REPORT OF THE AUDITOR GENERAL

ON THE ACCOUNTS OF KIRIBATI GOVERNMENT ANNUAL ACCOUNT

(PART 1) REVENUE AND EXPENDITURE: GOVERNMENT MINISTRIES

FOR THE YEAR ENDED 31 DECEMBER 2013.

CONTENTS

The Office of the Auditor General is responsible for expressing an independent opinion on the outcome of the management's spending and revenue collection and reporting that opinion to Parliament. This is a constitutional responsibility to ensure that the provisions of the governing Public Finance (Control and Audit) Ordinance 1976 and other related regulations, rules and policies are observed and adhered to by accountable and accounting officers.

The implementation and maintenance of the Kiribati Government annual account Part 1 systems of control for the detection of these matters remain the responsibility of your respective management and Finance.

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 2013 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:

1) **Revenue collected against estimate,**
2) **Expenditure incurred, including those listed under the Below the Line Accounts and Other commitments against estimate and**
3) **Supplementary Appropriations approved and the revised budget.**

Large variances noted from the comparisons are further scrutinised by obtaining relevant sources or accounting documents from MFED and other parties related to the transactions under consideration.

I. Guide to Reading this audit report

This audit report is Part 1 of the whole of Government annual account and contains the report on the financial performance of each individual ministry for year ended 31 December 2013. 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.

a) Audit Opinion

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 analyses and audit findings on areas being audited for the year.

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

b) Revenue

The actual revenue received is analyzed and compared with the approved estimate and followed by audit findings, implications, recommendations and responses to recommendations from ministries.

c) Expenditure

The actual expenditure for ministries is analyzed and compared with approved budget and again followed by audit findings, implications and recommendations as well as responses to recommendations from ministries.
Most of the expenditure items or operational costs are further examined. Again each finding and recommendation has to be provided with responses from concerned ministries and included in the section under Management Response.
The responses from Ministries if agreed upon during the Exist Meeting will change the contents of our audit report. On the other hand, if no consensus resolution is reached during the Exist Meeting, our findings and recommendations will remain and the ministries' responses written in italic will be included as part of the report.
In summary the report, as was in the previous year, has four sections: 1) Audit Opinion, 2) Audit Findings, 3) Implications and 4) Recommendations 5) Management response.

The currency used in this report is the Australian Currency.

II. List of Abbreviations

ADB – Asian Development Bank
AO – Accountable/Accounting Officer
BOS – Board of Survey -
CPA–Commonwealth Parliamentarian association
EU – European Union
FR – Financial Regulation
FTC – Fishing Training Centre
GL – General Ledger
GRR – General Receipt
HQPV – Head Quarter Payment Voucher
KIT – Kiribati Institute of Technology
KNAO – Kiribati National Audit Office
KPF – Kiribati Provident Fund
KPPS – Kiribati Police and Prison Services
LCDF – Local Contribution to Development Fund
LPO – Local Purchase Order
MCTTD – Ministry of Communication, Tourism and Transport 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
MISA – Ministry of Internal and Social Affairs
MLHRD – Ministry of Labor and Human Resource Development
MLPID – Ministry of Line and Phoenix Island Development
MOE – Ministry of Education
MPWU – Ministry of Public Works and Utilities
MTC – Marine Training Centre
OAG – Office of the Attorney General
OB – Office of Te Beretitenti
PSC - Public Service Commission
PSO – Public Service Order
PV – Payment Voucher
PVU – Plant Vehicle Unit

III. Types of Audit Opinions

The following are explanations of the types of audit opinions issued that are issued in this report:

a) 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)

b) 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.*

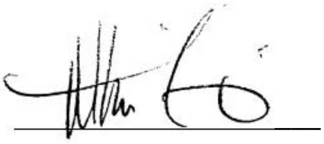
IV. Acknowledgment

At this juncture I would like to acknowledge and convey with gratitude our heartfelt thanks to the staff of the Ministry of Finance and Economy Development under the leadership of the then Accountant General, Mr.Eriati Tauma, for their continued support in providing the required information and documentations on a timely manner.

To our auditors I would like to thank you all wholeheartedly for the continued tireless efforts you had put into your audit works on the government financial year, 2013. Without maintaining such enthusiasm in delving into new areas, this report would not have been as extensive and revealing as other previous reports.

I sincerely thank you all for your contributions in one way or another towards the success completion of the 2013 audit report on both Part 1 and Part 2 of the annual account of the Government of Kiribati.

I bestow upon us all the blessings of our beloved country, Te Mauri, Te Raoi ao Te Tabomoa.



____19th August, 2015____

Ms. Matereta Raiman

Date:

Auditor General

V. Executive Summary

a) 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 2013.

b) Scope and Methodology

We have performed this audit in accordance with the International Standards for Supreme Audit Institutions (ISSAI).

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 2013 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.

c) 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 2013, we have maintained our independence in accordance with the requirements of CAP 79 and acceptable auditing standards. We have not provided any engagements for this Kiribati Government annual account. In addition, we 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 2013.

We have no unresolved disagreements with management and management has not sought to influence our views on matters relevant to our audit opinion.

d) 2013 Expenditure and Revenue Budgets

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. In its session held in December 2012, Te Maneaba Ni Maungatabu approved the 2013 expenditure budget of $99,087,284 with the estimated revenue budget of $74,7989,477

e) 2013 Development Projects Budget

The budget for development projects, both locally and externally funded, were also approved by the Maneaba ni Maungatabu in the amounts of $5,881,710 and $78,474,434, respectively. Major contributors for external funded projects include; Australia, New Zealand, World Bank, Taiwan, Japan, ADB and EU.

f) 2013 Approved Supplementary Budget

Account Code	Ministry	Original budget	Revised budget	Supplementary after Parliament December 2012	no.1	Supplementary no.2	no.3	Actual	Supplementary after Parliament December 2013	(Over)/Under
E0900000000A	Office of Te Beretitenti	$1,341,216.00	$1,350,020.00				$8,803.54	$1,541,026.54		-$191,006.54
E1000000000A	Public Service Office	$600,785.00	$600,785.00					$622,340.64		-$21,555.64
E1100000000A	Judiciary	$1,566,796.00	$1,650,467.00			$83,670.00		$1,568,447.97		$82,019.03
E1200000000A	Police and Prisons	$7,030,624.00	$7,030,624.00					$6,927,839.51		$102,784.49
E1300000000A	Public Service Commission	$227,557.00	$233,691.00				$6,134.00	$255,029.78		-$21,338.78
E1400000000A	Ministry of Foreign Affairs and Immigration	$1,835,758.00	1,835,758.00					$1,894,019.57		-$58,261.57
E1500000000A	Ministry of Internal Affairs	$2,880,113.00	$2,895,618.00				$15,505.36	$2,969,234.28		-$73,616.28
E1600000000A	Ministry of Environment, Lands & Agriculture development	$2,548,621.00	$2,556,320.00				$7,698.96	$2,739,280.28		-$182,960.28
E1700000000A	Maneaba ni Maungatabu	$2,739,232.00	$3,058,932.00		$75,600.00		$244,100.00	$3,212,628.79		-$153,696.79
E1800000000A	Ministry of Commerce, Industry & Cooperatives	$1,199,802.00	$1,228,071.00		$20,570.00		$7,698.96	$1,163,802.78		$64,268.22
E1900000000A	Kiribati National Audit Office	$660,172.00	$726,750.00		$58,884.00		$7,694.00	$700,717.90		$26,032.10
E2000000000A	Office of the Attorney General	$584,677.00	$590,967.00				$6,290.00	$605,111.35		-$14,144.35
E2100000000A	Ministry of Fisheries and Marine Resources	$2,155,780.00	$2,163,478.00				$7,697.96	$1,908,213.11		$255,264.89
E2200000000A	Ministry of Health & Medical Services	$14,828,075.00	$14,835,774.00				$7,698.96	$14,930,040.68		-$94,266.68
E2300000000A	Ministry of Education	$19,584,421.00	$19,592,120.00				$7,698.96	$19,212,646.01		$379,473.99
E2400000000A	Ministry of Communication transport & tourism development	$2,558,909.00	$2,566,332.00				$7,422.82	$2,415,559.09		$150,772.91
E2500000000A	Ministry of Finance and Economic development	$2,797,117.00	$2,804,816.00				$7,698.96	$2,711,946.73		$92,869.27
E2700000000A	Ministry of Public Works and Utilities	$2,324,376.00	$2,331,799.00				$7,422.82	$2,308,929.95		$22,869.05
E2800000000A	Ministry of Labour & Human Resources development	$3,538,264.00	$3,545,963.00				$7,698.96	$3,702,696.70		-$156,733.70
E2900000000A	Ministry of Line and Phoenix Island	$2,690,580.00	$2,698,279.00				$7,698.96	$2,594,683.67		$103,595.33
E3001000000A	Debt Servicing	$2,079,858.00	$2,082,978.00				$3,120.00	$2,740,407.09		-$657,429.09
E3100000000A	Subsidies, Grants and other Commitments	$17,432,841.00	$21,966,820.00	$617,260.00	$640,000.00	$250,000.00	$3,303,979.00	$20,962,659.00	$340,000.00	$1,004,161.00
E3100000000A	Contribution to development fund	$5,881,710.00	$7,436,223.00		$633,474.00	$821,039.00	$100,000.00	$7,898,303.00		-$462,080.00
	Total	$99,087,284.00	$105,782,585.00	$617,260.00	$1,428,528.00	$1,154,709.00	$3,772,062.22	$105,585,564.42	$340,000.00	$197,020.58

Because it is likely that during the year the approved budget would not be sufficient to cater for unexpected but necessary expenses, ministries have to seek for further budget provisions from government via a supplementary budget. Thus during 2013, some ministries and offices requested for supplementary as well as Local Contribution to Development Fund, Debts servicing and Other government expenses giving a total for supplementary appropriation of $6.7m. Thus given the approved supplementary, the original budget had therefore increased from $99,087,284 to $105,782,585.

g) Over/Unauthorised Expenditure

According to the 2013 annual accounts, of the total number of ministries, twelve ministries/ offices together with the debt servicing expenses account have exceeded the allocated revised budgets as follows:

Table 1

		2012				2013		
Ministry	Revised Budget	Actual Expenditure	Net Saving	Over or Unauthorized	Revised Budget	Actual Expenditure	Net Saving	Over or Unauthorized
Office of Te Beretitenti	$1,028,580	$1,173,889		-$145,309	$1,350,020.00	$1,541,026.54		-$191,006.54
Public Service Office	$594,484	$594,534		-$50	$600,785.00	$622,340.64		-$21,555.64
Judiciary	$1,565,650	$1,554,034	$11,616		$1,650,467.00	$1,568,447.97	$82,019.03	
kiribati Police and Prison	$7,030,624	$6,916,415	$114,209		$7,030,624.00	$6,927,839.51	$102,784.49	
Public Service Commission	$230,629	$214,455	$16,174		$233,691.00	$255,029.78		-$21,338.78
Ministry of Foreign Affairs and immigration	$1,161,884	$1,286,197		-$124,313	1,835,758.00	$1,894,019.57		-$58,261.57
Ministry of Internal Affairs	$2,829,486	$2,912,865		-$83,379	$2,895,618.00	$2,969,234.28		-$73,616.28
Ministry of Environment, Lands & Agriculture	$2,519,000	$2,583,528		-$64,528	$2,556,320.00	$2,739,280.28		-$182,960.28
Maneaba ni Maungatabu	$2,258,470	$2,585,247		-$326,777	$3,058,932.00	$3,212,628.79		-$153,696.79
Ministry of Commerce, Industry and Cooperatvies	$1,187,389	$1,174,931	$12,458		$1,228,071.00	$1,163,802.78	$64,268.22	
Kiribati National Audit	$671,653	$692,282		-$20,629	$726,750.00	$700,717.90	$26,032.10	
Office of the Attorney	471,229	$568,614		-$97,385	$590,967.00	$605,111.35		-$14,144.35
Ministry of Fisheries and Marine Resources	$2,079,548	$1,958,883	$120,665		$2,163,478.00	$1,908,213.11	$255,264.89	
Ministry of Health & Medical Services	$14,121,242	$14,053,019	$68,223		$14,835,774.00	$14,930,040.68		-$94,266.68
Ministry of Education	$18,638,444	$18,963,531		-$325,087	$19,592,120.00	$19,212,646.01	$379,473.95	
Ministry of Communication, Transport &Tourism	$2,652,888	$2,626,603	$26,285		$2,566,332.00	$2,415,559.09	$150,772.91	
Ministry of Finance and Economic develoment	$3,140,594	$3,033,267	$107,327		$2,804,816.00	$2,711,946.73	$92,870.23	
Ministry of Public Works	$2,284,380	$2,350,110		-$65,730	$2,331,799.00	$2,308,929.95	$22,869.05	
Ministry of Labour & Human Resources develoment	$3,350,964	$3,888,698		-$537,734	$3,545,963.00	$3,702,696.70		-$156,733.70
Ministry of Line and Phoenix Island	$2,678,756	$3,667,198		-$988,442	$2,698,279.00	$2,594,683.67	$103,595.33	
Debt Servicing	$5,165,187	$7,202,573		-$2,037,386	$2,082,978.00	$2,740,407.09		-$657,429.09
Subsidies, Grants and other Commitments	$19,892,742	$19,266,026	$626,716		$21,966,820.00	$20,962,659.00	$1,004,161.00	
Contribution to development	$8,052,378	$8,052,378			$7,436,223.00	$7,898,303.00		-$462,080.00
Total	$103,606,201	$107,319,277	$1,103,673.00	-$4,816,749	$105,782,585.00	$105,585,564.42	$2,284,111.20	-$2,087,089.70

h) Over spent by Ministries

As alluded in the table above, the total unauthorized expenditure was $2m. When compared to 2012 this has immensely dropped by half the amount overspent of $4.8m in 2012 which means Ministries have strived to reduce their level of spending in the year 2013. On the other hand the total savings for Ministries as shown above was $2.2m and thus had generated for the first time an overall net saving of $197k ($2,284,111.20-$2,087,088.70). The bulk of the saving stemmed from the subsidies, grants and other commitments.

i) Subsidies, Grants and other commitments

As depicted in the table above, the overall total net saving of over $1m, meaning some outputs for this expense account had been unnecessarily inflated. The supplementary budget approved in December 2013 seemed to be unnecessary and should not have been approved.

VI. Compliance with Legislative Requirements

a) Legislative compliance

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

b) 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 Regulations as key legislation and regulation to which Accountable Officers (AO) should comply. While our focus is on financial reporting obligations, we do maintain an awareness of other legislations that impacts on the government Ministries.

We noted the following breaches of legislation:

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 2013. 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 purposes and to regularly reconcile their records with that held by MFED.

Non- compliance with Financial Regulations (FR)

- **Section 168**

"*It explains that every accounting officer (AO) shall maintain a vote ledger so as to show at any time in report of every sub-head of a head, as applicable, under his control: (a) the amount 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 2013.

Ministries should also maintain hard copies of their vote ledger for 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 accurate financial report.

- **In complete Management Report submitted by MFED**

Management report that showed summary of Expenditure and Revenue and which normally accompanies the annual accounts submitted, was not included in the 2013 when submitted by MFED. This had made it difficult for us to:

1. Draw up the correct revised budget figure for inclusion in the Table 1 highlighted under Over/ Unauthorized expenditure.
2. Makes it difficult to audit each Ministry's spending against each respective output.
3. It makes it not possible to trace internal transfers made by each Ministry.

VII. Report on the Kiribati Government Ministries

1. OFFICE OF BERETITENTI

1.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Office of Te Beretitenti for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 1.3 discussed in detail below:

1.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for Office of Te Beretitenti performance in the fiscal year 2012.

- Overspending of expenditure budget.
- Poor custody of financial documents.
- Vote ledger was not maintained and updated.

1.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

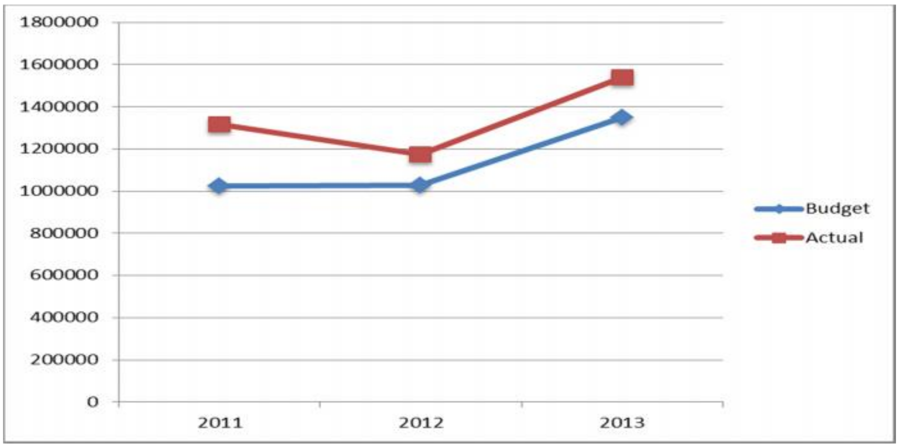
1.3.1. Expenditure Budget

Findings and Analysis:

1.3.1.1. *OB Budge Expenditure Summary*

	2011	2012	2013
Budget	1024737	1,028,580	1,350,020
Actual	1315423	1,173,888	1,541,027
(Over)/Under	**(290,686)**	**(145,308)**	**(191,007)**

1.3.1.2. *Comparative Graph of Expenditure against Budget*

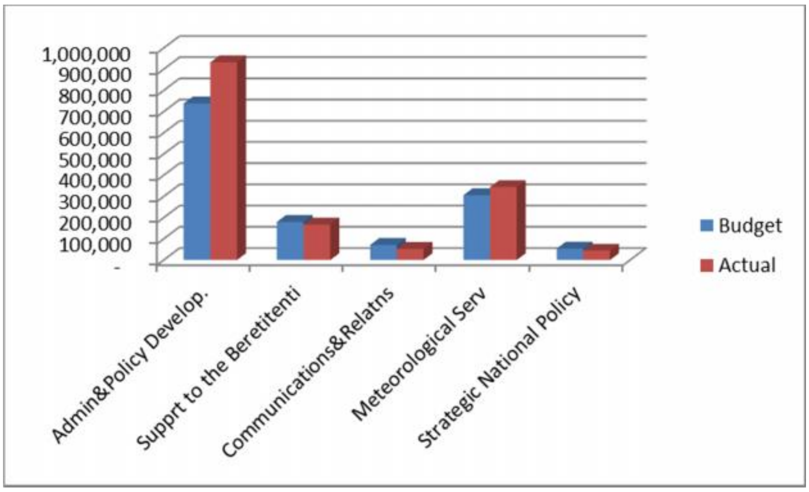


It was clearly stated from the above graph that OB, despite an increase in the budget level by $321k, still incurred an overspent of over $191k for year 2013, a further increase of $45k from the 2012 overspent level. It is therefore of paramount importance for the Ministry to submit a Supplementary request to meet other commitments that were not initially included in the budget.

1.3.1.3. *OB Budget Expenditure against Actual by Divisions*

Division	Budget	Actual	Under/(Over)
Admin & Policy Dev	738,547	932,696	(194,150)
Suprt to the Beretitenti	180,047	167,665	12,382
Communications and Relatns	71,300	52,037	19,263
Meteorological Services	305,921	344,384	(38,463)
Strategic National Policy	54,205	44,244	9,961
Total	**1,350,020**	**1,541,027**	**(191,007)**

1.3.1.4. *Comparative graph of Budget against Actual spending for OB*



As reflected above, the bulk of unauthorized spending was mainly caused by 01 Admin & Policy Development followed by 04 Meteorological Service in the sum of over $194k and $38k respectively. However, the other three Divisions, namely 02, 03 and 04, had managed to report a net saving of over $12k, $19k and $9k respectively.

Recommendation:

Management must the control the level of its expenditure in favor of the approve budget to avoid an overspending in future years.

Management Response:

1.3.2. Vote Ledger

Findings and Analysis:

- It was found that the Ministry has maintained its vote ledger for 2013 (E-copy) but it was not up-to-date as indicated by the last date of posting of output or allocations which, as noted, was on the 6th March 2013. This issue was noted in our last audit for 2012 and still this was repeated in 2013.
- It was also noted the Ministry did not maintain the hard copy vote ledger as an alternate copy for reference.

Implications:

Absence of a vote ledger would make it impossible for the Ministry to monitor its actual spending against each output budget.

The presence of and updated hard copy vote ledger will provide back-up in instances where the e-copy is not reliable or corrupted in the system.

An updated vote ledger, either electronic or hard copy, will provide audit trail of all transactions been eventuated during the year.

Recommendation:

- It is therefore recommended that the Ministry maintains and updates its vote ledgers on a regular basis.
- Management to ensure it also maintains an updated hard copy vote ledger
- Senior management should regularly review the vote ledger

Management response:

1.3.3. Payroll – Overtime, Salary Overpaid

Findings and Analysis:

- Overtime dockets for pay period 12/07/13 in the amount of $3,043.61 for five employees were not found during the auditing.
- Overpayment was noted for Chef at the State House in the sum of $2,808 as she was supposed to be paid on Level 11/1($358.00) according to her Contract appointment but instead was paid on Level 8/1 ($466.00). This was derived at as follows; 466-358=108*26=$2808.00

Implications:

- Missing of accounting documents such as overtime dockets could lead to misappropriation of public funds, improper payments as there were no supporting documents to substantiate such payments and annul the expenditure.
- An oversight on the actual salary level could undermine the credibility of the accounting officers handing salary payments.
- Oversights on improper payments would increase the risk of loss of public funds.

Recommendation:

- Management should ensure all its records are kept safely and readily available when needed.
- Strong internal control mechanism system for Payroll including recovery policy should be put in place to avoid future grievances and speed up recovery process.

Management response:

1.3.4. Transport to Normal Work Place

Findings and Analysis:

Weaknesses found on fuel usage

- PV 226/13 (refueling sheet) revealed two private vehicles with plate numbers BC 2408 and TC 3030 had been refueled by the Ministry. As noted, 20 super liters was spent on BC 2408 and 16.81 same on TC 3030. There was no written document seen that to indicate such vehicles were actually used for official purposes.

Weaknesses of Log Book

- The audit found that BG 219 maintained the use of Log Book but was not updated
- The rest of OB vehicles, which are BG 168, 169 and 171, were not maintaining a log book therefore an explanation is required on this from the Ministry.
- Poor control or review by the responsible officer on Log Books was also noted during the auditing.

Implications:

- Absence of authority to refuel private vehicles would annul the payments already made for the two vehicles
- Absence of a control system on refueling of vehicles or policy for refueling private vehicles being used for official purposes would increase the risk of misappropriation and loss of public funds
- The presence of an updated Log Book would support claims for overtimes, assist management in controlling fuel consumption by vehicle users and would also assist in identifying proper official trips.

Recommendation:

- Management should have a refuel monitoring system and policy on engagement of private vehicles for official use in place.
- Management should enforce the use of Log Books to ensure such is updated failing by which overtime claims would not be supported

Management response:

1.3.5. External Travel – Imprest, Overseas Payments

Findings and Analysis:

- The audit found that three overseas payments were not available during the audit valued to $32,909.12. Therefore audit could not confirm the accuracy of such payments as detailed below:

Date	HQPV #	Minref	Amount
02/04/13	5021	OB129/13	15,178.00
30/04/13	AU 114/12	TC166/13	5,012.77
05/06/13	AU 272/12	Tc383/13	12,718.35
			32,909.12

- Retirement of Imprests by Officials has still not been improved as noted by some Officers from OB with Imprests still not retired 10 days after return from their official trip.

Implications:

- Missing documents would undermine the credibility of the accounting system adopted by the Ministry.
- The practice of not maintaining documents would increase the risk of misappropriation and loss of public funds.
- Failure to retire Imprests 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 Imprests.
- Failure to retire Imprests 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.

Recommendation:

- Imprest issued to officers for official trips should be retired on a timely basis normally 10 days after return from official travels
- Management should maintain a register for Imprests issued for monitoring and recovery purposes
- Management should not issue Imprests unless the officer had no outstanding Imprests from previous trips
- All relevant documents including PVs, supporting documents and other records should be kept safely in a secured location for auditing purposes and future reference

Management response:

2. PUBLIC SERVICE OFFICE

2.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Public Service Office for the year ended 31 December 2013. A qualified opinion should be expressed as being “except for” the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 2.3 discussed in detail below:

2.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for PSO performance in the fiscal year 2012.

- Poor Recording of significant documents,
- lack of accountability and commitment of staff

2.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

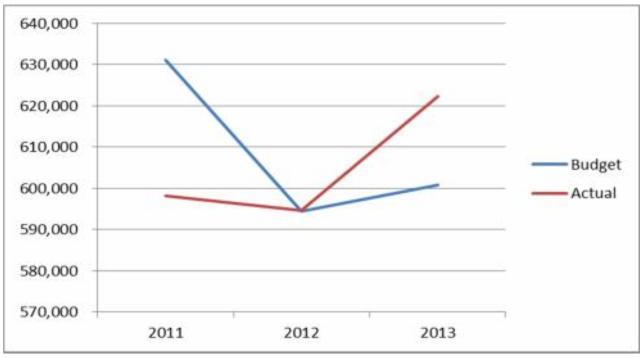
2.3.1. Expenditure Budget

Findings and Analysis:

2.3.1.1. *Comparative expenditure summary table for 2011-2013 (PSO)*

Year	Budget	Actual	Under/(Over)
2011	631,019	598,112	32,907
2012	594,484	594,534	- 50.00
2013	600,785	622,341	- 21,556

2.3.1.2. *Comparative Expenditure Graph for year 2011-13 (PSO)*

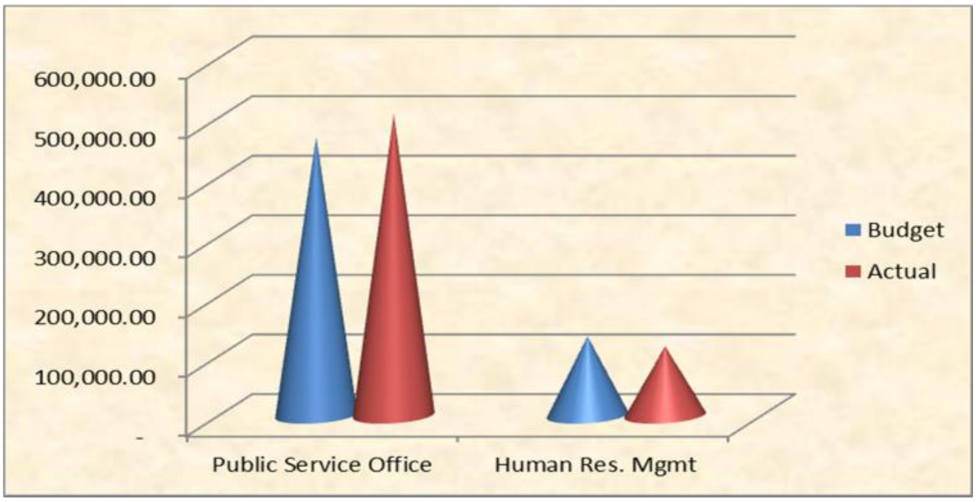


The above line graph reveals the estimated budget against the actual spending for the years ending 2011 up to 2013. As could be seen in the table above the annual spending had fluctuated over the last three years with a saving of over $30k at a budget level of $632k in 2011 and in contrast, a budget deficit of $22k when the budget level was reduced to $600k in 2013. It could be deduced from the above trend the Ministry would be safe with a budget level of around $630k.

2.3.1.3. *PSO Expenditure against Budget for Divisions*

Division	Budget	Actual	(Over)/Under
Public Service Office	468,234.00	506,335.73	- 38,101.73
Human Res. Mgmnt	132,551.00	116,004.91	16,546.09
Total	**600,785.00**	**622,340.64**	**- 21,555.64**

2.3.1.4. *Expenditure graph against Budget by Divisions*



As reflected above the main overspent was mainly caused from Division 01, Public Service Office, where an overspent of over $38k was reported while savings were realised from Division 02, HRM, in the sum of $16k.

2.3.2. KPF and Pension Contribution (Lack of reconciliation)

Findings and Analysis:

Basically, the audit performed it testing of the KPF Contribution (amount payable) by obtaining figures from Salary Unit (MFED) and compare with the Audit Calculation and found variances noted hereunder:

The Table below shows variances between the Management Report (MR) and Audit Figure Calculation.

Allocation	Revised Budget	Actual MR	Audit Fig.	Variances	Comment
E1001000020A	15,959.00	14,874.24	17,044.60	$ 2,170.36	Understated
E1002000020A	7,499.00	6,649.68	2,367.60	$ 4,282.08	Overstated

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. Therefore KPF results should be discarded when calculating the net budget result of a Ministry.

- The Ministry of Finance should ensure all KPF figures appearing under each Ministry correspond with the total sum of the remaining salary and temporary figures.

Recommendation:

Therefore, it is recommended that management must ensure to conduct proper review and regular reconciliation with MFED to avoid discrepancies at the end of the financial year.

Management response:

2.3.3. Control over Salaries

Findings and analysis:

The audit notes the following issues were incorrect and should be adjusted accordingly:

- $8,570.40 for OB Salaries paid out from PSO Output.
- A variance of $(63,524.32) found between the Pay Costing and General Ledger.

Implication:

- Utilizing PSO's budget provisions to pay OB Salary is incorrect accounting and will cause undue overspending in PSO's budget.

- Variances noted would not provide accurate financial status of the Ministry and could lead management astray in their decision making.

- The absence of regular reconciliation would widen the gap between actual Ministry's figures with that of MFED.

Recommendation:

- Management should regularly reconcile its figures with that of MFED and make prompt adjustments where anomalies are noted.

- Management should regularly review the accounting works of its support accounting officers.

Management response:

2.3.4. Temporary staff

Findings and Analysis:

The audit raised the following issues to improve the system in place:

Unaccounted temporary expenses – Management report

As per pay costing obtained we noted the amount of $3,772.00 for temporary expenses was not accounted for in the management report for PSO output E1002000028A. Basically, management report disclosed a NIL balance for the above output whilst the Pay Costing reflects a total of $3,772.00. This shows a variance of $3,772.00 between the management report and pay costing. In actual fact, there is no reconciliation performed between the two records to identify variances.

Incorrect temporary payment:

The audit noted one officer was paid at different levels at different pay periods. In addition, the audit could not confirm changes in his appointment since registry clerk has failed to produce his temporary appointment for the periods requested as per stated in the table below.

Pay Date	18.10.2013	01.11.2013	15.11.2013	29.11.2013	13.12.2013	27.12.2013
Officer	197.00	137.90	256.10	197.00	394.00	197.00

Temporary Overpaid in the amount of $246.60.

The temporary officer's, was found over paid by $246.60. As per her contract appointment, she was to be paid on Level 10/1 but after performing our testing, we found she had been paid at Level 10/2 from 05/04/2013 until the end of 2013. Therefore, the table below displayed the amount been overpaid:

	Level	From	To	No. of pay periods	Amount	Total
Salary Paid	Level 10/1	1/1/2013	8/3/2013	5	394.00	1,970.00
	Unknown	9/3/2013	22/3/2013	1	460.60	460.60
	Level 10/2	23/3/2013	27/12/2013	20	403.00	8,060.00
						$ 10,490.60
Salary Due	Level 10/1	1/1/2013	31/12/2013	26	394.00	$ 10,244.00
Salary Over Paid						**$ (246.60)**

Implications:

- Not complying with the terms of the contract would increase risk of loss of public funds.
- Absence of regular reconciliation would lead management astray in their financial decisions.
- Absence of regular review by senior management on the financial records or works of accounts clerk or support accounts clerks would increase the risk of overpayments of salary.

Recommendation:

- Management should regularly monitor and review the payment of salary to Temporary staff against their Appointment letters.
- Management should ensure overpaid salaries are recovered from concerned staff as soon as practicable.
- Management should regularly reconcile its figures with MFED and take immediate remedial actions.

Management response:

2.3.5. Imprest - External Travel

Findings and Analysis:

From the 10 selected officers to perform the audit testing on whether they conformed to the Imprest retirement Policy the following were officers noted to have not complied as evident on their outstanding balances as stated below:

AMOUNT ($)	REMARKS
499.99	Not retired yet
2,584.43	Same as above
1,629.00	Same as above
189.20	Same as above
$4,902.62	Same as above

Audit found some of the above officers still had not retired their Imprests and there was no recovery action been activated until now. Therefore recovery actions should be effected as soon as practicable.

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 FR11 and Imprest policy.
- Government cash flow could be affected in stances where officers (and this relate to all officers) have to return part of the Imprests been issued.

Recommendation:

- 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:

2.3.6. Charge Allowances – PSO

The audit was unable to confirm the accuracy of charge allowance expenses since responsible and accountable officers at Registry have failed to produce proper and accurate charge allowance references for officer's shows in the table below:

FROM	TO	AMOUNT ($)
Dec 2012	**Jan 2013**	**728.00**
Jan 2013	**March 2013**	**253.84**
April 2013	**May 2013**	**826.70**
Oct 2013	**Nov 2013**	**286.36**

Implication:

- Unavailability of required documents during the audit will result in un-detecting of deceitful payments.
- Recording keeping is of paramount importance for any organization and this is acknowledged in Cap 79 and FR11 and any deviation from such requirement would undermine the integrity of officers managing the section.

Recommendation:

- Management should regularly review the filing system of their registry section as well as monitoring of movement of files.
- Registry section should ensure individual personal files are updated with latest correspondences for ease of reference.
- Registry should ensure all files are readily available when needed during the audit.

Management Response:

2.3.7. Leave balances – 2 years entitlement policy

Findings and analysis:

The audit notes that PSO has failed to comply with the 2 years leave entitlement policy to some of its employees (two officers). According to records available they had excessive leave balances of 138 and 213 respectively.

According to their leave entitlements, above officers should have at least a closing leave balance of 90 working days (w.d.) at the end of 2013 as this sum includes 30 w.d. for 2011 and same for 2012 if officers have not taken any leaves during those years or lesser if had taken leaves.

Implication:
Inclusion of leave balances from years beyond 2 years back without any back-up from the SRO (for subordinate staff or SecCab (for Secretaries) is a deviation from the 2 year leave policy as per circular minute number 77/10.

Recommendation:

Being a lead Ministry on this policy management should therefore strictly enforce and implement Cabinet decision first to its employees for other Ministries to follow suit.

