THE REPORT OF THE AUDITOR GENERAL

ON THE GOVERNMENT OF KIRIBATI ANNUAL ACCOUNT

PART II- Recurrent Revenues and Expenditures for the year ended 31 December 2021

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1. ACKNOWLEDGEMENT

With great pleasure and honor, I take this opportunity to convey my deepest appreciation to members of the Central Government Audit team of the Kiribati Audit Office for their dedication, commitment and hard work that has made possible the completion of this report. A special thanks to their team leader and Principal Auditor Mrs. Tematang Raimon, her steadfast and outstanding leadership to complete this report.

I would also like to thank the Senior Responsible Officers of the various Government Ministries that we have worked with for their unwavering support and cooperation throughout the engagement. We also acknowledge with much appreciation the Accountants, Head of Divisions, and those staffs who have assisted our team of auditors one way or another in our work with your respective Ministries or departments. Without your supports and assistance, the successful completion of this report would not have been possible.

Eriati T Manaima
Auditor General
(Kiribati Audit Office)

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2. ACRONYMS

AFU	Accounting & Finance Unit
FR	Financial Regulations
CTA	Consultant Technical Adviser
DSA	Daily Subsistence Allowance
DNE	Deceased Natives Estate
FA	Form A
FY	Financial Year
GL	General Ledgers
HQPV	Head Quarter Payment Voucher
ICT	Information Computer Technology
JUD	Judiciary
KCCI	Kiribati Chamber of Commerce Industry
KAO	Kiribati Audit Office
KHC	Kiribati High Commission
KPS	Kiribati Police Service
LPO	Local Purchase Order
MFAI	Ministry of Foreign Affairs and Immigration
MFED	Ministry of Finance Economic Development
MM	Maneaba ni Maungatabu
MHMS	Ministry of Health & Medical Services
MISE	Ministry of Infrastructure and Solar Energy
MOE	Ministry of Education
MCIT	Ministry of Communication Information and Transport
MTCIC	Ministry of Tourism, Commerce, Industry and Cooperative
NEPO	National Economic Planning Office
NCS	National Conditions of Services
OAG	Office of Attorney General
OB	Office of 'Te Beretitenti'
PF	Personal File
PSC	Public Service Commission
PSO	Public Service Office
PVs	Payment Vouchers
RV	Revenue Voucher
SMM	Senior Management Meeting

3. EXECUTIVE SUMMARY

Scope Of Work

This audit engagement focuses on the control and management of Government's Recurrent Revenue and Expenditure for the financial year ended 31st December 2021 in compliance to the existing and relevant laws and policies.

Our objective is (i) to identify compliance gaps or areas of improvement regarding financial compliance of specific practices; and (ii) to understand if specific business practices are conducted in line with local laws and regulations.

For the purpose of this report, we have within the above scope of this compliance audit engagement, considered the following laws and regulations: (i) Public Finance (Control and Audit) Ordinance; (ii) Procurement Act 2002; and (iii) Government's Financial Regulations 2011.

Key Findings

Listed below are the summaries of our compliance audit findings for government line ministries in relation to the above policies and regulations:

3.1. Lack controls over revenues and expenditures (FR section 9.12)

The result of our audit for the 18 ministries (78% from total ministries) showed that there are issues found relating to the controls of revenues and expenditures.

3.2. Budget overrun resulting from an advance from the public funds

Kiribati Police Service was overspent during the year 2021. The details of overspent and response to this are further elaborated in section 6.3.1.

3.3. Lack control over salaries (FR section 21.1)

There are issues of double PF numbers found across ministries. As per explained by salary division, this has no major implications on salaries, but the audit concerned on the risk for double salaries payment.

3.4. Lack compliance to the national procurement laws and regulations Control over Expenditures (FR section, 9.1 & 9.2 and Procurement Act 2002)

The audit found that the most common issues across ministries with payments are:

- Items purchased without attaching three quotations from suppliers
- Items were broken
- Items purchased and are not used
- Items were charged incorrectly

3.1.4.2. Poor compliance to the Imprest rules and regulations (NCS E5.4)

We continue to find cases of employees failing to acquit travel imprest in line with the two weeks requirement. This issue also indicates the continued failure of the concerned Ministry/Department to enforce this regulation.

COMPLIANCE AUDIT FINDINGS FOR GOVERNMENT MINISTRIES RECURRENT ACCOUNT 2021

4. OFFICE OF TE BERETITENTI

Audit Finding and Analysis

4.1. Entertainment expenses

4.1.1. Violation of Procurement Act 2002

'Section 51- the ministry should at least attach three suppliers 'quotations in looking for quality and cheaper cost.'

The audit noted lack of supporting documentations for the following entertainment expense:

- Two payments without requisition forms along with supporting quotations as per list below:

1. hqpv2036/08 ob482/01/21 7,631.02
2. hqpv2579/02 ob0120/01/21 4,635.00

- Four payments having requisition forms but no supporting quotations:

1. hqpv2347/07 ob429/01/21 9,991.00
2. hqpv2812/07 ob486/01/21 9,099.00
3. hqpv2044/08 ob478/01/21 6,187.50
4. hqpv8205/08 ob581/01/21 4,800.00

Management Response

The ministry complies with the procurement procedures in which officials seek quotes from suppliers before we proceed with the purchase. However, there were no supporting document or quotation attached because we seek quote verbally via phone call which is more convenient and does not take time. OB will work on improving its procuring process in order to comply with Procurement Act 2002. Please note that there are recommended ways forward that the Ministry is planning to implement, which are now shared below for information:

Ministry's way forward to address such issue:

1. *The Ministry will ensure that an email is send to suppliers to get their quote. The non-submission of quotation from suppliers means that the supplier is not available to provide the product/services required. This will become attachments to payments to confirm the*

non-available or quotes stated on the requisition form. This proposal can be implemented straight away by OB staff and account.

2. *The Ministry proposed to the MTCIC or KCCI to encourage suppliers to use the e-business portal, in which a supplier provide the price & number of their products/services online which is more convenient and easier to access. This portal will need to be updated regularly, especially when items are out of stock/unavailable. This proposal will need further consultation with MTCIC and the private sector and may take time before it can be implemented.*

AUDIT RECOMMENDATIONS: OB should comply with the Procurement Act by providing requisition forms and attaching supporting quotations.

5. MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION

Audit Findings & Analysis

5.1. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MFAI				
Code	Account Detail	Estimate	Actual	Over/(Under)
C14020000010	Visa fees	50,000.00	22,611.25	-27,388.75
C14020000012	Immigration & other charges	1,500.00	767.50	-732.50

The above table summarized the ministry under collected revenues during the year.

Management Response

In 2021, the revenue is not achieved because of the border closure.

AUDIT RECOMMENDATIONS: MFAI should ensure to achieve revenue targets as per Estimate policy approved 2021

5.2. Operational Expenditures issues

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

5.2.1. Entertainment expenses (Violation of Procurement Act 2002)

'Section 51- the ministry should at least attach three suppliers 'quotations in looking for quality and cheaper cost.'

The audit noted that PV# 2730/11 and 8009/12 amounted $4,218.75 and $3,570 respectively for catering services did not attach three quotations from suppliers.

5.2.2. External travel- Untimely of imprest retirement

The audit found that travelling claim no.433/21 amounted $10,368.00, the officer did not retire his imprest within 10 working days upon arrival from official trip.

Management Response

Violation of Procurement Act- The ministry complies with the procurement procedures in which officials seek quotes from suppliers before we proceed with the purchase. However, there were no supporting document or quotation attached because we seek quote verbally via phone call which is more convenient and does not take time. However, this is noted, and the Ministry will ensure that our payment will have a supporting document or quotations from suppliers.

Untimely of imprest retirement- This is noted, and the Ministry will ensure that all Staff will retire their imprest within 10 working days.

AUDIT RECOMMENDATIONS: MFAI needs to strengthen controls over expenditures, this is to comply with Procurement Act and Retirement of Imprest policies.

5.3. Audit Finding for Kiribati High Commission 2021

5.3.1. No standard policy to report foreign currency transactions

There is no approved standard policy yet adopted by the Kiribati High Commission to allow consistency in the reporting of foreign currency exchange transactions. Our review showed that former responsible officer applied a flat conversion rate of 1.6 while current officer used a daily rate provided by ANZ Fiji.

5.3.2. Cash book in not updated

Upon review of cash database, the audit noted that cash book for receipts and payments was not updated.

5.3.3. Untimely of bank reconciliation

With concern the audit noted that bank reconciliation is not performed in a timely manner as in accordance with FR section 9.12[1]. As per explained by the responsible officer she did her reconciliation only once normally in December at the end of the year.

