC	$ 26,611.00	$ 94,058.35	$ (67,447.35)
FTC		$ 2,866.00	$ (2,866.00)
Total	**$ 60,611.00**	**$ 128,097.87**	**$ (67,486.87)**

MTC should be commended for having boosted the overall net excess collection of the Ministry to over $67k.

21.3.1.4 Comparative graph of Budget revenue against actual per divisions



The graph above depicted MTC had exceeded other revenue collecting divisions by over $67k. However it is of paramount importance the budget is based on the revenue the divisions expect to collect in the year.

Further analysis of the Ministry's revenue collection is presented in the table below:

Divisions	Budget	Actual	(Over)/Under
02 Labour and Employment			
Trade testing fees	$ 1,500.00	$ 1,500.00	$ -
Employment services	$ 2,500.00	$ 2,516.00	$ (16.00)
03 KIT			
Course fees	$ 30,000.00	$ 27,157.52	$ 2,842.48
04 MTC			
Administration fees	$ 500.00		$ 500.00
Course fees	$ 26,111.00	$ 94,058.35	$ (67,947.35)
05 FTC			
Administration fees		$ 2,866.00	$ (2,866.00)
Total	**$ 60,611.00**	**$ 128,097.87**	**$ (67,486.87)**

Implication:
A more realistic revenue forecast would contribute to the overall Government forecast especially in determining the means of meeting the overall budgeted spending level.

Recommendations:
- ✓ The ministry should ensure that those responsible are using reliable data as the basis for computing the Ministry's revenue budget.
- ✓ The ministry should ensure its budget level is aligned with the activities of its respective divisions.

Management response:

Management response not received

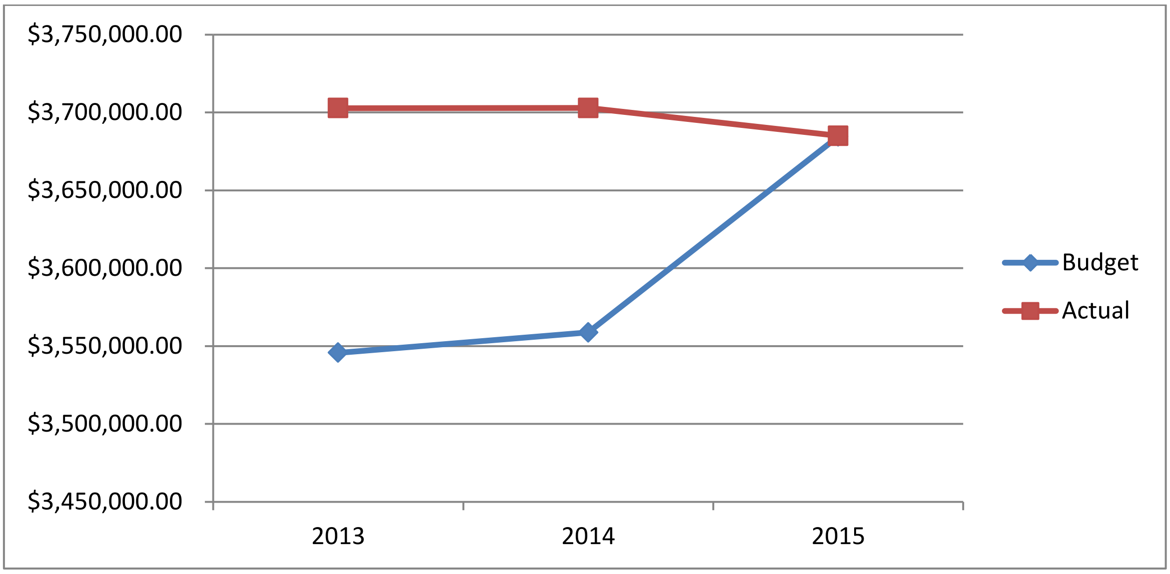
21.3.2 EXPENDITURE BUDGET

The analysis of the Ministry's Expenditure against Budget is presented below

21.3.2.1 MLHRD Expenditure summary

Description	2013	2014	2015
Budget	$ 3,545,665.00	$ 3,558,740.00	$ 3,684,455.00
Actual	$ 3,702,696.70	$ 3,702,883.82	$ 3,684,938.46
(Over)/Under	$ (157,031.70)	$ (144,143.82)	$ (483.46)

21.3.2.2 Comparative graph of Budget Expenditure against Actual.

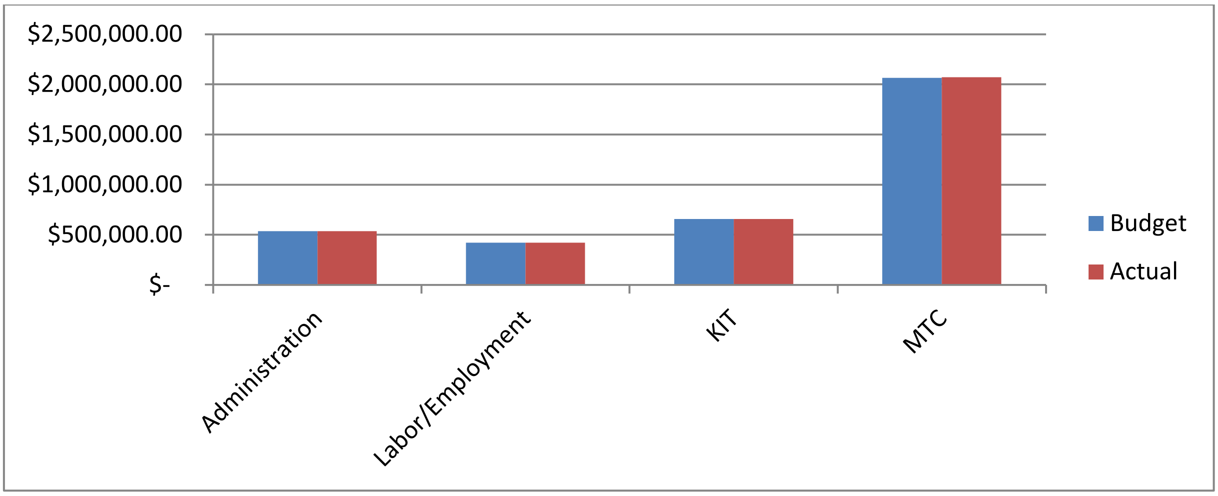


As could be witnessed from the analysis above, the budget level had increased by 4% over that of 2014 thus, although for the last three consecutive years (2013-2015) the Ministry exceeded its budget level, the excess spending in 2015 had drastically reduced. That is, in 2013 the over expenditure was $157k, 2014: $144k and 2015: only $483. The Ministry should be applauded for having been able to set a more realistic budget level and had just managed to spend slightly above budget when compared to its performance in previous years.
The ministry divisional expenditure analysis is detailed below:

21.3.2.3 MLHRD Expenditure budget against actual by divisions

Description	Administration	Labour/Employment	KIT	MTC
Budget	$ 537,191.00	$ 423,328.00	$ 659,015.00	$ 2,064,921.00
Actual	$ 536,018.13	$ 420,347.02	$ 658,942.20	$ 2,069,631.11
(Over)/Under	$ 1,172.87	$ 2,980.98	$ 72.80	$ (4,710.11)

21.3.2.4 Comparative graph of Budget expenditure against actual per divisions



Out of the four (4) divisions, three (i.e. Administration, Labour & Employment and KIT) operated within their approved budget estimate. MTC though, was operating slightly above its budget by 0.2 %. Further details of excess spending for divisions by output are presented in the table below:

Divisions	Budget	Actual	(Over)/Under
01 Administration			
Hire of Plant	$ 90,870.20	$ 91,285.20	$ (415.00)
03 KIT			
Salaries	$ 303,215.15	$ 303,215.35	$ (0.20)
04 MTC			
Transport to NW	$ 101,275.45	$ 101,435.45	$ (160.00)
Electricity & Gas	$ 239,957.67	$ 243,369.52	$ (3,411.85)
Local Services	$ 29,565.00	$ 30,767.96	$ (1,202.96)

As highlighted from the table above, five different output under 3 different divisions slightly exceeded their allocated budget.

Recommendation:

The Management must encourage all its divisions to spend within their allocated budgets.
Management should ensure its future budgets are aligned with the activities of each of its individual divisions.

Management response:

Management response not received

21.3.2.5 KPF Contribution

Finding and analysis:

The variances between the MFED records (management report) and audit figure indicate lack of reconciliation. The variance shown was the understatement and overstatement of some employee's contributions therefore explanations are required why the Ministry, and particularly staff concerned, had failed to perform regular reconciliation with records held by MFED. MCTTD also has a crucial role in ensuring the deductions appearing in their monthly reports reflect 7.5% of its staff total salary and temporary each pay period. Details of such variances are elaborated in the following table below:

Description	2801(Admin)	2802(Labour & Employment	2803(KIT)	2804(MTC)
Salaries	$ 143,881.59	$ 131,364.70	$ 303,215.35	$ 637,578.05
Temporary	$ 2,875.20		$ 17,497.80	$ 8,919.00
Total	$ 146,756.79	$ 131,364.70	$ 320,713.15	$ 646,497.05
KPF (7.5%)	7.50%	7.50%	7.50%	7.50%
Total	$ 11,006.75	$ 9,852.35	$ 24,053.48	$ 48,487.27
Management report	$13,808.19	$ 7,157.98	$ 24,095.90	$ 47,166.62
Variance	**$ (2,801.44)**	**$ 2,694.37**	**$ (42.42)**	**$ 1,320.65**

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

Recommendation:

- ✓ Management must ensure to conduct and performed reconciliation on a regular basis with MFEP to avoid unnecessary discrepancies at the end of financial year.

Management response:

Management response not received

21.3.2.6 Leave balances-2 years entitlement policy

Findings and analysis:
The audit had conducted its testing on the staff leave balances and the result of which revealed that some staff Leave balances had accumulated for the period of more than two years back as detailed in the table below.

Post Title	Entitlement	Leave Balance	Supported?	2 Years entitlement
P/Secretary	30	115	Yes	no
Labour Officer	30	88.5	Yes	no

The accumulated leave balance for the above officers is not in line with Cabinet Decision Minute No. 77/10.

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.

Recommendation:

- ✓ Management must enforce and implement the Cabinet Decision Minute No. 77/10.
- ✓ Management should ensure it has, maintains and regularly review its leave roster for staff annual leaves.
- ✓ Management should ensure its staff when taking leave in 2017 to offset first their leave entitlement in 2017 before moving back to previous years' leave balances.

Management response:

Management response not received

21.3.2.7 Imprest-External and internal travel

Findings and analysis:
The audit was not able to extend further testing on the imprest for 2015 as the database/register was not provided and available during the audit. That is, audit verification on the accuracy of the imprest retirement and the current outstanding imprest not retired from previous years could not be carried out.

Implication:
- ➢ Failure to maintain and update imprest register/records cause difficulties to reconcile with MFEP's records.
- ➢ Timely retirement of Imprest is in compliance with Financial Regulation 2011 requirement and would contribute to the strengthening of cash flow.

Recommendations:
- ✓ Management must maintain a register for Imprest to monitor the retirement of such by officials.
- ✓ Management must ensure that all Imprests withdrawn are retired after 10 working days from the date the officer return from official trip.
- ✓ Management must ensure that those with outstanding Imprests are not issued any when next travel until they had all cleared their Imprests or had entered into an agreement for recovery.
- ✓ Management should ensure all Imprests for retired officials, if any, are also recovered.

Management response:

Management response not received

21.3.2.8 Log books

Findings and analysis:
In conducting of the audit of log book, it was noted that MLHRD drivers for its divisional sections had failed to submit their log books for 2015 as indicated in the table below:

Vehicle Type	Description	No.	Log Book available	Maintained & Updated?
D/cab	Minister transport	BG 214	no	yes
Minibus	Staff transport	BG262	yes	yes
Saloon car	Transport	BG 253	no	no
D/cab	Betio transport	BG 154	no	no

The absence of the log books and incompleteness hindered the audit verification on the proper use of Ministry's vehicles and confirmation on the accuracy of the following itemized expenses for 2015:
- o Overtime by drivers
- o Fuel consumption
- o To detect mileage used for non-official usage.