Management Response:

2.3.8. Log book

Findings and Analysis:
In the conducting of the audit, it was found that PSO driver has failed to submit log book for 2013. Hence, the audit was unable to check and confirm the accuracy of the following itemized expenses:

- Overtime
- Fuel
- To detect mileage used for non-official usage
- etc.

Implication

- Failure to submit log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling 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 refueling of vehicles would lead to misappropriation of funds.

Recommendation:

- Management should ensure to ensure the driver updates his log book and have that readily available when needed.

- Management should ensure it conducts regular reviews on the driver's log book and to ensure each overtime claimed is supported with certified details that were obtained from the log book.

- Management should ensure it has a refueling monitoring mechanism for control purposes.

Management Response:

3. JUDICIARY

3.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Judiciary for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 3.3 discussed in detail below:

3.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for the Judiciary performance in the fiscal year 2012.

- Poor collection of revenue
- Lack of maintaining proper reconciliation

3.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

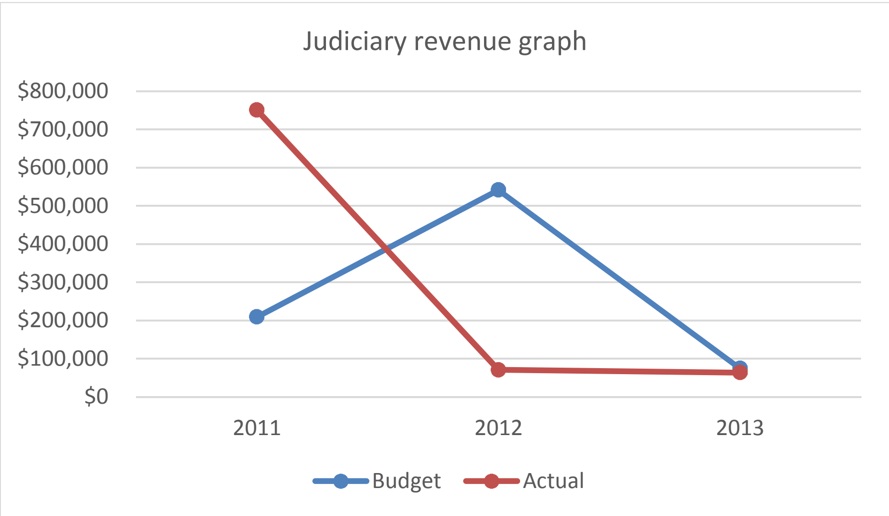
The following significant matters have been raised for your attention and comments:

3.3.1. Revenue (Budget)

3.3.1.1. *Judiciary Summary Revenue Collection*

	2011	2012	2013
Budget	$209,340	$541,200	$74,400.00
Actual	$750,595	$70,629	$63,828.39
Under/(Over)	-$541,255	$470,571	$10,572

3.3.1.2. *Comparative Graph of Budget Revenue against Actual*

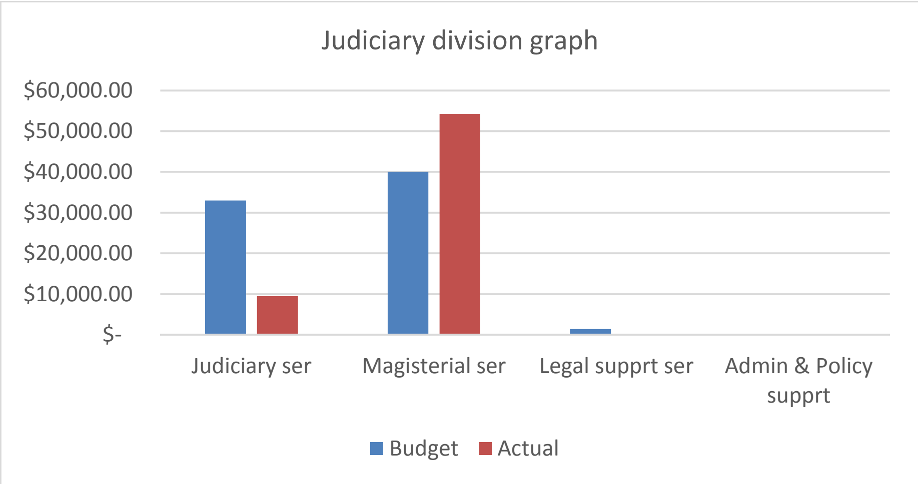


The above graph showed a decrease in the revenue budget for 2013 when compared to 2012. Despite a drastic reduction in the budget level for 2013 Judiciary had still not been able to meet the target of $74k.

3.3.2. Revenue against Budget by divisions 2013

Output	Budget	Actual	(Over)/Under
Judiciary services	$ 33,000.00	$ 9,511.20	$ 23,488.80
Magisterial services	$ 40,000.00	$ 54,217.19	-$ 14,217.19
Legal support services	$ 1,400.00	$ 100.00	$ 1,300.00
Admin & Policy support			

3.3.2.1. *Comparative Graph of Budget Revenue against Actual by Divisions*



Based on the graph analysis, it is clear that one division, magisterial services, had exceedingly collected revenue by over $14k whilst other divisions have not managed to meet their targets.

Management response:

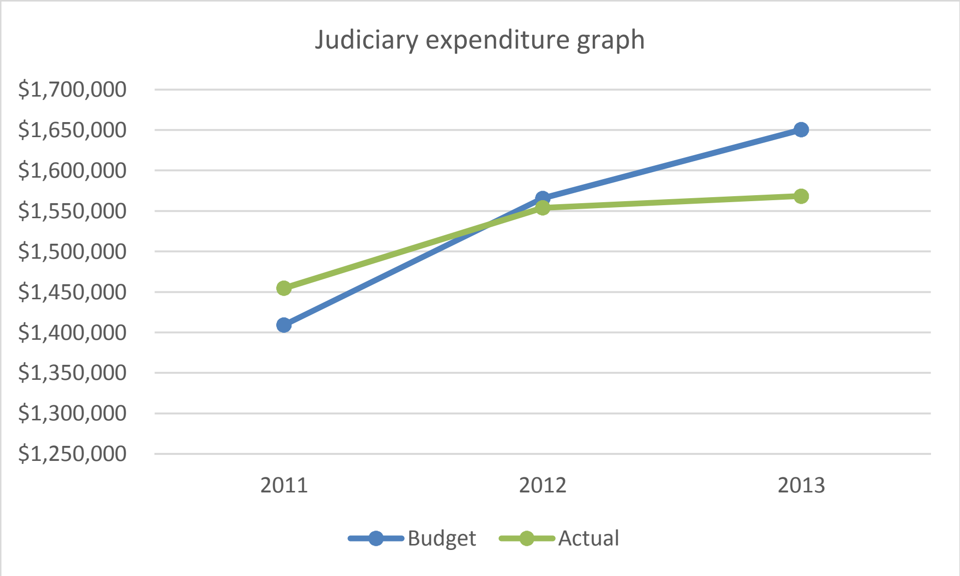
The amount budgeted for under the revenue 2013 was only a projection of the amount to be collected from the number of cases filed and disposed of with a penalty of a fine in 2013. The projection was based on the amount collected from the previous two years. It is very difficult to give an actual amount therefore it is likely that the amount projected may not be actually received.

3.3.3. Expenditure (Budget)

3.3.3.1. *Judiciary Budget Expenditure Summary*

	2011	2012	2013
Budget	$1,409,097	$1,565,650	$1,650,467.00
Actual	$1,454,680	$1,554,034	$1,568,447.97
Under/(Over)	-$45,583	$11,616	$82,019

3.3.3.2. *Comparative graph of Budget Expenditure against Actual.*

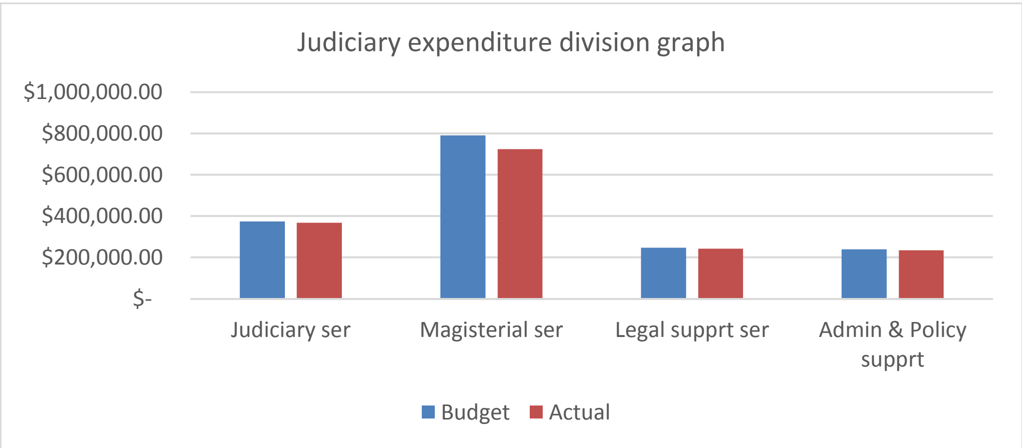


The above graph depicts the trend in the budget level which had gone up while the actual expenditure pattern goes a different way. The Judiciary should be commended for having been able to maintain its expenditure below the budget level.

3.3.3.3. *Expenditure against Actual by Divisions*

Output	Budget	Actual	(Over)/Under
Judiciary services	$ 373,649.00	$ 367,562.16	$ 6,086.84
Magisterial services	$ 791,091.00	$ 723,823.01	$ 67,267.99
Legal support services	$ 246,697.00	$ 242,360.04	$ 4,336.96
Admin & Policy support	$ 239,030.00	$ 234,702.76	$ 4,327.24

3.3.3.4. *Comparative Graph of Budget Expenditure by Divisions*



As could be sighted from the above graph, the Magistrate services had exceeded other divisions with a saving of over $67k. This division also fared well with its revenue collection and therefore should be commended for its notable output performance.

3.3.4. Revenue Court fine/practising fees

Finding and Analysis:

- As noted in the 2012 report, the arrears for the court fine from 3 courts on Tarawa of $13,480 still remain unrecovered.
- The audit could not perform further testing on the practicing fees received due to the unavailability of a list of private lawyers during the audit. As per extract from the GL (General Ledger), the audit noted only one private lawyer had paid a fee of $300.

Implication:

- The accumulation of arrears of revenue is cash tied up for government which could have assisted the cash flow in the years the arrears related if had been collected then.
- The accumulation of years could cause undue hardship on culprits in paying thus could increase the risk of loss of government funds once such long outstanding dues are time barred.

Recommendation

- Management is recommended to establish more robust system to chase and enforce collection from persistent defaulters of court fine and other revenue streams, including legal action if deemed appropriate. Such enforcement of arrears may include debit notes sent to debtors.
- Management must maintain and update its aging list of arrears and ensure recovery actions are instigated within the time limitation of six years.
- Management must ensure to provide all relevant documents for audit verification.

Management Response:

- Court fines are from the magistrate criminal cases. The magistrate courts would issue a court fine to accused persons, in default of payment will result in the accused being imprisoned. When the fines are due, the court clerks are responsible for issuing out committal warrant for in default of payment of the court fines. The police will then execute the warrants. Fines that are paid will form part of our revenue. Fines that remain unpaid happened when the accused are imprisoned, in which case such fines will cease to exist. This may cause misunderstanding as to the amount of unpaid fines.
- The list of practicing lawyers will be provided for future auditing. For the 2013 account, the account officers will issue out debit notes to all lawyers who have not paid their fees.
- Management will work with the account section to ensure that fees are collected

3.3.5. Control over GRR

Finding and Analysis:

It was noted there was no GRR Register available therefore audit were unable to conduct further testing on the movement of GRR.

The GRR is a very important document for revenue collectors to record revenue received on a daily basis from customers.

Implication:

The absence of a GRR register would make it difficult for auditors and management as well to determine the number of GRR books been received and used and such failure would increase the risk of misappropriation of funds and loss of public funds.

Recommendation:

Management must open a register for GRR if there was none available to record the receipt from MFED and issue of GRR booklets to its revenue cashiers.

Management must regularly review the register to ensure it is properly maintained and updated.

Management response:

A GRR register was opened in 2013 but was misplaced when the account office was reorganized. We apologies for the mistake. A new register has been opened thereafter.

3.3.6. Control over vote book

Finding and Analysis:

After reviewing the vote book, it was noted such was neither maintained nor updated.

Implication:

Failure to maintain and update a Vote book could lead to unrealistic and incorrect figures appearing under each output and thus could distort the financial records.

Recommendation:

Management must ensure its staff maintains and updates the vote book on a regular basis.

Management must ensure it conducts regular reconciliation of its vote book records with that of MFED.

Management response:

Management did receive the monthly reports from the account without the knowledge that the Vote Book was not updated. However the Vote book was later updated before the close of the account. Management is to ensure that the account people keep updating this very important book.

4. KIRIBATI POLICE AND PRISON SERVICES

4.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Kiribati Police and Prison Services for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 4.3 discussed in detail below:

4.2. STATUS OF PRIOR MANAGEMENT LETTER FOR COMPARISON

The following issues were noted as the causes of the audit opinion for the Kiribati Police and Prison Services performance in the fiscal year 2012.

- Poor control over Prison ration.
- Insufficient control related to the retirement of imprest.

4.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

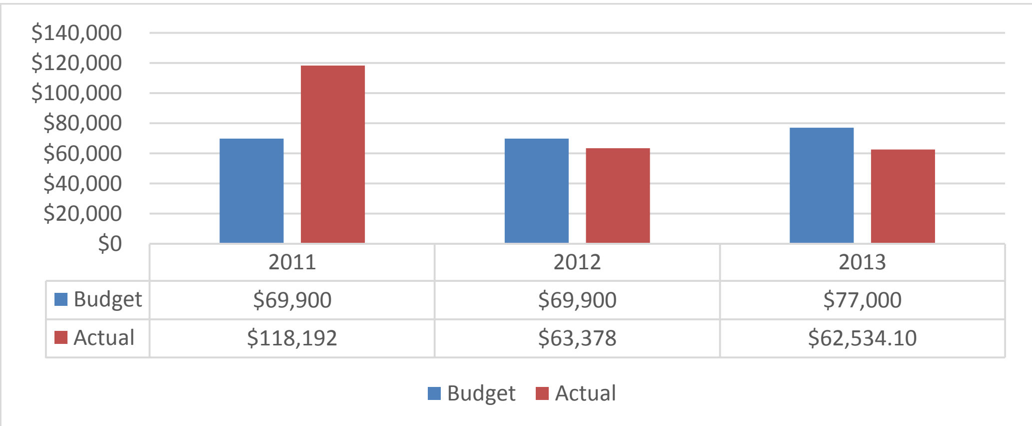
4.3.1. REVENUE (Budget)

Findings and analysis:

4.3.1.1. *KPPS Revenue summary collection:*

	2011	2012	2013
Budget	$69,900	$69,900	$77,000
Actual	$118,192	$63,378	$62,534.10
Under/(Over)	($48,292)	$6,522	$14,465.90

4.3.1.2. *Comparative graph of Budget Revenue against Actual*



As per graph above it was clearly indicated that the KPPS was unable, for the second time, to collect its estimated revenue for 2013 of $77k. It only managed to collect $62k thus resulting in a shortfall of $14k, an amount of which is more than double the shortfall in 2012.

Implications
The inability to collect the revenue a Ministry has already set as its target would definitely, when added with shortfalls of other Ministries', adversely affect the overall budget and the RERF.

Recommendation:

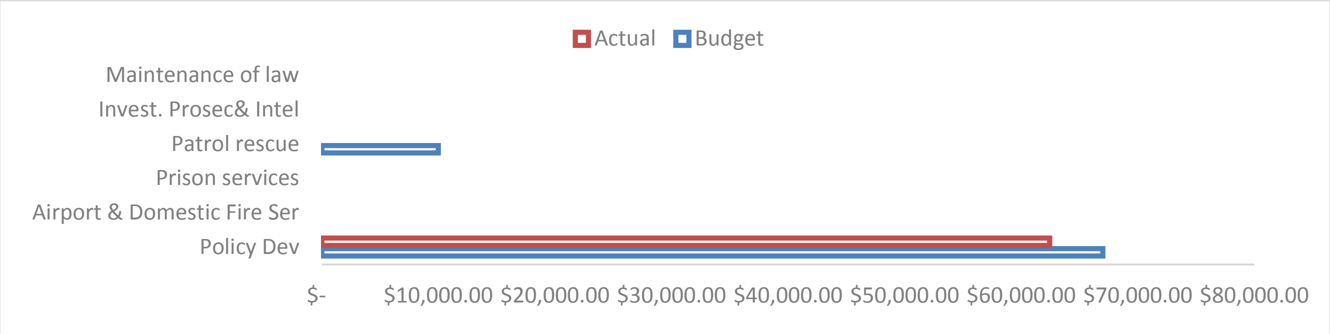
- The KPPS should find ways and means of generating its revenue collection in order to meet budget revenue efficiently.
- Management should ensure it sets a more realistic revenue budget in future years.

Management response:

4.3.1.3. *KPPS Revenues against budget by divisions.*

Division	Budget	Actual	**(Over)/Under**
Policy Dev	$67,000.00	$62,443.10	$4,556.90
Airport & Domestic Fire Ser			
Prison services			
Patrol rescue	$10,000	$91	$9,909
Invest. Prosec& Intel			
Maintenance of law			

4.3.1.4. *Comparative graph of Budget Revenue against Actual by Divisions.*



As noted above, graph shows that KPPS major revenue collection was generated from policy development. Another part of this division: Patrol Boat only collect little amount of revenue while the remaining divisions have no revenue.

4.3.1.5. *KPPS DIVISIONS REVENUE BUDGET AGAINST ACTUAL BY ALLOCATION (under collection)*

	Budget	**Actual**	**(Over)/Under**
01 Policy development			
Hire of Police band	$ 5,000.00	$ 1,500.00	$ 3,500.00
Sundry revenue	$ 62,000.00	$ 60,943.10	$ 1,056.90
04 Adm & Policy support			
Patrol boat hire	$ 10,000.00	$ 91.00	$ 9,909.00

The bulk of the under collection was related to the none-collection of revenue estimate of $9909 for Patrol Boat.

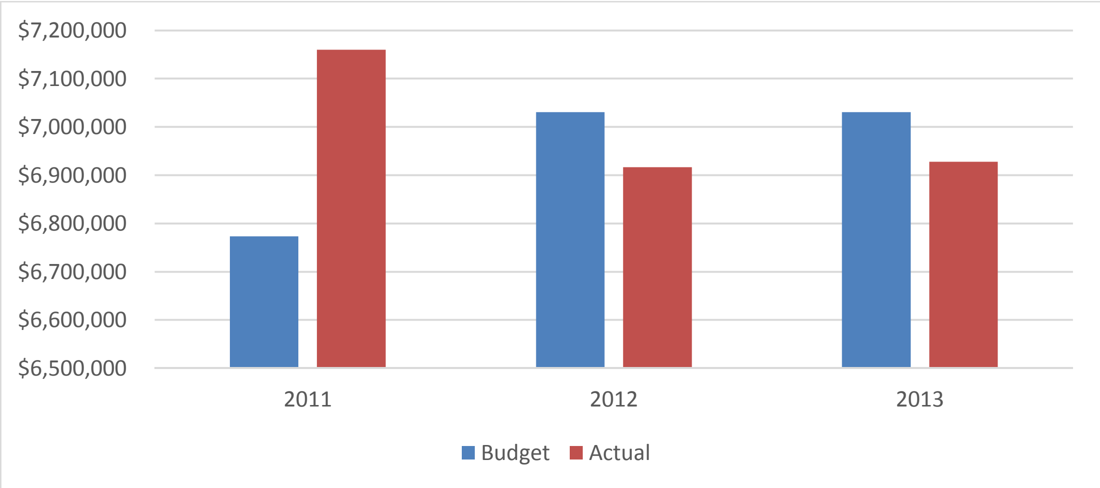
4.3.2. EXPENDITURE (Budget)

Finding and Analysis:

4.3.2.1. *KPPS Expenditure summary*

Year	Budget	Actual	(Over)/Under
2011	$6,773,422	$7,160,232	-$386,810
2012	$7,030,624	$6,916,415	$114,209
2013	$7,030,624	$6,927,840	$102,784

4.3.2.2. *Comparative graph of Budget Expenditure against Actual.*

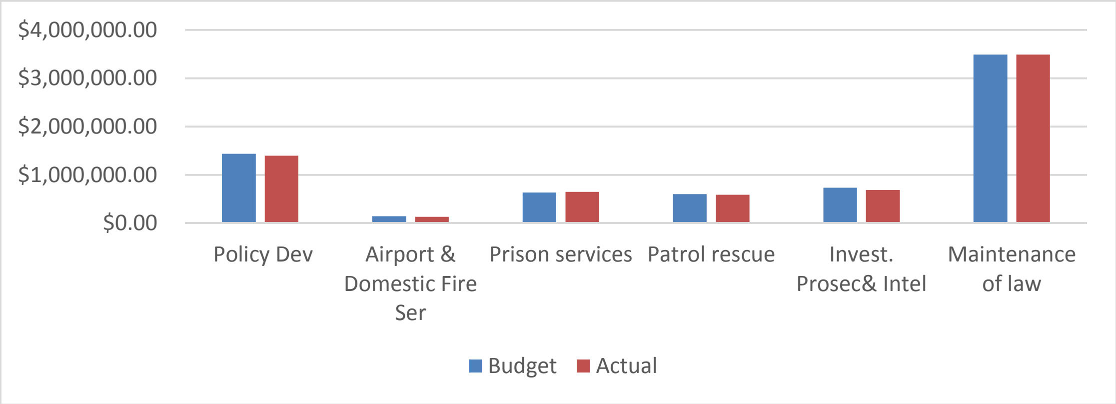


The above graph indicated that for the last two years (2012-2013) KPPS had continued to operate with the remaining extra saving of more than $114k and $102k respectively given an increase in its estimate budget of $7m for 2013 and 2012 respectively and the ability to cut down its expenditure which contribute to the successful overall saving.

4.3.2.3. *KPPS Expenditure against budget by divisions.*

Division	Budget	Actual	(Over)/Under
Policy Dev	$1,432,721.00	$1,392,209.28	$40,511.72
Airport & Domestic Fire Ser	144449	128529.59	$15,919.41
Prison services	632917	647009.7	-$14,092.70
Patrol rescue	$601,131	$587,564	$13,567
Invest. Prosec& Intel	734533	684387.45	$50,146
Maintenance of law	3484873	3488139.04	-$3,266

4.3.2.4. *Comparative graph of Budget Expenditure against actual per Divisions*



The graph above showed that some of the provisions were too excessive. For instance, the provisions for Policy development and investigation Prosecution & Intelligence of over $40k and $50k, respectively, were deemed too excessive. Two other divisions Airport & Domestic Fire services and Patrol rescue provision are not far excessive with remaining of $15k and $13k respectively whereas Prisons services and Maintenance of Law fail to control provisions. KPPS needs to revise its estimate for these two outputs, or undertake more duties to make use of the approved provision.

Recommendation:

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

Management response:

4.3.3. Vote Book

Finding and Analysis:

Audit discover that the vote book was not maintain and kept up to date by the Headquarter which may be difficult from the KPPS to conduct and perform reconciliation with the MFED.

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:

4.3.4. Outstanding Imprest

Finding and Analysis:

The audit reveal that there was no evidence of outstanding imprest been provided during the audit due to the fact, that the Ministry has fail to reconcile on regular basis to determine the outstanding imprest at the year ended 2013.

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 response:

4.3.5. ARREARS OF REVENUE

Finding and Analysis:

Based on the audit observation, it was noted that KPPS has outstanding revenue not yet collected in 2013 as detailed in the table below.

Description	Voyage #	Purpose	Amount
Marine Guard	01/13	Search & Rescue	$6,660.35
KSSL	03/13	Transferring of equipment to MV Matangare	$5,465.95
Total			$12,126.30

Implication:

KPPS will lose out significant income if management fails to enforce recovery procedure.

Recommendation:

Management must strongly enforce recovery procedure to ensure that all outstanding revenue must be collected on timely basis.

Management response:

5. PUBLIC SERVICE COMMISSION

5.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Public Service Commission for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 5.3 discussed in detail below:

5.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Public Service Commission performance in the fiscal year 2012.

- Lack of reconciliation that resulted in the late payment of outstanding telecom bills

5.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

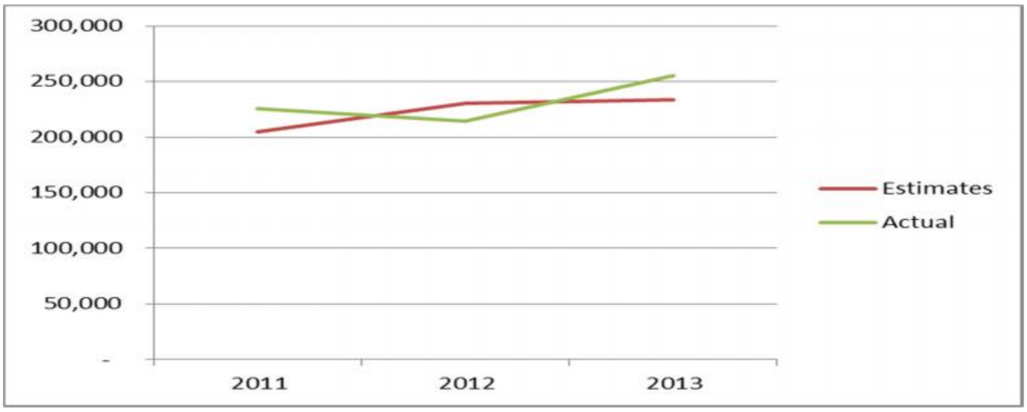
5.3.1. Expenditure (Budget)

Finding and Analysis:

5.3.1.1. *Comparative table expenditure against estimates*

Expenditure	2011	2012	2013
Estimates	204,546	230,629	233,691
Actual	225,515	214,455	255,030
(Over)/Under	(20,969)	16,174	(21,339)

5.3.1.2. *Comparative graph expenditure against estimates*



Illustrated above are the comparative figures for actual expenditure against approved budget for the years ending 2011 up to 2013. As noted from the above graph PSC's spending level had increased in 2013 to $255k from a lower level in 2012 of $214k and therefore incurred an overspent of $21k over the budget level of $233k.

Further, the bulk of overspent for year 2013 was mainly revealed on the following items:

Account Code	Code Description	Amount
E1301000030A	**Internal travel & transport**	**(19,192.18)**
E1301000023A	Allowances	(1,595.20)
E1301000020A	KPF & Pension Contribution	(505.79)
E1301000028A	Transport to normal place of w	(129.49)
E1301000050A	Purchased Services - Local	(55.00)

Poor control over expenditures was noted as indicated mainly by certain number of overspent items as itemized above.

Recommendation:

Management must ensure to control the level of expenditure to avoid future spending.

5.3.2. Vote Ledger

Findings and Analysis:

It was found that PSC posting to its vote ledger was not up to date as evidenced when the audit detected some of transactions appeared in the MFED General Ledger were not also reflected in the PSC Vote ledger.

Implication:

- Lack of reconciliation would lead to distortions in balances of outputs been affected thus would not portray the actual financial performance of the Ministry for the year and could affect future budget submissions.
- There will be unexpected savings in outputs the charges of which were not received and paid for in the current year.

Recommendation:

- Management should conduct a regular reconciliation of its records against that of MFED and immediately prompt remedial actions.
- Management should regularly review the work of its accounting staff.

Management response:

5.3.3. OVERTIME

Findings and Analysis:

- Overtime for Chauffeur pay period 29/11/13 in the amount of $ 531.95 was not reviewed by the responsible officer (OM) as noted during the auditing.
- Audit noted same issue also occurred to one Registry clerk for pay period 13/12/13, the sum involved is $304.
- No overtime dockets were available during the audit for above overtime payment hence audit could not confirm the accuracy of such payment.

Implication:

- Not reviewing of overtime claims will result in incorrect payments been made and this would increase the risk of misappropriation of funds.
- Payment Vouchers with no supporting documentations would undermine the integrity of management.
- Poor record keeping would result in records gone missing and this is a deviation from Cap 79 and FR11.

Recommendation:

- As a deterrent measure management should instigate a policy that where documents are missing or were without supporting documents the responsible officer should make good for amounts been paid.
- Management should regularly review the works of its accounting officer.
- Management should ensure its accounting staff observes the provisions of FR11 and Cap 79.
- Management should ensure all records are kept safely and made readily available for audit inspection.
- Management should ensure that proper review by responsible officer is done for all PVs, including attachments, prior sending them to MFED for payment.
- Management explanation on the above is required

Management response:

6. MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION

6.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Foreign Affairs and Immigration for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 6.3 discussed in detail below:

6.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Ministry of Foreign Affairs and Immigration performance in the fiscal year 2012.

- Overspending of approved budget
- Lack of revenue reconciliation
- Lack of review in the revenue collection from most senior staff
- Salary overpayment

6.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

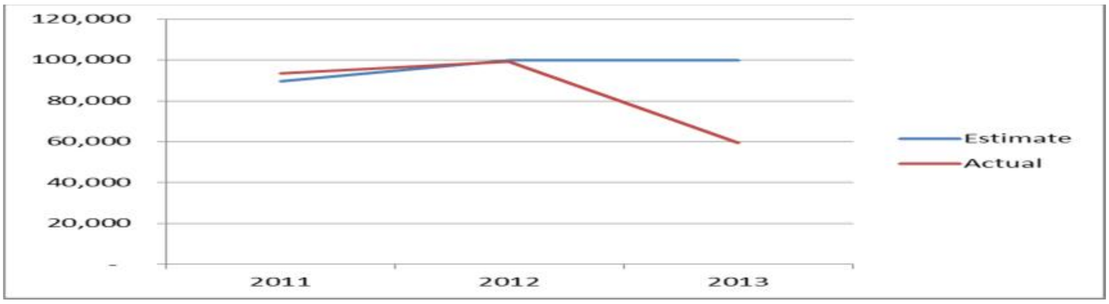
6.3.1. Controls over Revenue:

Findings and Analysis:

6.3.1.1. *MFAI Budget Summary 2011-13*

Revenue	2011	2012	2013
Estimates	89,751	100,000	100,000
Actual	93,527	99,370	59,667
Variance Under/(Over)	(3,776)	630	40,334

6.3.1.2. *Comparative Revenue against Budget for Years 2011-2013*



As shown above, in 2012 MFAI had managed to collect $99k of revenue against a budget of $100k resulted in the insignificant under collection of $630. In 2013 MFAI continued estimating a collection of $100k but as noted from the table above, the actual collection was over $59k resulted in the shortfall of revenue of over $40k. Thus this under collection when compared with the shortfall for last year was quite significant and this could be coupled with the inadequacy of performance of staff responsible for the collection of MFAI's revenue.

6.3.2. Revenue System Weaknesses:

Findings and Analysis:

According to audit testing, the revenue system flawed by the followings:

- Poor control over accounting records, documents, etc.
- Reviewing of daily collection of revenue was still not performed
- Management has yet to ensure daily depositing of revenue.

Implications from above issues:

- Poor control of accounting records, documents open opportunities to conceal frauds and missing financial documents
- Failure to posted receipts in the Form A create risk of cash can be misappropriated)
- Lack of daily review for the cash collection imply possibility of cash can be misappropriated
- Leaking out of public funds if No review of revenue collections at the end of the day

Recommendation:

- 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
- Most senior staff has to review and check daily collections and ensure that revenue collections be deposited on a daily basis
- Relevant provisions of Financial Regulation, Store Regulations should be strictly followed-FR- 38 to 48

Management response

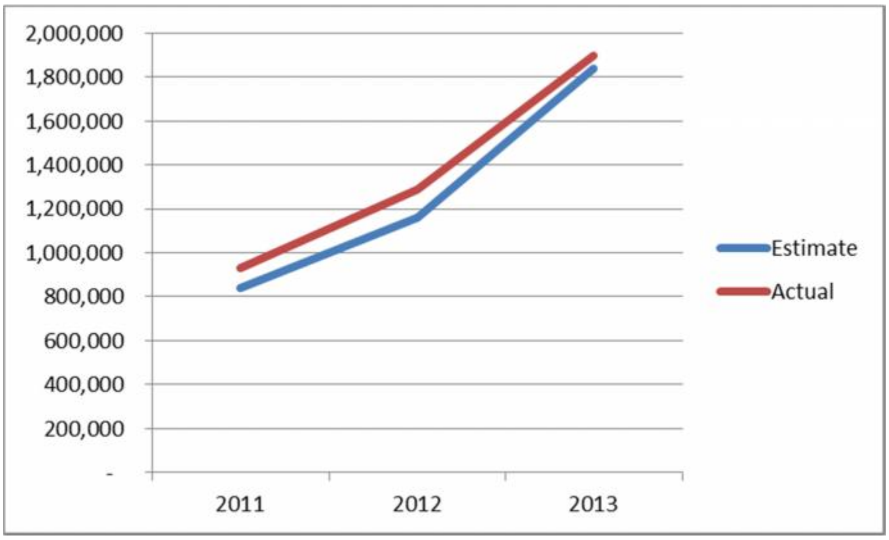
6.3.3. Controls over Expenditure:

Findings and Analysis:

6.3.3.1. *MFAI Budget Expenditure Summary*

Year	2011	2012	2013
Estimates	$840,562	$1,161,884	$1,835,758
Actual	$931,447	$1,286,197	$1,894,020
Variance Under/(Over)	$(90,885)	$(124,313)	$(58,262)

6.3.3.2. *Comparative Expenditure against Budget 2011- 2013*

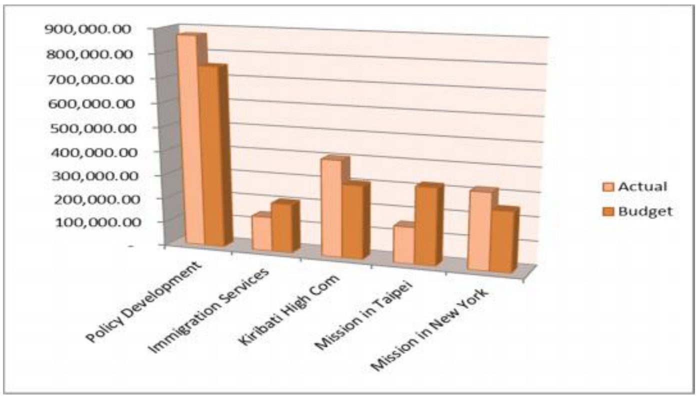


The above graph display a unique pattern as it was reported that the level of estimated budget for MFAI had changed dramatically in 2013 given an intense increase estimated budget of $1.8m compared to 2012 of $1.1m respectively. However, given an increase in its budget MFAI still not sustained the level of its expenditure as it result in the overspending of$58k. This reflects the inconsistent control over realistic budget.