5.3.4. Misallocation of revenues

The audit found three misallocated major revenues recorded in the GL as visa fees C14030000010 when these were not KHC revenues receipted in 2021. (Refer table below)

RV DATE	**RV #**	**DETAILS**	**AUD**
02/11/21 12	KHC179/21	ANZ Bank MTCIC- cost of Trophie	1,232.11

[1] FR section 9.12- Receipt and payments should be reconciled at the end of each month between the concern Ministry and Ministry of Finance.

03/11/21 12	KHC184/21	ANZ Bank MHMS- Kidney Foundation	45,600.00
17/11/21 12	KHC186/21	ANZ Bank ESN Nov- H2504K071251	233,517.70

5.3.5. Weaknesses in the filing system

Filing system is weak as supporting documentations requested during the audit both in hard copies and e-copies are hardly obtained:

- For payment processed via internet banking, copies are not uploaded on internet banking or filed as e-copies in an orderly manner in the computer server.
- Hard copies for PVs are not properly filed and some have lack of supporting invoices, yet to be obtained from email attachments.

5.3.6. Incorrect bank balance reported in the Annual account 2021

Our review of bank account balance against bank audit certificate indicates a significant understatement of approximately AUD 1 million. An overdraft balance of AUD 656,403.40 was reported in the annual account while as per bank audit certificate as at 31.12.21, it showed a positive balance of FJD 539,227.34 which is approximately AUD 337,017.09 (exchange rate 1.6).

Management Response

5.3.1. The use of "todays" rate as the AUD-FJD conversion rate applied by the new Team at the Kiribati High Commission (KHC), as opposed the flat rate of 1.6 used in the past, is based on instruction received from Headquarters (Treasury) when the new Accounting & Finance Unit (AFU) Team sought advice on the matter. The KHC only recently use this going rate, not in 2021. This new policy will continue to be used going forward or until such time a new policy from Headquarters is received.

5.3.2. & 5.3.3. What has happened in the past cannot be undone however, the new AFU Team's plan is to make sure the same problems do not surface again. The KHC is pleased to inform that in December 2022, with the assistance of a two-men Team from Headquarters, the KHC completed reconciliation work and updating the KHC Database (cashbook). This is an important first step given that payment vouchers (PV) cannot be printed if the Database is not updated. This work is even more important given its central role in the decision-making process. For information, daily maintenance and updating of the system have and will continue going forward. Also going forward, to alleviate the mental and physical stress associated with overwork which has resulted in work being piled up and unfinished such as this issue being raised herein, the KHC remains committed and will continue to campaign for an additional staff to assist with accounting and finance work.

5.3.4. The revenue code for 2022 will be journalised before closing of 2022 accounts. Going forward, regular checks will be carried out to ensure revenue (and expenses) are properly coded.

5.3.5. The issue of improper and disorderly documentation, which this report suggests cannot be properly addressed if the underlying issue, which is overwork and understaffing is not properly addressed. As highlighted in the KHC's response to above, there are only 2 staff looking after KHC's AFU and the work associated with the increasing number of Kiribati students and patients on medical referral in addition to the regular Mission work is too much.

5.3.6. The Ministry of Finance will account for the correct bank balance for year 2022

AUDIT RECOMMENDATIONS:
5.3.1. A standard policy should be adopted in the reporting of foreign currency exchange transactions that is approved by the Accountant General and comply with best accounting practices.
5.3.2. & 5.3.3. In order to have a matched record of cash balance, cash book should be maintained, updated, and reconciled between the two offices KHC and Finance. Revenue should be posted to their correct code.
5.3.4. KHC should ensure to reverse incorrect account at the end of the year prior the closing of account.
5.3.5. Documentations both in hard and e-copies should be maintained and filed in an orderly manner.
5.3.6. Correction of Bank account balance should be reflected in the 2022 Annual Account.

5.3.7. Issues with KHC Petty cash

5.3.7.1. No Petty Cash register

No petty cash reimbursement register provided during the audit to show how petty cash has been recorded, maintained, and controlled by the High Commission.

5.3.7.2. Incorrect petty cash balance of AUD 122,279.50

Our discussion with the responsible officer, she stated that petty cash was reimbursed only to a total of FJD500 (approx. AUD312.50), a huge difference from a disclosed balance of AUD 122k.

Management Response

Note that KHC has abolished the petty cash system beginning in 2023.

AUDIT RECOMMENDATIONS: Petty cash register should be prepared, maintained, and provided during the audit. And regular review and reconciliation should be performed in a timely manner.

5.3.8. Issues with Local services

5.3.8.1. Unsigned contract for Consultant Technical Adviser (CTA)

During the covid 19 lockdown, a CTA was engaged to perform health services for positive cases. Upon review, we noted that the provided contract was not signed by both parties.

Management Response

All staff contracts have now been updated for this year.

AUDIT RECOMMENDATION: KHC should ensure that all contracts are signed, and original copies are maintained.

5.3.9. Issues with Transport

5.3.9.1. No logbooks for office vehicles

Our review showed that the four vehicles operated by the High Commission did not maintain any logbooks to enable tracking and controlling of mileage usage on a daily basis.

5.3.10. Incorrect balance

The audit found that khcpv075/21 for transport to work amounted FJD480 was incorrectly recorded in the amount of AUD 3000 as per GL when it should be only AUD 300.

Management Response

Logbooks will now in place for all vehicles.

AUDIT RECOMMENDATIONS: 5.3.9. Logbooks should be maintained and updated to allow tracking of vehicles mileage and controlling of fuel consumption. Monthly reconciliation should be performed between High Commission and Finance to avoid difference of account balances.

5.3.11. No certification of Invoices

Our review of payments showed that KHC did not usually certified supporting invoices to indicate true copy from original invoices and this was evidenced by the following payments:

PV Number	Amount in FJD	Amount in AUD
KHCPv#192/21	2,890.00	1806.25
KHCPv#1304/21	1,250.00	781.25
KHCPV#1204/21	1,499.00	936.87
KHCPV#899/21	2,216.44	1385.28
KHCPV#1679/21	2,651.99	1657.49
KHCPV#1653/21	11,153.17	6970.73
KHCPV#434/21	2,400.00	1500.00
KHCPV#1593/21	1219.30	762.06
KHCPV#872/21	870.00	543.75
KHCPV#1271/21	2493.35	1558.34

5.3.12. No supporting invoices attached

The following payment vouchers did not have supporting invoices attached:

- KHCPV#740/21
- KHCPV#256/21
- KHCPV# 872/21
- KHCPV#1271/21

5.3.13. Misallocation of payment vouchers

The following payments were misallocated when recorded into the GL:

- KHCPV#1557/21 valued FJD6200 (AUD4248.61) was posted under 235-Office equipment when should be charged under project code H2504k07125 for overseas services.
- KHCPV1653/21 was posted under code 225-Reallocation when it should be charged under 215-Transport to work.

Management Response

- *Invoices are now certified and approved before payment is processed.*
- *The misallocations will be done before end of 2022 annual accounts.*

AUDIT RECOMMENDATIONS:

5.3.12. Invoices should always be certified and attached with Payment Voucher prior payment
5.3.13. Misallocated payment should always be reversed at the end of the year prior finalising the account
5.3.14. Asset register should be maintained following the required format to include relevant details of purchased items.

6. KIRIBATI POLICE SERVICES

6.1. Non submission of arrears of revenues

A return of arrears of revenue should be submitted to the Accountant General at the end of the year. (Financial Regulation section 4.35)

The audit noted that the ministry did not submit arrears of revenue to the Accountant General at the end of 2021.

Management Response

The KPS did not submit the arrears of revenue at the end of year 2021. Sincere apology for not preparing since the system carried out in KPS in hiring the KPS brass band is the payment must be received first before the function or the activity where the brass is required to perform. Hope this will not happen in future.

AUDIT RECOMMENDATIONS: The ministry should comply with FR section 4.35 to submit arrears of revenue at the end of the year

<u>Audit Findings & Analysis</u>

6.2. Same PF number

The audit found that the following employees' PF number under KPS, these same PF no. also exist on pay 27/08/21 in other ministries by different employee names such as:

PF Number	Ministry
2017178	JUD
2017017	MIA

Management Response

- *Apology for this issue since it is the PSO who will create the PF number for all employees.*
- *PF 2017178 is for Teaitoa Tororo and PF2017017 Ben Bureka*

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

Audit Finding and Analysis

6.3. 2021 Budget overrun

Any officer allowing or directing any disbursement without proper authority will be held personally responsible and in the event of any unauthorized payment being made the amount may be surcharged against him.

Ministry	2021 Original Budget	Revised Budget 2021	Actual 2021	Over/(Under)
Kiribati Police Service (KPS)	$11,188,360.13	$11,188,360.13	5,104,986.29	$96,022.31

The above table shows an overspent reported in 2021 for Kiribati Police Service amounted $96k.