Implications:
- ➢ Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, 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.

Recommendation:

- ✓ Accounting officers have to remind drivers to update their log books and to return such books to the accounting unit for account/management and/or audit purposes.
- ✓ Management should have a monitoring system in place that would assist with the refuelling of vehicles.

Management response:

Management response not received

22. MINISTRY OF LINE AND PHOENIX ISLANDS DEV'T

22.1. AUDIT OPINION

An UNQUALIFIED AUDIT OPINION is issued for the Ministry of Line and Phoenix Islands Development for the year ended 31st December 2015 with **"Emphasis of matter"** as discussed in detail from 22.3 below.

22.2. 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 2014:

- Arrears of revenue for government houses and sales of electricity
- Shortfall in the revenue collections of government premises and public works
- Deposit not made on daily basis as required
- Failure to perform proper Bank Reconciliation
- Reporting of the outstanding water bills remain uncollected
- Lack of reconciliation
- Uncollected cheques
- Logbook not provided upon audit request
- Failure to retire outstanding imprest
- Contravene of relevant section of Procurement Act.

22.3. MATTERS ARISING FROM THE AUDIT

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

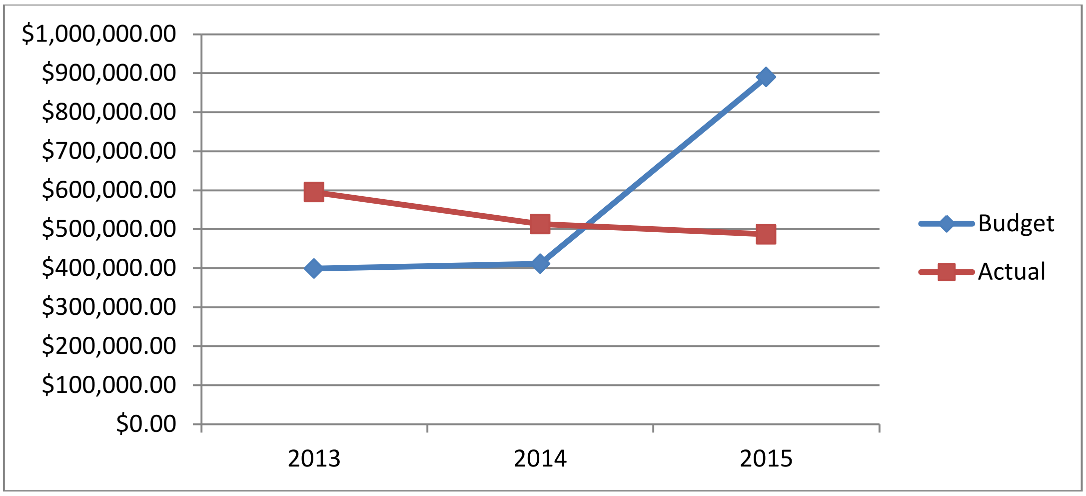
22.3.1 Controls over Revenue

Findings and analysis:

22.3.1.1 Revenue Summary Collection: MLPID 2015

Year	2013	2014	2015
Budget	$399,000.00	$411,172.00	$889,804.00
Actual	$594,883.22	$513,027.86	$486,877.03
Variance(Over)/Under	**-$195,883.22**	**-$101,855.86**	**$402,926.97**

22.3.1.2 Comparative Graph of Budget Revenue against Revenue – (2013-2015)



The above graph shows the revenue collected in the past three years (2013-2015). As observed, the trends witnessed for the first time the wide gap in 2015 between rapid increase in the approved estimate budget and actual collection which simply constitute the fact that the Ministry had unsuccessfully met revenue target by substantial amount of $402k (almost half million and slightly half below the budget).

22.3.1.3 Revenue table by Divisions against Estimates – 2015

Code	Division	Budget	Actual	Variance(Over)/Under
C2901	Administration	$15,000.00	$34,671.22	**-$19,671.22**
C2903	Public Works	$1,500.00	$1,230.00	**$270.00**
C2904	Housing	$69,904.00	$64,673.28	**$5,230.72**
C2905	Electricity	$300,000.00	$325,586.44	**-$25,586.44**
C2907	Water Supply	$31,000.00	$37,675.39	**-$6,675.39**
C2909	Solar Salt	$19,200.00	$6,199.75	**$13,000.25**
C2910	IT	$1,800.00	$16,128.45	**-$14,328.45**
C2911	Civil Engineering	$1,200.00	$712.50	**$487.50**
C2912	Hire of Government Equipment	$450,200.00		**$450,200.00**
	Total	$889,804.00	$486,877.03	$402,926.97

Based on the above table, it was discovered that the bulk of the under collection derived from Hire of Equipment which had an approved estimate of $450k but failed to collect any revenue. Other divisions still not met their revenue targets are Public works $270, Housing $5k, Solar Salt $13k and Civil Engineering $487. The remaining divisions had managed to collect more than the approved budget and should be commended for such achievement.

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 encourage all divisions who had failed this year to increase their Revenue collection in order to achieve their revenue targets so all could contribute to the growth of the government revenue.

Management response:

Management response not received

22.3.1.4 Rental of GOK Houses – Arrears of Revenue

Findings and Analysis:

After the audit performed its testing for each individual tenant records it was revealed that the accumulated outstanding rent of $24k indicate lack of control by the Linnix to ensure prompt payment/deduction are made on regular basis. In addition, some tenants (retire employees/ transferred) who have already left the house also failed to make payment prior release from the premises hence the increase in the outstanding rent. . As per reported, the outstanding of house rent had significantly increased from $**13,302.71 to $24,880.66** for years 2014 and 2015 respectively and therefore there is an indication of lack of follow up of payments. Noted in the table below were the outstanding tenants for all government companies.