6.3.3.3. *MFAI Budget against Actual per Division – 2013*

Division	Budget	Actual	Var - Under/(Over)
Policy Development	752,714	873,725.50	(121,011.50)
Immigration Services	205,613	143,963.64	61,649.36
Kiribati High Commission	306,357	404,256.96	(97,899.96)
Mission in Taipei	321,511	152,829.85	168,681.15
Mission in New York	249,563	319,243.62	(69,680.62)
Total	1,835,758	1,894,020	(58,262)

6.3.3.4. *Comparative Graph Budget per division against Actual – 2013*



As reflected above three divisions reported overspending of expenditure budget such as: Policy development with an overspent of $120k; Kiribati High Commission, $97k and Mission in New York $69k. While the other two divisions: Immigration Services and Taipei Mission, managed to report net savings of over $61k and $168k, respectively. These two divisions should be commended for their effort in using their approved budget according to the actual level of their operational cost really needed as required under FR11 9.2 (1).

Recommendation

The Ministry should provide justifications on the reported overspending referred to above.

Management response

6.3.4. Direct Purchased – Local

Findings and Analysis

- Out of the four payments being selected for audit testing, one payment voucher ref: Pv 421/13 amounted to $ 255.00 was supported by an improper invoice and not duly signed by the bona fide payee.
- The audit also found that some of the payments for office stationeries for 2011 were paid out from the 2013 budget as disclosed in the vote ledger. MFAI should have settled all these outstanding invoices promptly.

Implications:

- Payment being made without certain level of authorization can indicate that payment deemed improper**.**
- Payment made two years after the goods and services had been provided could lead to double payments and overspending of expenditure budget.

Recommendation:

- All payment must be properly authorized and duly supported with proper and accurate documents.
- Strong internal control system should put in place to at least minimize such issues from occurring
- Management must conduct proper review and reconciliation to ensure that all outstanding payments have to be settled within fiscal year otherwise might have affect budget within current year.

Management response:

6.3.5. External Travel: Unsupported reimbursement valued at $78,454.33

Findings and Analysis:

- Audit noted the reimbursement of $78,454.33 was being credited to the Ministry's vote ledger without any supporting document and was not even appeared in the 2013 Annual Account. Thus such reimbursement could not be traced back to its original sources and to corresponding payment vouchers in respect of air fares being paid from the recurrent budget.
- It was also noted from the vote ledger that such transaction was referenced with a project payment voucher number, meaning it should be a "debit entry" instead of a "credit entry".

Implication:

Without having a proper supporting document for any payment would cast doubt on the accuracy of total expenses incurred and such reimbursement would be considered incorrect and distort the overall position of Ministry's actual expenditure.

Recommendations:

The ministry should ensure to provide proper supporting document of the above reimbursement.

Management response:

6.3.6. Missing Dell Laptop

Findings and Analysis:

- There were five laptops being purchased in 2013 and the audit confirmed four laptops were used by MFAI officers.
- However, the fifth one still could not be sighted as the ministry still could not remember and to confirm who used the fifth laptop. Consequently, the amount involved for such laptop including three mousses as per stated on PV 342/13 valued at $2027.00.
- The auditor also demanded an inventory register for 2013 to check the movement of their assets (Laptops) but also MFAI failed to provide such register.
- No proper handing over made between account staffs who were transfers before audit starts
- The audit also found one Payment voucher (PV 326/13) amounting to $750.00 was missing from box file, hence, audit could not confirm the accuracy of such payment

Implications:

The failure in maintaining store inventory register will lead to the risk of misuse, loss and theft of inventory.

Recommendation:

- Management must consistently using the STORE FORM 1 for store inventory to keep record of purchasing items in order to keep track and control the movement of the whereabouts items.
- Management urged to trace and identify the whereabouts laptop that not registered in the store inventory.
- Management should encourage staffs that proper handing over should be made before the transition of staff take places.
- All payment vouchers and other documents should be kept in a proper and safe place for ease of reference and audit purposes

Management response:

6.3.7. Kiribati High Commission

The result of the audit of the KHC carried out for years ended 31 December 2011, 2012 and 2013 is presented below

6.3.7.1. *KHC Revenue summary Collection*

Findings and analysis:

The Ministry's revenue for 2013 is summarized below

	2011	2012	2013
Budget	$13,000	$5,000	$13,000
Actual	$1,050	$460	$1,850
Under/(Over)	$11,950	$4,540	$11,150

In analyzing the actual revenue collection for 2013, such amount of $1,850 was a receipt for work permit and visa fees in respect of several expat officers and thus deemed a miss allocation to code: C1403-03A and should be adjusted or re allocated to code: C140 02A.

Further, 2013 Form "A"s or KHC's records for revenue collection were not available during the audit. However, it was confirmed from KHC's bank statements for 2013 that there were cash deposits made during the year amounted to $3,206.97. Included in these cash deposits were KHC's revenue collection from issuance of certified copies of birth certificates, emergency passports etc., noted not posted as KHC's actual revenue (code: 1403-03A) nor disclosed in the 2013 Annual Account. Certainly, the KHC's actual revenue collection for the last three years had not been properly accounted for.
Finally, revenue estimate for KHC was deemed to be unrealistic as the budgeted figure of $13k and even $5k for years 2011, 2012 and 2013 could not be collected.

Implications:

- Over estimation of revenue by revenue collectors would give wrong benchmark for MFED in determining overall budget level for Ministries.
- Failure in categorizing revenue by code type could lead to misallocation of government revenue and fraud. Monthly reconciliation of the Office's revenue, as well as expenditure, would provide management with status of month to date revenue collected against budget thus would enable management to instigate early remedial actions.
- A lack of reconciliation, as noted in this area, should not be an excuse and would undermine the integrity of management.

Recommendation:

- The KHC should ensure to maintain proper records of revenue collected each fiscal year and be posted to code: 1403-03A and carefully submit such records to MFED.
- A monthly reconciliation, one of the core tasks of managers, of revenue should be practiced by management.
- SA, as a representative of MFED, should ensure proper and correct posting of revenue to all revenue codes as referred to above
- KHC to provide a more realistic budget provision and to strengthen its revenue collection procedures so to contribute to the pool of revenue of Government and of course to close the huge variance noted between the actual collection and the budgeted revenue allocation.

Management response:

Management will comply to Audit's recommendations as highlighted, however, as mentioned revenue reconciliation should be done monthly which I think is not a problem as the person assigned is not a junior staff but a Senior Accountant whom should be well familiar with all relevant codes etc…

Based on past trends the KHC should know how much they normally collect and should reflect in the next financial revenue.

6.3.7.2. *Bank Reconciliation Statement/Balance 31 December*

Findings and Analysis:

- The KHC has been unable to produce the bank reconciliation statements for 2011, 2012 and 2013 during the audit. The bank reconciliation statement is one of the effective internal controls over cash on hand and at bank.
- It was further noted that the KHC's bank statement ending balance as at 31 December 2013 was $292,308 AUD (at exchange rate:.59504), which was significantly unmatched or below the KHC Bank balance as per 2013 Annual Account of over $1.3m (MFED). It is therefore highly probable that there was a huge overstatement of KHC bank balance as per MFED's record and should be adjusted

Implications:

- The absence of internal controls (bank reconciliation) could lead to misstatement of funds and fraud.
- The absence of bank reconciliation with MFED records could lead to a misleading end of year records on the bank balances of consolidated Government account.
- Incorrect balances shown on records could lead to unsound financial decisions by high level management.
- KHC, being recipient and custodian of various funded activities for the likes of student allowances, referral cases etc., should have its bank account(s) closely monitored and regularly updated failing by which could lead to misappropriation and/or fraudulent use of bank funds being veiled at the detriment of beneficiaries.

Recommendation:

- Senior Accountant for KHC should prepare a proper Bank reconciliation statement on a monthly basis.
- SA to ensure she reconciles her bank balances with MFED and other Ministries' or agencies' records on a monthly basis.
- MFED should ensure to take into account the bank balance as per KHC records or a reconciled bank balance
- MFED should adjust the KHC bank balance as per 2013 Annual Account from $1.3m to a more realistic figure.

Management response:

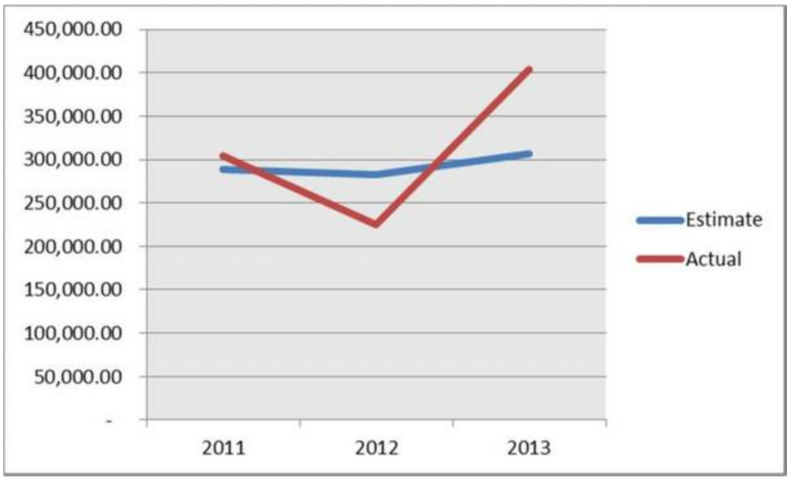
We understand it is very important for a Senior Accountant to maintain proper bank reconciliation at the end of each month, however, due to the heavy daily workload which I am also experiencing we find it impossible to do so which leads to delays and not up to date.

6.3.7.3. *Control Over Expenditure – Kiribati High Commission, Suva*

Findings and Analysis:

Expenditure against Budget 2010-2013			
Year	2011	2012	2013
Budget	288,163.00	282,976.00	306,357.00
Actual	304,022.00	225,184.00	404,256.96
Under/(over)	**(15,859.00)**	**57,792.00**	**(97,899.96)**

6.3.7.4. *Comparative Expenditure graph against Estimates 2010-2013*



Illustrated above is the KHC comparative expenditure graph for year ending 31 December 2011 to 2013 against the approved budget for those years. As noted from the table above KHC had failed to operate within its approved budget for years 2011 and 2013 and has resulted in an overspending of $15k and $97k respectively. This indicated lack of monitoring and controlling of KHC expenses throughout those years.

2012 was a good year when KHC had managed to operate within its approved Budget as indicated by the reported net saving of over $57k.

Implications:

The overall excess spending in 2013 noted above, as previous years have been included in past years respective reports, amounted to unauthorized expenditure for which explanations are required to satisfy why such excessive spending occurred.

Recommendation:

- KHC should provide an appropriate budget level for its operations and should request for Supplementary during the course of the year to avoid incurring unauthorized spending.
- KHC should ensure to operate within its approved budget
- KHC should ensure it reconciles it expenditure vote on a monthly basis and with MFED’s records as well.
- KHC should have in place a monitoring and control procedure whereby balances for each output are confirmed before a payment is made.
- KHC should be more observant on its recurrent expenditure budget and to ensure all payments are properly authorized.

Management response:

We always submitted what would be the correct amount in our forecast however, we discovered that with budget constraints resulted in tight ceiling our output has been an area to make reductions to comply with MFED ceiling without consulting us. We find it very disappointing to learn at the beginning of a new year that our budget has been cut.

Monthly reconciliation is a must and that our submission of our account on time to MFED should also be maintained. We should always work within our provision and request for additional budget by means of transfer/supplementary if the need arise.

Our new accounting system just newly created can automatically show balance to date on each output /code but I understand there is a need to improve.

KHC is working on that ensuring payment is proper, in line with FR and within the provision.

6.3.7.5. *Over Expenditure of Outputs for 2013 KHC*

Table below show the KHC expenditure against budget by division for 2013

Code Description	Original Budget	Rev Budget	2013 Actual	Balance
KPF & Pension Contribution	8,225.00	8,225.00	15,805.97	(7,580.97)
Allowances	41,800.00	41,800.00	58,345.91	(16,545.91)
Overtime	4,368.00	4,368.00	9,106.04	(4,738.04)
Wages	66,643.00	66,643.00	86,176.41	(19,533.41)
Transport to Normal Work	14,400.00	14,400.00	16,208.32	(1,808.32)
Internal Travel & Transport	6,724.00	6,724.00	7,578.72	(854.72)
External Travel & Transport	5,600.00	5,600.00	30,312.55	(24,712.55)
Direct Purchases - Local	27,500.00	27,500.00	36,713.86	(9,213.86)
Purchased Services - Local	25,350.00	25,350.00	27,697.93	(2,347.93)
Communication Charges	21,600.00	21,600.00	38,389.18	(16,789.18)
Electricity and Gas	9,000.00	9,000.00	13,521.21	(4,521.21)

Table above shows outputs for KHC the approved provisions of which have been exceeded. As highlighted above, more than 10 outputs had been financed beyond their approved budget. This is an indication that no proper effective internal control had been put in place by management and management has also failed to observe the well-established financial regulations detailing proper internal controls to be adopted and followed by accounting staff.

Implication:

The excess spending incurred by each output, which in aggregate amounts to over $95k, indicated KHC had utilized other funds to finance its operations in 2013.

Recommendations:

- KHC to ensure it regularly does transfers from outputs that still have surplus funds to ease the huge overspending in certain outputs been excessively overspent. KHC should reconcile its bank balance by activity.
- The net excess spending of over $95k warrant a request for a Supplementary during the course of 2013 but for which KHC had overlooked therefore to avoid such from recurring; this need be noted for later years.

Management response:

Management noted with concern the huge over expenditure of almost all codes and apologized for such oversight. Management should note overspent on each code at the end of each month's expenditure report and remind SA to arrange for transfer or apply for supplementary.

6.3.7.6. *Physical Cash Counting*

Findings and Analysis: (Cash Counting)

- The physical cash counting was conducted at the KHC, Suva on the 24/10/14 at the Senior Accountant Office. The total cash book balance as per reviewed is $26.10 FJD and the total cash count balance as per counted by the audit was $40.70 FJD. Meaning there was a surplus in the sum of $14.6 (40.70 – 26.10) FJD and that was also receipted on RR number 739518 dated: 24/10/14.
- As per noted, the Senior Accountant used Excel Software as her cash book Register for Petty cash without maintaining the hard copies therefore audit confirmed there was no back up data maintained.
- Other cash kept in the safe noted was the donation from one generous Indian of US$500 for Kiribati Students studying in Fiji.

Implications:

- Anytime an audit is conducted, all cash that was found in the safe at the time of cash counting are regarded government funds and should be accounted for accordingly and likewise, when there is a shortage detected, that is government fund missing and therefore should be replenished instantly.
- Each output is allocated a code therefore for a donation noted above, there should have been an allocation approved for such item to support the receipt and the counteracting payment. The absence of such allocation could annul the payments made and regard the "donation" as surplus funds of government and to be credited to a revenue code instead.

Recommendations:

- Senior Accountant should observe the provisions of the governing FR and to ensure that cash kept in safe is matched with amount receipted
- Senior Accountant should ensure to have one external drive to back up all data on a daily basis and keeps a monthly print out for reference.
- Senior Accountant should seek guidance from MFED on the treatment of any new financial matter and for obtaining a proper code in which to account for the US$500 donation as encountered herein.

Management response:

SA is well aware and apologized for causing such oversight.

Regarding the US$500.00 SA explained the situation and asked SSO that it should be converted to Fijian and receipted however SSO asked just for keeping as it will not be long since the students' association has been informed and that they will pick it up very soon. Management is now aware and no more keeping of other funds in the safe.

External drive has been purchased for SA and is now in use as back up data for all accounting files/packages.

The US$500 has been given to SSO to keep for handing over to the President of the Student's association.

6.3.7.7. *Control Over Imprest – External and Internal*

Findings and Analysis:

As per noted during our discussion with Senior Accountant at the Kiribati High Commission the register for Imprest was still never maintained till date, despite being strongly recommended in previous audit reports. Maintaining proper register for special imprest issued will assist in ensuring proper control of expenditure on internal and external travel and especially to keep track of the unretired special imprests.

Further, the audit confirmed that no improvement over the issuance of Imprest had been made as the payment voucher was still used instead of a combined Imprest form. The combined imprest form captures all travelling information required and must be used when paying special imprest. Also it was found that no supporting documents were attached to the PV when applying for drawing Imprest as noted in some of the payment vouchers listed in the table below:

Date	PV Number	Amount (FJD)	Notes
25/01/13	97/01	1,068.00	Not supported
04/03/13	20/03	8,880.00	Not supported
17/09/13	58/09	10,086.00	Not supported

Consequently, the audit was unable to determine the total amount of special imprest drawn, unretired special imprest and those staff responsible for outstanding special imprest.

Issue:

The absence again of an Imprest register, utilizing a PV instead of a combined Imprest form without attaching relevant supporting documentations including an absence form to provide other relevant information, confirms KHC failure in conforming with the normally accepted government procedures in regards to the issuance and retirements (within 10 days) of Imprests.
The current practice, including the fact that there is no segregation of duty when issuing PVs and signing of cheques is a one man process, is prone to abuse.

With constant staff turnover in KHC, the chances of recovering outstanding Imprests from those leaving the Commission may not be possible therefore would lead to accumulation of loss of public funds or distortion of outstanding dues from Public Officers.

Recommendations:

- The Senior Account should ensure that Proper Imprest Register is maintained as a mechanism for proper accounting and control of special imprests.
- The Senior Account should ensure that all drawn special imprests are fully supported. That is, air ticket, letter detailing the purpose of the trip etc. are attached to the payment voucher.
- KHC should ensure all Imprests are retired, as practiced in Kiribati, by concerned officers within 10 days of return from travel.
- KHC to provide Ministries its former officers have transferred to with details of outstanding Imprests for recoveries from those concerned.
- KHC should ensure no subsequent Imprest is drawn and approved until previous Imprest issued had been retired with amounts outstanding, if any, are cleared.

Management Response

KHC apologized for the continuing use of PV form for imprests. We have asked SA /MFAI to assist in sending over imprest forms for KHC future use. Also I have to mention that with the new accounting package for Commissions there is also imprest and retirement forms that links to the accounting system for each financial year.

We have opened our Imprest register for 2015. Management apologized for the negligence of all supporting document required when applying for an imprest. This will not repeated again In future.

6.3.8. Control Over Payroll: KPF, Charge Allowance and Overtime

6.3.8.1. *FNPF Contribution*

Finding and Analysis:

The payment for FNPF contribution for Local staff (Fijian) was deducted from their wages and employer contribution is paid from the budget provision for FNPF. The audit test revealed some irregularities in some payments for FNPF contribution as itemized below:

- No list attached with PV No. 76/08 amounted to $1,118.4 FNPF contribution for June 2013 – Not supported
- No list attached with PV No. 129/08 $1,118.00. PV stated that the payment is for July but the attachment is for August amounted to $1,118.68
- PV 83/12 stated that the payment made for August to November amounted to $4059.36. However, as per evidenced from the attachment the actual month which was the payment for was not August to November but September to December for the same amount.
- As per stated in bullet point 3, the payment for Nov – Dec was paid on the 27/12/13, but the audit noted that as per PV 17/08 of August 2014 the contribution for Nov – Dec 2013 was paid again resulted in a double payment of FNPF 2013. It was also noted with great concern that the SA (Senior Accountant) mentioned that she followed the former SA register for contribution, however, according to former SA register the month of Dec was not paid yet. But the audit noted that one receipt attached to FNPF for December indicating that the payment was for December. The Senior Accountant also stated that she has already made arrangement with FNPF for Nov contribution in which she write to request that Nov payment will be regarded as July contribution for 2014 since Jan to June for 2014 have been paid for. Audit advised she must do the same thing with December payment accordingly.

Issues/Implications emerged from above?

- Mismatching of PV description and amounts with attachment – This undermines the creditability and integrity of the workforce within the High Commission Office by its (international) counterpart, i.e. FNPF.
- Repetitive mismatching of PVs undermines the capability and integrity of the Senior Accountant being appointed to represent the MFED.
- PVs with no supporting documentations and repeated for same purpose undoubtedly raises concerns on the authenticity of the payment.

Recommendation:

- The audit strongly recommends that the Responsible Officer (RO) has to ensure that no future double payment for KPF contributions will occur and payment for staff contributions to FNPF should be paid on a monthly basis.
- SA should ensure a register for FNPF is maintained and updated on a monthly basis
- SA to uphold the credibility of the High Commission Office and reprimanded if mismatching of PV and documentations occur in future.
- KHC to report instantly to MFED on suspected cases involving unsubstantiated and improper PVs.

Management response:

We noted with great concern on the double payment made for December however as for double payment for November it has already been dealt with as per copy of letter dated 02/9/14 attached. Again for December we have approached FNPF but still waiting for their response.

We agree that a register should be maintained and that payment should be made at the end of each month and agreed that SA should uphold credibility of this office.

6.3.8.2. *Charge allowance*

It was noted during the auditing that some irregularities were detected for some payments of charge allowance as detailed below:

One payment made on PV 87/12 of $923.68 FJD for former First Secretary was deemed improper. The audit found that the above payment was paid in advance as can be evidenced from the period stated on the PV. Apparently, the period which the officer claimed as stated on the PV is for 23/12/12 – 6/01/13 and the payment was made on the 27/12/12, meaning the officer had been paid his charge allowance in advance which is not in line with procedures of charge allowance as per stated in NCS.

Another payment for charge allowance made on PV 26/12 amounted to $5,676.86 FJD for former SA was also noted to be improper. According to the breakdown attached for the above, the payment was made for 3 years from 2011 – 2013 consecutively in which the audit confirm that this payment was improper as it is not in line with NCS for charge allowance. As we are aware, charge allowance is only payable to any officer if the post is vacant or the incumbent takes annual leave, study leave, etc. But when referring to her application letter approved by HC it only stated that her work load seemed increasing for which she put up her claim for that purposes which is not right. Further, the audit also noted that the concerned officer approved her own charge allowance as could be seen from the PV authorizing officer signature and this is definitely and abuse of power and fraud.

As per stated above the officer had claimed her charge allowance for 2011-2013 amounting to $5,676.86 FJD, but

the audit again detected another payment for her second charge allowance on PV 41/10 $628.6 FJD dated 09/10/13. In this case, the officer had been overpaid for her charge allowance by same amount i.e. $628.6 and this must be recovered immediately.
For PV 46/10 $600.93 FJD, audit noted that no period stated, even no calculation or breakdown attached with the PV showing the rate being used either $40 dollars per payday or 75% or 100% of difference used, again an abuse of power and definitely fraud. In addition, no proper template form used when claiming such charge allowances for above officers.

Implications:
Payment of charge allowance in advance is malpractice and a violation of NCS (2012 version) section E1.4 (o). Payment of a charge allowance for a period covering more than three years for mere reason of increase work load plus the fact officer actually approved her own charge allowance is definitely an abuse of power. The absence of a countersigning officer provides an opportunity for abuse.

Recommendations:

KHC should seriously follow the governing provisions of the ***FR-2011.***

Management responses

We have seen and proved that these payments were not proper, regarding pvs 87/12 & pv 26/12 however during handing-over to me she mentioned that it was agreed by the former Accountant General that she was eligible to claim due to the heavy load since she was the only one handling all accounting tasks from minor tasks to major.

We agree that charge allowance should not be paid in advance and Management agreed to follow the governing provisions of the FR.

6.3.8.3. *Overtime*

Finding and Analysis:
During the auditing it was noted with great concern that some of the payments for overtime were deemed excessive and improper. Audit also noted that no proper review has been made to check and verify hours stated in the overtime docket. The audit was of the view had proper review been conducted then such payment would be avoided in the first place but in fact such payment were issued for which the audit concludes that no proper review has been made from RO. Stated below are some of the selected PVs tested:

- PV 49/13, $596.73, Dated 11/03/2013

The hours claimed for above payment was deemed improper as could be seen from the Hours stated in the overtime docket. For instance, 9:30am to 11am counted as 2 hrs. when it should be 1.5 hrs. Another hour stated in the docket was 12 hrs. (8am to 8pm) confirmed incorrect as it failed to account for hours used for lunch hours and tea breaks etc. Even most of the hours claimed are during the working hours as per stated above which is 9:30 am to 11am dated on the 21/02/13.

- PV 48/13, $111.55, Dated 11/03/2013

The overtime docket for above payment was not really clear and also the authorizing of payment was not signed by RO which means that such hours are not being reviewed and approved for payment.

And even for some of the PVs selected for example PV # 30/13 $130.14 dated 11/12/13, the audit noted that no supporting documents were attached with the PV, not authorized and no signature of receiver hence audit could not confirm the accuracy of such payments.

Issue/Implication:

Overtime documents not properly checked and without supporting documentations are improper the payment of which should have been avoided.

Recommendation:

- The Management has to ensure checking and reviewing overtime docket should be made on a regular basis ensuring that all hours being claimed for overtime are correct and proper.
- Recoveries of unsupported overtime should be made from officers concerned.

Management response:

Management agreed with comment on pv 49/03 that most hours claimed were working hours which should be recovered. However in this case, the officer responsible had been laid off on medical grounds so it would be impossible to recover such amount.

Pv 48/13:- agreed that the docket was not authorized.

SA should ensure that all dockets are checked and proved to be correct before making PVs.

6.3.8.4. *Wages*

The audit simply carried out the vouching for wages payments for the month of October to December 2013 and compare with the Finance figure as per stated in GL report for same months. After extracting all payments for wages the audit found that Finance figure does not agree with KHC figure reporting a discrepancy of $5,011.49AUD as a result. This shows that no proper reconciliation has been made by the two parties i.e. MFED and KHC.

Furthermore, the audit also detected that some payment of wages especially for advances were deemed improper as one permanent staff from KHC also included in some of advances of wages in which she was not entitled to claim any payment from provision of wages. As you are aware of, provisions for wages is for Fijian employees employed by KHC to work for the Embassy on a contractual basis, but as noted during the auditing one permanent staff (former SA) had issued wage advances to staffs including her name. Details of PVs for advances made including former SA payment are shown below:

PV #	Pay Period	Amount (FJD)
Pv53/11	29/11/13	897.29 (323.06 for SA)
Pv43/11	28/11/13	800.00 (200 for SA)

Issue/Implication:

- Lack of reconciliation would result in overspending of provisions in outputs been utilized, as had been noted in earlier findings.
- The inclusion of her (former SA) name in the wages list of Fijian employees is totally an act of fraud.

Recommendations:

- Proper reconciliation should be made on monthly basis between these two parties i.e. MFED and KHC and the audit also recommends that strong internal control system should be put in place to avoid such issues in futures time.
- Full investigation should be conducted on former SA to quantify the amounts been involved.

Management response:

We confirmed that the list also included former SA's name was noted to be a misallocation and should have been corrected however in the absence of the 2013 ledger/cashbook we could not prove that this had been recovered in the next pay.

In the case of further investigation Internal Audit of MFED is the right section to carry out investigation.

6.3.9. Vote Book and Store Inventory Register (Assets Register)

Findings and Analysis:

After reviewing vote book and store register for KHC it was found that these two registers were not up to date. This is evidenced when the audit went through all transactions being posted into the vote ledger and noted that the last date/month posted was October 2013, meaning all transactions for the month of November and December were not accounted for in the system hence KHC could not report the correct figure on any outputs demanded by the audit staff.

The audit is of the belief there were some of equipment or tools i.e. laptops, tools, etc. been purchased for the need of KHC but were not accounted for in the register. As we are all aware of, all assets purchased for office needs must be recorded in the Asset register for future references and audit purposes. KHC, like some other Ministries, had failed in observing and complying with provisions of the Stores Regulation".

Implication:

- By not updating the store register, there could be purchases for purposes other than for office use that may not be detected.
- Duplication of purchase of certain items could result in misappropriation of goods which may not be detected as there is no stock record card maintained and this would be costly to the Office.

Recommendation:

- Vote Ledger should be updated and to take into account all transactions been omitted for the year
- All assets been purchased should be recorded in the Store Register and RO should ensure updating of the Store Register.
- To place tags on laptops purchased (i.e. names of staff been allocated a computer) to avoid situations where staff been allocated a computer each, when leaving the Commission, will not leave such for use by replacement staff.

Management response:

SA has managed to update the inventory register for 2014 and will ensure that all assets are recorded and up to date.

6.3.10. Student Allowances: Excess Bag Gage

The audit test on the payment of excess baggage allowance for final student revealed that two students were noted being unable to collect their allowance. MOE authorized KHC to pay 20 students with excess baggage allowance. KHC paid excess baggage allowance for 10 listed students individually on a separate voucher while the other 10 were paid with their allowance on one payment voucher: PV 88/11 amounted to $3,663. As noted only 8 students ($2,930.4) received their respective allowances while the remaining two students did not collect their allowance. Thus resulting in the remaining $723.6fjd not collected, however, this was also noted to have not been receipted back to KHC account.

Issue emerged:

The non-receipting of the $723.60 is clearly a misappropriation of public funds and officer concerned should make good for such loss and be reprimanded.

Management response

We confirmed that 2 students did not sign their allowances or received it. However, as it was not receipted management agreed that it should be made good by the officer responsible.

6.3.11. Student Second Quarter Allowance 2011

The payment for second quarter allowance for USP student allowances was deemed improper and excessive. The audit test however showed that there were two payments made for the same purposes, attachment and amount as detailed below:

1) PV 52/4 dated 19/04/11 $14,975.00 – payment of second quarter allowance
2) PV 42/4 dated 15/04/11 $14,975.00 – payment of second quarter allowance

It was further noted that the PV 42/4 above was without a chq number, but the corresponding chq butt showed that the amount was **$149,750 and not $14,975.** In other words, the value of the payment voucher: # 42/4 of $14,975 did not match with the actual amount withdrawn from KHC's bank account, as detailed in the corresponding chq butt and the bank statement of $149,750. Further, PV 42/4 payable to Westpac was supported by the list of names of five students only (i.e. $2,995 x 5 =$14,975).

Moreover, it was noted with concern that PV 52/4 amounted to $14,975, paid by chq number 014360 was also supported by exactly the same document (i.e. list of names of five students) used to support PV 42/4.

Original bank confirmations to support such transfer of student allowance to Westpac bank were not even attached to support the said payments vouchers.

Issues emerged:

- Certainly, cash withdrawals as per corresponding chq butt no. 014343 and 014360 of $149,750 and $14,975, respectively were improper and not necessary since all students already got their individual bank account with Westpac bank.
- Fraud was committed when PV 42/4 was raised for **$14,975** with supporting document for 5 students, each receiving $2,995, a total of $14,975, but on cheque butt an amount been withdrawn from KHC bank account to Westpac was somehow changed to **$149,750!**
- It was noted cheque payments can be processed with only one signatory without anyone to countersign such.
- Also noted were PVs been raised without having another person to verify or countersign the payment, a complete absence of segregation of duty within the KHC payment process and which are, of no doubt, prone to abuse.
- The absence of a cash book, as noted during the audit, would make it not possible to trace transactions already incurred and therefore could raise questions on the capability of responsible officers and integrity of KHC in all areas of financial transactions.

Recommendation:

- The Senior Accountant in KHC should ensure KHC follows the provisions of the ***FR-2011*** in all aspects of its accounting procedures and transactions.
- The Senior Accountant should have facilitated payment of student allowance using a direct bank transfer advice of funds from KHC's ANZ bank account to individual students' Westpac bank account, but not by raising a payment voucher or issuing a KHC's chq.
- KHC to confirm that students named in the attached document to PV 42/4 already had their allowances transferred to their Westpac bank accounts directly from KHC bank account.
- It is therefore strongly recommended that KHC should provide supporting documents for the amount of $149,750fjd and explain in detail why such payments were made on different PVs with same details when in fact the other payment was excessively above the written amount. KHC should carry out an investigation on the above Payments voucher: PV 42/4 and PV 52/4.

Management response:

Management managed to obtain a copy of the cheques with ANZ bank and noted with great concern that the two cheques were correct and that the bank did not make any error when posting them.

Cheque 014360 - $149,750.00 it was correctly written on the cheque the amount of $149,750. This was not manipulated by the bank but the figure made from this office. We could not explain further but realized that it was an act of fraud and should be further investigated by Internal Audit.

We could not get feed back from Westpac this time however as mentioned earlier, Internal Audit would be in a better position to work on it.

6.3.12. Other issues

Findings and Analysis:

As per noted during the testing of some selected PVs for Years 2011 to 2013, the audit noted that there are irregularities being found in some of the payments been made and these are stated as follows:

Pv #	Purpose of Payment	Amt $ FJD	Date	Authorize payment	Supported	Chq. #	Remarks
105/12	Cost of items for TS & FS residence	3,398	31/12/12	yes	yes	016711	Date stated on PV is not consistent with Invoice date
29/11	Pymt of charge allowance	3,164.70	11/11/11	yes	yes	015014	No justification of post whether vacant/ incumbent leaves
65/12	Staff retreat imprest	4,490.00	20/12/12	no	no	016669	Justification required
17/13	Paymnt for fans for H/C & T/S	1,521.00	7/12/13	yes	no	018109	No signature of receiver
72/12	Cost of air fares for TS and 4 adults fares	3,783.25	23/12/13	yes	no	018166	Should be reviewed again to check
56/11	Form scaff	1,750.00	22/11/13	no	no	018066	Amt doubled as Per Bank Stat...
37/13	Materials for TS packing	361.07	13/12/13	no	no	018131	No signature of receiver
No pv #	Repair of washing machine for TS	285.00	31/12/13	no	yes	No chq # stated	Not proper
62/12	Drink and other groceries	186.99	20/12/13	no	no	018156	No signature of receiver
10/10	Fine for license of fee & speed damage	110.00	02/10/13	yes	no	017920	No signature of receiver
40/11	Overtime	492.31	19/11/13	no	no	018049	No signature of receiver

Recommendation:

The audit strongly recommends that proper Mechanism, such as vote ledger and other control systems, need be put in place to monitor and control KHC activities and undertakings (mostly for payments) throughout the year.