Management Response

- *Get copy of cabinet paper for 48 Special Constable – leads for this overspent.*
- *48 special constables are now included under temporary allocation, 24 special constables as per cabinet extract of Cabinet minute No.21/20 and another 24 special constables recruited in 2021 as per extract of Cabinet minute No.2/21. The purpose of recruiting them is to assist in strengthen the KPS capacity with curfew hours and to secure quarantine facilities during COVID19 lock down.*
- *As you can see from the table above is the E1201: Administration output is the only one with the overspent of $104,771.68 which caused the overall overspent of $98,076.31. This is caused from the salary of Special Constables who have been recruited as a direct order from the Cabinet to assist the KPS with the spread of pandemic that time. (refer to the Cabinet paper appendix 1)*

- *The KPS would like to explain what was the real cause of this overspent. The cause of this overspent was mainly the salary of the Special Constable that were recruited as it was a Cabinet directive order to the Commissioner of Police. The KPS did provide the cabinet extract as per attached to the NEPO as they mentioned to KPS account that if they received the Cabinet Extract then the fund would be released. Then another issue came up as they required the forecast on the KPS financial in which was also complied accordingly. All the requirements that were required from NEPO were all complied accordingly. The KPS account also mentioned to the NEPO that there would be a problem with the Personal Emoluments as the budget template used in which the provision approved was only for 26 paydays and the actual paydays in the year 2021 was 27 paydays. At the end of the day, the releasing of the funding is not accepted by NEPO and this is the first time in my work time that even the Cabinet instruction could be revoked, rejected or denied by NEPO which was the sad news to Commissioner of Police.*

6.4. Issues Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

6.4.1. Telecommunications

Total government telecommunication expense reported in 2021 is $3.3 million. Out of this balance 7% represents total MOE telecom expense. Refer table below:

6.4.1.1. Huge increase for telecommunications

Account	2021	2020	Increase/ (Decrease)
Telecom expense	219,990.49	135,346.28	84,644.21

With concern the ministry telecom expense of $219k in 2021 had been significantly increased by over $84k compared to 2020, hence this requires management explanations.

Management Response:

- *Additional of internet provider such as TeniCom Services and Tentanini Services*
- *The installation is based from the approval of Director based on the explanation from IT officer.*
- *Below is the explanation from IT why these two internet services installed.*
- *VMS was given their own private internet. VSAT because their services are too essential, and VSAT is considered as the mot reliable service for PMU internet connection for his operation.*
- *Tenicom internet service was adopted because of two reasons such as*
    1. *Banwith is not enough with Vodafone's internet services, as the number of users exceed 100 users, so Tenicom was added to add more bandwidth.*
    2. *TeniCom was to diversify our service providers. This ensures a minimum downtime incase one internet service is down due to technical issues.*

6.4.2. Electricity and Gas

Total government electricity & gas expense reported in 2021 is $3.8 million. Out of this balance 4% represents total KPS electricity expense. Refer table below:

6.4.2.1. Increase of electricity & gas

Account	2021	2020	Increase/ (Decrease)
Electricity	$147,127.40	122,714.13	24,413.27

With concern the ministry electricity expense of $147k in 2021 had been significantly increased by over $24k compared to 2020, hence this requires management explanations.

Management Response:

More aircon have been installed into more offices such as 4 OCS office ie. Bonriki, Bikenibeu, Bairiki and Betio.New vehicle machine just installed that consume electricity

6.4.3. Purchase of office equipment

6.4.3.1. Incorrect account code

Two payments for purchases of four motor vehicles as per PV# POL0657/1201 and POL0650/1201 total cost $160,000 were wrongly allocated under code 243 office equipment.

Management Responses:

- *Apology for this comment and request Audit to withdrawal this statement as based on the allocations under KPS budget this year, 2021.*

- *No more specific code under KPS budget this year but more related to the 243 as purchasing of office equipment*
- *Only this code 243 is the most appropriate to purchase the motor vehicles as we categorize these motor vehicles as equipment to all Police Stations.*
- *From KPS perspective point of view we treat motor vehicles as part of the office equipment as the Kiribati Police Stations does really need and treat these vehicles as an equipment as it is to fulfill the Police Mission to bring peace, safety and security to the public.*
- *KPS is very important to purchase the police vehicle since there is enough saving to purchase.*

6.4.3.2. Violation of procurement Act 2002

'Section 51- the ministry should at least attach three suppliers 'quotations in looking for quality and cheaper cost.'

The purchase of a standby generator on a Pvno.0488 amounted $9,980 did not attached at least three quotations from suppliers.

Management Response:

- *No violation of procurement Act as we do have a Low Value Procurement form attached.*
- *The reason for this is in time of urgency since the power form PUB is on and off*
- *The account and PMR officer did the window shopping for the generator that will cater for the double story building. And only Taotin trading has the quality of the generator required that time.*
- *KPS would not like his power to be off because of not wanting the public to cry out since the police officers could not answer the call because of the power outage.*

6.4.4. Transport to work

Total government transport to work expense reported in 2021 is $2.7 million. Out of this balance 11% or $312k represents total transport for KPS.

Management Responses:

- *The increase in the consuming fuel is based on the nature of duty of KPS in order to achieve his mission which is to bring peace, safety and security to the public or the whole people of Kiribati.*
- *It also related to the increase in the number of calls from the public for request KPS service in serving the people of Kiribati according to their mission.*
- *There was a Pandemic spread which also brings the consuming of fuel more as well as in the "Kaitiaki Operation".*

6.4.4.1. Non-use of logbooks

Our review showed that there are no logbooks used in most of the KPS vehicles which is necessary to record the mileage use for trip taken on a daily basis.

Management Response:

- *As discussed during the exit meeting the control from stations is like $20 per shift.*
- *We will provide the refuel claim from each station such as Bon, Bik, Bai and Bet. Please see the 2nd appendix on the refuel sheets for all stations.*

- *Director, please elaborate more on this please. – related to Kaitiaki operation as well as the patrol to Guarantee centres.*
- *From police perspective point of view, the police is hardly to deal with logbooks since they only deal with police nature of duty.*

6.4.4.2. Lack of expense reconciliation

The ministry continues to have an issue over expense reconciliation as evidence by the mismatched of transport expense between ministry database and finance general ledger.

Management Response:

- *Apology for this.*
- *The Account did reconcile but forgot to update KPS vote book after doing the closing of the account for the year 2021.*
- *The Account will make sure that the finalization of the year 2022 must be updated otherwise will be reported in the Audit again.*
- *Hope this will never happen again in future.*

AUDIT RECOMMENDATIONS: The audit would recommend compliance with financial regulations and proper controls over expenditures to mitigate recurring issues.

7. OFFICE OF THE ATTORNEY- GENERAL

7.1. External Travel

Government officers should retire their imprest within 10 working days upon return from official trip. (NCS section E5.4)

Audit Finding and Analysis

7.1.1. Untimely of imprest retirement

The audit found an outstanding imprest from 2019 travelling claim no.1323 amounted $4,657 was not retired before end of 2019 but was just retired in 2021.

Management Response

This employee retired her claim on the 21 November 2019, which was then submitted to the Ministry of Finance thereafter. Such retirement remained with the Ministry of Finance until the year 2020. The employee claimed her imprest, and this was the time when the Ministry discovered about the non-retired imprest for her previous trip.

AUDIT RECOMMENDATION: OAG should comply with the retirement policy as per NCS section E5.4

8. MINISTRY OF COMMUNICATION INFORMATION & TRANSPORT

8.1. Decreasing revenues in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C24010000074	Open Ship Registration	-	129,535.48	-129,535.48
C24020000003	Recruitment & exam fees	-	38,999.15	-38,999.15
C24020000075	Licence for Foreign vessels	-	34,232.30	-34,232.30
C24060000082	Sale of stamps	16,647.09	51,719.80	-35,072.71
C24060000083	Parcel Post terminal cre	185.15	1,258.70	-1,073.55

The above table summarized list of ministry revenues which were reduced in 2021 compared to 2020.

- There are no revenues collected for open ship registration, recruitment fees and license for foreign vessels unlike 2020 in which they were revenues.
- Sale of stamps and parcel post revenues were decreased by $35k and $1k during the year.

Management Response:

The correct revenue code/ allocation used for Open Ship Registry is C24010000069 instead of C24010000074 stated in the table above. Secondly, the same issue as for the Recruitment & Exam fees ie. Original code C24020000078 instead of C24020000003 (refer Budget 2021) and lastly, the revenue for License for Foreign vessels C24020000075 were all been accounted for under the code C24030000076 License for Domestic vessels.

8.2. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MICT				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C24010000069	Open Ship Registration	280,000.00	203,431.72	-76,568.28
C24010000072	jAXA (Downrange)	1,058,244.00	712,989.00	-345,255.00
C24020000077	Seaworthiness	25,000.00	3,583.00	-21,417.00
C24020000092	Light Dues	33,000.00	14,278.49	-18,721.51
C24030000092	Light Dues	40,000.00	19,739.02	-20,260.98
C24060000081	Letter Post Terminal cre	8,000.00	658.15	-7,341.85
C24060000083	Parcel Post terminal cre	10,000.00	185.15	-9,814.85

The above table summarized the ministry under collected revenues during the year.