Tenant	Details	Code	Amount
BPA	Outstanding rent	C290400051	$1,316.28
Copra	Outstanding rent	C290400051	$529.13
KOIL	Outstanding rent	C290400051	$801.82
CPPL	Outstanding rent	C290400051	nil
TSKL & ATHKL	Outstanding rent	C290400051	$3,494.88
KPF	Outstanding rent	C290400051	nil
INSURANCE	Outstanding rent	C290400051	$1,280.82
CCH	Outstanding rent	C290400051	$7,982.62
PVU OR HMMD	Outstanding rent	C290400051	$6,065.76
DBK	Outstanding rent	C290400051	$782.07
KPA	Outstanding rent	C290400051	$686.38
AIR KIRIBATI	Outstanding rent	C290400051	$1,940.90
	Total		**$24,880.66**

Implications:

- ➢ Failure to recover the above revenue (arrears) will automatically affect the inflow of funds into Kiritimati Government bank account.
- ➢ The accrued arrears will become difficult to recover especially from those that will be transferred back to Tarawa and will retire from the service thus would increase loss of public funds.

Recommendation:

- ✓ Therefore, the ministry should put in place a strong internal follow up mechanism to minimize the arrears from escalating in future years.
- ✓ 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:

Management response not received

22.3.1.5 Bank Reconciliation statement – No. 5 Bank Account 2015

Findings and Analysis:

The audit could not extend further testing as the bank reconciliation was still not prepared and presented in a proper format as was required from the previous audit. This same issue was also detected in our previous audit reports thus proved management had not bothered in correcting their bank reconciliation and therefore those concerned should be reprimanded accordingly. It was detected that the preparation of the Bank reconciliation was started this year (2016) by the SA (Senior Accountant).

The audit confirmed the balance appeared in the bank statement No. 5 Account was $**122,052.51**. However, this differs from the annual account which showed an amount of $**2,460,426** thus constituting a variance of **$2,338,373.49**, an amount which was overstated by the MFEP figure. This proved again there was no reconciliation performed between the MFEP and Linnix. Therefore, the audit would not be able to confirm the accuracy and existence of the balances disclosed in the annual account for 31/12/2015.

Implications:

- Without a proper bank reconciliation statement, direct debits or any other bank errors would not easily be detected which could ultimately lead to loss of public funds. Lack of proper bank reconciliation statement contravened FR 16.13.
- The absence of reconciliation with records held by MFED would undermine the balances appearing in the government annual account and could result in issuing a disclaimer opinion.
- Failure to agree (M/Linnix and MFED) on the balance as appearing in the bank statement and to provide supporting list to explain the variances noted would provide avenue for misappropriating government funds and of course increase risk of loss of public funds.

Recommendations:

- ✓ The audit strongly recommends that the M/Linnix responsible and accountable staff should use the proper format when preparing the monthly bank reconciliation statement.
- ✓ Management should seriously consider reprimanding staff concerned for having repeatedly failed to comply with the correct bank reconciliation process.
- ✓ Management should regularly review the work of the concerned staff and to quickly take remedial action.
- ✓ The Senior Accountant should ensure also to conduct a regular reconciliation with records held by MFED to agree on the balances and should be able to provide explanations to support the anomalies detected in the Annual Account 2015.

Management response:

Management response not received

22.3.1.6 Government Rental Premises – Arrears of Revenue 2015

Findings and Analysis:

Based on the audit testing it was found that most of the tenants who occupied Gov't Premises had used 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:

Details	Particulars	Code	Credit
Immigration	Rent of government premises	C290100050	$ 5,881.74
Custom	Rent of government premises	C290100051	$ 2,193.51
Tax	Rent of government premises	C290100052	$ 3,866.68
Post Office	Rent of government premises	C290100053	$ 2,788.89
Lap enterprises	Rent of government premises	C290100054	$ 8,460.18
KPF	Rent of government premises	C290100055	$ 6,969.67
Internet café	Rent of government premises	C290100056	$ 5,822.96
Education	Rent of government premises	C290100057	$ 3,111.05
DBK	Rent of government premises	C290100058	$ 3,642.68
Dojin	Rent of government premises	C290100059	$ 10,527.36
	Total		**$ 53,264.72**

(Source: MLPID Account Figure 2015)

The above table indicated the total arrears of revenue for Government Premises rental of $53,264.72. As per reported, the outstanding of Government rental premises had slightly decreased from $**79,105.59 to $53,264.72** for years 2014 and 2015 which indicated decent control over follow up payments. After reviewing the individual balances for each tenant's holders, it was found that there has been an ongoing dispute between the Government and tenant's holders such as Dojin and Fair Price refused to pay in full the remaining outstanding rents as they claimed that such outstanding had already been cleared. In fact, it was conveyed during the audit, there was a court case held between the Dojin and Government regarding the outstanding payment but still there were no actions taken following the result of the court. Others such as Immigration, Custom, Tax, DBK, Education and Post office had lodged their requests to the Linnix (management) for considering the fact that they are part and work for the government so there is no ultimate liability to pay such due. There was no immediate response from management to address such request. Hence, their outstanding due from previous (2011) remains unchanged. The remaining tenant (Internet cafes) still paid outstanding due.

Implication:

- 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.

Recommendation:

- ✓ The ministry should regularly reconcile its tenants 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 all arrears are within the statute bar limitation of 6 years by keep following up payment in subsequent years.
- ✓ Management should have a policy in place that will ensure full compliance by tenants.

Management response:

Management response not received

22.3.1.7 Electricity bill- Accumulated outstanding electricity bill for 2015

Findings and Analysis:

In conducting the audit testing, the audit take note and review the following issue as noted hereunder:

- An escalate amount of outstanding electricity bill carry forward from previous years of $830,989.29 still not been recovered/settled from the current users of the electricity as detail in the table below: List of names and details can be sighted upon request.

Domestic users	$94,370.85
Commercial/Private Business	$736,618.44
Total	**$830,989.29**

- Additionally, the audit revealed that the above unsettled amounts are also payable by retired civil servants, transferred officers, etc. who has left Kiritimati without recuperating their electricity bills as the MLIPD had failed to enforce recovery from these former tenants.
- Given the synopsis on the usage of electricity bill, the actual collection of revenue for electricity sales was $325k and this revenue is not sufficient to cover the actual fuel consumption funded by GoK under the LCDF of $884,480.17. MLIPD exerted pressure on the recovery of arrears from those contributing to the total arrears of $831k the Government would have saved $786k that has been approved under the contribution to development fund (LCDF).

Implications

- ➢ The failure in collecting of the arrears of revenue from electricity will of course result in a cash flow hardship which would also contribute to drain out of public funds.
- ➢ The accumulated outstanding bills from respective commercial operators and users, which of course constitute more than 90% of total arrears of revenue as per above, indicated Government has provided such excessive subsidies to these operators at detriment of public funds.