Management response:

PV: 105/12 $3398.00 Confirmed PV not consistent with invoice date – order require payment & receive order later

PV: 29/11 - $3164.00 As explained former SA obtain verbal approval from former AG

PV: 65/12 - $4490.00 staff retreat Imprest – fund for venue and other stuff needed during the retreat

PV: 17/13 $1521.00 TS & FS fans – agree that not signed by receiver – we did not know whether this was received by payee

PV: 72/12 $3783.25 – The amount was correct as SA was claiming for passage entitlement, she only claim one adult fare from Fiji/Tarawa. This was in line with her contract that she was entitle to take home passage once in 2 years, and 4 adult fare for Tarawa to home island as the existing policy that year which A$120 x 4 x 2.

PV:56/11 $1750 – we cannot give more explanation but confirmed that the amount on the cheque was $3500. We are unable get the payee to confirm the actual amount received

PV 37/13: $361.07 Materials for TS – agreed and confirmed that not signed by payee

No Pv ref: $285.00 Repair of TS Washing machine – agreed and confirmed not proper

PV:62/12 $186.99 – agreed and confirmed not signed

PV: 10/10 $110.00 – agreed and confirmed not signed

PV: 40/11 $492.31 – agreed and confirmed no docket attached and not signed

Management noted that these errors always happen as a result of carelessness by the Responsible officer, in this case the SA to check and confirm that everything is attached and proper before raising PV. It is also important that the authorized signatory should make sure that the PV is fully supported and that payment is proper in compliance to the FR before signing the cheque.

This office has implemented a much tighter control on the issue of cheques and that it continues to do so looking into other areas to improve our monitoring control and one of it is the adoption of increasing the number of signatories from one to two per cheque.

It is not the intention of this office to offend and go against the FR however being relying and trusting those as part of our team we realize it is the responsibility of the management to see that all accounting procedures are followed and complied with accordingly.

7. MINISTRY OF INTERNAL AFFAIRS

7.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Internal Affairs for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 7.3 discussed in detail below:

7.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for the Ministry of Internal Affairs performance in the fiscal year 2012.

- Lack of performing proper revenue reconciliation as evidence some of variances.
- Absence of controlling expenditure causing overspends.

7.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

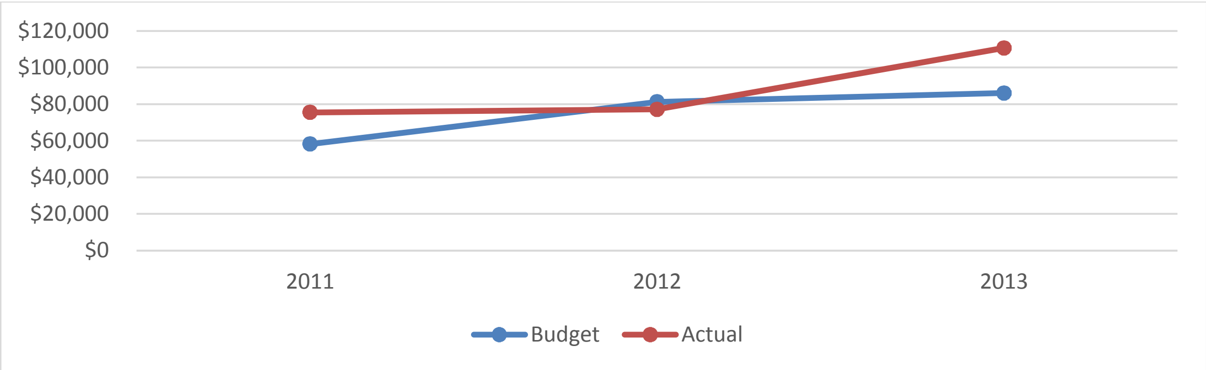
7.3.1. Revenue (Budget)

Finding and Analysis:

7.3.1.1. *MIA Revenue Summary Collection*

Year	Budget	Actual	(Over)/Under
2011	$58,160	$75,406	-$17,246
2012	$81,160	$77,056	$4,104
2013	$86,000	$110,664	-$24,664

7.3.1.2. *MIA Comparative Graph of Budget Revenue against Actual*

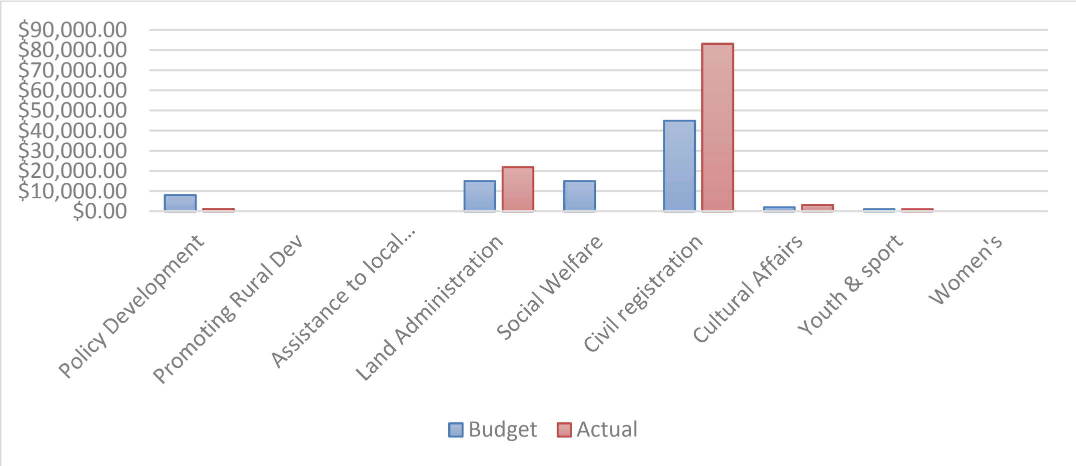


As shown in the above graph, the Ministry should be commended for such achievement given that there was the increase over collection in 2013 of $24k.

7.3.1.3. *MIA Revenues Budget against Actual by Divisions.*

Division	Budget	Actual	(Over)/Under
Policy Development	$8,000.00	$1,145.85	$6,854.15
Promoting Rural Dev			
Assistance to local Gov			
Land Administration	$15,000.00	$22,005.00	-$7,005.00
Social Welfare	$15,000.00		$15,000.00
Civil registration	$45,000.00	$83,182.95	-$38,182.95
Cultural Affairs	$2,000.00	$3,310.20	-$1,310.20
Youth & sport	$1,000.00	$1,020.00	-$20.00
Women's			

7.3.1.4. *MIA Comparative graph of Revenue Budget against actual by Divisions.*



According to above analysis there were 9 divisions. Out from 9 divisions only 6 divisions generate revenue for MIA of which 3 exceeded their estimate revenue budget; Civil registration $38k, Land administration $7k and Cultural affairs $1k. Only one division (Policy development) did not reach revenue targets.

Recommendation

Management must commend for achievement and to ensure it maintain revenue collections in the future.

Management response:

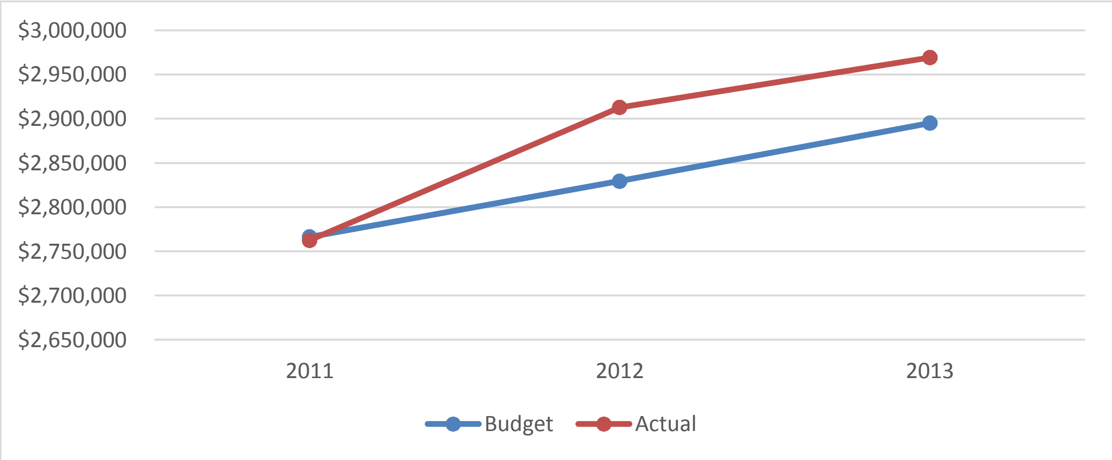
7.3.2. Expenditure (Budget)

Finding and Analysis:

7.3.2.1. *MIA Expenditure Summary*

Year	Budget	Actual	(Over)/Under
2011	$2,766,518	$2,762,582	$3,936
2012	$2,829,486	$2,912,865	-$83,379
2013	$2,895,618	$2,969,234.00	-$73,615

7.3.2.2. *Comparative graph of Budget Expenditure against Actual.*

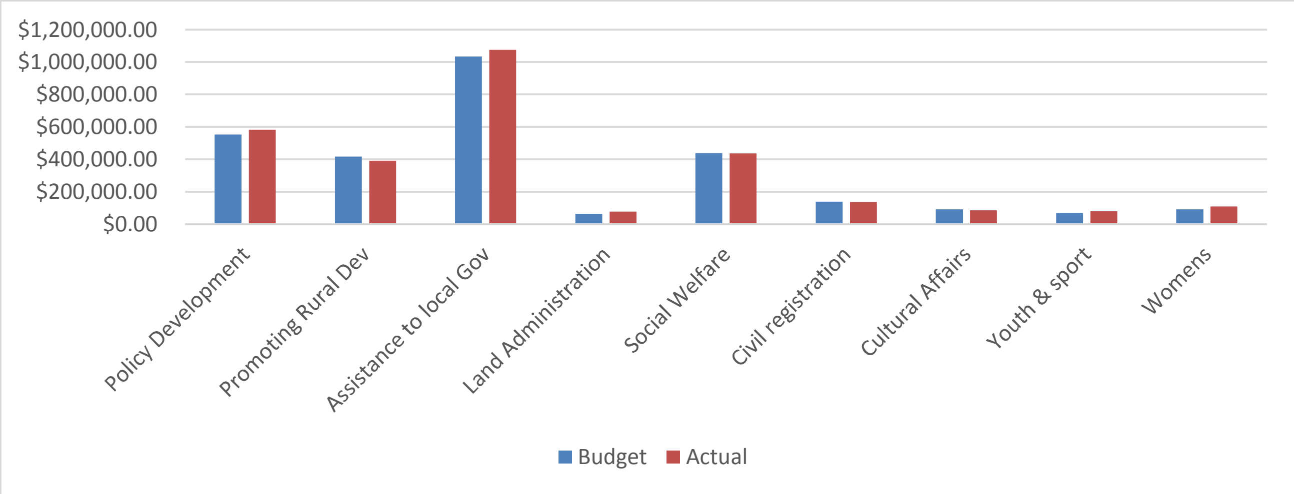


It is clearly evidenced from the above graph, that the level of budget estimate has been increased for the last 2 year (2012 and 2013). In 2013 the Ministry was given an approved estimate budget of $2.8m However, based on the overall operations, MIA still could not be able to control the level of its expenditure and had exceeded budget by $73k which is similar in 2012 when the Ministry also incurred excess spending of $83k.

7.3.2.3. *Expenditure against Actual by Divisions*

Division	Budget	Actual	(Over)/Under
Policy Development	$552,523.36	$582,012.95	-$29,489.59
Promoting Rural Dev	$415,431.00	$390,555.02	$24,875.98
Assistance to local Gov	$1,034,080.00	$1,075,042.74	-$40,962.74
Land Administration	$63,418.00	$76,371.71	-$12,953.71
Social Welfare	$438,380.00	$436,760.57	$1,619.43
Civil registration	$138,855.00	$136,444.81	$2,410.19
Cultural Affairs	$91,491.00	$85,108.71	$6,382.29
Youth & sport	$69,556.00	$78,085.43	-$8,529.43
Women's	$91,434.00	$108,852.34	-$17,418.34

7.3.2.4. *Comparative Graph Budget Expenditure against Actual by Divisions*



As noted from above, the bulk of the overspend derived from 5 divisions; Assistance to local Goverment$40k, Policy development $29k, Women's $17k and Land Administration $12k and Youth & Sport $8k. The remaining divisions manage to operate within allocation Budget.

7.3.2.5. *MIA Divisions Expenditure Budget against Actual by Allocation (Overspend)*

	Budget	Actual	(Over)/Under
01 Policy Development			
KPF	$17,636.00	$18,931.18	-$1,295.18
Electricity & Gas	$56,142.40	$84,605.40	-$28,463.00
02 Promoting Rural Development			
Internal & travel transport	$27,701.93	$27,891.93	-$190.00
03 Assistance to Local Government			
Internal & travel transport	$20,152.53	$50,375.87	-$30,223.34
External travel & transport	$22,939.16	$30,575.01	-$7,635.85
Local purchases	$11,500.00	$21,928.70	-$10,428.70
04 Land Administration			
KPF	$2,330.00	$4,420.47	-$2,090.47
Salaries	$29,432.00	$31,268.25	-$1,836.25
Temporary assistance	$1,636.00	$10,314.40	-$8,678.40
Internal & travel transport	$5,237.55	$5,658.95	-$421.40
Direct purchase local	$1,188.45	$3,021.55	-$1,833.10
05 Social welfare			
KPF	$20,152.00	$20,648.76	-$496.76
Internal & travel transport	$12,808.20	$12,288.80	$519.40
08 Youth & Sport			
`KPF	$2,284.00	$2,645.53	-$361.53
Salaries	$27,111.01	$27,742.00	-$630.99
Internal & travel transport	$8,562.40	$9,040.40	-$478.00
Local purchases	$2,500.00	$2,611.20	-$111.20
Local services	$4,591.00	$11,540.70	-$6,949.70
09 Women's			
KPF	$2,360.00	$2,429.32	-$69.32
Salaries	$34,652.28	$45,652.28	-$11,000.00
External travel & transport	$14,446.63	$20,724.30	-$6,277.67
Purchase service local	$6,241.00	$6,338.74	-$97.74

The table above highlight divisions with allocations by which certain divisions utilized more that the approved estimate budget thus result in an overspend of $74k.

Recommendation:

Management needs to strictly control or reduce the level of expenditure in order to avoid overspending within the approved budget.

Management response:

7.3.3. Weakness in the Revenue System

Finding and Analysis:

- Lack of proper review by the most SRO to check and ensure that the revenue collections are actually deposited on timely basis.
- Deposit are not made on daily basis due to the amount collected on a daily basis may not be material.
- There was no Safe observe during the audit and this could be difficult to lock or kept vital items such as cash and other valuable items.

Implication:

- There is a high inherent risk of cash collection.
- There is a high risk that revenue due to MIA is not being collected in full and cashier may misappropriate cash.
- There is a risk that the cash can be stolen.

Recommendation:

- Management must ensure to conduct spot check review should performed by SA(Senior Accountant) to check that the total revenue collected match receipt, and that they are charging the correct rate.
- Management must consider getting new Safe as this is the only measures to safeguard cash and other valuable items.

Management response:

The management supports the recommendations and safe should be provided for cash collection and storing other valuable items. For your information, revenue from MIA is now receipted at MFED and this would address the problem stated in the report.

7.3.4. Lack of Control over the Imprest

Finding and Analysis:

There was no record or register maintain by the management to take into account outstanding imprest not yet been recovered. This is really difficult for the management to reconcile the outstanding imprest.

Implication:

- 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 response:

As discussed with Former OIC Accounts and she confirmed that they have a register for the imprest and claims. Somehow the register was lost due with the changes of staff and the split of MISA with MWYSA. The problem is now address as we have both our manual register for claims and imprest as well as using a Database system to record imprest and claims for staff.

7.3.5. Other Commitments

Finding and Analysis:

Description	Budget	Actual	(Over)/Under
Support grant	$ 1,220,000.00	$ 1,192,573.12	$ 27,426.88
Voluntary Organisation Grant	$ 20,000.00	$ 19,549.10	$ 450.90
Local Council Grant	$ 180,656.00	$ 150,891.00	$ 29,765.00
Ferry Service to Remote Is	$ 22,757.00		$ 22,757.00
Senior Citizens Benefits	$ 1,997,760.00	$ 1,979,288.37	$ 18,471.63
LCDF	$ 56,000.00		$ 56,000.00

The above table has highlighted locally funded projects through the assistance of MIA. As evidence it is note that the actual use of four local projects had fall behind estimate budget which give an indication that the remaining funds could be under-utilized. In other words, there were some activities that are not carrying out during the year.

Implication:

- Funds could not be utilized as intended (For the purpose of the Projects)
- Indications that there could be activities/events are not fully carrying out for particular project hence the reason for such savings.

Recommendation:

- Management must ensure that such funds are budgeted to cater for certain particular projects must be utilized as intended for.

Management response:

8. MINISTRY OF ENVIRONMENT LANDS & AGRICULTURE DEVELOPMENT

8.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Environment Lands & Agriculture Development for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 8.3 discussed in detail below:

8.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Ministry of Environment Lands & Agriculture Development performance in the fiscal year 2012.

- Lack of reconciliation between the MELAD and MFED.
- Failure to maintain store ledger to keep track of non- expendable items.
- Lack of accountability to enforce collection procedure over the outstanding sublease.

8.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

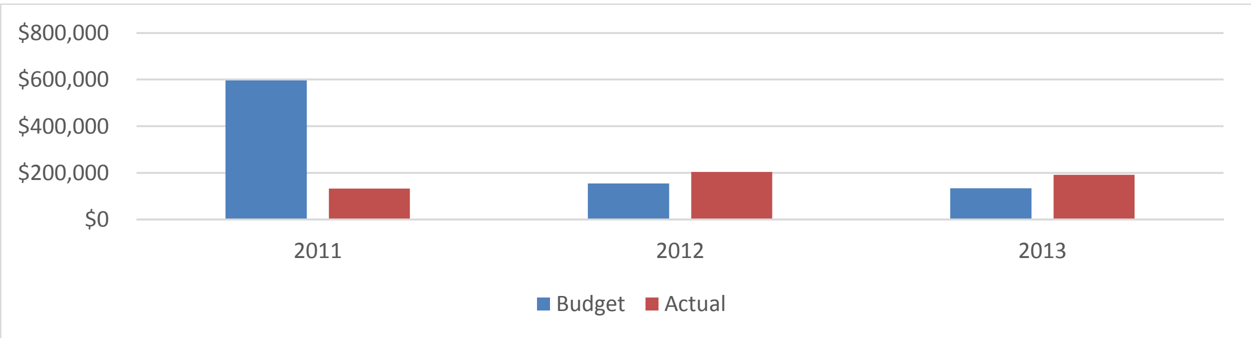
8.3.1. Revenue (Budget)

Findings and analysis:

8.3.1.1. *MELAD Revenue summary collection:*

	2011	2012	2013
Budget	$595,960	$155,300	$133,943
Actual	$132,794	$203,657	$191,609
Under/(Over)	$463,166	-$48,357	-$57,667

8.3.1.2. *Comparative graph of Budget Revenue against Actual*

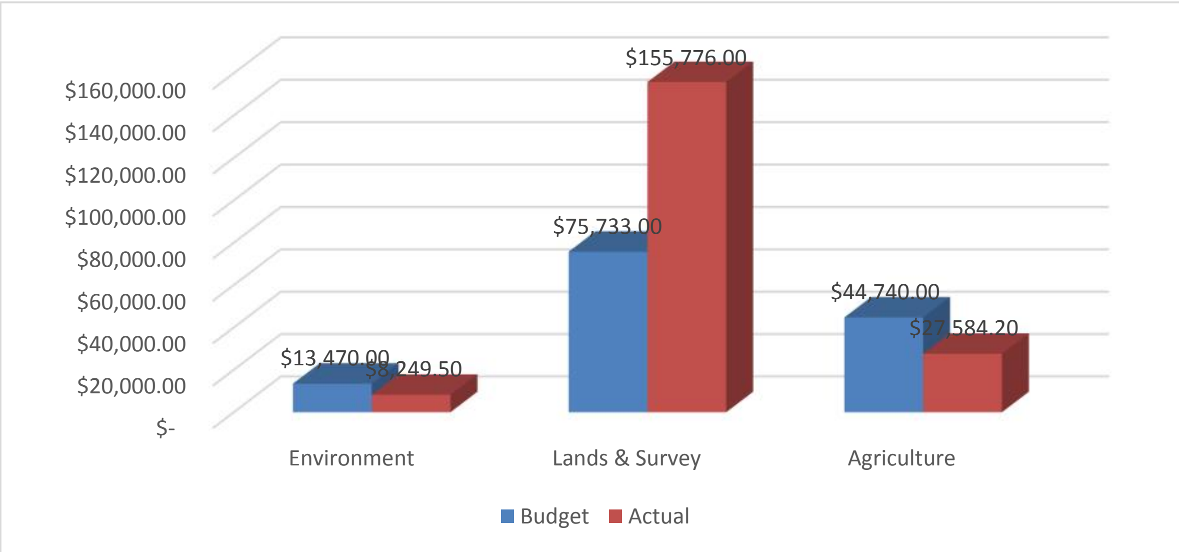


As observed from the above graph, the Ministry budget and actual collections for 2013 both had slightly decreased when compared to 2012 budget and actual collection levels. Despite the decrease in budget level the Ministry had managed to collect excess revenue of over $57k. The Ministry, however, needs to adjust its budget level in future years to align it with actual revenue it expects to collect.

8.3.1.3. *MELAD Revenues against Budget by Divisions.*

Division	Budget	Actual	(Over)/Under
Administration			
Environment	$13,470.00	$8,249.50	$5,220.50
Lands & Survey	$75,733.00	$155,776.00	-$80,043.00
Agriculture	$44,740.00	$27,584.20	$17,155.80

8.3.1.4. *Comparative graph of Budget Revenue against Actual per Division*



The major contributor to the increase in the revenue collection was Lands & Survey with an over collection of more than $80k. The remaining divisions, namely, Environment and Agriculture had not met their revenue by a shortfall of $5k and $17 respectively.

Recommendation:

The Ministry should be commended, though, for being able to exceed its budget level over the last two years and to ensure it continuously collects excess revenue over the coming years.

Management response:

The Management agrees that the actual collection of the revenue over two years has been excessive over the provision. This excess or increase in the revenue collection was made from the Lands Division because of the payment of outstanding lease from land lease owners (Lessee) during the year. The Management agrees to look into this issue and to get the fixed rate for every revenue generated from each division. This fixed rate will be helpful in preparing the 2016 budget so that it will align the budget level with the actual revenue it expects to collect.

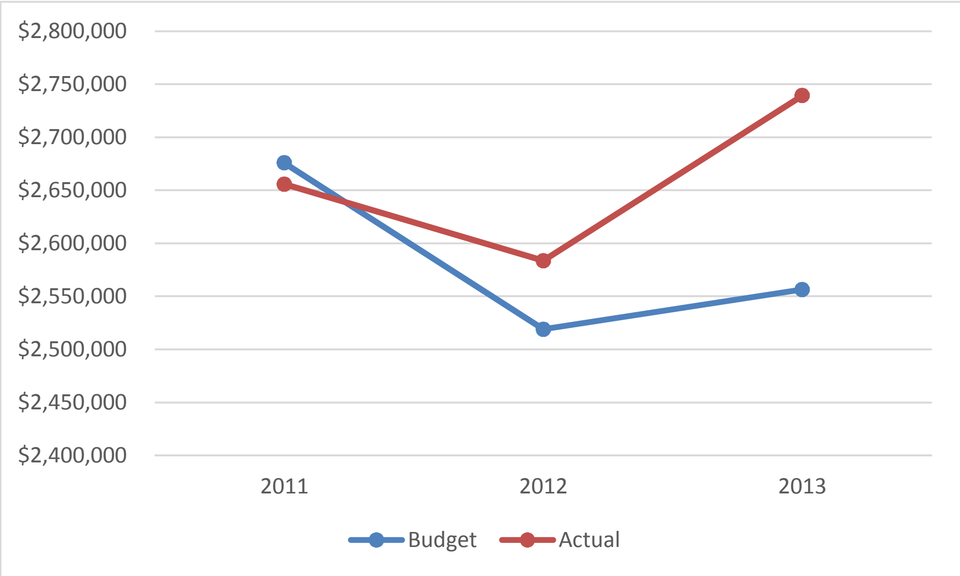
8.3.2. Expenditure (Budget)

Finding and Analysis:

8.3.2.1. *MELAD Expenditure summary*

Year	Budget	Actual	(Over)/Under
2011	$2,675,813	$2,655,750	$20,063
2012	$2,519,000	$2,583,528	-$64,528
2013	$2,556,320	$2,739,280.28	-$182,960

8.3.2.2. *Comparative graph of Budget Expenditure against Actual.*

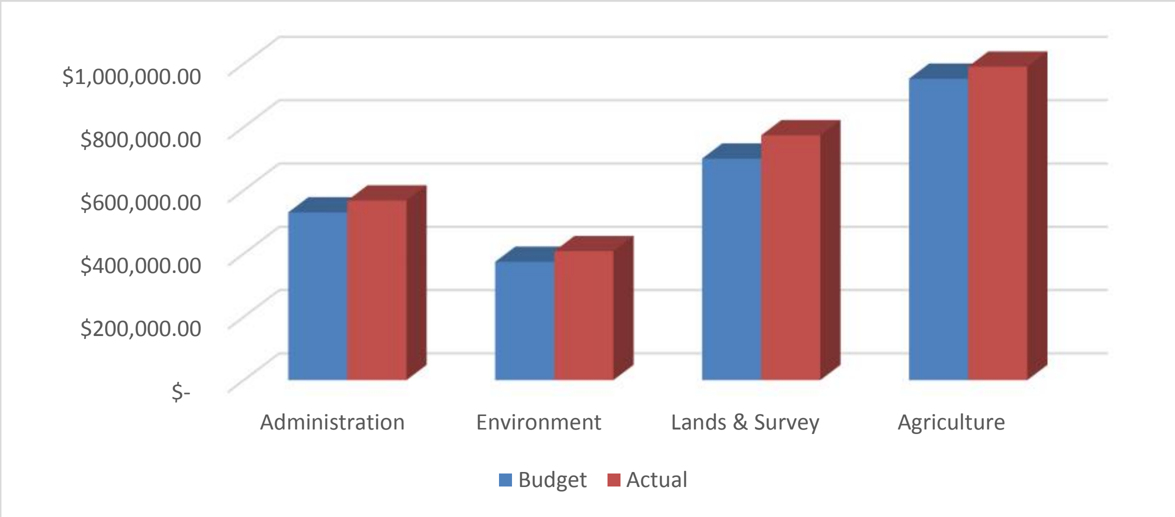


The above graph depicts a drastic increase in the actual spending in 2013 that resulted in an over spending of over $182k above the increased budget level of $2.5m. This is the second year the Ministry had incurred an overspending in its budget.

8.3.2.3. *MELAD Expenditure budget against Actual by divisions.*

Division	Budget	Actual	(Over)/Under
Administration	$529,961.96	$567,580.27	-$37,618.31
Environment	$373,836.00	$407,528.07	-$33,692.07
Lands & Survey	$700,040.00	$773,678.85	-$73,638.85
Agriculture	$952,482.00	$990,493.09	- $38,011.09

8.3.2.4. *Comparative graph of Bugdet Expenditure against Actual per Division*



The above depicts all divisions of the Ministry had incurred spending over and above their approved divisional budgets. It is of paramount importance the Ministry should operate within its budget level and where new activities would arise in future years it should ensure its budget level is set accordingly to avoid further overspending.

Recommendation:

Management must ensure it operates within its appropriated budget level in future years.

Management response

The Ministry agrees that it has continuously incurred expenses exceeding the approved budget for the year before 2013. This was due to the costs relating to activities that were not budgeted for but unexpected activities which were significant to be carried out such as:

1. Implementation of instructions issued from Cabinet (as Cabinet Directives) such as participation on overseas trips by Senior Officials as well as MELAD Minister to replace His Excellency in meetings as a representative for Kiribati. In most cases financial supports cater for HE/HM only while a need of one official or technical staff to accompany the HE/HM is necessary thus, travel expenses are met under MELAD recurrent budget.

2. Omission of Stock Feed under ALD budget has huge implication on ALD budget when different are utilized to cater for this need. A salary overspent of $10,577ALD is also noted in the discussion and this overspent was a result of transferring to temporary assistance.

3. Overspent in the Land Division caused from the payment of salaries of employees not on the ER so the salaries were paid from Local Purchase Services. There was also an under calculation on the sitting allowances for all board directors meetings which are also part of the Cabinet Directives to settle the public disputes on lands issues.

The Ministry noted the recommendation to operate in future according to the provision approved but since it is only an estimate, the Ministry will try not to get an unexpected overspending in the future.

8.3.3. Lack of Control over Revenue Collection

Findings and Analysis:

- Audit noted that the account section of MELAD failed to maintain GRR register book but mostly relied on MFED records thus make it difficult for auditors to check the accuracy of the RR booklets been issued out its revenue collecting divisions.
- As is also a concern across Ministries, the MELAD had not conducted reconciliation on timely basis with records held by MFED and failed to update cash book thus had resulted in significant variances noted in the revenue streams as stated follows:

Divisions	MELAD (Cashbook)	Management report	Variance
Livestock sale	$20,369.70	$18,699.30	$1670.40
Park usage fee	$3,350.00	$3,497.00	$33.00
Environment licenses	$960.00	$1,737.00	$(777.00)
Nursery sale	$274.10	$1,051.00	$(776.90)
Quarantine	$1,881.10	$7,833.90	$(5,952.80)

- Based on the audit observation regarding sublease, the audit identify significant variance of $62k exist between MFED records and Lands division. The variance resulted from the Land's failure to conduct proper reconciliation on timely basis.

Extract figure(total)	MFED record	Lands records	Variance
Total	$132,452.62	$70,423.27	$62,029.35

Implication:

- If management failed to maintain a register to capture the issuance of RR# book then there is risk of manipulating revenue collection/misappropriated of cash collected.
- Failure to maintain reconciliation on timely basis can result in unrealistic figures which can distort the records and management decision.

Recommendation:

- Management must maintain register and ensure to record number of RR# received from MFED and number issued out to divisions.
- Management must ensure it conducts a regular reconciliation as this is one of the core bases of agreeing balances between MFED and the Ministry.

Management response:

The Ministry sees the importance of the register for the General Receipt (GRR) where the Account division failed to do their responsibility such as maintaining the GRR register and to do revenue reconciliation on a timely basis as stated in the Audit report. So the Management is instructing the Senior Accountant to remind her staff of their duties and to inform her staff that there will be an inspection as part of monitoring and controlling over the revenue collection so that the Ministry will achieve its revenue target.

8.3.4. Arrears of Revenue (Outstanding Sublease)

Finding and Analysis:

Audit revealed that there was an outstanding sublease of $673k that relates to commercial and residential occupancy and some were arrears brought forward from previous years. However, some of the arrears outstanding have already expired, as per table below;

Account Items	Amount	Status
Private sublease	$226,536.10	Valid
State Owned companies relation	$347,049.43	Valid
Private sublease	$56,271.57	Expired
State Owned companies relation	$3,421.69	Expired
Total	**$673,278.78**	

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:

- Half a million is an enormous amount of revenue that is outstanding and had not been collected.
- With the lack of data from LMD, we can assume that there is no proper recording on the sublease collection or a database to inform decision on how progressive the sublease collection is. It is noted this enormous outstanding has been accumulated for quite several years which implied that the LMD had not carry out its obligations and responsibility effectively in terms of sublease collection.
- MELAD is tasked to implement effective mechanism that will assist to make sublease payment timely and these are some way forwards that has been put in the plan by LMD/MELAD:
  - Review the sublease agreement and to strengthen the payment procedure.
  - Renewing of sublease application will subject to clearance of outstanding.
  - Developing a separate agreement for those with high outstanding to make payment on a certain agreed periods of time.
  - Improve recording system both manual and electronic.
  - Ongoing monitoring on payment of sublease.

Some of the above have been applied therefore, by next year it is anticipated that this arrear will decline tremendously.

8.3.5. Weaknesses in the Revenue System

Finding and Analysis:

- The collection of cash was not well segregated by authorized personnel to ensure that one must record daily collection while the other manages the deposit.
- The cash collected was not deposited on daily basis by the cashier (Agriculture)
- There was no proper review by SA to ensure that deposits were done on a timely basis.

Implication:

- Failure to observe segregation of duties can create chance of committing fraud and misappropriation of cash.
- Lack of proper review and supervision by SA will increase risk of loss of public funds.
- Absence of a Form A would increase risk of unreported revenue, encourage misappropriation of funds and increased fraud.
- Failure to pay-in and deposit cash receipts on a daily basis will increase risk of misappropriation of funds.

Recommendation:

- Management must implement a collection system to ensure that segregation of duties is applied so cash is properly accounted for in the government system.
- The Senior Accountant must conduct proper review to ensure that the pay-ins and deposit are made on timely basis as well the proper assessment over pay-in from the revenue collector.
- Management must ensure that all relevant forms are used and duly completed by its revenue collectors.

Management response:

This Ministry sees the point that Senior Accountant must conduct proper review to all Account Staff especially the Cashier at Agriculture to carry out her responsibility accordingly to the Financial Regulation. Also Senior Accountant must enforce to all Revenue Cashiers that they have to submit their collection before depositing with the cash book, receipts and Form A on a weekly basis. At this point the Senior Accountant will have time to check that the revenue is properly allocated to the right code.

8.3.6. 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:

The management noted the importance of the vote book as it will keep track of all payment against the appropriate approved provision as well as it will always provide the balance for each subhead to avoid the overspending. In addition, the maintenance of vote book will help the reconciliation more effectively.

8.3.7. Outstanding Imprest of $4,692.00

Finding and Analysis:

The Ministry outstanding Imprest for 2013 was $4692.00. 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.