Management Response:

We agree to the auditor's recommendation/ findings that the revenue collection for Open Ship Registry is under budget by 23.35% where these collections occurred from the variation of amount received on a quarterly basis (not fixed). The registration and other related fees vary depend on the number of the *foreign vessels used the Kiribati flag. Base on the agreement from previous years to date and the KSR is in control of the registration fee collection base in Singapore.*

- *JAXA Downrange revenue budget 2021 is around $713k instead of $1,058,244.00 million which is the Budget for JAXA Air Services. (Refer Budget Book 2022)*
- *The under-budget revenue collections for Seaworthiness and Light dues were normally affected by the outbreak of the Covid-19 pandemic since the lockdown imposed in early 2022 which caused the revenue flow from incoming foreign vessels.*
- *Letter post & Parcel post revenue under-budget are similar to the above which overseas travels by air were freeze.*

AUDIT RECOMMENDATIONS: Ministry should strengthen controls over revenues by reconciling with MFED and to ensure that revenues were achieved as per target in the Estimate Approved budget.

8.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

8.3.1. Telecommunications

In 2021 telecommunication for MICT amounted $211k is 6% from total of $3.3 million for government telecom expense.

8.3.1.1. Increase balance for telecommunications

Account	Actual 2021	Actual 2020	Increase/ (Decrease)
Telecom expense	$211,660.26	140,149.50	71,511

With concern the ministry telecom expense had significantly increased by over $71k in 2021 compared to 2020, hence this requires management explanations.

8.3.2. Electricity and Gas

In 2021 MICT electricity expense total $222k is 6% from total of $3.8 million for government electricity and gas expense.

8.3.2.1. Increase balance for electricity

Account	2021	2020	Increase/ (Decrease)
Electricity	$222,086.03	190,136.49	31,950

With concern the ministry electricity was increased by over $31k in 2021 compared to 2020, hence this requires management explanations.

Management Response

We also agree with the auditor's findings on the increase of balances for Telecommunication and Electricity bill expenses for the FY 2022 with the following justifications and recommendations.

Telecommunication – the increase in telecommunication expenses 2021 was occurred from the previous outstanding 2019 & 2020 on the correction of the Vodafone bandwidth used by MICT from January 2019 to September 2020 was settled in 2021. This payment was around $30K. Other payments were for outstanding fees and license for ICT properties. We will ensure to monitor well the expenditures on our Internet and telephone bills as per FR Section 9.2.

Electricity expenses- The same explanation as above. The increase caused in 2021 was by paying the Airport Kiribati Authority outstanding bills that cannot accommodate during the lockdown were its revenue down. Hence, the Ministry consider their request and pay PUB from its 2021 savings. As per section 9.2 of the Financial Regulation, the Ministry through its divisions wish to ensure to comply with it accordingly.

AUDIT RECOMMENDATIONS: Ministry should strengthen controls over expenditures in ensuring to cut telecommunications and electricity.

9. MINISTRY OF INFRASTRACTURE & SOLAR ENERGY

Audit Findings & Analysis

9.1. Non submission of arrears of revenues

A return of arrears of revenue should be submitted to the Accountant General at the end of the year. (Financial Regulation section 4.35)

The audit noted that the ministry did not submit arrears of revenue to the Accountant General at the end of 2021.

9.2. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MISE				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C27080000131	Service fee	30,000.00	9,654.43	-20,345.57
C27090000135	Hire of plant	15,000.00	10,134.30	-4,865.70

The above table summarized the ministry under collected revenues during the year.

Management Response

Non submission of arrears of revenues:

- *The Management agreed with KNAO's findings that MISE failed to provide the return of arrears of revenue to Finance so MISE will improve on the year 2022.*

- *The Ministry's main revenue is Pertroleum License fee, Building Permit, Technical Service Fee, Hire of Plant and Equipment, and the Nippon Causeway tollbooth. The arrears of revenue could be Seasonal Ticket for all Ministry's vehicles.*
- *Also another arrears of revenue was from the Minister's decision to wave the Technical Services fee to MISE's clients who were using MISE's technical services including architectural design, costing, and structural analysis.*
- *The Ministry starting this year (2022) is trying to improve this by recording all technical services fees that are waved by the Minister to include in the reporting by MISE to MFED*

Under collected revenues:
From the table above it was stated that Service Fee and Hire of Plant were not meet their estimated target due to the covid-19 pandemic. Service fee estimated figures were based on project activities however most projects were started late in 2022.

AUDIT RECOMMENDATIONS: The ministry should comply with FR section 4.35 to submit arrears of revenue at the end of the year and to improve collections of revenues.

Management Response

9.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

9.3.1. Local services

9.3.1.1. No initial signature

The PV# 8057, the handwritten correction of amount as per invoice no. 163 was not initialed by the responsible officer.

9.3.2. Purchase of Office Equipment

9.3.2.1. Uncertified Invoice

The audit found Pvno.0585 amounted to $6,390, in which the attached invoice was not certified as true copy from the original.

Management Response
No initial signature- Mise agreed with the KNAO findings as the payment voucher (PV) was not initially signed while account amend the figures on invoice. As a way forward the management would closely work with the account to double check all payments made prior sending them to Finance for payment processing. Refer annex2.
Uncertified invoice- The management agree with the audit findings on this PV#0585 which is not certify. As practiced the Finance could inform the ministry to certify the original if the invoice did not certify yet. As a way forward the management would work closely with the account team to double check their supporting documents prior approved the payment so that this mistake would not be happened later.

AUDIT RECOMMENDATIONS: The audit would recommend compliance with Financial Regulations to mitigate issues.

10. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURE DEVELOPMENT

Audit Finding and Analysis

10.1. Decreasing of ministry revenues in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C16020000002	Fines	180.00	1,120.00	-940.00
C16030000004	DNE (admin fees)	-	467.88	-467.88
C16040000006	Quarantine	-	11,517.00	-11,517.00
C16040000026	Livestock sales	63,408.42	120,731.91	-57,323.49

The above table shows summary of ministry revenues which were decreasing at the end of 2021:

- No revenues for DNE admin fees and Quarantine fees collected in 2021 compared to 2020.
- Main revenue for livestock sales and fines were dropped by 57k and $940 at the end of the year compared to 2020 revenues.

10.2. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MELAD				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C16020000002	Fines	500.00	180.00	-320.00
C16020000025	Sale of state lands	1,500.00	-	-1,500.00
C16030000003	Fees (Land Survey)	50,000.00	48,608.47	-1,391.53

The above table summarized MELAD under collected revenues in 2021.

Management Responses

*1.1. **Fines-** In 2020 the revenue is significantly high since it is mostly derived from the $250 per fine illegal sand mining earns. Since more people are aware of sand mining illegally in 2021, less fines are being collected. As a result, 2021 fee collection is primarily from the $10 per fine for littering activities.*
***DNE admin fees**- No revenue collected in 2021. This was based on the legal stand as the fund was from the deceased and it is not proper to charge any fee on DNE- In line with the court's decision, LMD is required to comply with the court judgement to administer the beneficiaries' shares until they reach 18 years without any deduction from their actual shares. In accordance with MCO Cap 52, the Director of Lands is appointed to be the administer for all DNE estate monetary and also the administer shall 3 (1) b.*

***Quarantine revenue**- Quarantine code is 028 with reference to RB 2021. And therefore, the total amount of fees received under 028 in 2021 was $8,272.40. Revenue received in 2021 decreases due to boarder closure caused by the Covid-19 outbreak.*

***Livestock sales**- In 2020, the revenue increased since both TTM farms and Temwaiku and Bikenibeu used deposit their revenue under this allocation for their sales (vegetables, livestock etc.) In 2021, the revenue of Bikenibeu and Temwaiku farm deposited to the project which is the revolving fund with a code of H1604L08140. There is a problem with the inability to import feed for farm animals because of boarder closures. Due to the lack of a nutritious food that will keep them productive, these agricultural animals (hens, pigs, etc.) are less productive.*

*1.2. **Fines-** High awareness of illegal sand mining so mainly revenue collected are from littering activities which cost only $10 compared to fine of illegal sand mining which is $250.*

***Sale of State lands-** This code should have been not included in this year's budget. In accordance with the State Land Act and the Pre-emptive state lands are not for sale but for leasing only Refer attachment 1 & 2.*

***Fees (Land Survey)-** Currently the only fees were from the Projects, the amount as well will be revisited to get a more realistic amount in the future.*

AUDIT RECOMMENDATION: The Ministry needs to improve revenue collections in order to achieve targets as set out in the Budget policy.