Recommendation:

- ✓ The Ministry should be very serious in recovering outstanding electricity charges from consumers and thus would contribute to a reduction in the LCDF budget.
- ✓ The Ministry through its electricity Unit should have come up with possible solutions to expedite prompt 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 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 instalment 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:

Management response not received

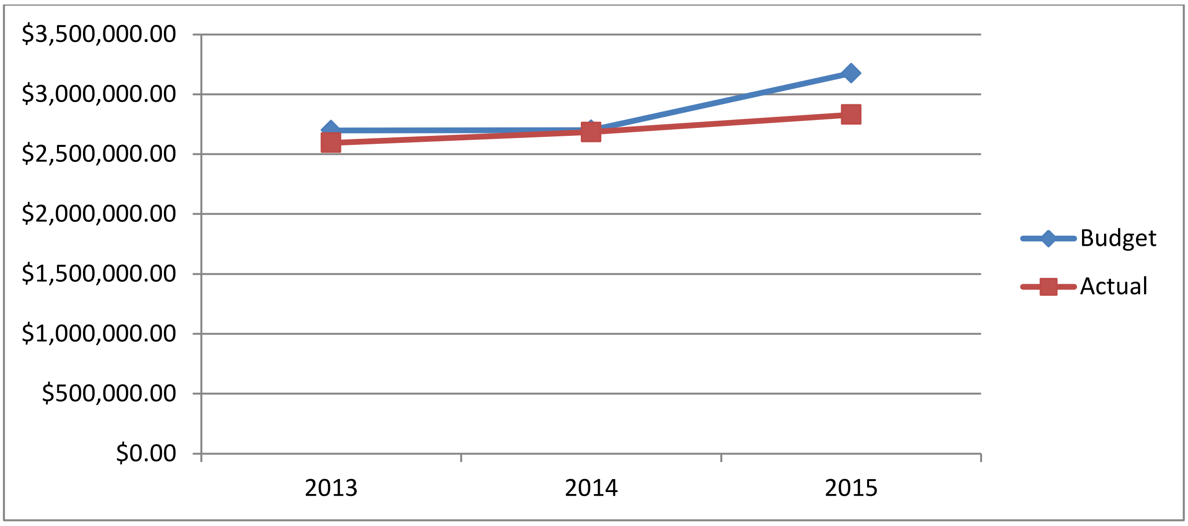
22.3.2 Control over Expenditure

Findings and Analysis:

22.3.2.1 Budget Expenditure Summary: 2013-2015

Year	2013	2014	2015
Budget	$2,698,279.00	$2,701,008.00	$3,175,031.00
Actual	**$2,594,684.00**	**$2,684,460.00**	**$2,828,831.87**
Variance(Over)/Under	**$103,595.00**	**$16,548.00**	**$346,199.13**

22.3.2.2 Comparative Expenditure Graph against Estimate Budget: 2013-2015

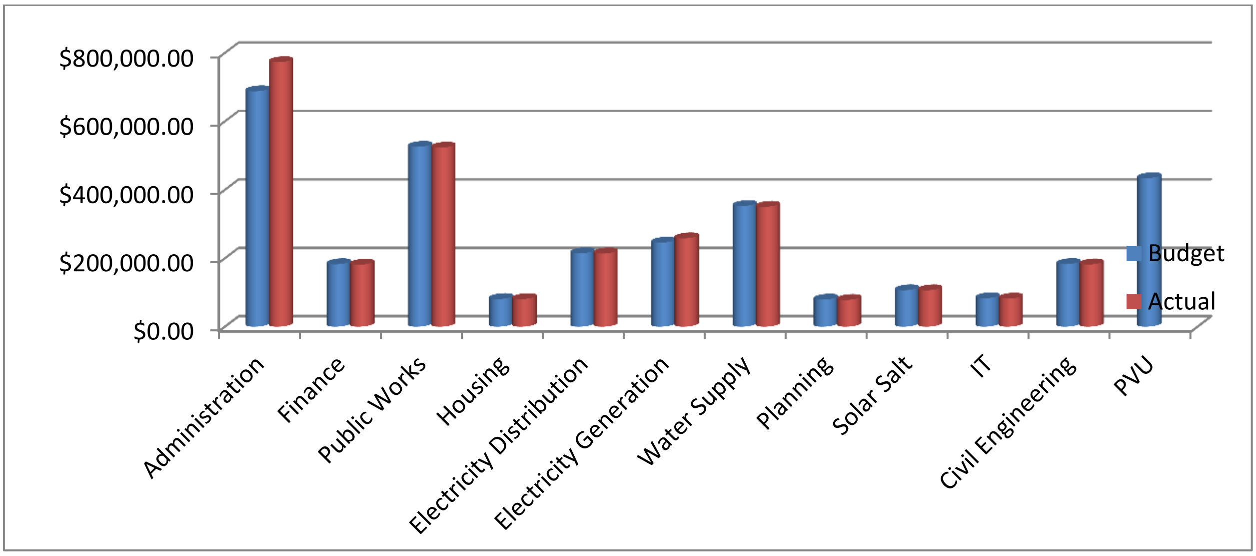


From the above graph, it is clearly evident that the Ministry had reported again a net saving in financial year 2015 of $346k which was over the net saving reported for preceding year (2014) of $16k.Therefore management must be commended for such remarkable and improved performance.

22.3.2.3 Expenditure table by Divisions of MLPID – 2015

Code	Division	Budget	Actual	Variance(Over)/Under
C2901	Administration	$687,848.00	$772,772.18	**-$84,924.18**
C2902	Finance	$182,613.00	$181,393.79	$1,219.21
C2903	Public Works	$525,539.00	$523,074.59	**$2,464.41**
C2904	Housing	$80,775.00	$80,660.11	**$114.89**
C2905	Electricity Distribution	$214,222.00	$213,751.91	**$470.09**
C2906	Electricity Generation	$245,727.00	$258,228.68	**-$12,501.68**
C2907	Water Supply	$352,468.00	$350,316.71	**$2,151.29**
C2908	Planning	$79,200.00	$78,171.50	**$1,028.50**
C2909	Solar Salt	$106,515.00	$106,430.88	**$84.12**
C2910	IT	$83,192.00	$82,070.58	**$1,121.42**
C2911	Civil Engineering	$182,991.00	$181,960.64	**$1,030.36**
C2912	PVU	$433,941.00		**$433,941.00**
	Total	**$3,175,031.00**	**$2,828,831.57**	**$346,199.43**

22.3.2.4 Comparative Expenditure Graph against Estimates Budget – 2015



As clearly stated above, all divisions for MLPID had reported net savings except division 01, Administration and Electricity generation 06 with excess spending of $84k and $12k respectively.