Date	Imprest #	Star period	End period	Amount
2/08/2013	7/13 AU:521/13	2/11/2013	25/2/13	500
18/7/13	40/13	19/7/13	20/7/13	45.00
"	45/13 AU:796/13 still o/s.	19/7/13	20/7/13	45.00
"	46/13 AU:804/13 still o/s	19/7/13	20/7/13	45.00
24/7/13	47/13	28/7/13	29/8/13	526.00
"	55/13 Still o/s	"	"	135.00
"	56/13	"	"	135.00
"	71/13 Still o/s.	"	"	135.00
16/10/13	72/13	13/10/13	no date	1,543.00
11/01/2013	74/13 AU:1268/13 still o/s	11/03/2013	28/11/13	500.00
24/11/13	62/27	12/01/2013	12/08/2013	768.00
"	62/30			315.00
			Total	**$4692.00**

Implications:

- Timely retirement of Imprests is in compliance with FR 11 requirement and would contribute to the strength of the cash flow of Government.
- 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 Impresti 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:

There is a register for imprest where all imprest were recorded. After going through the above outstanding imprest, most of it has been retired by responsible officers but not within 10 days from the date of their return from their official trip. The Ministry is now currently applying the 3th point above to those with outstanding will not be able to draw another imprest for the next trip. [The management is giving instruction to the Account section to deal with this and carry out the reconciliation with Finance on the remaining outstanding imprest and to circulate a reminder to those outstanding officers.}

8.3.8. Other Commitments

Findings and Analysis: LAND RENTS FUND

The total amount budgeted for to cater for land rent is $2.4m. However it was noted during the audit that there was an additional amount of $640,000 to meet the total cost for land rent (Approved supplementary # 1, 21/4/2013) giving the overall budget of $3.4m.

The actual amount utilized to furnish land rent was $2.9m as per Management report thus the remaining balance of $100k was deem under-utilized. In-depth auditing on LCDF will be the subject of future audit.

However, in the meantime and based on management report an explanation is required from MELAD based on above issue.

It was also noted that there were weaknesses in some areas and lack of control in others that require certain attention and improvement due to the following reasons stated below.

- Failure to provide Land Rent register for 2013 thus made it difficult for the auditor to verify the accuracy and completeness of payment.
- Unable to validate and confirm the remaining balance of $100k (Management report).
- Unable to determine the total amount of claimed and unclaimed land rents.

- No back up information available
- No proper handing over from the relieving officer as evidenced by the unavailability of the required documents.

Implication:

- If management failed to maintain land rent register there is a risk that the account can be distorted.
- There is risk of misappropriation of payment to the lessor.
- The information will be lost if management failed to maintain a back-up system (database).
- The absence of records could increase the risk fraud loss of public funds.

Recommendation:

- Management must ensure SA reviews the Land rent register and to ensure it is reviewed regularly and is made readily available for future reference audit purposes.
- Management must ensure records are securely kept and readily make available when needed for verification of payments been made.
- Management must ensure there is a back-up database that is put in place for future reference.
- Management must ensure that a proper handing over was carried out with records kept on file.

Management response:

The Ministry concurs that there was a lack of control over the accounting records as well as the movement of staff that causes the unavailability of information required by auditors. The management agrees that Senior Accountant should proactive on these issues so that all the accounting records are well kept and maintained for future auditing.

9. MANEABA NI MAUNGATABU

9.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Maneaba ni Maungatabu for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 9.3 discussed in detail below:

9.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for the Maneaba ni Maungatabu performance in the fiscal year 2012.

- Failure to control the level of it expenditure as a result Parliament overrun its budget.

9.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

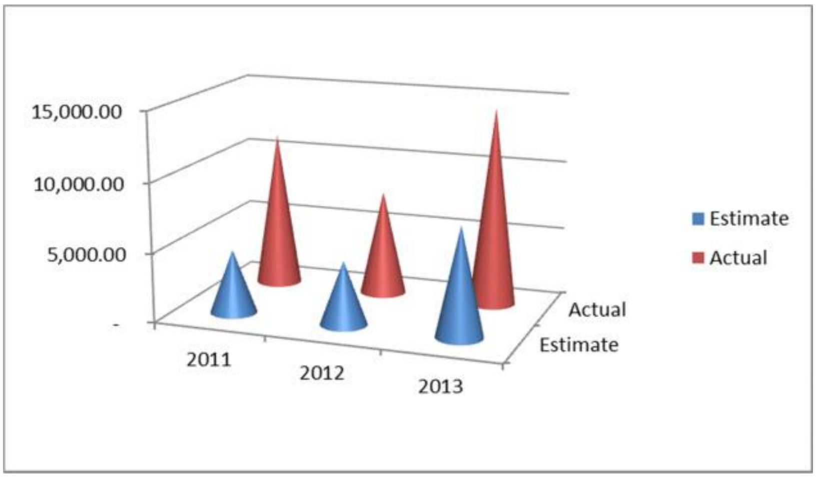
9.3.1. Revenue (Budget)

Findings and Analysis:

9.3.1.1. *MNM Summary Revenue Collection*

Revenue	2011	2012	2013
Estimate	4,600.00	4,600.00	7,900.00
Actual	11,315.00	7,664.00	14,420.03
(Over)/Under	(6,715.00)	(3,064.00)	(6,520.03)

9.3.1.2. *MNM Comparative Graph of Budget Revenue*

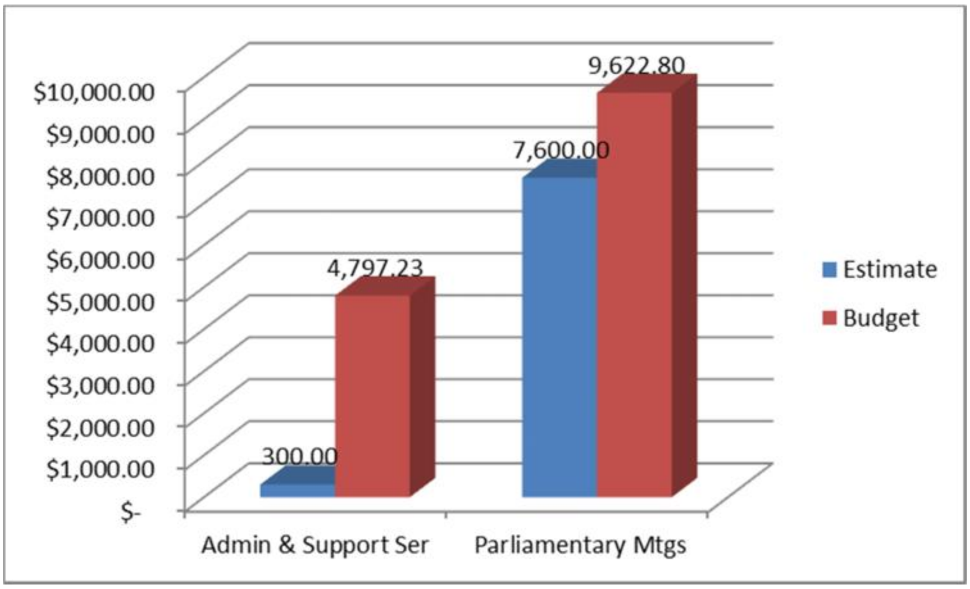


As per reflected above was the summary revenue collection of the Maneaba ni Maungatabu for the years 2011 – 2013. It is pleasing to note a major improvement in MNM actual collection for year 2013 which almost doubled the collection in 2012 and therefore should be commended for this achievement.

9.3.1.3. *MNM Revenues against Budget by Divisions*

Divisions	Admin & Support Ser	Parliamentary Mtgs
Estimate	300.00	7,600.00
Actual	4,797.23	9,622.80
(Over)/Under	(4,497.23)	(2,022.80)

9.3.1.4. *MNM Comparative graph Estimate Revenue by Divisions*



As can observed from the above graph two division Admin and Parliamentary meetings had managed to collect revenue of over $4k and 9k respectively.

Recommendation:

- MNM should continuously improve its revenue collection
- Management should ensure its future budget reflects the level of revenue it expects to collect

Management response:

9.3.2. Arrears of Revenue – Parliament (2011-2013)

Findings and Analysis:

Parliament arrears of revenue still exist in year 2013 as per noted in the following table including previous years for comparative reasons as follow;

Year	Amount ($)
2011	6,647.49
2012	6,724.80
2013	5,902.73
Total	19,275.02

Audit believed the collections in years subsequent to the year the arrears incurred would have increased by the arrears incurred in the previous year. Thus Parliament would have received more revenue than what had been reported for the respective subsequent years.

Implications:

There is a risk that arrears of revenue may not be collected at all and will remain outstanding in future years.

Recommendation:

Management must enforce and strengthen its collection procedure to ensure all revenue is collected in a timely manner.

Management response:

9.3.3. Revenue System Weaknesses:

Findings and Analysis:

During the audit the following revenue system flaws were identified;

- Reconciliation was not made at the end of each physical year.
- Register to records GRR/Debit Notes numbers were not maintained.
- No register to record the booking of conference room rental and the Maneaba usage.
- Deposit was still not made on a daily basis.

Implications

- The absence of a monitoring and control mechanisms in place would increase the risk of fraud, omissions and manipulation of the system for personal gain, as well as increasing opportunities for overriding established controls.
- Timely reconciliation would prompt management to make necessary and appropriate corrective actions
- The absence of a register would also increase the risk of fraud and omissions which may not be detected on a timely basis.
- The absence of segregation of duty would also increase the risk of fraud.

Recommendation

- Management should ensure its account section regularly perform and maintain the monthly reconciliation to avoid grievances in the future and also to give more realistic figures that would assist management in making accurate decisions.
- Management must also ensure appropriate registers for recording of GRR/Debit notes for future management references and audit purposes.
- Management should observe the importance of segregation of duty, regularly monitor the activities of its accounts staff and ensure that deposits are made on a daily basis and not on monthly basis as noted during the audit.

Management response:

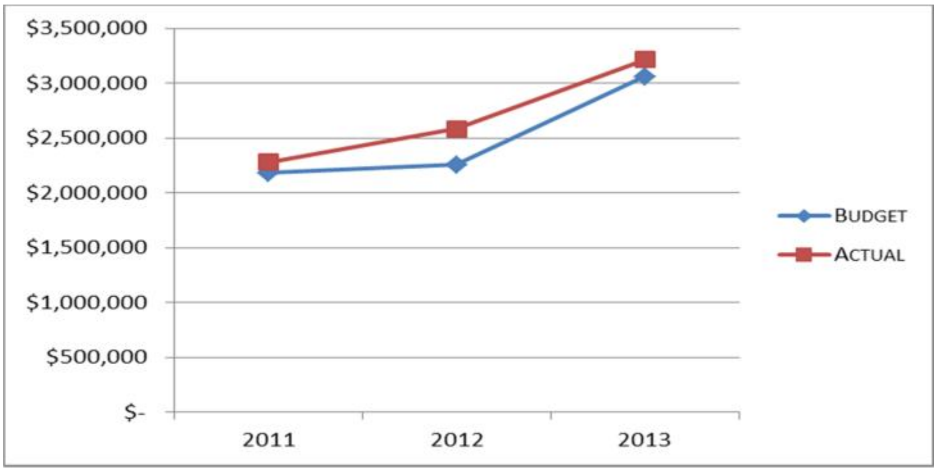
9.3.4. Expenditure (Budget)

Findings and Analysis:

9.3.4.1. *Parliament Budget Summary against Actual Expenditure – 2011 to 2013*

Year	Budget	Actual	(Over)/Under
2011	$2,182,870	$2,280,802	$(97,932.00)
2012	$2,258,470	$2,585,247	$(326,777.00)
2013	$3,058,932	$3,212,629	$(153,696.61)

9.3.4.2. *Comparative Graph Budget Expenditure – 2013*

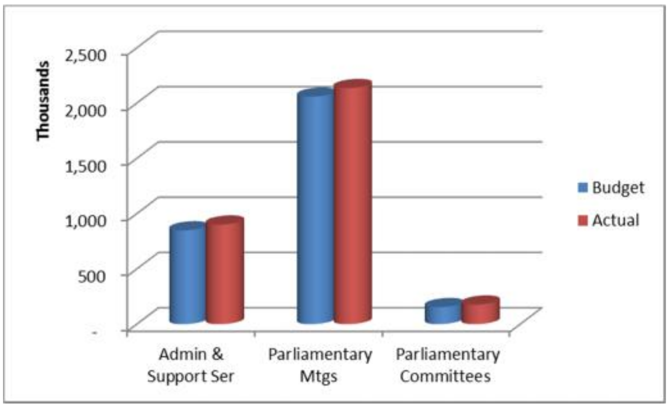


As noted from the above graph, it is obvious that the Maneaba ni Maungatabu still cannot control the intensity of its expenditure in 2013 as it again exceeded the budget by $154k despite an increase in its budget by over $800k.

9.3.4.3. *MNM Expenditure against Budget by Divisions – 2013*

Division	Budget	Actual	(Over)/Under
Admin & Support Services	**848,109**	**900,619**	**(52,510)**
Parliamentary Meetings	**2,057,510.18**	**2,135,390**	**(77,880)**
Parliamentary Committees	**153,313**	**176,620**	**(23,307)**

9.3.4.4. *MNM comparative graph against Budget by Divisions – 2013*



As detailed in the above graph, the division which contributes a lot to the overspending was the Parliamentary Meetings with and excess of over $77k, followed by Admin & Support Service with a reported overspending of over $52k (refer to appendix).

9.3.5. Electricity and Gas

Findings and Analysis:

Audit detected that some Parties who booked Parliament Restaurant for their functions have outstanding electricity bills in the amount of $3,911.69 as per breakdown provided hereunder:

Name	Debit Number	Period	Amount ($)
Erakeitina	102492	01/12/10-26/1/12	3,484.89
Kings Holdings	108029	13/08/12-04/02/13	426.80

However, as conveyed by one accountable officer the electricity bills for year 2013 have been paid by Parliament with the assumption that in return above parties will reimbursement Parliament. These parties had been issued with respective debit notes but still no reimbursements were forthcoming.

Implications:

- The lack of regularly monitoring the usage of Parliament premises would lead to occupants leaving the premises undetected.
- The delay in obtaining electricity bills could lead to time lag in pursuing recovery from users of Parliament premises.
- The absence of a register of occupants of Parliament premises could hinder the prompt recovery of arrears.

Recommendation:

- Management should strictly put in place a strong internal control system over the payment of electricity bill to ensure that all reminders and enforcement must be rigorously pursued by Maneaba ni Maungatabu.
- Management should maintain a register for Parliament premises occupancy and updated it regularly.
- Management should regularly monitor the occupancy of their premises in order to issue timely reminders for payment of their dues.
- Management should ensure it receives its electricity bill on a monthly basis.
- Management should put in place a stringent payment policy or system for private usage of Parliament electricity services that will avoid accumulation of arrears of electricity bills.
- Management should consider other alternatives in recovering the outstanding electricity bills from the above parties.

Management Response:

9.3.6. Internal Travel

Findings and Analysis:

1) *Double Payments:*

It was noted that payments for MPs accommodation in respect of two officers were found paid twice on the dates as highlighted in yellow in the table provided below. The rate per day is $150.

Date	PV #	Amount ($)	Period	Remarks
03/05/13	498/13	2,100	19/04 - 02/05	Date 02/05 was paid in pv 498/13
	577/13	2,850	02/05 - 20/05	Again date 02/05 also paid here
03/05/13	249/13	1,200	01/03 – 08/03	08/03/15 was paid in pv 249/13
	257/13	600	08/03 – 11/03	Above date again paid in 257/13
	364/13	450	06/04 – 08/04	Date 08/04 paid on pv 364/13
	393/13	750	08/04 – 12/04	Second payment also includes 08/04 as per noted

2) *Refuels of Parliament Vehicles*

The audit detected most of payments for vehicles refuels were not properly maintained as the audit realized that records for such payments (re-fuels of Vehicles) were noted not registered. However, the audit just notified them to open a new register to start recording such significant payment. It was further noted that the dockets issued out by EA were not attached to the refueling sheet to support PVs being paid out to the supplier. This is evidenced on PVs 636/13 $387.5 and 903/13 of $586.4 respectively.

Implications:

1) *Double payment*

- Lack of proper checking on number of days could result in double payments been made to MPs.
- Absence of supervisory review on PV contents would increase the risk of loss of public funds

2) *Refuel of Parliament vehicles*

- The absence of a register or monitoring mechanism to ration refuel by vehicle users would increase the risk of misappropriation of funds

Recommendations:

- Management to ensure it maintains a register for the movement of MPs and have this updated each time an MPF travels.
- Management to review payments made to MPs particularly on the number of days applicable.
- Management to put in place a monitoring mechanism that would enable them to monitor or ration fuel consumption to each driver of each official vehicle.
- Management to revisit PVs noted in the report for appropriate action where necessary.

Management Response

9.3.7. Procurement

Findings and Analysis:

One payment made on PV 449/13 amounting to $33,400 dated 24/04/13 was noted to have not followed the procurement process as the form attached to this PV was not signed by members present at the procurement meeting. Therefore this is a breach of the provisions of the Procurement Act 2002.

Implications:

The procurement process supports the notion of fair competition amongst suppliers and promotes transparency. Therefore deviations from the procurement process would raise doubts on the credibility of the selected supplier and payments been made.

Recommendation:

- Management should observe and comply with the Procurement procedures and requirements.
- Management should ensure that PVs of more than $5,000 are supported by a duly signed procurement form the absence of which would annul the PV and therefore should not be processed.
- Management should ensure its account section attaches all completed or required supporting documents to each PV and that the PV has been reviewed, is correct and complete in all respects.

Management response:

9.3.8. Control over Bus ticket

Findings and Analysis:

- A very poor control over bus ticket as a lot of bus tickets, by serial numbers, were noted missing in the cash book register
- Ticket numbers issued out were not properly recorded, figures were changed or manipulated by using a pen, rough and untidy writing without initialing
- No ticket numbers were written, only number of tickets issued out (refer page 142 photocopy bus register)
- No name and no reason for issue of ticket, only noted ticket # 305727 – 305736, 10 tickets and no signature of recipient (refer 0.80 cents tickets dated 19/8/13 on page # 100 bus ticket register) and same for the $0.90 ticket # 392454 – 392463, 10 tickets were issued out.
- Ticket has been issued out more than as expected (same as noted in # 8.refer .90 cents on page127, 131 and 134
- As per the register, some officers did not sign against their individual names
- And also some signatures of some officers were being forged by others
- Details of such missing Bus ticket as noted above in bullet point # 1 are stated as follows:

Summary	2014
$0.50	85.00
$0.60	46.20
$0.70	0.00
$0.80	0.00
$0.90	144.90
Total	**276.10**

Summary	2013
$0.90	125.10
$0.80	53.60
$0.70	88.90
$0.60	186.60
$0.50	26.50
Total	**480.70**

Implications:
There is a possibility that bus tickets can be misused or misappropriated.

Recommendation:
- Good custody over bus ticket must be strengthened by Management
- Officers issued with bus tickets must sign against their names
- Responsible officers should ensure the register is completed each time a ticket is issued to the individual staff
- Management must regularly review the bus ticket register and take immediate corrective action when faults are detected.

Management response:

10. MINISTRY OF COMMERCE, INDUSTRY AND COOPERATIVE

10.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Commerce, Industry and Cooperative for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 10.3 discussed in detail below:

10.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

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 2012.

- Failure to perform regular monthly reconciliation.
- Failure to comply with governing legislations, monitor deposits and ensure segregation of duties is observed.
- Engaging long term temporary staff and paying their salaries from "Operational" output.

10.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

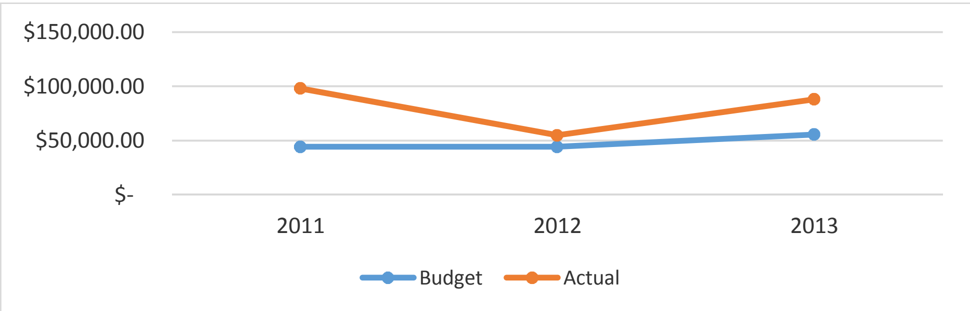
10.3.1. Revenue (Budget)

Findings and analysis:

10.3.1.1. *MCIC Revenue Summary Collection.*

Description	**2011**	**2012**	**2013**
Budget	$ 44,116.00	$ 44,116.00	$ 55,516.00
Actual	$ 97,994.00	$ 54,871.00	$ 88,041.00
(Over)/Under	$ (53,878.00)	$ (10,755.00)	$ (32,525.00)

10.3.1.2. *Comparative graph of Budget Revenue against Actual*

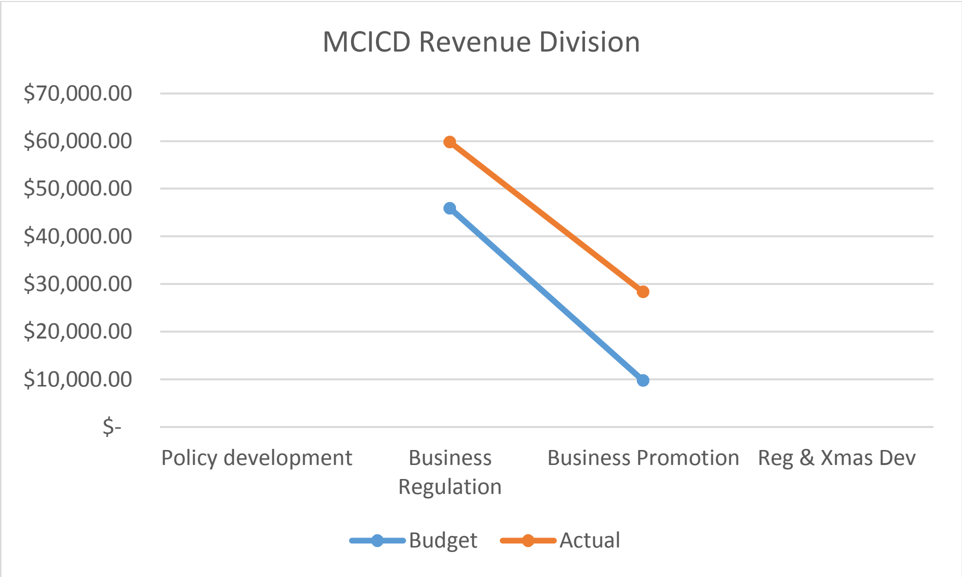


It is pleasing to note MCIC has continuously collected more than its budget revenue estimate and management should be commended on this.

10.3.1.3. *MCIC Revenues against Budget by Divisions*

Description	Policy development	Business Regulation	Business Promotion	Reg & Xmas Dev
Budget		$ 45,836.00	$ 9,680.00	
Actual		$ 59,734.73	$ 28,307.90	
Over/Under		$ (13,898.73)	$ (18,627.90)	

10.3.1.4. *Comparative graph of Budget Revenue against Actual per Divisions*



As illustrated by the above graph two of MCIC divisions are generating revenue and both had exceeded the estimated budget by an overall over collection of $88k.

Recommendation

Given an escalated increase in collection Management should then revisit its budget level to align it with the level of revenue it expects to collect in future years.

Management response:

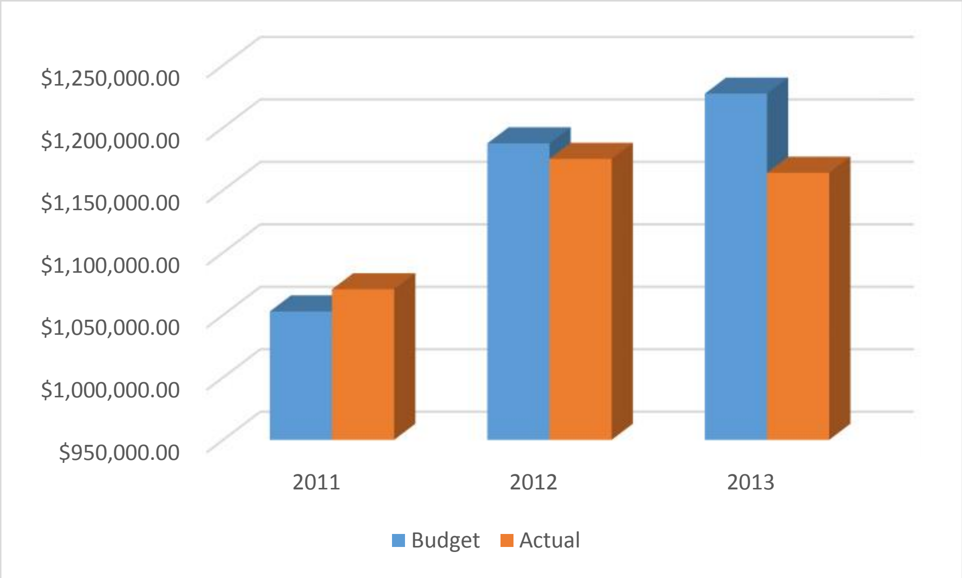
10.3.2. EXPENDITURE (BUDGET)

Findings and analysis

10.3.2.1. *MCIC Expenditure Summary*

Description	2011	2012	2013
Budget	$ 1,052,812.00	$ 1,187,389.00	$ 1,228,071.00
Actual	$ 1,070,568.00	$ 1,174,931.00	$ 1,163,802.78
Over/ Under	**-$ (17,756.00)**	**$ 12,458.00**	**$ 64,629.18**

10.3.2.2. *Comparative graph of Expenditure budget against actual*

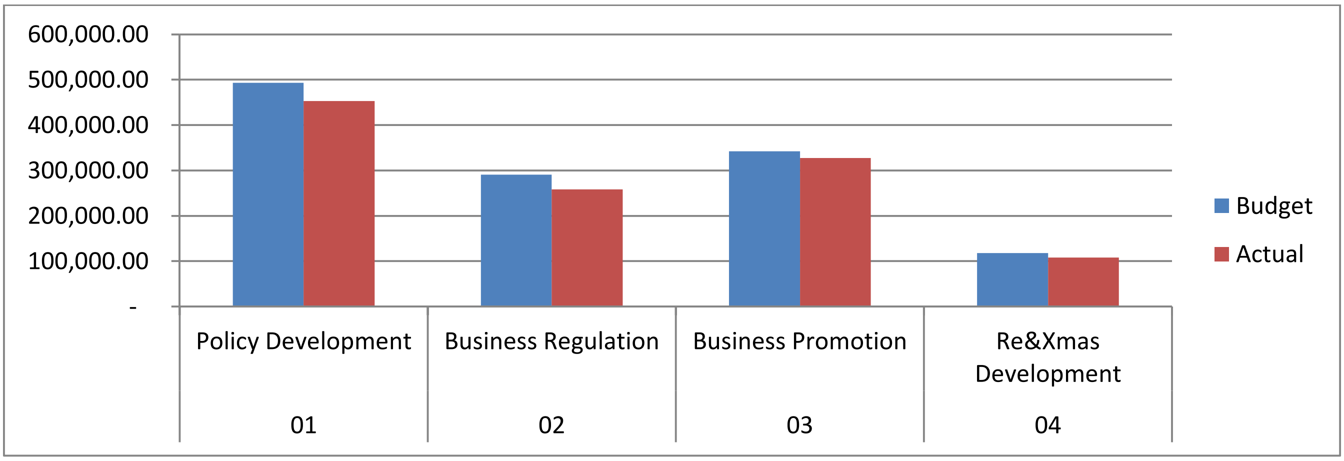


As could be sighted from the above bar graph MCIC had managed to keep within its budget limit with more savings that saved in 2012 and again management should be commended on this achievement.

10.3.2.3. *MCIC Expenditures against Budget by Division*

Description	Policy development	Business Regulation	Business Promotion	Reg & Xmas Dev
Budget	$ 493,301.96	$ 274,689.00	$ 341,468.90	$ 117,750.00
Actual	$ 470,411.92	$ 258,420.93	$ 326,725.42	$ 108,064.51
Over/Under	$ 22,890.04	$ 16,268.07	$ 14,743.48	$ 9,685.49

10.3.2.4. *Comparative graph of Budget Expenditure against Actual by Division.*



From the above graph it is evident all divisions of MCIC had successfully managed their spending within their allocated budget and therefore management should be commended for such notable improvement.

10.3.3. Transport to normal work place

Finding Analysis:

There was one permanent hire vehicle used by the Ministry for office transport other than PVU vehicle while the other private vehicles fuel were paid from Public Fund and noted it was not in line with procurement and tender procedures as follows:.

i. Rental Hire

The total payment claim of $20,713 was not scrutinized properly whilst at same time the payment of such amount was not procured.

Pv #	Details of payment	Amount
09/13	Hire of Kaure vehicle for staff transport	646.00
13/13	Hire of Kaure vehicle for staff transport	510.00
186/13	Hire of Kaure vehicle for staff transport	1,920.00
254/13	Hire of Kaure vehicle for staff transport	2,095.00
320/13	Hire of Kaure vehicle for staff transport	3,065.00
351/13	Hire of Kaure vehicle for staff transport	242.00
417/13	Hire of Kaure vehicle for staff transport	2,690.00
467/13	Hire of Kaure vehicle for staff transport	2,435.00
540/13	Hire of Kaure vehicle for staff transport	2,915.00
666/13	Hire of Kaure vehicle for staff transport	2,905.00
759/13	Hire of Kaure vehicle for staff transport	1,290.00
	Grand Total for hire	**$ 20,713.00**

Based on the findings audit found the ministry has not complied with relevant sections of the Procurement Act 2002 as there was no evidence confirming Ministry of Commerce Industry Cooperative had invited tenders from the public:

- the payment claim of was not proper and
- There would be a high risk of overspending and unnecessary payment.

Implication:

The failure to follow the provisions of the Procurement Act 2002 could create high risk of overspending and misappropriation of public funds.

Recommendation:

Following the Act could result in savings by the Ministry as tenders will provide competitive biddings.

Management Response:

It may be an oversight for not complying with the provisions of the Procurement Act 2002 given the high demand of staff transport from time to time. However, there are times where search for quotations is

not possible because of problems relating to no available transport from suppliers and suppliers refused to provide transport service due to road poor condition. Currently, the Ministry has been following requirement for procuring transport in times or during unavailability of the office transport.

10.3.4. VOTE LEDGER

Findings and analysis:

Posting of transactions was not updated and have transactions that not yet accounted as indicated in some of output allocations:

Implication:

No reviewing on posting process for each transactions and have lack of reconciliation of the ministry works' vote ledger records via the Ministry of finance.

Recommendation:

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

Management response:

Vote ledger for 2015 updated now and every transaction incurred daily, for proper reconciliation with MFED records.

11. OFFICE OF THE ATTORNEY GENERAL

11.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Office of the Attorney General for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 11.3 discussed in detail below:

11.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for Office of the Attorney General performance in the fiscal year 2012:

- Overspending of the approved budget.
- Lack of reconciliation which resulted from various mis-postings
- Unavailability of Overtime docket.

11.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

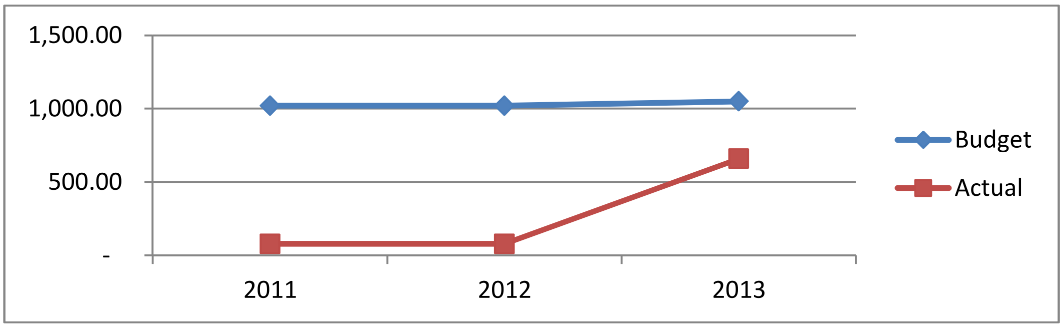
11.3.1. Revenue Budget

Findings and analysis:

11.3.1.1. *OAG Revenue Summary Collection*

Description	**2011**	**2012**	**2013**
Budget	$1.020.00	$1,020.00	$1,020.00
Actual	$ 78.00	$ 78.00	$ 658.98
Variance	**$ 942.00**	**$ 942.00**	**$ 390.02**

11.3.1.2. *Comparative Graph of Revenue Budget against Actual*

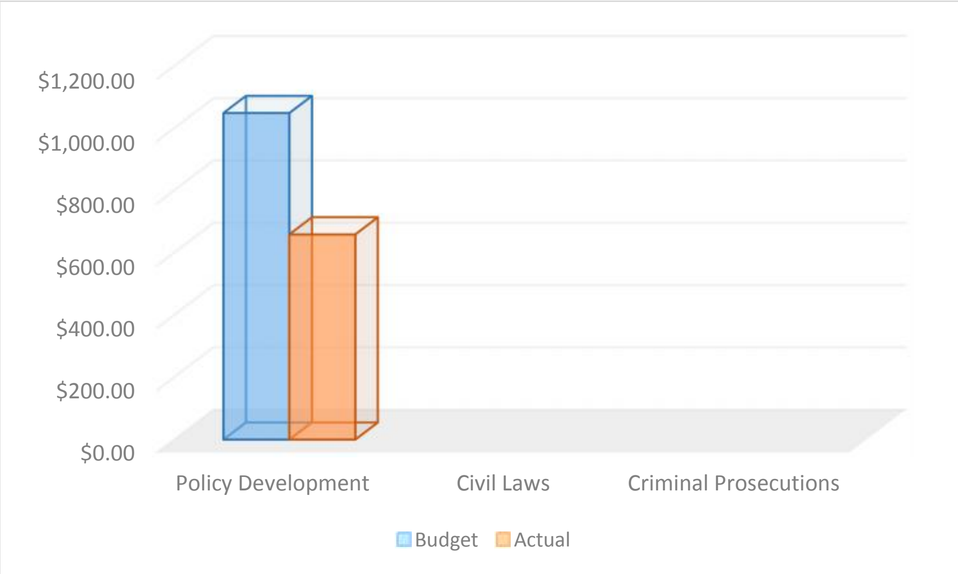


It is evident from the above the budget level for OAG was set too high hence the wide gap between the actual collections against the budget for the last two years. The Ministry therefore needs to ensure its budget level in future years are more aligned to the revenue it expects to collect.

11.3.1.3. *OAG Revenues Budget against Actual by Division*

Divisions	Budget	Actual	(Over)/Under
Policy Development	$1,049.00	$658.98	$390.02
Civil Laws			
Criminal Prosecutions			

11.3.1.4. *OAG Comparative Graph of Revenues Budget against Actual by Divisions.*



According to the above graph there were 3 divisions for Attorney General. One out of the three divisions (Policy development) had reached its target during the year. The remaining two divisions had no collections. The audit revealed that revenue has fallen below its revised budget level. The approved revised budget was $1,049 but the ministry managed to collect only $658.98 which led to revenue shortfall of $390.