11. MINISTRY OF EMPLOYMENT & HUMAN RESOUCES DEVELOPMENT

Findings and Analysis

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

11.1. Under collected revenues 2021

MEHR				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C28020000143	Employment Services	1,500.00	1,304.50	-195.50
C28040000062	Medical fees	10,000.00	5,903.00	-4,097.00
C28040000144	MTC Upgrading fees	100,000.00	71,719.00	-28,281.00
C28040000145	Rental MTC premises	22,000.00	9,800.00	-12,200.00

The above table summarized the ministry under collected revenues during the year.

Management Response

The year 2021 was a challenging year for MEHR since the pandemic had impacted its services. The MTC, KIT and MEHR offices were lockdown during that year thus, medical fees, upgrading fees and rental fees were affected. The employment services revenue was affected as well.

AUDIT RECOMMENDATION: MEHR needs to strengthen controls over the collection of revenues in order to increase revenues in the future.

11.2. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

11.2.1. Telecommunications

Total government telecommunication expense reported in 2021 is $3.3 million. Out of this balance 9% represents total MEHR telecom expense. Refer table below:

11.2.1.1. Significant increase for telecommunications

Account	Actual 2021	Actual 2020	Increase/ (Decrease)
Telecom expense	309,251.92	243,456.53	65,795

With concern the ministry telecom expense of $309k had increased significantly by over $65k in 2021 compared to 2020, hence this requires management explanations.

11.2.2. Electricity and Gas

Total government electricity & gas expense reported in 2021 is $3.8 million. Out of this balance 13% represents total MEHR electricity expense. Refer table below:

11.2.2.1. Significant increase for electricity

Account	2021	2020	Increase/ (Decrease)
Electricity	502,979.12	456,786.68	46,192

With concern the balance of $502k in 2021 had increased significantly by over $46k compared to 2020, hence this requires management explanations.

11.2.3. External travel

Total government external travel expense reported in 2021 is $601,991.26. Out of this balance 65% or $393,662.00 represents total MEHR external travel.

11.2.3.1. Charter cost for seasonal workers

Total charter cost of $393k recorded under external travel was paid to New England travel to flight seasonal workers to Australia. Of concern this was financed by the ministry's recurrent.

11.2.4. Internal Travel

Total government internal travel expense reported in 2021 is $3.2 million. Out of this balance 6% represents total MEHR internal travel expense. Refer table below:

11.2.4.1. Significant increase for internal travel

Account	2021	2020	Increase/ (Decrease)
Internal Travel	199,728.32	89,679.86	110,048.46

With concern the balance of $199k in 2021 had increased significantly by over $110k compared to 2020, hence this requires management explanations.

11.2.4.2. Untimely retirement of imprest

Upon our examination of internal travelling claims, the audit found two claims # 021 and 0192 amounted $650 and $500 respectively, in which officers did not retire their imprest after two weeks upon arrival from official trips.

Management Response

Significant increase to Telecommunications- The pandemic had contributed much to the increase of MEHR telecommunications expenditure. During the lockdown, most of the staff were given credits since they were required to work online from their homes. Not only that but the ministry was trying to improve its internet by engaging with other internet service providers to avoid complaints from staff and the public.

Significant increase to Electricity and Gas- During the pandemic, the Ministry of Health was using the SONH buildings as one of its quarantine centres forcing the consumption of electricity to increase. All people or Covid patients were using electrical appliances like kettles, fans, mobile chargers and so forth.

Charter cost for Seasonal Workers- This was one of the Cabinet directives whereby the MEHR was instructed to meet this expenditure while the MFED did not even bother to provide any financial assistance.

Significant increase to Internal Travel- As the pandemic stroke, the MEHR changed its focus to outer islands. In 2021, MEHR started to visit more outer islands regarding its awareness programs and so forth. This had impacted its internal travel to increase.

Untimely retirement of imprest- The current control of imprest did not really put pressure on the staff until such time their next trip is to be due. The Treasury policy states that no staff will be given any imprest unless their prior travel expenses have been retired. In fact, civil servants did not honour that policy, therefore, PSO must step in to instruct its civil servants to retire their imprests ten days after arrival and impose certain penalties.

AUDIT RECOMMENDATION: MEHR needs to comply with Financial Regulations and NCE to ensure that above issues are not exist in future account.

12. MINISTRY OF EDUCATION

Audit Findings & Analysis

12.1. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MOE				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C23010000015	Fare on charter Vessel	154,305.00	98,059.09	-56,245.91
C23070000064	National certificate	14,250.00	10,870.00	-3,380.00

The above table summarized the ministry under collected revenues during the year.

Management Response

The drop in revenue to both the fare on charter vessel (C23010000015) and National certificate (C23070000064) can be associated with the implementation of the new policy on free education in 2021. The free education policy allows all students to progress to the next level with full support from Government on school fee. Since the rollout of this free education policy, the dropout rate dropped, and the number of senior secondary school students increased. More secondary school students mean that chartered vessels had limited spaces for private passengers. Less number of drop out students lead to less number of requests for national certificates.

Audit Findings & Analysis

12.2. Same PF number

The audit found that the following employees PF number under MOE, the same PF no. also exist on pay 27/08/21 in other ministries by different employee names such as:

PF Number	Ministry
23560	MFED
2015134	MIA

Management Response:

This will be cross checked with the Public Service Office (PSO) and the Ministry of Finance & Economic Development (MFED).

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

12.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (Financial Regulation 9.2)

Audit Finding and Analysis

12.3.1. Purchase of office equipment

12.3.1.1. Incorrect code for office laptops

The audit noted that purchase of two office laptops on PV no.2759 amounted $8,803.13 was incorrectly posted under code E2303 (JSS) when it should be posted under code E2306 (KTC).

Management Response:

To share a GL (2021) which proves that MOE PV# 2759/22 – was actually charged to E2306 (KTC) and not E2303 (JSS) – had sent a copy to KAO

12.3.1.2. One broken laptop's screen

The audit found one laptop purchased on the same PV no.2579 above had a terrible screen crack after been falling a few months ago, hence an external monitor was used for this laptop.

12.3.2. Entertainment expenses

12.3.2.1. Violation of Procurement Act 2002

'Section 51- the ministry should at least attach three suppliers 'quotations in looking for quality and cheaper cost.'

The audit noted that PV#2481 for workshop catering amounted $4,165.65 did not attach a requisition form along with at least three supporting quotations from suppliers.

Management Response:

This is noted, the Ministry will work on strengthening compliance on procurement.

12.3.3. Internal Travel

Total government internal travel expense reported in 2021 is $3.2 million. Out of this balance 12% represents total MOE internal travel expense. Refer table below:

12.3.3.1. Significant increase for internal travel

Account	2021	2020	Increase/ (Decrease)
Internal Travel	393,409.66	249,446.46	143,963.20

With concern the balance of $393k in 2021 had increased significantly by over $143k compared to 2020, hence this requires management explanations.

Management Response:

The border closure in 2021 had shifted a lot of the MOE activities to the outer islands. The Education Sector Strategic Plan (ESSP 2020 - 2023) was completed and approved in 2020 and was socialized and implemented in 2020 to 2021 causing an increase in travel to the outer islands. The follow up checking and assessment on outer islands pre-schools also continued in 2021.

12.4. Other government expenses

The table below shows comparative figures for other government expenses reported under Ministry of Education for 2020 and 2021.

Other Government expense	2020	2021	Increase/ (Decrease)
In country tertiary support	879,627.01	2,131,146.22	1,251,519.21
Subsidy for school fees	2,540,792.01	3,801,639.90	1,260,847.89
Support for free schools	1,448,330.68	2,261,229.50	812,898.82

12.4.1. Significant increase in other government expense

Of concern the above three expenses had increased significantly with respective amounts above in 2021 compared to 2020. This requires reasonable explanation by the ministry.

Management Response:

In country tertiary support- *The increase in number of in-country students selected in 2021 also caused the increase in expense. The number of selected students was determined by the number of students with a 'c' grade or a pass achievement.*

Subsidy for school fees- *The free education policy is also affecting the increase in number of senior secondary school students causing an influx in school fees expense.*

Support for pre-schools- *After the assessments of new pre-schools in 2021, an increase in number of approved pre-schools escalated the expense on pre-school teachers' wages.*

AUDIT RECOMMENDATIONS: MOE should strengthen the controls over its expenditures to mitigate recurring issues.

13. MINISTRY OF TOURISM COMMERCE INDUSTRY & COOPERATIVE

Audit Findings & Analysis

13.1. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MTCIC				
Code	Account Detail	Estimate	Actual	Over/(Under)
C18030000034	Foreign Investment Lice	5,000.00	1,485.00	-3,515.00
C18030000055	Copywrite fees	5,000.00	0.00	-5,000.00
C18020000033	Company fees	5,000.00	0.00	-5,000.00

The above table summarized the ministry under collected revenues during the year.