22.3.2.5 KPF - Lack of Reconciliation

Findings and Analysis:
Basically the audit performed its testing on KPF contribution by obtaining figures from Salary (MFED) and compare with the audit calculation and found the variances noted hereunder:

Divisions	KPF Actual	Salaries	Temporary	Total	KPF 7.5%	Total KPF	Variance
Admin	17,863.40	219,008.73	17851.40	236,860.13	7.50%	17,764.51	98.89
Finance	5,716.79	72,211.80	4000.00	76,211.80	7.50%	5,715.89	0.90
Public Works	23,872.89	317,224.00	1801.80	319,025.80	7.50%	23,926.94	(54.04)
Housing	2,541.11	32,421.80	1456.00	33,877.80	7.50%	2,540.84	0.28
E/Distribution	7,921.91	103,043.90	3293.60	106,337.50	7.50%	7,975.31	(53.40)
E/Generation	6,667.17	83,331.50	5915.00	89,246.50	7.50%	6,693.49	(26.32)
Water	13,226.71	153,317.70	23374.40	176,692.10	7.50%	13,251.91	(25.20)
Planning	2,688.50	34,741.60	1100.00	35,841.60	7.50%	2,688.12	0.38
Solar Salt	2,801.88	28,990.60	8365.00	37,355.60	7.50%	2,801.67	0.21
IT	1,227.58	15,366.00	1000.00	16,366.00	7.50%	1,227.45	0.13
Civil Engineering	5,900.94	78,670.50	546.00	79,216.50	7.50%	5,941.24	(40.30)
PVU	-	-					
Total	$ 90,428.88	$ 1,138,328.13	68703.20	1,207,031.33		90,527.35	(98.47)

Implication:

- KPF payments are statutory payments and any overstatement or understatement will have an adverse effect on i) Overall total (budget) for the Ministry ii) Status of employees' KPF privilege.
- Some employees' KPF contribution may not be paid in full as anticipated due to the over/understatement reported above.

Recommendations:

- ✓ It is therefore recommended that MLPID through its account section must ensure to conduct proper review and regular reconciliation with MFED to avoid future discrepancies (over/understated) at the end of the financial year.
- ✓ To put in place a strong device to detect future over and under payment of KPF contribution spontaneously as it is one of the statutory payments which need to be well monitored and controlled under the custody of each administration.

Management response:

Management response not received

22.3.2.6 Telecomm Bills PV#266/11

Findings and Analysis:
The audit noted the outstanding telecom bills of $11,080.69 for the month of June, July and August paid in 10/11/2015. After verifying the PV#266/11, the audit revealed with concern that some of the calls made from the office line were deemed improper when the audit witnessed that these calls were unofficial as they were made to Fiji, Australia and New Zealand with the same phone number per call in different occasions. Further details of the Telecom bills/calls can be sighted when requested.

Implication:
- ➢ 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 illegal advantage.

Recommendation:
- ✓ 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 amounts been included in the payment vouchers.

Management response:

Management response not received

22.3.2.7 Contravene of Procurement Act

Findings and Analysis:
- The audit verified and checked the following PV's noted in the table below which have been processed without conducting a Procurement meeting.

Payee	Details	PV#	Amount
Maneiko Travel Xmas	Cost of Air tickets on Fiji Airways and Korea for the former HM and Spouse, Deputy secretary	10/15	$12,302.00
Tobraoi Travel Xmas	Cost of Business class Air ticket for the HM and spouse, Deputy secretary Xmas-Nadi-Trw	467/7	$7813.60
Tobraoi travel Xmas	Cost of one-way business class Air fare and the former Permanent secretary Xmas-Nadi-Trw	359/3	$6897.00
Tobraoi travel Xmas	Cost of air fare in favour of Bakaia Kiabo and Tematang Taureta	379/10	$7590.00

- The attached procure(tender summary including quotations, criteria details) for the PV# 379/10 $7590 is a false documents as the information provided is another different tender summary for different payments.(Refer PV 379/10)

Implication:

- In the absence of performing procurement meeting could permit the departure from complying to the Procurement act
- Value for money will not be achieved.
- Bidding evaluation process subject to bias and incorrect decision on supplier taken.

Recommendation:

- ✓ Management must ensure that Tender Committee has clear terms of reference comprising duties, responsibility and authority including Clear thresholds for requirements for different value and type of procurements.
- ✓ Invitations to tender include: evaluation criteria, conditions for disqualification and specifications must be met.

Management response:

Management response not received

22.3.2.8 Unsupported travelling claim

Findings and Analysis:

The audit has raised a query regarding the travelling entitlement which has been approved and claimed by some officers although the claim was not fully supported by the absence form, itinerary, receipts, invitations and etc as per details in the table below:

Travelling claim 223/1/15 for former Hon Minister to attend the Parliament session, However, although upon return the claimant process travelling claim as per noted in the breakdown and include the number of stay in Honolulu for medical check-up of Hon Minister which is not the purpose and nature of duty unless the approval should had been recommended by the MHMS.

- Audit had query on the number of days as well as the rate (1.5) in Fiji as follows 29th Dec 2014-02 Jan 2015; 4dysx$190x1.5=$1,140. In fact, it should be 3 days instead of 4 days as per itinerary.
- Audit had query on the number of days as well as the rate(1.5)in Honolulu included in the claim as follows 1 Jan- 6 Jan; 6 dysx$261x1.5*1.2171=$2,858.97. In fact, it should be 5dys instead of 6 dys as per itinerary.
- The tip for 15dys x$10=$150 is not match with number of days spend in Honolulu which is only 5 days.
- The phone cards-Tarawa 3G claim during the tour was $50 but there is one recharge cards attached for the claim as per attached.