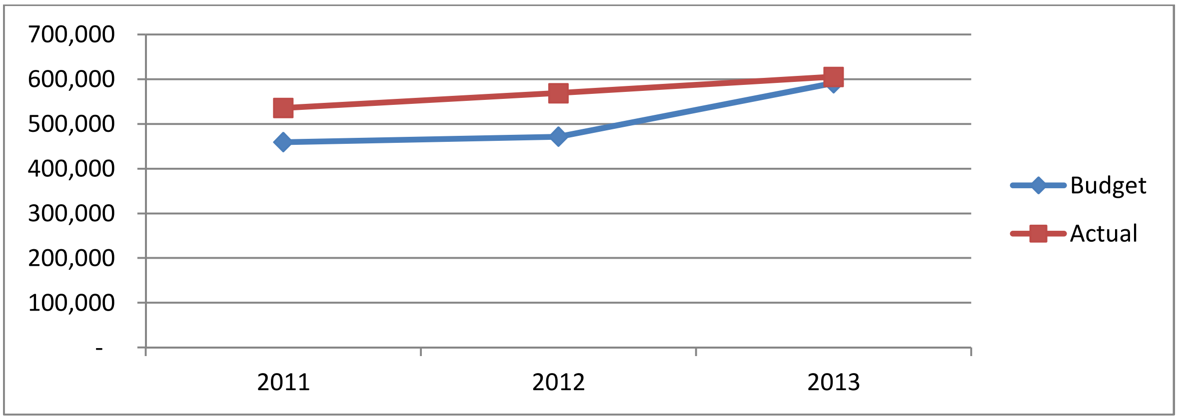
11.3.2. EXPENDITURE BUDGET

Findings and analysis

11.3.2.1. *OAG Expenditure Budget Summary*

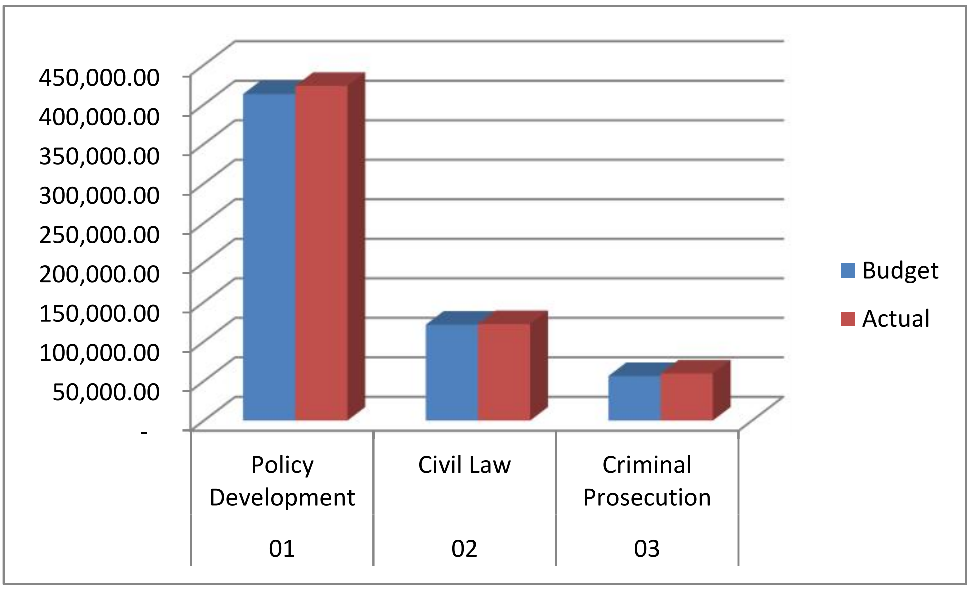
Description	2011	2012	2013
Budget	$459,226.00	$471,229.00	$590,967.00
Actual	$535,55.00	$568,614.00	$605,111.00
Variance	**($76,329.00)**	**($97,385.00)**	**($14,144.00)**

11.3.2.2. *Comparative graph of Budget Expenditure against Actual*



As shown above, the OAG had never been able to alleviate the level of its expenditure for the last 3 years (2011, 2012 and 2013) despite a further increase in its budget level in 2013.

11.3.2.3. *OAG Expenditure against Budget by divisions*



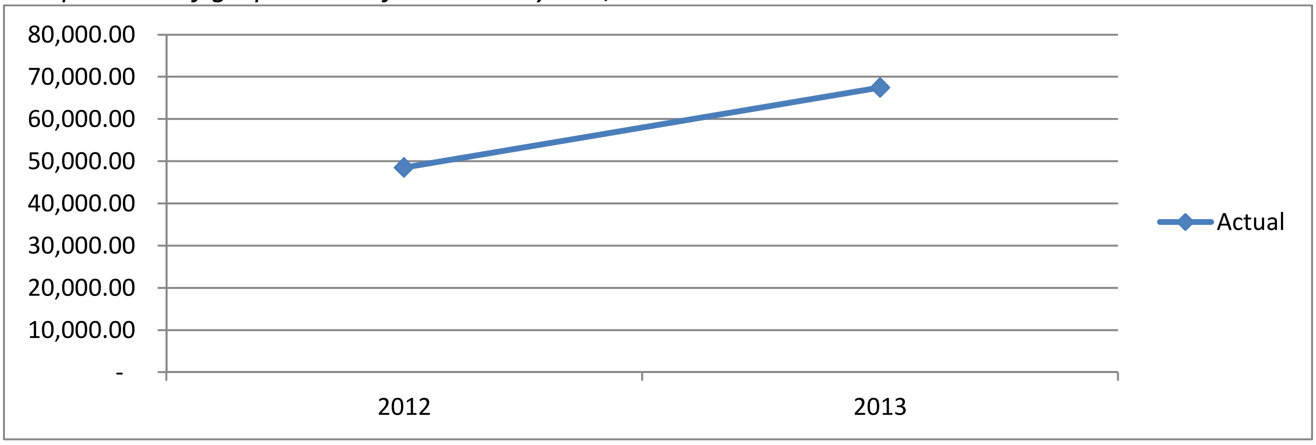
Illustrated in the graph above the majority of overspent in 2013 was incurred by division 01, Policy Development, with $10k followed by division 03, Criminal Prosecution, with $3k division 02 Civil Law with minimal sum of $0.8k.

Management response:

11.3.2.4. *Hire of Plants and Vehicle*

Findings and analysis:

Comparative of graph trends for the two years;



Illustrated in the graph was the actual spending for hire of plants and vehicle which showed the increase by $18k for 2013.

1. The cause of this increase was outstanding rental hire for prior year 2012 that was just paid in the 2013 budget; the amount involved was $43,415. However, these outstanding payments were not related to 2013 as follows:

Payment Voucher No.	Amount	Vote Ledger Records
16/13	24,655.00	o/s for September to December 2012 and payments voucher was not placed in the appropriate file and could not be vouched
172/13	12,420.00	o/s and payment voucher was not placed in the appropriate file and could not be vouched
240/12	10,340.00	o/s and payment voucher was not placed in the appropriate box file and could not be vouched.

Implications

- Wrongdoings could also not be detected as such PVs were gone missing
- Lack of segregation of duty would increase risk of misappropriation of funds and would encourage fraudulent actions by responsible officers.
- Overspent of some outputs would occur if no regular review is carried out by management on the output performance of accounting officers.

Recommendation:

- Management needs to strictly control or reduce the level of expenditure during the year to avoid excess spending over the approved budget level.
- Management should provide a more realistic budget figure that encapsulates all current dues.
- Payments for rental hire should be paid on timely basis in order that the budget for the following fiscal year would not be affected, for instance, in most cases some output are overspent as a result.
- Payment vouchers should be kept and placed in the appropriate box file for future references.

Management response:

11.3.3. Vote Ledger

Findings and analysis:

Vote ledger was not well maintained and updated as indicated by the following issues:

- No reconciliation hence a variance of $129,701.91 was a total amount of transactions found between OAG's vote ledger and management report which has exceeded the output total in the Management Report.
- The transfer amount of $38,700.00 in and out within the output provision as per ref: 05/13-10/13 were not posted and recorded in the vote ledger to state the amount transferred (within the output) as follows:

Ref No.	FROM	TO	AMOUNT	BALANCE
05/13	E2001000021A E2001000050A	E2001000067A E2001000067A	5,000.00 2,000.00	7,000.00
07/13	E2001000020A E2001000021A	E2001000040A E2001000040A	8,500.00 10,000.00	18,500.00
08/13	E200100020A E200100021A	E2001000060A E2001000060A	3,000.00 7,000.00	10,000.00
09/13	E2001000030A E2001000045A	E2001000028A E2001000028A	500.00 500.00	1,000.00
10/13	E2001000020A E2001000021A	E2001000064A E2001000064A	700.00 1,500.00	2,200.00

Implication:

- Failure to maintain and update the existing Vote ledger would increase risk of overspending in related outputs.
- Absence of regular review by management and reconciliation with MFED records would cause undue variances that could mislead management particularly in its budget estimate for the subsequent year.
- Orders been sent but are awaiting receipt of invoices need be posted under commitments so a corresponding amount is being set aside from the remaining budget to avoid excess spending.

Recommendation:

- The vote ledger should be updated each time a transaction is triggered, reviewed and reconciled in order that every transaction incurred was correctly posted and thus would eliminate variances.
- Transfers made should be posted instantly.
- Any commitments made by management should be reflected in the commitment column in the vote ledger when an LPO was sent as information on orders been placed but are yet to be paid once a corresponding invoice is received.

Management response:

11.3.4. Outstanding Imprest

Findings and analysis

Audit found Imprests were not retired on a timely basis as evidenced by one outstanding Imprest from 2009 to date which totaled to $708.11 and no recovery had been made from the officer concerned as stated below:

Name	Year	Amount
Officer	**2009-2010&2011-2013**	**708.11**

Implication:

- The untimely retirement of Imprest is clearly a breach of the governing FR11 and government policy of retirement within 10 working days.
- Unretired amounts would accumulate and distort government cash flow during the year the retirement was not made.

Recommendation

- Management should strictly enforce the Imprest retirement policy to all its officers.
- Management should quickly prompt officers with outstanding Imprests to retire their long outstanding dues and commence recovery actions on those having failed to retire their dues.
- Management should ensure only those that have retired their Imprests would be issued new Imprests.

Management response:

11.3.5. Log Book

Findings and analysis

There were three vehicles used by the Ministry such as BG 080, BG 242 and BG 053. After a review, it was noted that such vehicles BG 039, BG 242 & 058 log books were not maintained and reviewed by concerned officers.

Implications

Failure to maintain and review vehicles log books would encourage misuse/abuse of public properties and could increase the risk of misappropriation of funds.

Recommendation

- Management should ensure that Log books are maintained and updated by drivers to record trips been made at a given time and date.
- Management should regularly review the log books to confirm proper use by drivers.
- Management should ensure the petrol consumption corresponds with the mileage as claimed in the log books.
- Management should ensure it has in place a control mechanism that will control the fuel consumption for its vehicles.

Management response:

12. MINISTRY OF FISHERIES MARINE AND RESOURCES DEVELOPMENT

12.1. AUDIT OPINION

An unmodified audit opinion (unqualified opinion) was issue for the Ministry of fisheries Marine and Resources Development for the year ended 31 December 2013. The qualification was due to the significant matters as 12.3 discussed in detail below.

12.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

There was no audit issue raised in the fiscal year 2012 as the Ministry was given unqualified audit opinion.

12.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

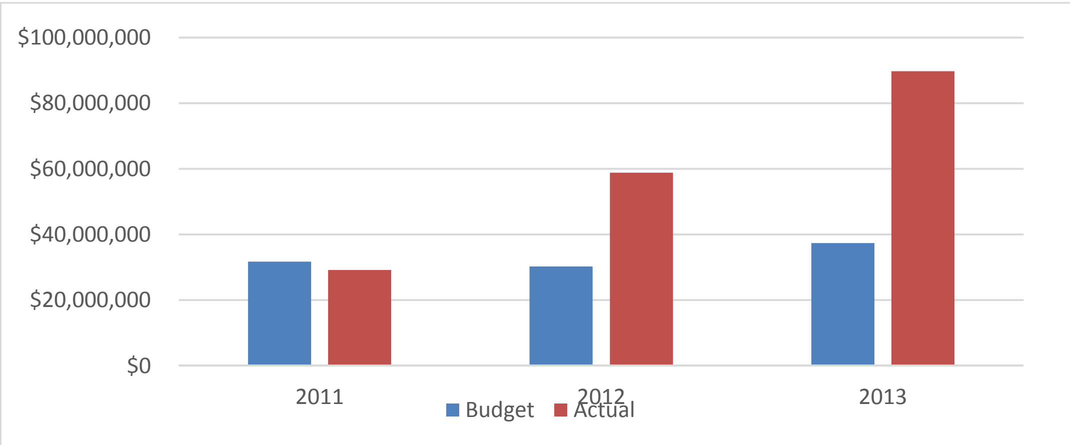
12.3.1. Revenue (Budget)

Findings and analysis:

12.3.1.1. *MFMRD Revenue summary collection:*

	2011	2012	2013
Budget	$31,675,050	$30,223,500	$37,352,000
Actual	$29,197,021	$58,829,791	$89,777,086.68
Under/(Over)	$2,478,029	($28,606,291)	($52,425,086.68)

12.3.1.2. *Comparative graph of Budget Revenue against Actual*

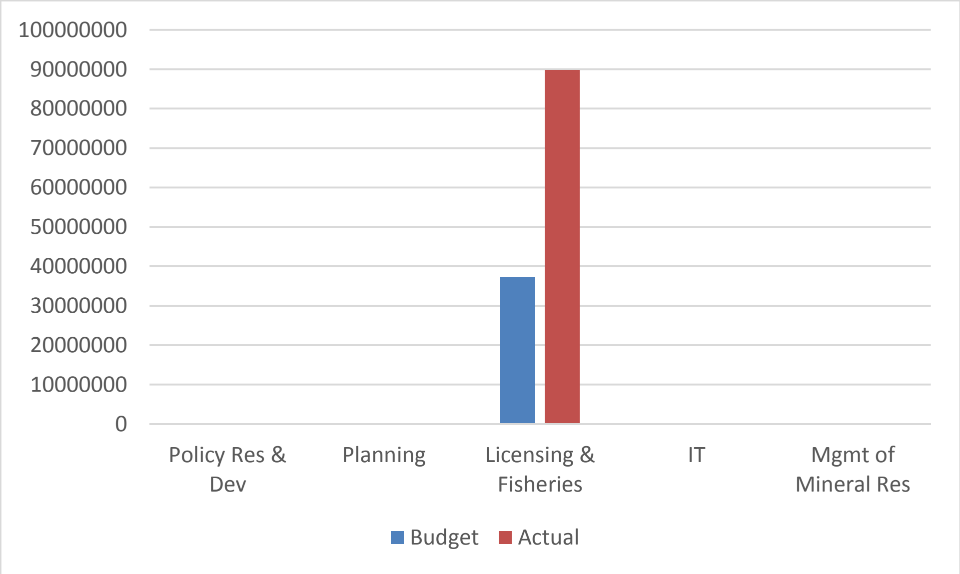


As observed from the above graph, the Ministry should be commended for such achievement. Based on the analysis above the Ministry had again shown tremendous triumph exceeding a budget estimate with actual collection of $89.7m in 2013 as compared to 2012 with the actual collection of $58m. While appreciating the volatility of fishing income it is of paramount importance for future budget levels, particularly from collectors of major revenues that management provides a closer revenue prediction to what it anticipates to collect.

12.3.1.3. *MFMRD Revenues against Budget by Divisions.*

Division	Budget	Actual	(Over)/Under
Policy Res & Dev			
Planning			
Licensing & Fisheries	$ 37,352,000	$ 89,777,087	$ (52,425,087)
IT			
Mgmt of Mineral Res			

12.3.1.4. *Comparative graph of Budget revenue against actual per divisions*



The Licensing and Fisheries unit is the revenue arm of the Ministry and manages the following streams of revenue (with collection details); Fish license revenue with revenue of $89m, Fish transshipment fees of $604k and local fishing of $104k. Other revenue streams that contributed to the increase in collection include; fish and fish poster sales of $34k and local licensing of $33k. The remaining output, namely Vessel and Equipment Hire, had not met its revenue target and incurred a shortfall of $8K. The table below shows the revenue streams that contribute to the increase in collection.

Output	Budget	Actual	(Over)/Under
Fish and fish poster sales	$18,000	$34,474	($16,474)
Local Fishing	$25,000	$104,430	($79,430)
Local Licencing	$29,000	$33,682	($4,682)
Fish transhipment fees	$270,000	$604,313	($334,313)
Vessel and Equipment Hire	$10,000	$1,090	$8,910
Fishing Licence Revenue	$37,000,000	$88,999,097	($51,999,097)
Local Total	$37,352,000	$89,777,087	($52,425,087)

Recommendation:

The Ministry should be commended for such achievement and to ensure it continues its efforts in maintaining and/or increasing its revenue collection in future years.

Management response:

1) Vessel and Equipment Hire: Te Tia Akawa experienced mechanical problems and consequently, no charter can be made during the year.

2) Fishing License Revenue: The Ministry adopted the Vessel Day Scheme as a formula for charging a fishing license fee which sees an increase in the collection of revenue and which can contribute to maintaining or increasing its revenue.

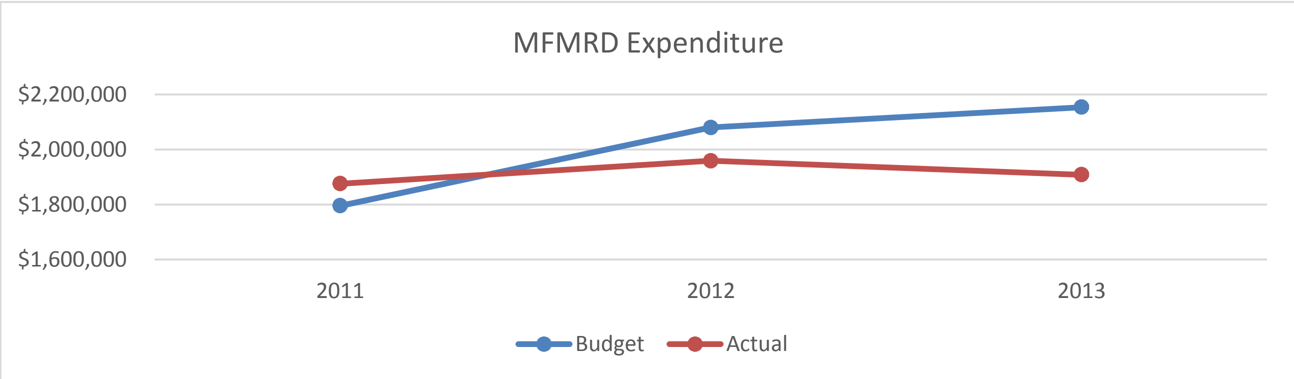
12.3.2. Expenditure (Budget)

Finding and Analysis:

12.3.2.1. *MFMRD Expenditure summary*

Year	Budget	Actual	(Over)/Under
2011	$ 1,795,462	$ 1,875,815	$ (80,354)
2012	$ 2,079,548	$ 1,958,883	$ 120,666
2013	$ 2,163,478	$ 1,908,213.	$ 255,265

12.3.2.2. *Comparative graph of Budget Expenditure against Actual.*

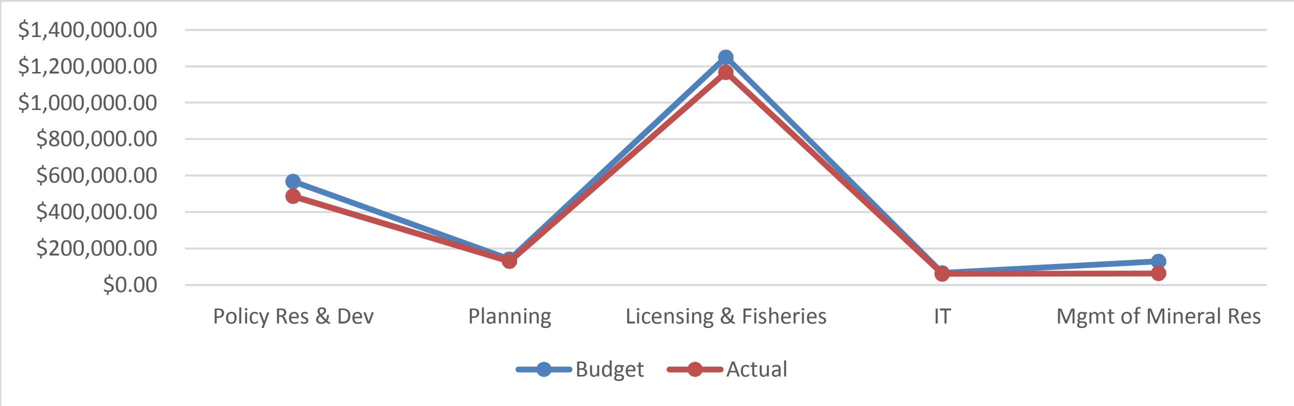


The above graph depicts a further reduction in the operational costs and an escalated budget increase when compared to the year 2012. As could be noted from the table further above the Ministry had again incurred budget surplus in 2013 of $255k and should be commended on this achievement.

12.3.2.3. *MFMRD Expenditure against budget by divisions.*

Division	Budget	Actual	(Over)/Under
Policy Res & Dev	$567,943.96	$486,692.30	$81,251.66
Planning	$140,550.00	$130,733.09	$9,816.91
Licensing & Fisheries	$1,249,384.00	$1,166,895.35	$82,488.65
IT	$66,494.00	$60,679.41	$5,814.59
Mgmt of Mineral Res	$129,106.00	$63,212.96	$65,893.04

12.3.2.4. *Comparative graph of Budget expenditure against actual per Divisions*



The above depicts the performance of the Divisions and it is evident all Divisions have maintained their spending within their allocated budget.

Recommendation:

The Ministry should, for future budgets, ensure the level sought would be aligned with the activities it perceived to conduct in the next budget year.

Management response:

The surplus is due to a high number of vacancies, of which quite a number of the vacancies are senior positions across the Divisions which includes Directors, Principal Fisheries Officers, etc etc. Also, these are the key senior posts that would require implementations of the core activities thus, thus resulting in some of the key activities not being implemented as planned during the year.

13. MINISTRY OF HEALTH AND MEDICAL SERVICES

13.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Health and Medical Services for the year ended 31 December 2013. A qualified opinion should be expressed as being “except for” the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 13.3 discussed in detail below:

13.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

The following issues were noted as the causes of the audit opinion for Ministry of Health and Medical Services performance in the fiscal year 2012.

- Lack of maintaining Revenue register for recording number of patients being admitted at private ward.
- Lack of reconciliation.
- Overpayment of salary of one staff has not been recovered to date.
- Failure to maintained and updated store register.
- Poor control over ration

13.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

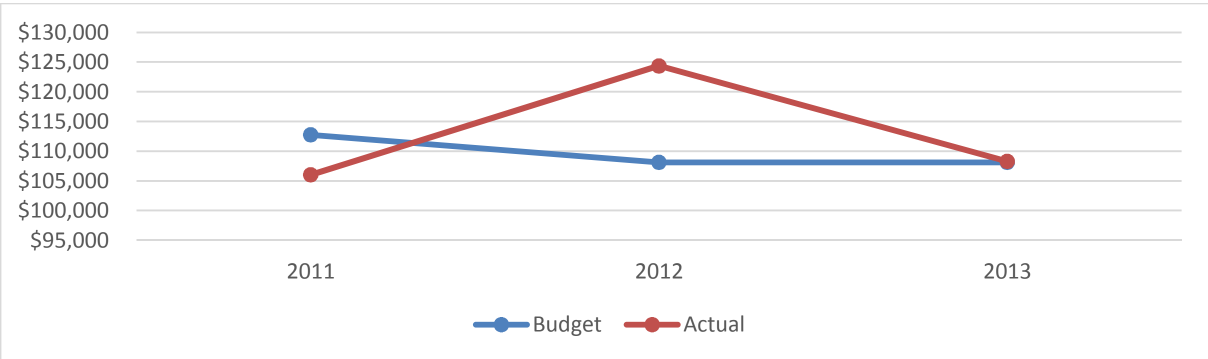
13.3.1. Revenue (Budget)

Finding and Analysis:

13.3.1.1. *MHMS Revenue Summary Collection:*

Year	Budget	Actual	(Over)/Under
2011	$112,750	$106,023	$6,727
2012	$108,126	$124,354	-$16,228
2013	$108,126	$108,271.45	-$145

13.3.1.2. *Comparative Graph Of Budget Revenue against Actual*

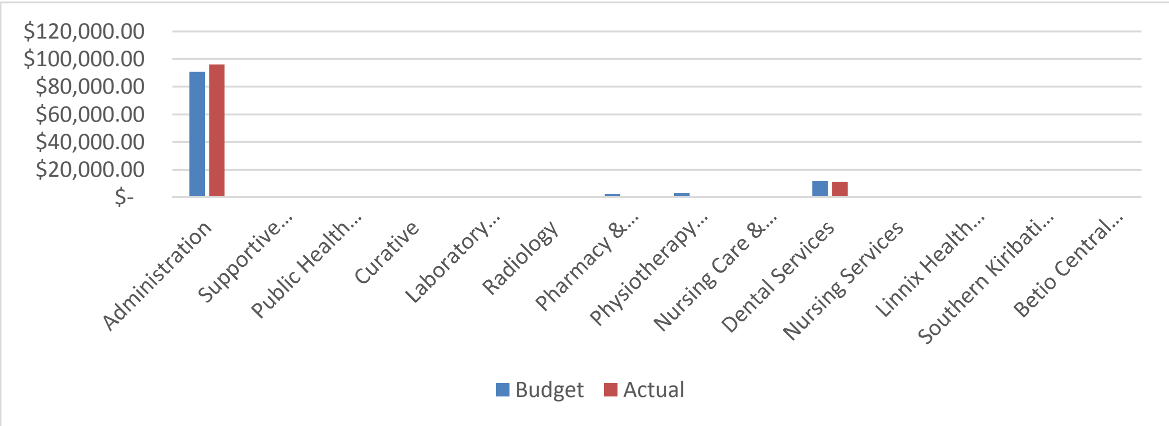


The analysis for the above revenue projection revealed that the Ministry of Health & Medical Services had shown good achievement in its collection for 2013. As reported such collection still exceeded estimate budget by $145 as in the 2012, but with over collection of revenue of $16k.

13.3.1.3. *Ministry of Health & Medical Services Revenue against Budget by Division*

Divisions	Budget	Actual	(Over)/Under
Administration	$ 90,756.00	$ 96,087.05	-$ 5,331.05
Supportive Services			$ -
Public Health Services			$ -
Curative			$ -
Laboratory Services			$ -
Radiology			$ -
Pharmacy & Medical Str	$ 2,500.00	$ 480.00	$ 2,020.00
Physiotherapy Services	$ 3,000.00	$ 490.00	$ 2,510.00
Nursing Care & M T			$ -
Dental Services	$ 11,870.00	$ 11,214.40	$ 655.60
Nursing Services			$ -
Linnix Health Services			$ -
Southern Kiribati Hsptal			$ -
Betio Central Hsptal			$ -

13.3.1.4. *Comparative Graph of Budget Revenue against Actual Per Division*



The graph above depicts that only one division (Administration) operates above estimate budget while the remaining 3 division fail to operate within allocated budget.

Recommendation:

Management must commend for such achievement despite an increase in the revenue collection and should continue decent effort in the future.

Management response:

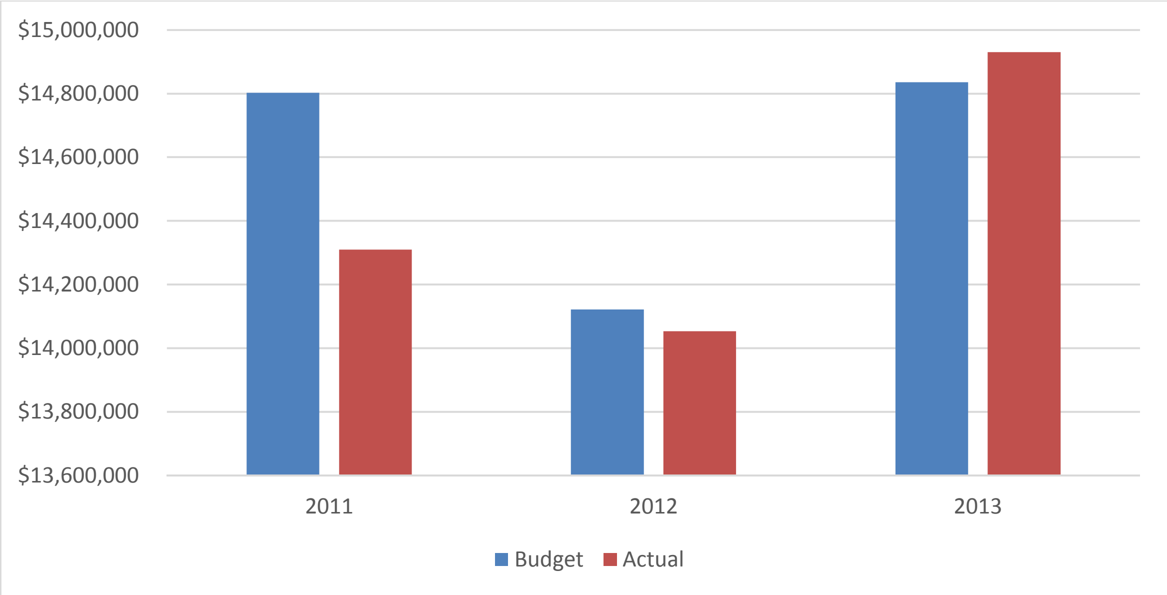
13.3.2. Expenditure (budget)

Finding and Analysis:

13.3.2.1. *MHMS Expenditure Summary*

Year	Budget	Actual	(Over)/Under
2011	$14,802,718	$14,309,843	$492,875
2012	$14,121,242	$14,053,019	$68,223
2013	$14,835,774	$14,930,040	-$94,267

13.3.2.2. *Comparative Graph of Budget Expenditure against Actual*



The comparative graph above had clearly indicated that for the first time in 2013 the Ministry was unable to control the intensity of it expenditure having exceed estimate budget of $14.8m with actual spending of $14.9m which had resulted in reporting an overspend of $94k.

Recommendation:

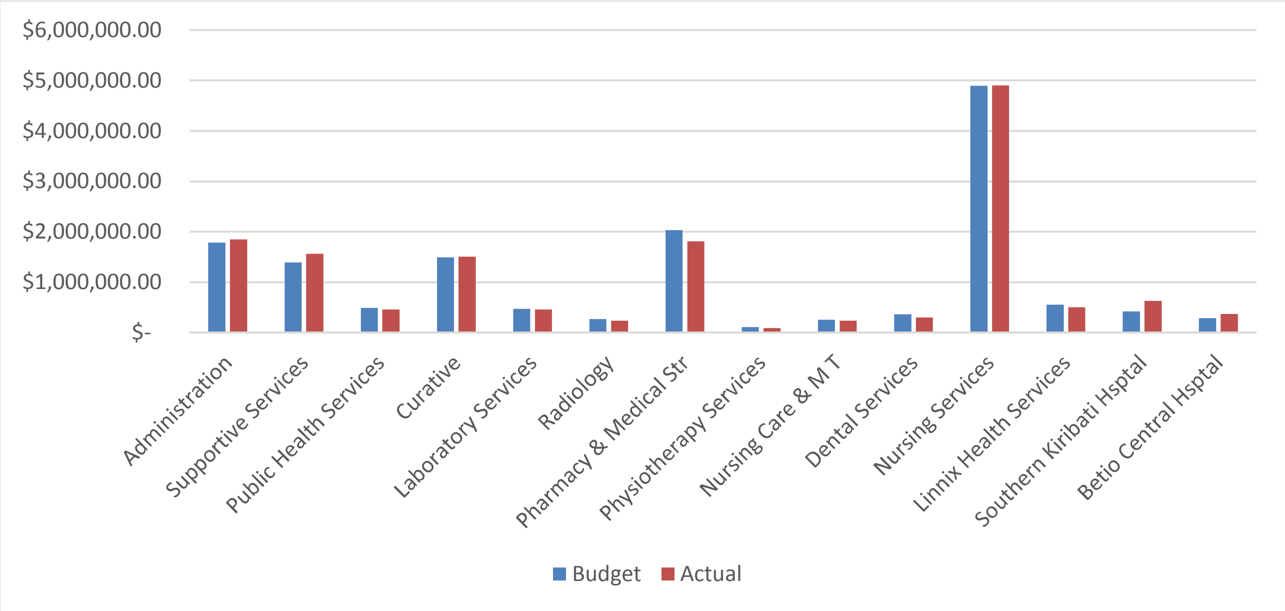
Management must ensure it operates within its appropriated budget level in future years.

Management response:

13.3.2.3. *MHMS Expenditure against Budget by Divisions*

Divisions	Budget		Actual		(Over)/Under	
Administration	$	1,786,289.96	$	1,847,318.64	-$	61,028.68
Supportive Services	$	1,393,197.00	$	1,565,934.64	-$	172,737.64
Public Health Services	$	488,834.00	$	460,237.20	$	28,596.80
Curative	$	1,495,371.00	$	1,503,657.79	-$	8,286.79
Laboratory Services	$	469,859.00	$	461,180.26	$	8,678.74
Radiology	$	271,693.00	$	238,265.32	$	33,427.68
Pharmacy & Medical Str	$	2,035,478.00	$	1,809,253.54	$	226,224.46
Physiotherapy Services	$	109,778.00	$	93,171.38	$	16,606.62
Nursing Care & M T	$	257,730.00	$	239,321.58	$	18,408.42
Dental Services	$	362,445.00	$	300,753.93	$	61,691.07
Nursing Services	$	4,896,837.00	$	4,900,174.30	-$	3,337.30
Linnix Health Services	$	556,809.00	$	504,580.69	$	52,228.31
Southern Kiribati Hsptal	$	424,307.00	$	633,553.04	-$	209,246.04
Betio Central Hsptal	$	287,146.00	$	372,638.37	-$	85,492.37

13.3.2.4. *Comparative Graph of Budget Expenditure against Actual by Divisions*



As alluded above, six of the MHMS department failed to operate within budget causing the net total overspending of $94k. These divisions were: Administration with an overspending amount of $61k, Supportive Services $172k, Curative $8k, Nursing Services $3k, Southern Kiribati $209k and Betio Hospital $85k. Other divisions with net savings were totaled up to $445,862.10.