Management Response

Copyright revenue response (Over budgeted)- The copyright registration is free. We are not expecting that the applicant will pay $5 for a certificate (it is up to the applicant if he/she wants to get a certificate or not) unless the applicant discovers that their copyright products infringe from others then by that time they will be paid for it. The new Copyright Regulation does not charge a fee, only the fee for the certificate of registration.

Company fees (Over budgeted)- Revenue for company depends on the number of companies registered in a given year. Registration is a one-off payment at a minimal fee so the revenue for every year depends on the number of new applications received every year.

Foreign Investment - Under collection due to Covid 19 which did not encourage foreign investors to come in.

AUDIT RECOMMENDATIONS: Ministry should ensure to achieve revenue target during the year as this is the compliance to the approved budget policy.

13.2. Purchase of office equipment

13.2.1. Uncertified invoice

The audit found that the invoice number 3584 for PV0791 amounted $6,770.25 for the purchase of two flat screens was not certified to indicate correct and true copy of invoice.

Management Response

If this is not certified and Finance did not detect this also, we hereby certify that invoice is true and correct, and these 2 flat screens are recorded in Asset register. One screen with HM and the other with Senior IT.

AUDIT RECOMMENDATIONS: Ministry should ensure to certify all invoices prior to processing them into payments.

14. MINISTRY OF JUSTICE

Audit Finding and Analysis

14.1. Decreasing of ministry revenues in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C37020000111	Custom service fee	0.00	42,007.17	-42,007.17
C37020000112	Acceptance fee	13,647.34	18,543.10	-4,895.76
C37040000111	Civil registration	146,211.00	196,269.03	-50,058.03
C37060000004	Swearing fees	0.00	4,190.00	-4,190.00
C37060000006	Sundry fees	0.00	7,184.04	-7,184.04

The above table shows summary of ministry revenues which were decreasing at the end of 2021:

- No revenues for custom service fee, swearing and sundry fees collected in 2021 compared to 2020
- Main revenue civil registration decreased by $50k and acceptance fees by $4k.

Management Response

Following Cabinet's decision to Custom Division to be back to MFED, hence the query of decrease in collection for the year. All revenue codes were changed as well due to this decision. For example, Prison Division code 03 changed to 03 and so forth.

There was no collection for the year on Custom Service fees due to explanatory given above. Please refer to adjustment from Special Unit showing codes no longer exist. To total up those adjustment from Special unit, total collected for the year was transferred to Civil Registration per S/U002/21 & S/U005/21 which made up the total $146,211.00 at the end of the year.

Copies of aforementioned adjustments will be shared once received from the Special Unit staff.

Please refer details of adjustment from Special Unit:

- *HQJV09992/21*
- *HQJV1267/21*

The above adjustments were used to transfer from invalid to existing codes per explanation provided hence no collection. Details for new change is as follow:

Administration	E3701	C3701
Prison	E3702	C3702
CRO	E3703	C3703
HRD	E3704	C3704
OPLS	E3705	C3705
XMAS PRISON	E3706	C3706

In review of Audit findings, no collections for said codes was mainly based on this change which caused decrease for the year in comparison.

AUDIT RECOMMENDATION: Ministry to reconcile revenues on a monthly basis to ensure the correctness of revenues.

15. JUDICIARY

Audit Finding and Analysis

15.1. Decreasing of ministry revenues in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C11010000002	court fines	87,342.55	494,953.96	-407,611.41
C11010000003	court fees	49,059.00	139,199.14	-90,140.14

In 2021 court fines and fees were significantly dropped by 407k and 90k respectively compared to 2020 revenues.

Management Response

There is a decrease in the revenue for the year 2021 related to the pandemic (Covid 19). Less number of cases and less fines regarding the lockdown. Outer Islands - The court fees and the court fines are received and receipted by the Treasurer of the Island Council. The Treasurer reports to the MFED, never to the Judiciary. So, it is the revenue of the Judiciary receipted by Treasurer of the MFED. There must be a reconciliation of values and numbers. The money is with the Treasurer, but the number of cases is with the outer island court clerk. The number and the money receipted must agree.

AUDIT RECOMMENDATION: Judiciary needs to monitor revenues for court fines and fees in order to have an improvement in the future account.

Audit Finding and Analysis

15.2. Same PF number

The audit found that the following employees PF number under Judiciary, the same PF no. also exist on pay 27/08/21 in other ministries by different employee names such as:

PF Number	Ministry
2018112	MHMS
2017178	KPS

Management Response

We got all of the information regarding this and it is true that PF numbers are the same but different Officers, which means they are also paid in their different output numbers so this could not be verified from our side as we never look into MHMS and KPS reports. There was also a report from OIC salary if you need more clarifications on the above findings.

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

16. MINISTRY OF FISHERIES MARINE & RESOURCES DEVELOPMENT

Audit Findings & Analysis

16.1. Two years drop in fishing license

Fishing license is one of the government major revenues to support main operations. Of concern license revenues had been dropped for the past two years by $39 million in 2020 and $9 million in 2021.

16.1.1. Decreasing of other ministry revenues in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C21030000010	Vessel and Equipment Hire	-	6,270.00	-6,270.00
C21030000040	Fish and fish poster sales	983.65	11,338.00	-10,354.35
C21030000041	Local Fishing	1,999.00	18,032.50	-16,033.50
C21030000042	Local Licencing	-	19,030.00	-19,030.00
C21040000008	Observer fund	431,854.29	1,265,977.57	-834,123.28

The above table shows summary of ministry other revenues which were decreasing at the end of 2021:

- The audit noted that there are no revenues collected for vessel hire and local licensing during the year compared to having revenues in 2020
- Observer funds decreased by $834k, local fishing by $16k and fish poster by $10k

Management Responses

Fluctuations in fishing revenue link to many factors most of which are external and beyond the Government control. The more common ones are economic, political, environment, political including internal issues faced by fishing industries from time to time.

As widely recognized, business worldwide including fisheries during past 3 years affected heavily by the COVID19 outbreak, followed recently by the war in Ukraine which saw cost of production (oil in particular) increased significantly and the shifting of fishing away from Kiribati due to extreme La Nina conditions.

The result of these factors saw fishing companies' conservative in their approach by reducing the number of fishing days in Kiribati including additional days resulting in excessive remaining days left unsold and less revenue. The number of license vessel also dropped. This is the quite the opposite during El Nino periods (favourable to Kiribati in 2019) where fishing days almost sold out, demand for additional fishing days were high and increase revenue in return. Some companies also forced to exit the fishery as they cannot continue to survive economically in difficult market situations.

16.2. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

Code	Account Detail	Estimate	Actual	Over/(Under)
C21030000040	Fish and fish poster sales	20,000.00	983.65	-19,016.35
C21030000041	Local Fishing	25,000.00	1,999.00	-23,001.00
C21030000042	Local Licencing	25,000.00	0.00	-25,000.00
C21030000047	Vessel and Equipment Hire	15,000.00	3,590.75	-11,409.25
C21040000049	Observer fund	900,000.00	431,854.29	-468,145.71
C21050000046	EEZ chart sales	5,000.00	3,385.05	-1,614.95
C21050000048	Marine scientific research	6,000.00	5,269.08	-730.92

The above table summarized the ministry under collected revenues during the year.

Management Response:

These are the clarification for the codes stated below for the above query:

1. *C21030000040- Fish and Fish Poster Sales*
2. *C21030000041- Local fishing*
3. *C21030000042- Local Licensing*
4. *C21030000047- Vessel and Equipment Hire*

The major underlying factor that has caused the under collected revenues for Code 1-3 is due to the COVID19 pandemic that had diverse impact worldwide including Kiribati. After the closing of national borders that became effective in 2019 to 2020, there is expectations that opening of border will resume sometimes in 2021, hence an estimate of forecast revenue had been reset but this was not achieved as the Kiribati border continue to close until mid-2022.

Code 1-3 relies heavily on number of incoming and outgoing flights internationally as they are the major vessel for boosting our local revenues through personal consignments, incoming tourists for pleasure fishing as well as export of marine products to overseas market. With Kiritimati Island as the major contributor to these codes, Kiritimati border remain closed to date.
As for Code 4, there is less revenue collected due to the closure of our main office in Tanaea for reparation worth noting there is a Maneaba located in Tanaea that is usually booked for pleasure camping which is also known as a major contributor to this code. Coupled with this, the construction work for connecting road for Buota from Tanaea also close of this area in which all properties in the areas are restricted for entry due to ongoing construction work that was carried out in the area. Hire of Vessels specifically, boats usually hired for outer and inter-island trip were also reduced due to the related issue of their seaworthiness, in which they were considered unsafe to undertake these trips hence the reason.
These factors were applicable for both Tarawa and Kiritimati Island.