Travelling claim 339/10 in respect of DS was not supported by the invitation from the concerned Ministry/Parliament to indicate the purpose of the meeting, duration and etc.

- Itinerary was not match with the trip as per noted in the attachment.

Travelling claim 115/7 related to Senior Resource Economist to participate in the meeting with Frabelle was not supported by the invitation/funding instruction/sponsorship to specify the duration of the meeting as well as the audit raised suspicious concerns over the number of days spend during the trip as noted below:

- Audit had query on the number of days spend in Fiji i.e. 15daysx$190=$2850(29th April-14th May) if there any reason stated in the nature of duty.
- Audit had query on the number of days in Honolulu 1.e. 7daysxUS$261=$1827(19th May-26th May)

Implication:

- Unsupported claim could permit the chance of authorizing travelling claim without proper checking and scrutiny thus increases risk of losses of government funds.
- Unsupported claim could be deemed improper and the result will have an adverse effect on the Ministry budget.

Recommendation:

- ✓ Management (SA) are encouraged to take further steps to mitigate such issue to ensure that all claims are subject to proper checking and scrutiny before the claim has been released.
- ✓ Management must ensure that no other claim will be entertained if officer failed to provide evidence (supporting documents i.e. invitation, absence form, funding instruction and etc.) to specify the nature/purpose of the duty.

Management response:

Management response not received

22.3.2.9 Overtime

Findings and Analysis:

The audit had performed its testing on the selected PV292/3 for overtime and noted the following issue hereunder:

1. Officer 1

Date	Particulars	From	To	T1/2
6/3/15	Bank rec(Check difference)	1615	7:15	1hr
11/3/15	As above	1615	20:30	4:25hr
12/3/15	As above	1615	20:30	4:25hr
13/3/15	As above	1615	21:45	5:50hr
14/3/15	As above	1130	17:30	6:00hr
14/3/15	As above	1800	1200	6:00hr
15/3/2015	As above	2430	3:00	6:00hr
	Total hours			33hrs

- The audit had raised a query following the extra number of days spent (7days) with total of 33hrs to check bank reconciliation although the bank reconciliation has not been prepared by the responsible officer given these task could have been done during normal working hours.

2. Officer 2

- In addition to the above issue, audit also had raised uncertainty regarding the extended number of month which acquired almost three month(Jan-March) just to update cashbook and posting which extend suspicious doubt regarding whether these task could also been carried out during normal working hours.(Refer overtime docket iro Officer 2).

3. Officer 3

Date	**Particulars of overtime**	**From**	**To**	**T1/2**
6/2/2015	Pay out salary at Poland waiting for transport	6.45hrs	17.30hrs	10:50hrs

- The audit noted that the date 6/2/15 which the officer claim for overtime is incorrect as the date does not fall within weekdays/Sunday/public holidays as the audit confirm it was Friday which is normal working day.
- The audit had sight the PV417/4 and found out that the payment had been processed without overtime dockets given that the audit hardly to check the accuracy and validity of the hours claimed by the employee.

Implication

- Failure to limit and control number of overtime carried out by employees would affect the provision of such allocation which could lead to an overspent as a result.
- Improper claims would increase losses of public funds.
- It would also raise uncertainty on the integrity and consistency of the Ministry concerned.

Recommendation

- ✓ It is therefore recommended that M/Linnix must put in place a monitoring mechanism and control on the number of overtime given to each employee.
- ✓ Overtime must be thoroughly checked and reviewed prior approval for payment.

Management response:

Management response not received

22.3.2.10 Unsupported Payment 226/4

Findings and Analysis:

In conducting the audit, it was noted that the above payment had been processed without considering issuing the LPO and requisition order form prior purchasing goods/items. This would be difficult from the audit perspective to check the existence of the payments and to confirm the number of ordered goods against the purchase order.

Implication:

Failure to support payment could undermine the credibility of the payment.

Recommendation:

- ✓ Therefore, the audit recommends that management must ensure that all payments are well supported with supporting documents prior approval.
- ✓ Management must ensure that all payments are subject for checking and reviewing.
- ✓ Management should ensure all its accounting officers and supervisors are fully conversant with the governing legislations including the FR 11.

Management response:

Management response not received

22.3.2.11 Reimbursement of Air fare for former Hon. Minister and delegation

Findings and Analysis:

After the audit conducted its testing on the following PV's; PV164/8, PV380/7 and PV180/8 there were some issues noted regarding the payments as noted in the bullet points below:

- The first payment was made on 24/7/15; PV164/8 to reimburse the air fare for former Minister and delegation during official visit to the Philippines. The audit is of concern as the payment has been processed without supporting details of TT and invitation, funding instruction. The payment was to Unlink Travel & tours, Bank of Philippines, G/F Grand tower cond, 150 lenste St Sakesa village, 1233 Makati city, Phillipines, A/c no: 2374-0077-37 amount of $USD 15,120/0.7063= $21407.33+TT fee $50=$21,457.33 chq; 903613
- The second payment was made on 12/8/15; PV380/7 to the same payee as detail in first payment without acknowledging supporting details of TT, invitation, funding instruction and etc. The audit noted in the second payment a missing beneficiary Account number with the same total amount of $15,120USD/0.7017=$21,547.67+TT $15=$21,562.67 chq; 903852. After further testing, the audit revealed that the cheque had been attached with the cheque butt without neither cancelled the cheque nor the payment voucher.
- The third payment was made 13/8/15; PV180/8 one day following the previous payment as above without a supporting details of TT, invitation and funding instruction. The payment was payee to Unlink travel & tours, G/F tower, 150 lenste St Sakedo Village, Phillipines with the same amount of $USD150,120/0.7097=$AUD21,304.78+TT $15. The audit had noted missing beneficiary account number.
- In conclusion, the audit is of the view that payment in regard to the reimbursement of air fare for former Minister and delegation could result in oversight which lead to the triple payment to the same payee and amount in three different Payment vouchers.

Implications:

- ➢ Failure to process payments without supporting documents could raise suspicion on the validity of the payments and could deem such payment as being improper or incorrect.
- ➢ This could have an adverse effect on the budget allocation causing an excess spending for such allocation.