13.3.2.5. *MHMS Divisions Expenditure Budget against Actual by Allocation (Overspend)*

	Budget	Actual	(Over)/Under
01 Administration			
KPF	$ 24,230.00	$ 24,880.25	-$ 650.25
Temporary assistance	$ 13,023.00	$ 48,091.00	-$ 35,068.00
Internal travel & transport	$ 19,737.60	$ 21,781.00	-$ 2,043.40
External travel & transport	$ 121,410.90	$ 126,187.50	-$ 4,776.60
Purchase service local	$ 49,091.60	$ 51,973.40	-$ 2,881.80
Hire of Plant & Equipment	$ 84,000.00	$ 109,742.67	-$ 25,742.67
Electricity and Gas	$ 603,610.50	$ 610,710.14	-$ 7,099.64
Water	$ 140,370.00	$ 140,637.60	-$ 267.60
02 Supportive Services			
KPF	$ 51,005.00	$ 52,093.67	-$ 1,088.67
Allowance	$ 112,889.00	$ 118,551.37	-$ 5,662.37
Overtime	$ 231,528.00	$ 217,291.85	$ 14,236.15
Temporary assistance	$ 40,000.00	$ 216,033.55	-$ 176,033.55
leave grants, passage	$ 97,428.12	$ 97,867.70	-$ 439.58
Transport to normal work	$ 252,563.70	$ 257,100.97	-$ 4,537.27
04 Curative			
Direct purchase local	$ 779,674.00	$ 792,248.82	-$ 12,574.82
11 Nursing Services			
Direct purchase local	$ 48,291.00	$ 67,167.38	-$ 18,876.38
Purchase service local	6448.9	11473.85	-$ 5,024.95
Hire of Plant & Equipment	$ 25,786.90	$ 26,310.35	-$ 523.45
Staff education, training dev	$ 115,579.30	$ 122,215.25	-$ 6,635.95
12 Linnix Health services			
Allowance	$ 35,000.00	$ 97,297.74	-$ 62,297.74
Overtime	$ 17,356.00	$ 22,842.52	-$ 5,486.52
Temporary assistance		$ 22,919.70	-$ 22,919.70
Transport to normal work	$ 22,306.00	$ 22,511.81	-$ 205.81
Internal service charge		$ 1,575.00	-$ 1,575.00
13 Southern Kiribati Hospital			
KPF	$ 18,504.00	$ 22,149.94	-$ 3,645.94
Salary	$ 241,723.00	$ 276,351.91	-$ 34,628.91
Allowance	$ 27,166.00	$ 94,802.26	-$ 67,636.26
Overtime	$ 6,000.00	$ 65,705.29	-$ 59,705.29
Temporary assistance	$ 5,000.00	$ 11,009.00	-$ 6,009.00
Internal travel & transport	$ 14,542.60	$ 16,887.08	-$ 2,344.48
Direct purchase local	$ 41,015.00	$ 76,910.25	-$ 35,895.25
14 Betio Central Hospital			
KPF	$ 12,516.00	$ 18,776.01	-$ 6,260.01
Salaries	$ 166,886.00	$ 236,493.00	-$ 69,607.00
Allowance	$ 32,910.00	$ 47,774.47	-$ 14,864.47
Overtime	$ 4,000.00	$ 6,131.14	-$ 2,131.14
Temporary assistance		$ 11,535.00	-$ 11,535.00

The above table shows divisions with allocation (output) by which certain division failed to operate within the approved budget. However, the major divisions that contribute to the overall overspending for the Ministry is the Supportive services (02) with an excess spending in its temporary assistance of $176k followed by the remaining divisions fail to control disbursement.

13.3.3. Revenue from Private Ward

Finding and Analysis

The Private ward again failed to maintain Admission register in 2013 as we recalled back in 2012, this was one of the outstanding issues. The register should include columns for: name of patient, room number occupied, number of days spent, amount paid and the receipt number.

Implication:

If management fail to maintain and up to date register, there is a possibility that number of patients admitted at the Private ward will not be captured in the account section and this could lead to misappropriation of revenue collection.

Recommendation

Audit recommended that the Ministry must maintain a register in order to properly record the number of patients being accommodated at the Private ward, including number of days, room number, amount payable and receipt number when paid.

Management response:

13.3.4. Overpaid Salary

Findings & Analysis:

As confirmed during the audit, one officer was overpaid by $2,945.50 and this was due to the lack of effective communication between MHMS and MFED in processing the leave without or to cease the officer's salary on the specified date. With reference to PSO's memo the leave without paid was to be effective from 16/05/2013 as the officer continued taking his/her study leave. Table below summarize pay-period in which the officer still receive salary.

Date	31/05/2013	17/06/2013	1/07/2013	15/07/2013	29/07/2013	**Total**
Amount	$589.10	$589.10	$589.10	$589.10	$589.10	**$2,945.50**

Implication:

The requirement for the leave without was not fulfilled and unnecessary expense had been incurred at the expense of government. Also such overpaid salary may or may not be recovered.

Recommendation:

Management must put in place system that strictly enforces more effective communication (Customer Service) to avoid overpayment of salary in future.

Management response:

13.3.5. STORES REGISTER

Finding and Analysis:

The audit discovered that the MHMS had not maintained a Store register, precluding us from verifying stores records such as the accuracy of the cost/quantity of items ordered, name of suppliers, issuance date etc.

A Store register is one of the important requirements under the Stores Regulation in which all accounting staff should be complied with.

In the absence of the Store register, the responsible staff of MHMS had therefore deviated from the relevant provision of the Stores Regulation.

Implication:

All purchased items could be prone to being missing and unrecoverable.

Recommendation:

That Management should open a store register to record all items that purchased during the fiscal year as a means of ensuring items purchased are safely kept and properly accounted for.

Management response:

13.3.6. Outstanding Imprest

Finding and Analysis:

It was noted during the audit that there was some outstanding imprest of $16k in 2013 not retired by the following employees:

Date	Code	Debit	IMP #	category
13/02/2013	E2203-30A	2,613.00	MoH13/13	External travel
13/02/2013	E2204-30A	2,228.00	MoH14/13	External travel
15/07/2013	E2213-30A	315.00	MoH 61/13	Internal travel
28/06/2013	E2206-30A	720.00	MoH 56/13	Internal travel
25/06/2013	E2208-30A	1,050.00	MoH 54/13	Internal travel
23/09/2013	E2211-30A	315.00	MoH 76/13	Internal travel
8/10/2013	E2210-30A	630.00	Moh 80/13	Internal travel
14/11/2013	E2201-35A	1,811.00	MoH 89/13	Internal travel
14/11/2013	E2201-35A	2,244.40	MoH 90/13	External travel
14/11/2013	E2207-30A	1,296.00	MoH 91/13	External travel
21/11/2013	E2204-30A	945.00	MoH 92/13	External travel
27/11/2013	E2204-30A	315.00	MoH 93/13	Internal travel
27/11/2013	E2207-30A	315.00	MoH 94/13	Internal travel
27/11/2013	E2204-30A	315.00	MoH 95/13	Internal travel
23/12/2013	E2207-30A	450.00	MoH 98/13	Internal travel
31/12/2013	E2211-85A	671.05	MoH 100/13	Internal travel
		16,233.45		

Implication:

- 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 retirement 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 and would affect the balance of the following year's recurrent budget

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:

13.3.7. 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 GL balance or Management report. This is an indication of poor control over the management of vote ledger where it should always be agreed or reconciled against Finance record.

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 response:

13.3.8. Ration

Finding and Analysis:

The control over ration at the Hospital Kitchen was deemed inadequate and remained an outstanding issue from the previous audit (2012) 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.
- Some of the ration purchase were not recorded on the stock ledger as detailed in the table below:

Date	Supplier	Min ref	Items	Amount
5/2/13	Moel Trading	Pv # 431/13	Turkey thigh 73 ctns	4,422.30
6/2/13	Punjas	Pv# 448/13	Supper beef spice red	1,680.00
6/2/13	"	"	B/gold Tomato paste 1 250g@ 30	720.00
3/4/13	Moel	Pv# 810/13	Breakfast crackers 4kg @ 58	1,151.30
"	"	"	Australian wheat flour 25kg @30	768.00
13/2/13	Coral ace	Pv# 513/13	Beef sausages @ 10ctns	780.00
"	"	"	Chicken sausages@20ctns	1,560.00
"	"	"	Lamb sausages @ 10ctns	780.00

- The audit has managed to identify variances between the payment vouchers and the inventory ledger resulting from poor recording as detailed below:

Date	Supplier	Min ref	Items	Ledger balance	Variance
5/2/13	Moel	Pv# 446/13	Calrose rice350 bags	300	50
3/4/13	"	810/13	100calrose rice	248	148
"	"	809/13	Calrose rice 200	230	30
17/4/13	"	930/13	Oki mackerel oil 2400	2496	96

Implication:

If management fail 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.

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.
- Management must conduct spot check to review stock ledger to ensure that all purchase stock must agree with the payment being made (invoice).
- 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 response:

14. MINISTRY OF EDUCATION

14.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Education for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 14.3 discussed in detail below:

14.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Ministry of Education performance in the fiscal year 2012.

- Lack of monitoring over the revenue collection.
- Substantial net overspending which was caused by the inflated KPF dues.

14.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

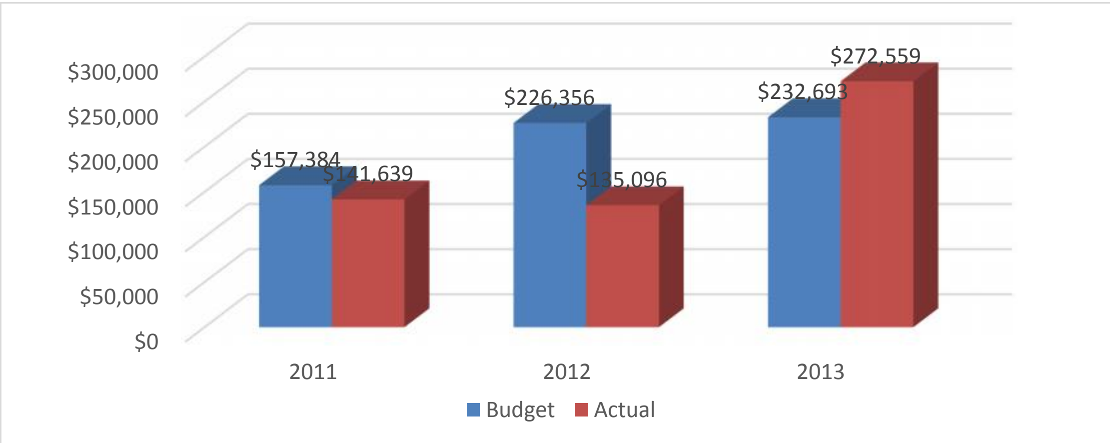
14.3.1. Revenue (Budget)

Finding and Analysis:

14.3.1.1. *MOE Revenue summary collection:*

	2011	2012	2013
Budget	$157,384	$226,356	$232,693
Actual	$141,639	$135,096	$272,559
Under/(Over)	$15,745	$91,260	-($39,866)

14.3.1.2. *Comparative graph of Budget Revenue against Actual*

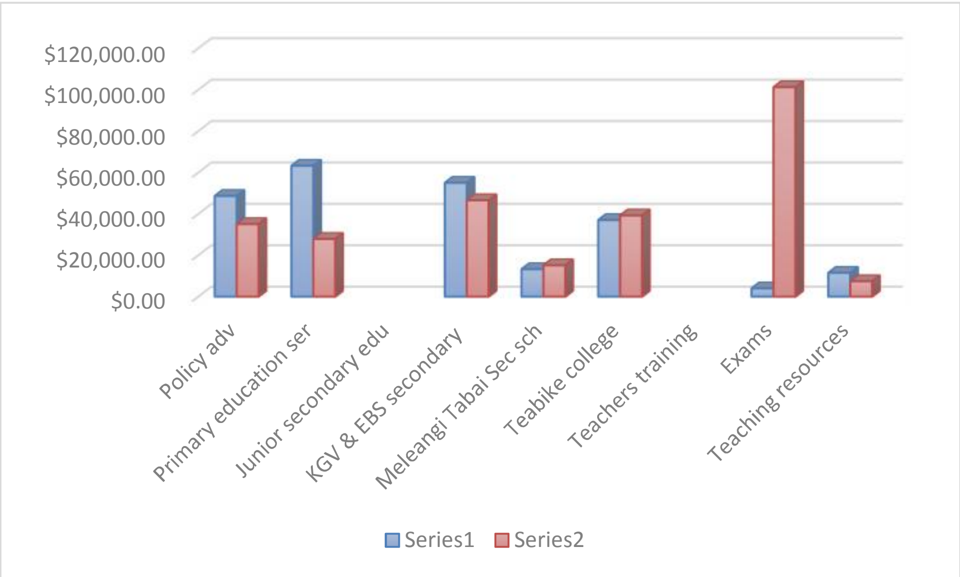


As portrayed rom the above graph, it is pleasing to note for the first time in 3 years the Ministry had successfully performed and exerted full capacity that had led to a net excess collection of over $272k in 2013.

14.3.1.3. *MOE Revenues against Budget by Divisions.*

Output	Budget	Actual	(Over)/Under
Policy adv	$48,653.00	$35,051.83	$13,601.17
Primary education ser	$63,234.00	$27,908.00	$35,326.00
Junior secondary edu			$0.00
KGV & EBS secondary	$55,014.00	$46,584.80	$8,429.20
Meleangi Tabai Sec sch	$13,261.00	$15,145.00	-$1,884.00
Teabike college	$37,008.00	$39,236.45	-$2,228.45
Teachers training			$0.00
Exams	$4,009.00	$101,179.50	-$97,170.50
Teaching resources			
Library archives	$11,514.00	$7,453.10	$4,060.90
Secondary sch			
FMU			
Statistic & IT			
Total	$232,693.00	$272,558.68	-$39,865.68

14.3.1.4. *Comparative graph of Bugdet Revenue against Actual per Division*



The graph above, however, illustrates trends for revenue projections and collections by division. As evidenced and despite a net saving as had been eluded earlier, there are divisions within the Ministry that had failed to meet their allocated revenue budgets i.e. (Policy adv, Primary education services, and KGV & EBS and Teaching resources).

Recommendation:

- The Ministry needs to review its revenue budget level by division to ensure such are more reflective of the actual revenue expected from each output.
- The Ministry to ensure each division collected the revenue budget as had been set for the year.
- The Ministry needs to regularly reconcile its revenue collections with MFED to ensure correct allocations are made.

Management response:

1. Clarifications on under collections in some of MOE outputs:

Policy advice/Admin (C2301): the main revenue collected was the fares on chartered vessels for students' repatriation & uplifting including teachers' transfer.

The collection shown in the report confirmed to drop as it comprised collection earned only during the uplifting made in the beginning of the year.

The repatriation collection was only earned from the route to the Line & Phoenix group as the rest of the routes were all fare based. However this collection was just deposited in 2014 as the fare collector remain stranded in Kiritimati Island after the breakdown of LC Butimari and just returned to Tarawa when another boat, LC Nakoraoi, chartered again to complete the service.

The estimate in the budget was also decided the previous year taking into account the past revenues trend as there was no such an exact figure to use and either expected to drop or exceed.

Primary Education (C2302) & KGV/EBS (C2304): the main revenue collected under Primary Education is the school fees at Rurubao School while KGV/EBS is the school fees and caution fees.

The collection under the Primary Education is also confirmed to fall under the estimate as more than 50% of the students did not pay their school fees. KGV/EBS collection also falls beneath the estimate but is just a small difference compared to Rurubao School Fees collected.

Actions taken to boost the collection were performed with the many reminders issued by the Head Teacher/Principal to parents but there was no feedback by the parents. Further action was taken again by stopping students with outstanding fees to come to school but was overruled by the education policy that all students must not be prevented from education became more complicated when politics stepped in.

Table 1

Revenue Codes	Description	Estimate	Collected	Variance
C2310000001A	Library fines	$1,028.00	$170.30	$857.70
C2310000002A	Membership fees	$2,570.00	$576.70	$1,993.30
C2310000004A	Recovery of Photocopy costs	$7,916.00	$6,704.80	$1,211.00

Given that there were three types of collection under the Library & Archives Services, the breakdown is provided in Table 1. Given the provided table, it is noticed that the huge portion of the under collection found under the library fines & membership fees. The under collection is also found under the revenue in the last row but exceeded 85% of the estimate.

Because figures determined in the estimate were also based on the past revenues trend, they are again probable figures with the understanding that they might drop or exceed depending on the public usage.

2. Clarification on over collection under Exams Unit:

It is also confirmed that the collection earned under the Exams Unit rises dramatically above the estimate. This is due to the sudden change of practice with the payment of Exam and Registration fees for Form 6 for the first time.

As previously practiced, these fees used to pay direct to SPBEA in Fiji but with the nationalization of form 6 certificates for the first time, the fees were decided to be paid to the Kiribati Government while Government process again the payment from recurrent funds to SPBEA (now known as EQAP).

That is the main cause of boost revenue under the Exams Unit.

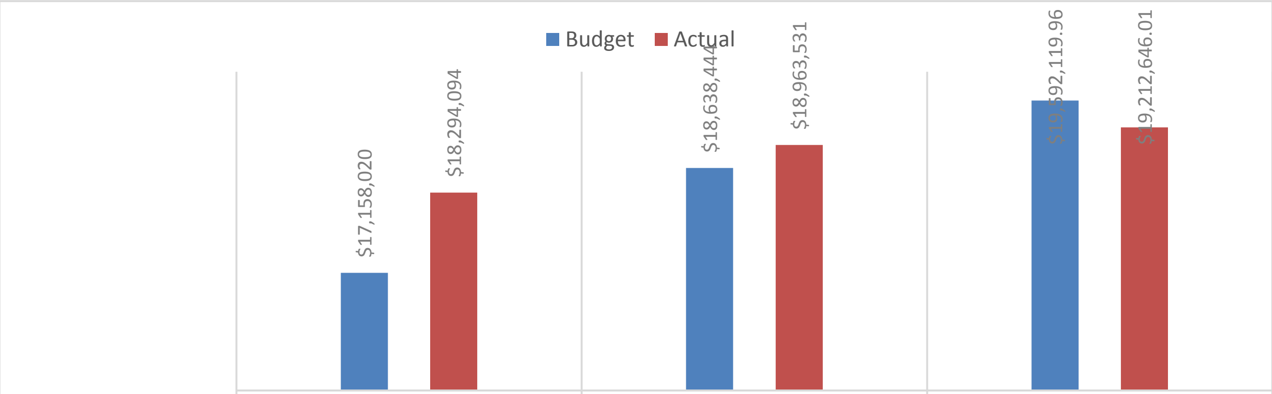
However, given the recommendations for revenue monitoring and update reconciliations, this Ministry will keep reminding staff concerned in their future actions which were all made in 2014.

14.3.2. Expenditure (Budget)

14.3.2.1. *MOE Expenditure Summary*

Year	Budget	Actual	(Over)/Under
2011	$ 17,158,020	$ 18,294,094	$ (1,136,074)
2012	$ 18,638,444	$ 18,963,531	$ (325,087)
2013	$ 19,592,119.96	$ 19,212,646.01	$ 379,473.95

14.3.2.2. *Comparative graph of Budget Expenditure against Actual*



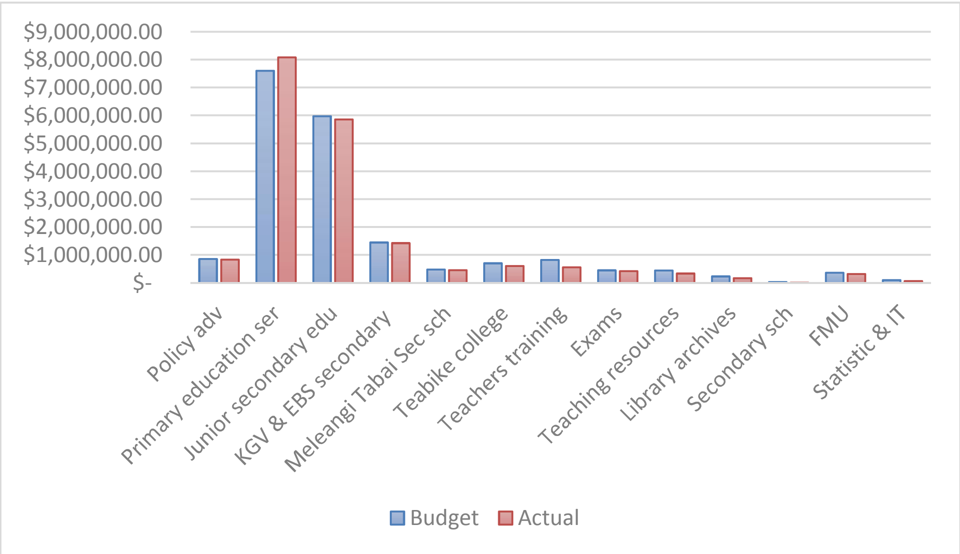
	2011	2012	2013
Budget	$17,158,020	$18,638,444	$19,592,119.96
Actual	$18,294,094	$18,963,531	$19,212,646.01

It is evident from the graph above the Ministry had been granted an increase of almost $1m ($954k) in its budget level for 2013 and this had resulted, for the first time in a net saving of over $379K when compared with its past performance over the last two years.

14.3.2.3. *MOE Expenditure against Budget by Divisions.*

Output	Budget	Actual	(Over)/Under
Policy adv	$ 860,956.96	$ 841,180.15	$ 19,776.81
Primary education ser	$ 7,610,280.00	$ 8,083,867.96	-$ 473,587.96
Junior secondary edu	$ 5,979,909.00	$ 5,864,045.18	$ 115,863.82
KGV & EBS secondary	$ 1,455,263.00	$ 1,431,309.64	$ 23,953.36
Meleangi Tabai Sec sch	$ 488,468.00	$ 463,896.11	$ 24,571.89
Teabike college	$ 709,999.00	$ 612,757.80	$ 97,241.20
Teachers training	$ 833,531.00	$ 562,156.84	$ 271,374.16
Exams	$ 455,602.00	$ 423,950.54	$ 31,651.46
Teaching resources	$ 452,597.00	$ 341,371.15	$ 111,225.85
Library archives	$ 237,639.00	$ 177,243.57	$ 60,395.43
Secondary sch	$ 35,331.00	$ 18,312.63	$ 17,018.37
FMU	$ 367,555.00	$ 325,575.35	$ 41,979.65
Statistic & IT	$ 104,989.00	$ 66,979.09	$ 38,009.91
Total	**$ 19,592,119.96**	**$ 19,212,646.01**	**$ 379,473.95**

14.3.2.4. *Comparative graph of Budget Expenditure against Actual per Division*



The graph above reflected the trend of expenditure per division. As per the above, one division operated above budget limit and this include Primary education services $(473,587.96.). The major bulk of the overspend in the Primary education services related to the actual use of spending in each output which contribute to the overall excess in the budget estimate as detail below.

Output	Budget	Actual	(Over)/Under
KPF	$457,896.00	$472,232.66	-$14,336.66
Salaries	$5,905,916.00	$6,165,634.64	-$259,718.64
Allowances	$246,340.00	$365,783.44	-$119,443.44
Leave grants, passage & commu	$500,000.00	$550,903.39	-$50,903.39
Purchased service local	$34,320.00	$41,436.19	-$7,116.19
Relocation expenses	$95,784.00	$119,421.14	-$23,637.14

Recommendation:

Management has to continuously retain its level of spending below budget to avoid incidences of overspending in future years.

Management response:

In response to overspending under the Primary Services, this ministry wishes to clarify that there have been wrongly posted salaries and may have been adjusted to their correct output as justified by the excess balances in other outputs.

However, in 2014, this office had worked on the issue reallocating all MoE staff to their correct output.

14.3.3. Lack of control over the library revenue

Findings and Analysis:

Audit could not extend further testing on the library revenue due to the non-production of the list of all membership during the audit. This will be difficult for the audit to determine membership fees collected or amounts outstanding, if any. As informed, there was no proper handing over with the existing account officer the problem of which is obvious across Ministries.

Implication:

The absence of proper control or lack of monitoring revenue collected would undermine the credibility of the collection system adopted by the Library account clerk.

The risk of misappropriation of funds would be high.

The absence of a handing over statement could strenuously place all faults, including cash loss, if any, caused by previous holder on new replacement staff.

Recommendation:

- Audit recommends that Management must maintain and update the list of membership fees and ensure it is readily accessible for future audits.
- Management to review its membership policy and consider establishing a more robust enforcement of membership fees with constant reminder to ensure that all fees are paid promptly.
- Management should ensure a handing over statement is produced by the leaving staff failing by which such would be refused a transfer until receipt of the completed statement.

Management response:

The ministry wishes to apologize on behalf of the Library & Archives, one of MoE division for the unavailability of documents required for its revenue reconciliation.

This is due to a lack of induction by the responsible officer to the Library staff taking over the task when the account officer moved back to Headquarter. It is also believed that this would have not been experienced with a regular reconciliation.

However, this office had tried to improve its reconciliation in 2014 and have reminded the staff responsible at the Library & Archives to maintain an update record and keep them in proper storage.

14.3.4. Insufficient control over KTC Revenue

Finding and Analysis:

Audit noted that the receipt book # 0401 – 0600 has been used to record revenue collections since 18/8/2010 until date of this audit. Audit has expressed a concern over the lack of control over or non-deposit of some of KTC revenue at Headquarter. These revenues include transcripts, Gown, telephone charges, hire of tables and forms.

Implication:

- The risk of misappropriation of funds would be high.
- KTC management would not be able to meet its revenue targets.

Recommendation:

- Management needs to monitor and regularly review collections by the revenue cashier and to ensure deposits are made promptly.
- Management should ensure there is segregation of duty within KTC so different staff are involved in the collection chain and deposit process.

Management response:

This office apologizes again for these unknown revenues collected by KTC for there was no consultation made by the division responsible with Headquarter prior implementation of such actions.

After all, as learnt from the audit findings, the revenues now on KTC transcripts and rental of tables and chairs are receipted at MoE Headquarters since the time they got caught by Auditors.

This ministry wishes to apologize again on this administrative oversight and have strenuously reminded all its divisions to consult Headquarter prior making revenues from government properties.

14.3.5. Cessation of Salary of Retired Primary Teachers

Finding and Analysis:

Audit could not confirm whether or not salaries for retired primary teachers were actually ceased from the payroll due to the breakdown of the registry database. Refer to the working Paper.

Implication:

- There is a risk of overpayment and of course loss of funds, if the salaries for retired teachers were not ceased from the payroll by the due date.
- This could trigger misappropriation of funds where salaries are paid by cash but not collected by the respective teachers nor returned by the payroll staff.

Recommendation:

- Management to provide list of retired teachers for the year by date and details of salaries, whether payment was continued subsequently and when was it ceased.
- Management to provide RR details for returned salaries, to match with list provided as requested above, and to provide explanation where gaps are noted for each concerned teacher.
- Management to establish a stringent policy that would hinder and address the issue of overpayment of salary for retired teachers to be observed by payroll and revenue staff.

Management response:

The ministry for information since 2013 has worked already on clearing names of outstanding of retired teachers on the MOE payroll and to date the issue continues on.

The issue was an administrative oversight regarding poor databases and the lack of communication to concern ministries prior consideration by the ministry responsible.

However, in 2014, this ministry had worked on its new database that records all information for MOE teachers & Staff which would probably reduce the level of wrong payment/overpayment to retired teachers.

15. MINISTRY OF COMMUNICATION TRANSPORT AND TOURISM DEVELOPMENT

15.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Communication Transport and Tourism Development for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 15.3 discussed in detail below:

15.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Ministry of Communication Transport and Tourism Development performance in the fiscal year 2012:

- Management failure to monitor the collection of its revenue during the year 2012
- Lack of control over the collection of boarding fees.
- Shortfall in the standing imprest.

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)

Findings and analysis:

15.3.1.1. *MCTTD Revenue Summary Collection:*

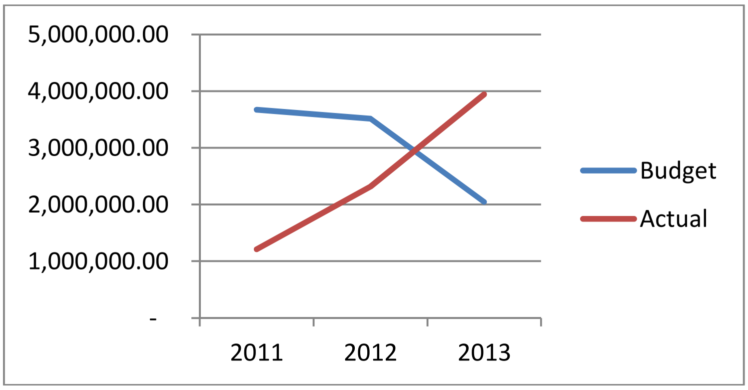
	2011	2012	2013
Budget	$3,670,015	$3,514,000	$2,047,300.00
Actual	$1,214,207	$2,319,034	$3,944,226.89
Under/(Over)	$2,455,808	$1,194,966	($1,896,926.89)

The above table includes collections in 2011 to 2013 for comparative reasons. As could be sighted the collection in 2013 far outweighed the budget estimate by over $1,9m as compared to under collections in 2011 and 2012 of $2.5m and $1.2m respectively.

As reflected above the 2013 budget was being reduced to $2m causing an excessive gap between the budget and that actually collected. The Ministry is one of the major revenue collectors for government therefore it is of paramount importance the budget estimate should closely be aligned with the revenue the Ministry deemed to collect for the year under consideration.

The above table could pictorially illustrated by the graph shown below.

15.3.1.2. *MCTTD Comparative Graph of Budget Revenue against Actual*



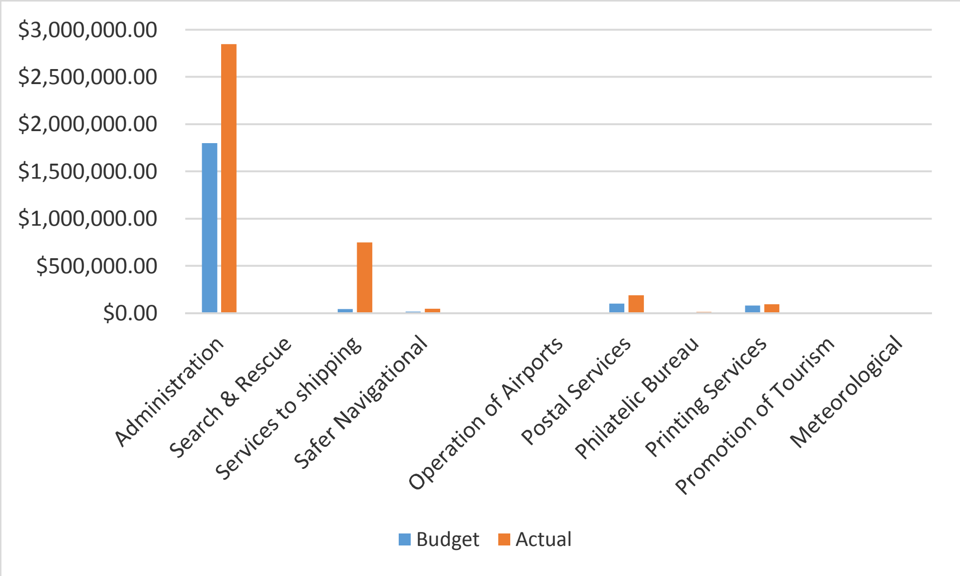
15.3.1.3. *MCTTD Revenues against Budget by Divisions.*

Output	Budget	Actual	(Over)/Under
Administration	$ 1,800,000.00	$ 2,846,022.03	$ 1,308,047.00
Search & Rescue	$	$	$
Services to Shipping	$ 42,000.00	$ 747,138.58	$ 705,138.58
Safer Navigational	$ 15,000.00	$ 48,118.37	$ 33,118.37
Operation of Airports			
Postal Services	$ 101,200.00	$ 190,668.02	$ 89,468.02
Philatelic Bureau	$ 6,000.00	$ 11,599.18	$ 5,599.18
Printing Services	$ 80,000.00	$ 92,878.95	$ 12.878.95
Promotion of Tourism	$ 3,100.00	$ 7,801.76	$ 4,701.76
Meteorological			
Total Amount	$ 2,047,300.00	$ 3,944,226.89	$ 1,896,9260.80

Output	**Budget**	**Actual**	**(Over)/Under**
01Administration			
Jaxa (Down range)	$600,000.00	$1,418,566.00	-$818,566.00
Jaxa (Air Service)	$700,000.00	$1,427,455.00	-$727,455.00
Airspace Usage	$500,000.00		$500,000.00

The table above reflected the major bulk that contribute to the increase in the revenue collections and that is Jaxa (Down range) and Jaxa (Air Service) with an actual collections of $1.4m respectively.

15.3.1.4. *Comparative Graph of Budget Revenue against Actual Per Divisions*



The graph above reflected the level of revenue collected per division in 2013. It is pleasing to note all divisions managed to achieve or exceed estimate revenue as follow: Administration and Policy with a total collection of $2.8m, Services to shipping $747k, Safer navigational $48k, Postal Services $190k, Philatelic Bureau $11k, Printing Services $92 and Promotion of Tourism $7k respectively.

Implications

- The production of a more realistic revenue budget would greatly assist other Ministries that are in dire need of an increased expenditure budget level.
- On the other hand an increased collection over the budget will save a draw down from the RERF and thus would assist in boosting the investment.

Recommendation:

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

Management response:

- Revenue estimates for JAXA (Down Range) and JAXA (Air Service) are based on the agreements which clearly stated how much government should get from each respectively.
- Other revenue estimates are based on the trend from previous years and the actual of current year.

15.3.2. Boarding Fees

Findings and Analysis:

- It was noted during the audit that the register were not maintained to keep track of the revenue for boarding fees as the required register was not available at the time of the audit thus making it difficult for auditors to check the accuracy of revenue collected.

Implication:

- Lack of monitoring the register would increase the risk of misappropriation of public funds.
- Lack of management supervision or review of collectors records would lead and increase risk of default actions been done go un-detected.