Geoscience Division's Clarification for drop in revenue collection:

MFMRD Code	*Account details*	*Estimate*	*Actual*	*Over/Under*	*Justification*
C21050000046	*EEZ chart sales*	*5000*	*3,385.05*	*-1614.95*	*All fishing vessels have received their*

					copy of EEZ chart.
C21050000048	*Marine Scientific Research*	*6000*	*5269.08*	*-730.92*	*The variation must be from the conversion rate.*

With regards to MSR revenue collection, the MSR fee is AUD$3000 per application. In 2021, there were only two MSR applications received from NOAA and from the WCPFC. NOAA paid US$2650 (TTF:46285) whilst WCPFC paid AUD$3000 (TTF: CAV-04584212421). We assume that the variation is from the US conversion rate.

AUDIT RECOMMENDATIONS: Ministry should monitor revenues on a regular basis to ensure that revenues target was achieved at the end of the year.

16.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

<u>Audit Finding and Analysis</u>

16.3.1. Internal Travel

16.3.1.1. Untimely of imprest retirement

The audit continues to find late retirement of imprest in 2021 as evidenced by travelling claim no.114 for 2019 amounted $840 which was just retired in July 2021.

Management Response

The Ministry agreed with the finding, however, the officer concerned, in early 2020 was on leave without pay for one year as he accompanied his wife to study in Fiji. Hence, the whole of 2020 was absent from work, which lead him to retire his imp rest in 2021. There are no further payments due to this imprest retirement.

AUDIT RECOMMENDATIONS: Ministry should comply with Imprest retirement policy as per stipulated under NCS section E5.4.

17. MINISTRY OF HEALTH MEDICAL SERVICES

Audit Findings & Analysis

17.1. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MHMS				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C22010000006	Private Ward Fees		-	
C22010000008	Sundry Revenue	10,000.00	7,397.95	-2,602.05
C22080000056	Deposit scheme for crutches	1,000.00	277.00	-723.00
C22090000066	Sales of Dentures	10,000.00	4,954.65	-5,045.35

The above table summarized the ministry under collected revenues during the year.

Management Response

- *Sundry revenue generated from charter (ticket collection) and disposal of the Ministry assets (resell). The collection is not fixed but depend on the service needed.*
- *Since 2021, the crutches no longer rented out to the public as they are donated from LDS to the Ministry.*
- *Denture revenue did not meet the target as dental stock for the year 2021 was very low due to delays in shipment for bulk orders and border closures (covid19).*

AUDIT RECOMMENDATION: MHMS should achieve its revenue target as per Approved Estimate/Budget policy 2021.

Audit Findings & Analysis

17.2. Same PF number

The audit found employee PF number 2018112 under MHMS, the same PF also exist on pay 27/08/21 under Judiciary but by different employee name.

Management Response

This office confirms that PF number 2018112 is a nursing officer employed by the Ministry since 2018. PSO, Police and Judiciary can provide more detail on double PF number issue. Refer first appointment attached for information. Refer supporting documents for verification on allowances paid pp27.08.21 & 30.08.21

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

17.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

17.3.1. Telecommunications

In 2021 telecommunication for MHMS amounted $499k is 15% from total of $3.3 million for government telecom expense.

17.3.1.1. Increase of telecommunications expense

Account	Actual 2021	Actual 2020	Increase/ (Decrease)
Telecom expense	499,359.30	424,628.14	74,731

With concern the ministry telecom expense had significantly increased by over $74k in 2021 compared to 2020, hence this requires management explanations.

17.3.2. Transport to work

Total government transport to work expense reported in 2021 is $2.7 million. Out of this balance 19% or $619k represents total transport for MHMS.

17.3.2.1. Lack of expense reconciliation

The ministry continues to have an issue over expense reconciliation as evidence by the mismatched of transport expense between ministry database and finance general ledger:

17.3.2.2. Non-use of logbooks

Of concern there are vehicles operated by the ministry that continue in not using logbooks which is necessary to monitor the mileage used for each vehicle.

Management Response

Telecom expense- The increase in telecom expenses in 2021 was related with the effort of trying to improve MHMS internet connections when covid was a major concern, purchasing more modem, LTE and pocket wifi for pharmacy, laboratory, imaging for flow of information to overseas suppliers and counterparts for critical medical supply chain, which are all contributed to the increase in the internet expenses.

Transport to work- The transport had short number of vehicles and we hired minibuses to support the transport service delivery on a daily basis. Fyi, we have only 2 ambulances but supposed to be 3. We also have only 1 minibus but supposed to be 4 and 1 big bus but supposed to be 2. In this regard, our vehicles have been down for a long time, and we need new vehicles since then. Hiring of 3 private minibuses is the only option we obtained in solving this issue and prior having MHMS new owned minibuses, ambulances and big buses. These 3 rental buses hired with a rate of $150 per day. There is also a big bus rented from PVU since our current one and only big bus is on and off needs mechanical maintenance and can affect the operation of the transport service. These relate to the increase of high expense/cost for transport unit.

Lack of expense reconciliation- This office confirms that expenditure reconciliation on a quarterly basis. The ongoing problem of mismatching the Ministry's data with Finance GL, on the other hand, result by *using a standalone database (copy database). The standalone database is flexible, allowing the user to operate on his own machine outside working hours rather than relying on the server's availability. However, any changes made by the individual to his or her standalone database may not be reflected in the main database, resulting in a mismatch of records. The query is being saved for future reference and for the Ministry to avoid repeating this mistake.*

Non-use of logbooks- This office truly regrets for the unavailability of logbooks during the audit inspection, and we are now providing and issuing new logbooks for auditing purposes.

AUDIT RECOMMENDATIONS: The audit would recommend compliance with financial regulations and proper controls over expenditures.

18. MINISTRY OF WOMEN YOUTH SPORT & SOCIAL AFFAIRS

Audit Findings & Aalysis

18.1. Same PF number

The audit found an employee PF number 2018010 under MWYSA, the same PF no. also exist on pay 27/08/21 under MLPID by different name.

Management Response

Same PF number- PF # 2018010 is an employee code for 1 officer from Youth Division. With regards to another officer from MLPID using the same PF number, this ministry is beyond its capacity to provide the right answer so recommend that Salary Unit is the right office to provide an absolute answer. that will solve all doubts once and for all.

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

18.2. Elderly Funds (Other Commitments)

Total elderly funds reported in 2021 is $ 20,351,284.94 against a revised budget of $20,473,581.00, hence a saving of some $122,296.06

18.2.1. Non review and updating of elderly funds

Elderly fund records is not regularly updated and reviewed as the listings provided also include those deceased elderly names for more than 6 months.

18.3. Support Funds for Unemployment (Other Commitments)

Total support funds for unemployment reported in 2021 is $ 45,244,590.20 against a revised budget of $48,349,961.00.

18.3.1. Mis posting of funds

Total of $138,930.50 related to school fees for underprivileged children code E31260000337 was incorrectly recorded under Support Fund for Unemployment code E31260000260.

Management Response

<u>Non review and updating of elderly funds-</u> The review and updating of elderly funds were done but the system used back at that time was not reliable. As experienced after updating changes of Elderlies addresses or status, when the final list generated, the changes were never reflected and remain as before. For example: 1. Elders who have changed their addresses from TUC to Abaiang, remain on TUC list when the final list run. 2. Elders who have died were also updated on the system but their names are still on the list after running the final list.The officers cannot identify the nature of the cause but just blamed the system and it should be noted that the system that time had just developed and still developing until now. However, the issues repeatedly faced when the program was initially introduced were no longer or less encountered showing that there had been improvements to the system. I wish to share also that the Social Protection Unit is now working with a TA recruited by DFAT with an aim to improve the system and to reduce the issues on these social benefit payments.

<u>Mis posting of funds-</u> The payments of school fees for the underprivileged students being found mis-posted to the Support Funds for Unemployment budget code was an oversight by the account while performing extra duties when the new program on social benefits payments introduced.
Given that there were no extra recruitments made to implement the program, it was experienced that the account staff from this ministry were always the main target by the treasury to comprise the team collectively gathered from the accountancy cadre at different ministries that was really taking up their times leading to the delay in other service deliveries required by this ministry's account.

AUDIT RECOMMENDATIONS: To reconcile expenditures on a monthly basis and to put in place relevant controls to mitigate issues.

19. MINISTRY OF FINANCE ECONOMIC DEVELOPMENT

<u>Audit Findings & Analysis</u>

19.1. Drop in revenue collection

Code	Account	2021	2020	Increase/ (Decrease)
C25010000102	Interest on consolidated fund	-	250,594.81	-250,594.81
C25010000155	Budget Support from EU	-	4,008,305.27	-4,008,305.27
C25020000102	Interest earnings	96,460.03	961,811.79	-865,351.76

- No revenue collected on interest on consolidated funds and budget support from EU reported in 2021
- Interest earning was significantly dropped by $865 million in 2021.