Recommendation:

- ✓ Management must ensure that all payments must be provided with supporting documents and details of the payment
- ✓ Management must consider a review and check to ensure that all payments are proper prior approval.

Management response:

Management response not received

22.3.2.12 Office & Equipment (Missing digital camera)

Findings and Analysis:

After selecting sample of goods/items from the asset/store register for sighting, the audit could not be able to verify the existence of a digital camera since the item could not be located/sited at the Water division. Witnesses claimed that the officer who had already passed away took camera for personal home use and never returned it.

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 to keep track of the items in their record/register involving the movement of all items.

Management response:

Management response not received

22.3.2.13 Overpayment of Salary

Findings and Analysis:
The audits revealed after checking the salary and discover one of the staffs had been retired from civil servants in 1/4/2015 but still continued to receive pay until 12/6/2015. After the audit calculation the officer was claimed to be overpaid by $2,195 as per detail below:

Pay period	Amount
17/04/15	439.00
1/5/2015	439.00
15/05/15	439.00
29/05/15	439.00
12/6/2015	439.00
Total Overpayment	2,195.00

Implication:
- Overpayment of salary to retired persons increases the risk of misappropriation of funds.

Recommendation:
- ✓ Management must ensure to follow up with MFED a written notification to cease the officer (civil servant) salary with effective from the date of issuing the retiring notice.
- ✓ Management should pursue recovery of the overpayment from the retired person through the courts.

Management response:

Management response not received

22.3.2.14 Outstanding imprest

Finding and Analysis:
The audit was not able to extend further testing on the outstanding imprest since there were no records provided upon the audit request. Thus, it has made it difficult for the auditors to check the validity and accuracy of the imprest being issued out and also to verify the outstanding imprest to date by officers been issued with imprests. MLPID has violated the FR 11 requirement by having failed to maintain and update records on the issuance of imprests.

Implication:
- The value of money may not be achieved for the intended purpose of the trip.
- Imprest can be misappropriated.
- Failure to retire Imprest within 10 days and/or not retired at all after return from official trips is a breach of FR 2011 requirement and would increase the risk of loss of funds from those being issued with excess Imprest.
- The accumulation of unretired special Imprest from previous years showed a lack of control and monitoring over Imprest issued by MLPID responsible officers and it would ultimately lead to the loss of public funds.

Recommendation:

- ✓ Management must ensure to keep and update records for all imprest holder's.
- ✓ 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 further imprest will be issued until the officer had cleared past outstanding imprests.

Management response:

Management response not received

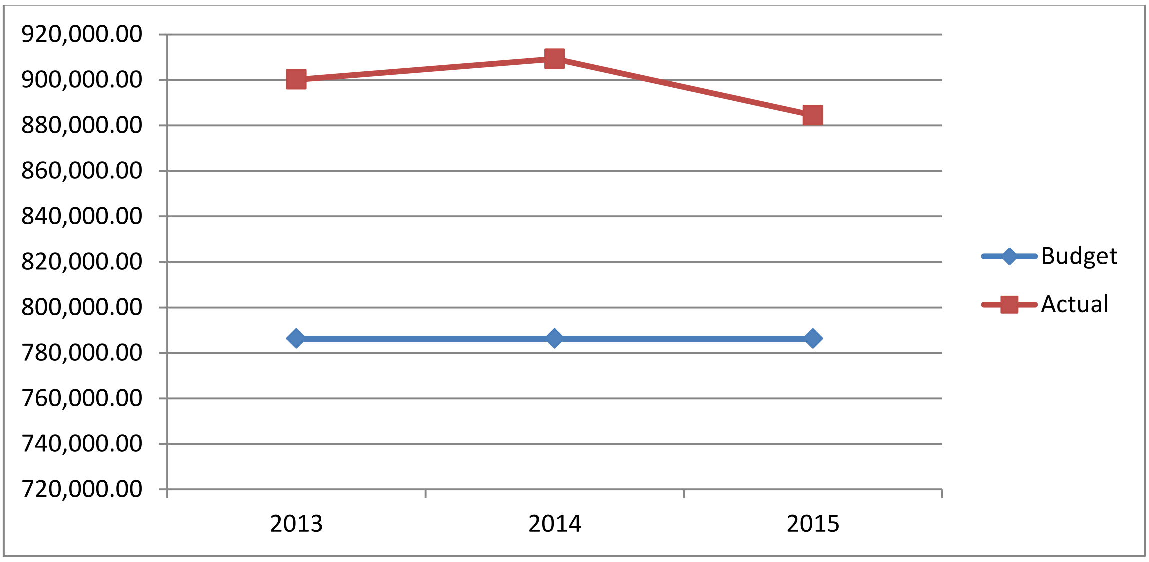
22.3.2.15 Local Contribution to Development Fund (LCDF) – Power Supply

Findings and Analysis:

22.3.2.15.1 Summary Expenditure for Power Supply - Kiritimati

Year	Budget	Actual	(Over)/Under
2013	786,201.00	900,148.90	(113,947.90)
2014	786,201.00	909,210.00	(123,009.00)
2015	786,201.00	884,480.17	(98,279.17)

22.3.2.15.2 Comparative expenditure graph against actual for Power Supply - Kiritimati



- The above comparative data clearly analysed the expenditure pattern of the approved budget against actual spending for the last three years (2013-2015). As observed in 2015 MLPID again could not be able to stabilize and control the level of its spending thus resulted in an excess spending of $98k, an amount which was marginally below the excess spending incurred in the 2014 of $123k. Similarly in 2013, MLPID also incurred an identical trend with an overspending of $113k.

- After extracting the payment for each month from the GL, the audit noted that there was no fixed payment as the payment varied and fluctuated (from time to time) for each month which was dependent on the storage capacity utilized by the Power Supply and this was what determined the fuel consumption for supplying electricity. Further, it was confirmed that the payment has been made without monitoring the remaining amount of fuel on hand kept by KOIL office.

Implication:

- ➢ Continuing paying the fluctuated amount without prior proper checks on the volume of fuel actually needed will consequently lead to the unnecessary drain out of public fund and 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 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 are properly reconciled.

Management response:

Management response not received