Management Response

No response provided.

AUDIT RECOMMENDATIONS: MFED needs to provide explanations on the above drop revenue collections.

19.2. Lack controls over salaries

'Salaries and wages paid to the employee are in line with authorized position and that the employee has worked the required number of hours for the pay received.' (Financial Regulation section 21.1)

Audit Findings & Analysis

19.2.1. Same PF number

The table below shows list of employees with same PF number under different ministries for pay period 27/08/21:

Date	PF no.	Bank Salaries	Min
27/08/2021	23560	382.85	MOE
27/08/2021	23560	241.92	MFED
27/08/2021	2015134	360.73	MIA
27/08/2021	2015134	236.60	MOE
27/08/2021	2017017	519.94	KPS
27/08/2021	2017017	279.90	MIA
27/08/2021	2017178	669.29	KPS
27/08/2021	2017178	229.19	JUD
27/08/2021	2018010	327.26	MWYSA
27/08/2021	2018010	64.57	MLPID
27/08/2021	2018112	284.20	MOH
27/08/2021	2018112	56.59	JUD

Management Response

MFED only receives the paysheet for MFED only and other ministries paysheets hence we cannot tell instantly whether the PF numbers are double or not. The SAME PF Number has no financial implications for double payments given that these people are paid by their respective budget but just share a PF Number. The strategy for going forward is that we will check with the Payroll System (Treasury) and to check and adjust their PF Number accordingly. But if we reiterate that SAME PF Number has no financial implications or double payments but will rectify the matter in the current financial year.

AUDIT RECOMMENDATIONS: MFED through salary division should ensure that all PF numbers are not duplicated. Other alternative options i.e. The salary division should create unique codes for PF numbers generated by the three divisions, PSC, Judiciary and KPS.

19.3. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

19.3.1. Electricity and Gas

Total government electricity & gas expense reported in 2021 is $3.8 million. Out of this balance 4% represents total MFED electricity expense. Refer table below:

19.3.1.1. Increase in balance of electricity

Account	2021	2020	Increase/ (Decrease)
Electricity	161,477.16	154,512.70	6,964

With concern the balance of $161k in 2021 had increased by nearly $7k compared to 2020, hence this requires management explanations.

19.3.2. Internal Travel

Total government internal travel expense reported in 2021 is $3.2 million. Out of this balance 7% represents total MFED internal travel. As per table below the ministry internal travel for 2021 had increased significantly by over $56k compared to 2020.

Account	2021	2020	Increase/ (Decrease)
Internal Travel	229,302.90	172,569.95	56,732.95

19.3.2.1. Significant relieving cost for outer island treasurers

- Major balance for internal travel in 2021 comes from relieving costs for 15 outer island treasurers total to $100,512.60 during the year.
- Relieving costs were paid at $70 per day and the duration of relieving ranges from 35 to 171 days equivalent to claim amount at $2k to $12k respectively. (List can be provided)
- The highest claim amount of $12,810 for one reliever at 171 days which is nearly 6 months relieving duration.

19.3.2.2. Untimely retirement of imprest

The audit found one travelling imprest TC#049 amounted $510 that was not retired within 10 working days after official trip.

Management Response

No responses provided for above.

AUDIT RECOMMENDATIONS: The audit would recommend compliance with financial regulations and to put in place internal controls over expenditures to mitigate above issues.

20. MANEABA NI MAUNGATABU[2]

Audit Findings & Analysis

20.1. Non submission of arrears of revenues

A return of arrears of revenue should be submitted to the Accountant General at the end of the year. (Financial Regulation section 4.35)

The audit noted that the ministry did not submit arrears of revenue to the Accountant General at the end of 2021.

20.2. Decreasing of ministry revenue in 2021

Code	Account	2021	2020	Increase/ (Decrease)
C17010000015	Charter revenue	43,955.61	105,951.01	-61,995.40

In 2021 court charter revenues was significantly dropped by 61k compared to 2020 revenues.

20.3. Under collected revenues

Ministries should achieve revenue targets to comply with Revenue Estimate as per Budget Policy approved in 2021.

MM				
Code	**Account Detail**	**Estimate**	**Actual**	**Over/(Under)**
C17010000050	Conference room rental	1,500.00	300.00	-1,200.00
C17020000080	Sale of Publications	350.00	0.00	-350.00

The above table summarized the ministry under collected revenues during the year.

Management Response

No response provided.

AUDIT RECOMMENDATIONS: The ministry should comply with FR section 4.35 to submit arrears of revenue at the end of the year. To provide reasons for the decrease and under collection of revenues

[2] Maneaba Ni Maungatabu refers to House of Parliament

21. MINISTRY OF INTERNAL AFFAIRS

Audit Findings & Analysis

21.1. Same PF number

The audit found that the following employees PF number under MIA, the same PF no. also exist on pay 27/08/21 in other ministries by different employee names such as:

PF Number	Ministry
2017017	KPS
2015134	MOE

Management Response

PF 2015134a – this belongs to Mr Bautara Danny – Maintenance Officer level 14-13 as per PSC first appointment letter of 03/09/2015
PF 2017017 – this belongs to Ms Teaobiti Tebaeke the Assistant Local Government Officer L14-12 as per PSC first appointment letter dated 06/12/2019

For your information, MIA is not responsible for creating or issuing PF numbers to newly recruited government employees hence had no knowledge on how this exists, and we cannot do anything about it unless PSC is consulted.
Furthermore, I learnt from SA in Salary section, that apart from PSC he mentioned that KPS and Judicial also issues PF numbers to their newly recruited officers after completing the required training within their force and department.

AUDIT RECOMMENDATIONS: Moving forward-The ministry should get the update from salary division on the correct PF number.

21.2. Operational Expenditures

Accounting officers must exercise due economy in expending money. Money should not be spent merely because it has been voted; there should be a verifiable need for the expenditure. (FR section 9.2)

Audit Finding and Analysis

21.2.1. Purchase of office equipment

The following issues are noted:

21.2.1.1. 2 Unpacked or idle air conditions

The purchase of 5 air conditions on Pv# 659 amounted $6,243.75, two of these air conditions (18000 BTU@$1,550-unit price) were not yet installed when we sighted them (still in box).

21.2.1.2. Incorrect code

The purchase of saloon car amounted $4,000 on Pvno.mia799 was wrongly posted under office equipment coded 243 instead of fixed asset expense coded 287.

21.2.1.3. Violation of Procurement Act 2002

'Section 51- the ministry should at least attach three suppliers 'quotations in looking for quality and cheaper cost.'

The audit found that the purchase of one laptop cost $2,783.14 as per PV#mia050 was not supported with at least three suppliers' quotations.

Management Response

AUDIT RECOMMENDATIONS: Ministry should comply with Financial Regulation and Procurement Act to improve control over expenses.

22. ANNEXURE 1- MINISTRIES ASSET REGISTER 2021

22.1. Review of Ministry Asset Register 2021

Ministry	Date Received	Type of Register	*Start Date*	*End Date*	Asset Register available?	Maintain & updated?
MHMS	04/04/2023	Excel	12/01/2021	31/12/2021	Yes	yes
MOJ	28/03/2023	Book	*12/01/2021*	*23/12/2021*	yes	yes
JUD	21/03/2023	Excel	*08/01/2021*	*06/05/2021*	yes	yes
OB	28/03/2023	Book	*25/01/2021*	*23/12/2021*	yes	yes
MFAI	28/03/2023	Book	*12/02/2021*	*03/12/2021*	yes	yes
MFMRD	24/04/23	Excel	*6/01/2021*	*23/12/2021*	Yes	Yes
MELAD	03/04/2023	Excel	*01/02/2021*	*29/12/2021*	yes	yes
MTCIC	27/03/2023	Excel	*14/01/2021*	*13/12/2021*	yes	yes
MICTD	27/03/2023	Excel	*12/01/2021*	*02/08/2021*	yes	yes
OAG	27/03/2023	Book	*06/02/2021*	*07/12/2021*	yes	yes
KPS	27/03/2023	Book	*08/01/2021*	*23/12/2021*	Yes	yes
MISE	27/03/2023	Excel	*07/01/2021*	*28/12/2021*	yes	yes
MOE	06/04/2023	Link	*Unable*	*To view register using link*	Yes	?
MM	03/04/2023	Book	*13/01/2021*	*19/08/2021*	yes	yes
MWYSSA	27/03/2023	Book	*28/01/2021*	*30/12/2021*	yes	yes
MIA	28/03/2023	Book	*08/01/2021*	*22/12/2021*	yes	yes
MEHR	31/03/2023	Book	*06/01/2021*	*30/12/2021*	yes	yes
MFED	24/04/23023	Excel	*07/01/2021*	*31/12/2021*	Yes	Yes