Recommendation:

- Management must ensure to maintain and retain proper records for revenue collected.
- Management to ensure a register is updated with the movement of the boarding fee booklet.
- Management to ensure it regularly reconciles the revenue collected with their records and that amounts deposited are same with collection records.
- Management should observe the segregation of duty principle so same person collecting the revenue is different from person making the deposits.

Management response:

- Management agree with the Auditor General' recommendations in bullet points 1-4 in safe guarding the Public funds.
- However, collection of departure tax is no longer collected prior departure. It is now included in the tickets instead at the point of sale with effect from October 1 2014.

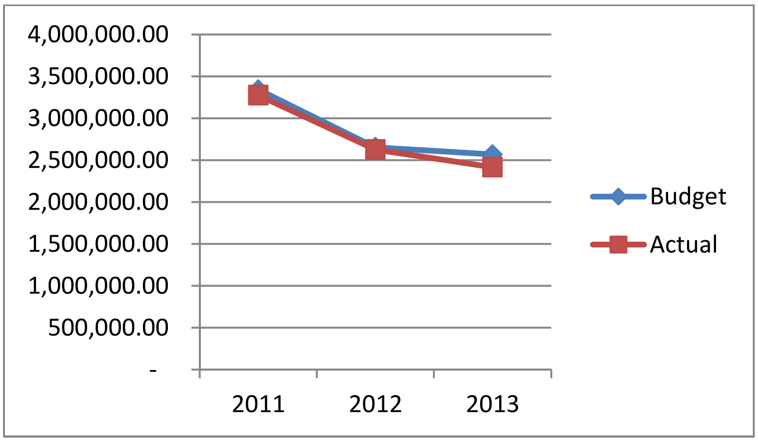
15.3.3. Expenditure (Budget)

Finding and Analysis:

15.3.3.1. *Comparative Expenditure against Budget.*

Year	Budget	Actual	(Over)/Under
2011	$3,340,678	$3,274,321	$66,357
2012	$2,652,888	$2,626,603	$26,285
2013	$2,566,331	$2,415,559	$150,773

15.3.3.2. *Comparative Graph of Expenditure Budget against Actual*

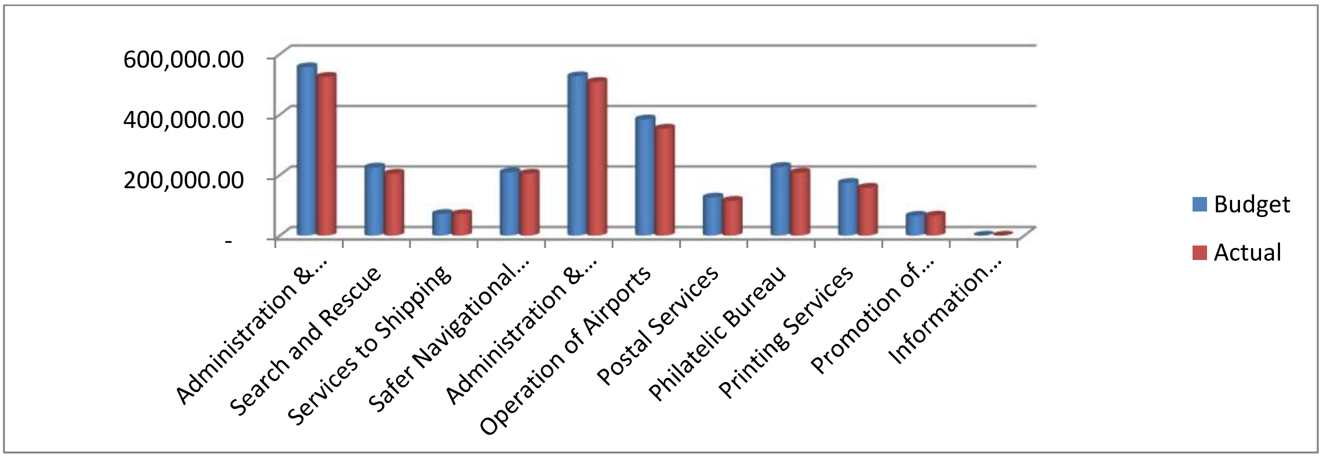


The above graph showed the Ministry had managed its operations within its budget limit. The ministry should be commented on this.

15.3.3.3. *2013 MCTTD Expenditure against Budget by Divisions*

Outputs	Budget	Actual	(Over)/Under
Administration & Policy Development	556,602.82	524,956.32	31,646.50
Search and Rescue	225,240.00	204,757.83	20,482.17
Services to Shipping	71,678.00	71,210.59	467.41
Safer Navigational Infrastructure	209,201.00	204,805.52	4,395.48
Administration & Regulation	526,578.00	508,294.84	18,283.16
Operation of Airports	384,191.00	353,631.00	30,560.00
Postal Services	125,897.00	115,218.84	10,678.16
Philatelic Bureau	226,882.00	207,967.07	18,914.93
Printing Services	174,448.00	158,284.92	16,163.08
Promotion of Tourism	65,614.00	66,264.44	(650.44)
Information Technology	-	167.00	(167.00)

15.3.3.4. *Comparative Graph of Expenditure Budget against Actual by Divisions*



The graph shows series of trends in budget estimate per division. It is clear that almost all divisions had operated within budget during the year except for Promotion of tourism and Information technology. However as noted in the above shown earleir the amounts overspent were minute.

Recommendation:

Management should continue the decent effort in maintaining its actual expenditure within the appropriated budget level.

Management response:

15.3.4. Outstanding Payments in 2009 – 2012 Paid in 2013 Budget

Finding and Analysis:

- The audit noted there were outstanding invoices from 2009 – 2012 with total amount of $9,910.41 that was just paid out in 2013.

Pv #	Details	Amount
461/13	KOES Outstanding invoices 2009 – 2012	$2,661.41
109/13	Triple Tee Outstanding invoice 2012	$2,299.00
29/13	Triple Tee outstanding 2012	$4,950.00
	Total outstanding in 2009 - 2012	$9,910.41

Implication:

- If management failed to conduct proper reconciliation on a monthly basis, this will eventually lead to an overspending in the budget for the current year.
- Lack of supporting documents would nullify the payment.
- Long outstanding claims could make it difficult for management to justify and confirm that the claim is in order and that no previous payment had been made.
- Lack of a monitoring mechanism that will show records of services still pending would increase the risk of loss of public funds.

Recommendation:

- Management must ensure to perform regular reconciliation with the MFED to confirm that each particular transaction has been reflected in the system to avoid future discrepancies.
- Management should observe the provisions of FR11 and Cap 79 in all its financial operations.
- Management should regularly monitor its vote ledger and ensure it includes its commitment for ease of reference.
- Management must maintain and kept a record of filing documents in a secure and safe environment for future reference and audit purposes.

Management response:

- Reconciliation is done in the year 2015.
- A database has been designed by MFED and now used across line ministries. MCTTD started using it in the year 2015. This includes commitments in regards to Departmental Warrant and Imprest

15.3.5. Salary Overpayment of $8,597.02

Finding and Analysis:

The audit revealed that there was a salary overpayment of $8,597.02. This was in respect of one postal officer who was continuously paid from 29/03/2012 to 21/03/2014 when, though very late, PSC, in its letter of 29/5/14, issued an instrument for termination of appointment of officer **retrospective** from 29/3/12 **with advice** to charge against personal advance account the overpaid salary.

Year	Effective Date	No. of Payday	Gross Pay	Total
2012	29/03/12	20.1	165.01	3,316.70
2013		26	165.01	4,290.26
2014	21/03/2014	6	165.01	990.06
		Total Overpayment		$8,597

Implication:

- Management failure in promptly ceasing salary payment and advising PSC of termination 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.
- A decision to charge the personal advance accounts of a “terminated” (former) employee would have no effect at all in recouping the overpaid salary.

Recommendation:

- Management should ensure it promptly acts on cases of this kind and applies appropriate actions that would best suit the circumstances of the case.
- Management should provide PSC with correct advice particularly on the recovery of overpaid salary.
- Management should regularly review the performance of their responsible officers and ensure reprimands are promptly applied where necessary.

Management response:

No response received on the above issue.

15.3.6. Unsigned Salary of $4,946.20

Finding and Analysis:

- The audit had detected that the following staff, as per list below, did not sign for their salary and the total amount involved was $4,946.20.
- There neither details of RR to show that salaries have been returned nor written authority for release of the salary.

Implication:

There is a risk that unsigned salary could be misappropriated or lost.

Recommendation:

- Management must provide confirmation by all those listed in the table to confirm they all had received their salaries for the periods specified above.
- Management should ensure all cash salaries are signed and where no RR is provided for any unsigned salary, the payroll officer should make good for such unsigned salary.

Management response:

- Since 2013 to date, no complaints have been received for unclaimed salaries. Therefore concerned officers had collected their salaries for specific periods but forgot to sign.
- We have failed to comply with the provisions of CAP 79 in all its financial operations.

16. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

16.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Finance and Economic Development for the year ended 31 December 2013. A qualified opinion should be expressed as being “except for” the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 16.3 discussed in detail below:

16.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISON

The following issues were noted as the causes of the audit opinion for Ministry of Finance and Economic Development performance in the fiscal year 2012.

- Overspending of Budget for other divisions
- Excessive of unutilized Funds for some divisions
- Under collection of Revenue for other division

16.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

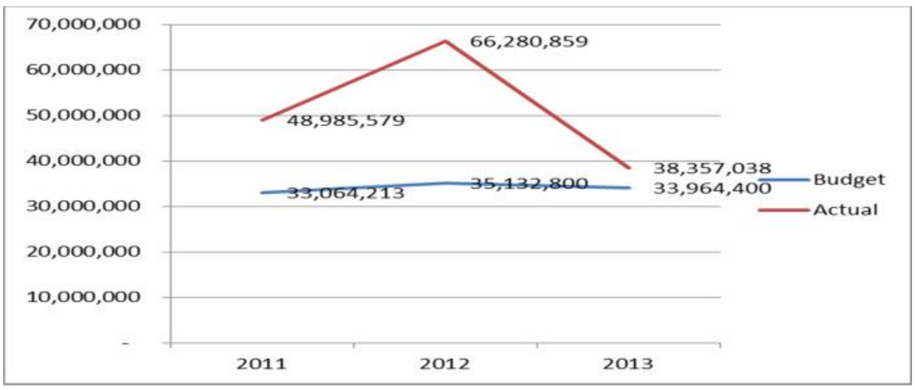
16.3.1. Revenue (Budget)

Findings and Analysis:

16.3.1.1. *Budget revenue summary against actual collection*

	Budget	Actual	Under/(Over)
2011	33,064,213	48,985,579	(15,921,366)
2012	35,132,800	66,280,859	(31,148,059)
2013	33,964,400	38,357,038	(4,392,638)

16.3.1.2. *MFED Revenue comparative graph against budget*



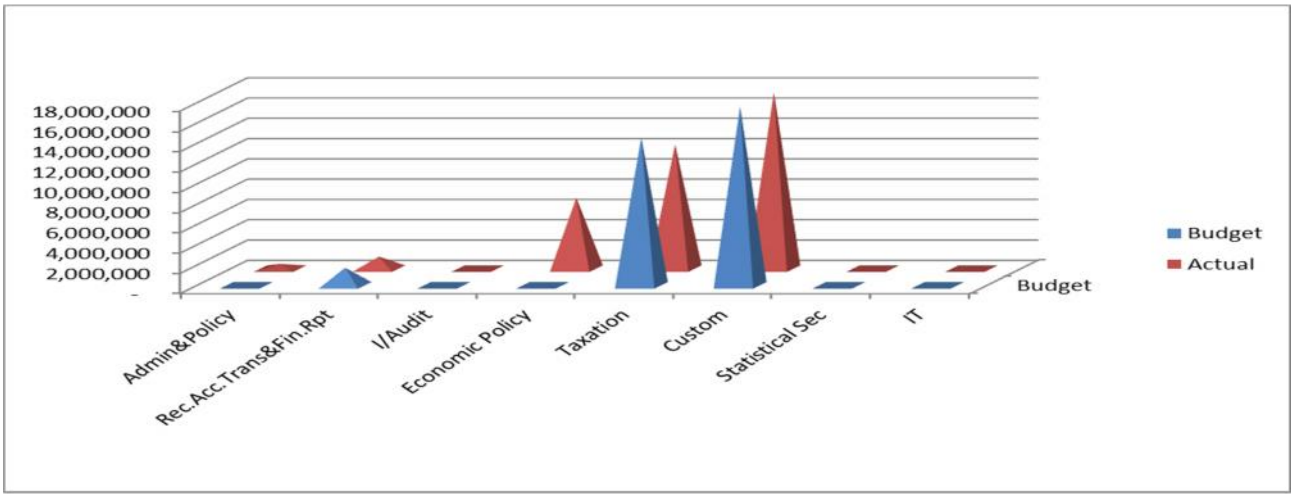
It was reported again that in year 2013 MFED still had not performed well in collecting its real revenue, i.e. excluding the RERF, as evidenced by an under collection of $2.6m while in 2012, a much higher figure of ($6.3m) was under collected.

The table below would reflect the above statement once the RERF drawdown of $7m is included in the budget, thus would give a total of $40,964,400 to replace $33,964,400 and when deducted from it the actual collection of $38,357,038, the end result would become an under collection of ($2,607,362) and not an excess collection of $4,392,638 as shown below as this amount included the $7m drawdown.

16.3.1.3. *MFED Revenue against Budget by Divisions*

DIVISION	BUDGET	ACTUAL	UNDER/(OVER)
Admin & Policy Adv	7,900.00	474,257.00	(466,357.00)
Rec. Accts Trans & Fin. Rept	1,740,000.00	1,193,655.00	546,345.00
Internet Audit	-	-	-
Taxation	14,584,000.00	12,263,794.00	2,320,206.00
Custom	17,632,400.00	17,424,552.00	207,848.00
Statistical sector	100.00	780.00	(680.00)
IT	-	-	-
Total excluding RERF	***33,964,400.00***	***31,357,038.00***	***2,607,362.00***
Economic Policy	-	7,000,000.00	(7,000,000.00)
Total including RERF	**33,964,400.00**	**38,357,038.00**	**(4,392,638.00)**

16.3.1.4. *Comparative Graph of Revenue against Actual collection per Division*



The bulk of revenue collection was mainly caused from 01 Administration & Policy advice as per reported above. <u>It was confirmed that some portion of this revenue were the direct credit made to the No.1 Bank account for some reasons which are not budgeted for</u>. As confirmed from the table above, more than three divisions did not meet their targets, Taxation being one with a huge discrepancy of $2.3m, and must, therefore, be encouraged to exert full efforts in collecting the revenue in future years to come.

Management response:

16.3.2. Unavailability of Form A – MFED

Findings and Analysis:

- Form A: RV # 2012-12186 RR # 866058-866060 amounted to $23,433.25 was noted missing amongst the selected Form A's during the audit.
- This is confirmed when the auditor demand such RV # to confirm amount being noted in the RV register but the responsible officer could not find such Form A during the period of audit.
- Hence Audit could not confirm the accuracy of amount being noted in the Register and GL as well.

Implication:

Missing of Form A does indicate the poor control over accounting documents and it could lead to fraud or misappropriation of public funds.

Recommendation:

- It is therefore recommended that Management should regularly review the Revenue Cashier's register, deposits slips against bank statements and record keeping.
- Management should ensure all accounting documents are kept in a proper and safe place for future references.
- Management to provide confirmation that amount appeared in the register was actually deposited in the BoK.

Management response:

16.3.3. Posting of Revenue to Un-provisioned Code– C250100002A

Findings and Analysis:

- It was found during the audit that revenue of $474,247.08 was credited under Code: 2501-2A for "Interest on Consolidated Fund", the Code of which there was no provision provided.
- In our previous audit report with regards to unknown details of collections we recommended that these should be posted directly to Sundry revenue Code: 2502-03. This is also being the Code into which all reimbursed air tickets were credited.
- However, it is worth noting that in 2013 Government had continuously run on a credit with the Bank which thus would no longer incurred overdraft charges but will surely had accumulated interests on its surplus funds with the Bank. Therefore in this instance MFED should confirm whether or not the above amount was interest accrued on credits with the bank and if so, to ensure it provides for the matching provision in future budgets.

Implications:

The crediting of revenue under an un-provisioned output would raise doubts on the accurateness of the posting.

Recommendation:

- MFED has to ensure that collections which are not budgeted for should be posted directly to Sundry Revenue.
- In instances where proper codes that have budgets provided for were later made known, management should then make necessary adjustments and transfers for correct allocation.
- Management should ensure it proactively includes in future provisions for revenue streams it will receive for the first time to avoid crediting the Sundry output.
- Management, for decision making on different categories of revenue, should have a policy of crediting new revenue streams received during the year that falls in the existing revenue description but for which no provision had previously been provided.

Management Response:

16.3.4. Revenue system weaknesses

Findings and Analysis:

- The audit found that MFED still did not maintain its daily deposit as evidenced during the audit. For instance, after deposit made on the 04/02/13 the next deposit was not made until 13/02/13, more than a week later.
- It was noted also the some dates entered in the deposit book were not consecutive. For example, 1st Deposit was made on 08/04/13, then the 2nd Deposit on 10/04/13, the 3rd on 08/04/13 and 4th on the 09/04/13!
- No daily review been performed by most senior staff to check and review cashiers collections for both Custom cashier and Revenue cashier (Finance) on a daily basis.
- Poor control over Cashier's KEY for the safe (Custom Division) as noted during the audit. For instance, the KEY was left on one the staff's table over the weekend as the Cashier was on leave on Friday.

Implication:

- Non-review of Cashiers' daily tasks or absence of regular reviews by management could stimulate fraudulent actions by accounting officers and thus would lead to loss of public funds.
- Being the lead Ministry in managing public funds and also one of a major revenue collector for Government, actions that deviate from the provisions of CAP 79 and its governing FR would undermine the integrity of management and the annual reports that it produces.

Recommendation:

- MFED should ensure its revenue cashiers are fully conversant with the requirements of FR
- Management should ensure its revenue cashiers make daily deposits on collections to safeguard leakages in public funds.
- Management should regularly review its Revenue Cashiers' deposit books and cash on hand.
- Management should have in place a reporting system that will require Revenue Cashiers to report on daily basis details of their collections and deposits made for monitoring purposes.
- Management should ensure a regular reconciliation on the bank statement is made to confirm deposits were actually made with the Bank and amounts deposited were those appearing on the bank statement.
- Management should take stringent action against revenue cashiers that do not take good care of their keys nor observe the FR requirements.
- Management should have a system in place, including cash counting, for handing over of safe keys by revenue cashiers that will take their annual leaves.

Management response:

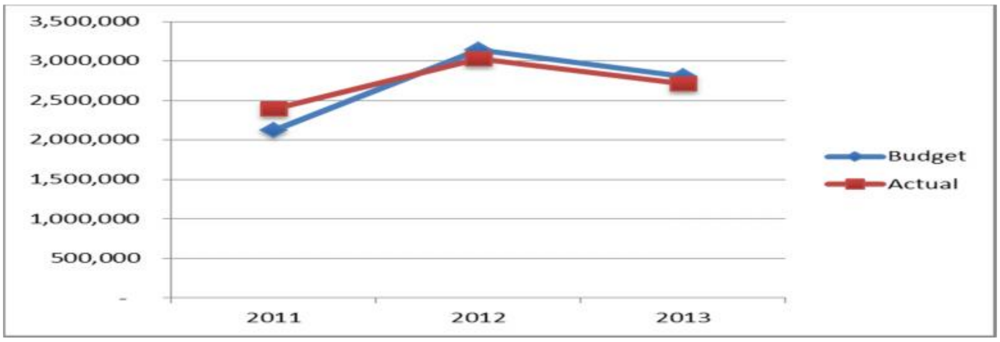
16.3.5. Expenditure Budget

Findings and Analysis:

16.3.5.1. *Comparative Expenditure against Budget – MFED (2011-2013)*

Year	Budget	Actual	Variance: Under/(over)
2011	2,124,528	2,389,819	(265,291)
2012	3,140,594	3,033,267	107,327
2013	2,804,817	2,711,947	92,870

16.3.5.2. *Comparative Expenditure graph – MFED (2011-2013)*



As highlighted above, in year 2013 MFED had managed to operate within its approved Budget and had savings of over $92k, even though it approved budget was decreased by 89% from the 2012 budget level. Therefore MFED should be commended for being able to operate within its reduced budget level.

Management Response:

16.3.6. KPF and Pension Contribution

Findings and Analysis:

Basically, the audit performed testing on the Pay Costing obtained from the Salary Unit (MFED) and resulting from such were various variances identified between the management report (attaché' records) and pay costing records, as per details shown below:

Actual salaries expense for each selected output from MFED.

Allocation	Actual Salary Pay Costing	Contribution rate	Balance should be paid to KPF
E2501000020A	179,845.74	7.50%	13,488.43
E2502000020A	407,806.00	7.50%	30,585.45
E2504000020A	144,115.70	7.50%	10,808.68

Variances noted between Management report and Audit figure calculation

Allocation	Revised Budget	Actual MR	Audit Fig.	Overspent MR	Over/Under Audit fig.	Note
E2501000020A	13,077.00	14,899.35	13,488.43	-$ 1,822.35	-$ 411.43	A
E2502000020A	29,831.00	30,189.98	30,585.45	-$ 358.98	-$ 754.45	B
E2504000020A	10,691.00	10,931.76	10,808.68	-$ 240.76	-$ 117.68	C

Note	
A	The overspent should be $(411.43) instead of $(1,822.35).
B	The overspent should be $(754.45) instead of $(358.98).
C	The overspent should be $(117.68) instead of $(240.76).

An explanation is required from concerned officers regarding these variances. The variance noted above implies the poor review and reconciliation by responsible officers from various divisions within this Ministry.

Implications:

- The variances noted above, i.e. negative or shortfalls would deprive the employee from receiving the full KPF benefit.
- Where over payments are made on the other hand, the government will face hardship in paying the wrong and excess KPF for employees concerned.
- Un-matching figures of Management report and Pay costing for KPF and Pension Contributions will result in misleading of Management decisions based on such figures reported.

Recommendation:

- Management should ensure its KPF deductions are correct in all respect.
- Management should also ensure this applies to all Ministries that are on their payroll system and to ensure other accounting staff maintaining their own payrolls, if any, do fully comply with the KPF statutory percentage deductions.
- Management to task Salary section to ensure KPF was correctly deducted each pay period and to make corrections on errors noted in the next coming pay period.

Management Response:

16.3.7. External Travel

Findings and analysis:

The audit had randomly selected 8 officers to perform its testing on to see whether they comply with Imprest retirement policy or not. As a result, the audit identified two MFED high rank officers that had outstanding imprest.

1. *Officer outstanding imprest of $4,437.34.*
   The officer above is no longer employed in the government. Currently, He is now a Chief Executive Officer at the CCK – Communications, Commission of Kiribati. Management should pursue recovery from this officer.

2. *MFED Minister outstanding imprest of $3,844.13.*
   As per Accounting Unit division records, the audit noted that the MFED Minister had 5 official trips he travelled in 2013. Out of the 5 trips only 1 trip was retired leaving the remaining four still pending with total amount of $3,844.13.

   The audit also noted from the Accounting Unit division records that the MFED Minister has no salary deduction to recover his outstanding imprest. As being practiced, all civil servants could not travel unless all outstanding imprests have been cleared or an arrangement for salary deduction has been made to recover all outstanding Imprest.

   It is evident the accounting unit had failed to comply with the imprest retirement policy. This could be seen as an unfair approach as there had been grievances received from MPs of other Ministries who had been denied the issuance of an Imprest until they had cleared their outstanding dues or had made recovery arrangements with Salary. MFED, in this instance, had breached significant provisions of Financial Regulation for Imprest Retirement.

3. *Requested travelling claims at a total of $41,976.16.*
   The audit identified 11 travelling claims to confirm trip retirement and/or refund. Responsible Officer at imprest unit (Accounting Unit) mentioned that she can't look for them at the archives. Therefore, the audit noted these as misplaced documents as stated in the table below.

DATE	CODE	TC#	$
12/2/2013	E2501000035A	tc843/12	3,968.75
25/01/2013	E2501000035A	tc277/13	3,674.50
23/07/2013	E2501000035A	tc376/13	3,490.32
4/27/2013	E2505000035A	00010/13	4,198.00
4/29/2013	E2505000035A	00011/13	2,680.00
6/24/2013	E2505000035A	8073/13	5,168.90
8/11/2013	E2505000035A	160884	3,548.00
11/27/2013	E2505000035A	au1227	5,082.85
12/4/2013	E2505000035A	HQJV 149	2,804.00
12/31/2013	E2505000035A	T8173/13	3,340.90
12/31/2013	E2505000035A	195226	4,019.94
			$ 41,976.16

Implications:

- Failure to retire imprests within the regulated 10 days is a breach of the provisions of FR
- Failure to comply with the retirement policy for its own officials would undermine the integrity of management in managing public funds
- Above could create unfair treatment across the board if no similar arrangements been applied to other Ministries' officials for recovery actions been imposed on its own officials.
- Cash flow of government would be affected by the accumulated outstanding dues.

Recommendation:

- Management should ensure all imprests are retired within 10 days after completion of official trips in accordance with Financial Regulation. Full compliance in this case should be encouraged and practiced accordingly (FR Section 12)
- Management should regularly check Imprest Unit register for conforming to the issuing of Imprests.
- MFED through it Accounting Unit (Imprest) must not issue imprest to the respective officer until recovery is being made.
- MFED is urged to send reminders to those still have Imprests outstanding.
- Traveling (Imprest) claim forms should be kept safely for auditing purposes and management references

Management Response:

16.3.8. Unavailability of Payment Vouchers

Findings and Analysis:

When conducting the audit we noted 24 requested documents (PVs), as per details in table below, were not provided for audit verification. The amount involved was $88,854.72. Since these payments have not been provided for audit verification we could not confirm the accuracy of such payment. Therefore reasonable explanations must be provided by the concerned Ministry.

#	DATE	CODE	TC#	$
1	12/2/2013	E2501000035A	tc843/12	3,968.75
2	25/01/2013	E2501000035A	tc277/13	3,674.50
3	23/07/2013	E2501000035A	tc376/13	3,490.32
4	4/27/2013	E2505000035A	00010/13	4,198.00
5	4/29/2013	E2505000035A	00011/13	2,680.00
6	6/24/2013	E2505000035A	8073/13	5,168.90
7	8/11/2013	E2505000035A	160884	3,548.00
8	11/27/2013	E2505000035A	au1227	5,082.85
9	12/4/2013	E2505000035A	HQJV 149	2,804.00
10	12/31/2013	E2505000035A	T8173/13	3,340.90
11	12/31/2013	E2505000035A	195226	4,019.94
12	1/2/2013	E2505000027A	TAX 8003/13	5,250.00
13	1/7/2013	E2505000027A	TAX 8004/13	2,250.00
14	10/10/2013	E2505000027A	TAX 8130/13	562.50
15	10/31/2013	E2505000028A	234/10t83/13Fway rental	750.00
16	12/31/2013	E2505000028A	430/5t 36/13Mariata	798.00
17	12/31/2013	E2505000028A	430/5T36/13Mariata Rental	840.00
18	1/3/2014	E2505000028A	BTL payment to PVU	21,308.00
19	5/7/2013	E2505000040A	HQPV4227/5 T8063/13 LPO#9	1,032.50
20	9/24/2013	E2505000040A	hqpv1699/9 t8124/13	3,900.00
21	11/5/2013	E2505000040A	HQPV1036/11 T8143/13	2,100.00
22	12/29/2013	E2505000040A	HQPV1954/12 T81667/13	2,767.80
23	12/31/2013	E2505000040A	513/12t 108/13Punjas	2,659.88
24	12/31/2013	E2505000040A	513/12t108/13Punjas	2,659.88
				$ 88,854.72

Implications:

- The missing payment voucher to support the payments been made is a complete violation of the CAP 79 and the governing FR.
- Being the lead Ministry in public funds custodian it should abide by all governing financial rules, laws and regulations. Failure to comply fully with all the aforementioned laws would arouse doubts on the integrity of supposedly leading Ministry.
- The absence of payment vouchers and/or supporting documentations could veil actions that may had 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 instance future retrieval.
- Management should ensure the movement of batches are recorded and regularly monitored.
- Management should ensure its officials are fully conversant and comply with the provisions of all financial governing rules, laws and regulations
- Management should have a stringent system in place that will deter deviations from the governing laws mentioned above.

Management Response:

17. MINISTRY OF PUBLIC WORKS AND UTILITIES

17.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Public Works and Utilities for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 17.3 discussed in detail below:

17.2. STATUS OF PRIOR MANAGEMENT LETTER ITEMS FOR COMPARISION

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 2012.

- Lack of reconciliation between the MPWU and MFED.
- Lack of segregation of duties in terms of handling of cash and no proper regular review by the accountable officer to check the daily collections.

17.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

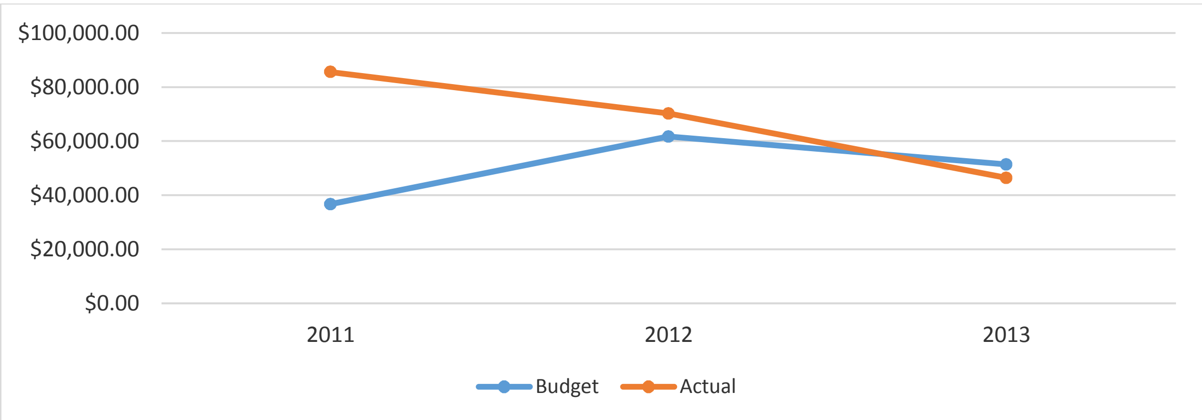
17.3.1. Revenue (Budget)

Findings and analysis:

17.3.1.1. *MPWU Revenue Summary Collection*

Year	Budget	Actual	(Over)/Under
2011	$36,700.00	$85,514.00	($48,814.00)
2012	$61,700.00	$70,206.00	($8,506.00)
2013	$51,400.00	$46,411.00	$4,989.00

17.3.1.2. *Comparative Graph Budget Revenue against Actual*

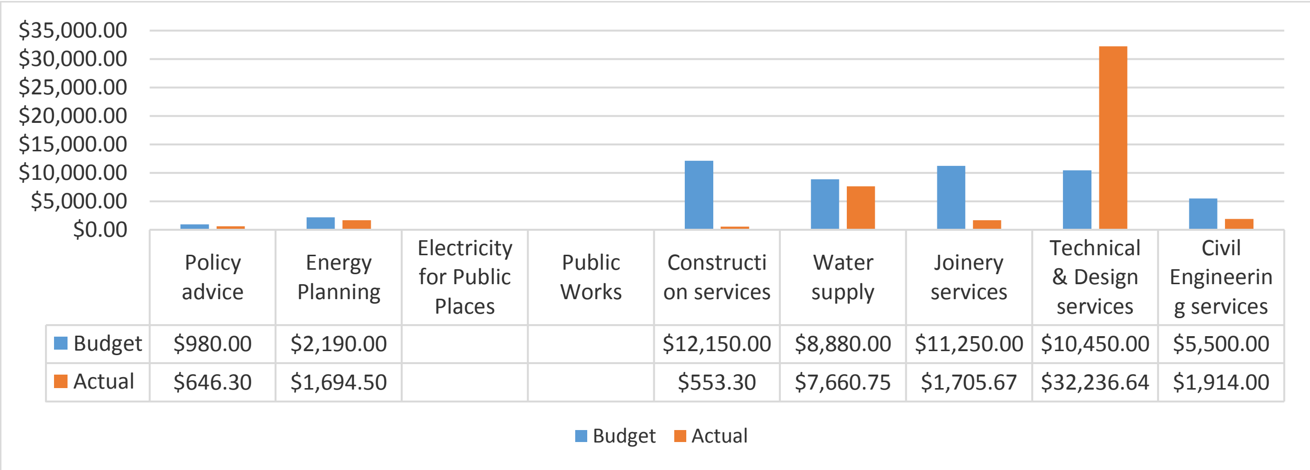


According to the above graph, for the first time in 2013 the Ministry was unable to collect its revenue estimate budget of $51k. The actual collection was $46k meaning that there was an under collections of $4k. Comparatively, in 2011 and 2012 the Ministry had surpass revenue budget estimate of $36k and$61k respectively which contribute to the over collection of $48k and $8k individually.

17.3.1.3. *MPWU Revenues against Budget by Divisions 2013*

Divisions	Budget	Actual	(Over)/Under
Policy advice	$980.00	$646.30	$333.70
Energy Planning	$2,190.00	$1,694.50	$495.50
Electricity for Public Places			
Public Works			
Construction services	$12,150.00	$553.30	$11,596.70
Water supply	$8,880.00	$7,660.75	$1,219.25
Joinery services	$11,250.00	$1,705.67	$9,544.33
Technical & Design services	$10,450.00	$32,236.64	($21,786.64)
Civil Engineering services	$5,500.00	$1,914.00	$3,586.00

17.3.1.4. *MPWU Comparative Graph of Revenue Budget against Actual by Divisions*



As reflected above, only one (1) division; Technical & Design services surpassed revenue budget estimate whereas the remaining divisions unable to achieve targets as shown above table (3.1.3).

17.3.1.5. *MPWU Divisions Revenue Budget against Actual by Allocation (Under Collection)*

	Budget	Actual	(Over)/Under
01 Policy Development			
Sundry Revenue	$980.00	$646.30	$333.70
02 Energy Planning			
Petroleum storage	$2,190.00	$1,694.50	$495.50
05 Construction Services			$0.00
Recoveries of Base stock	$12,150.00	$553.30	$11,596.70
07 Joinery Services			
Sale of stock	$8,880.00	$7,660.75	$1,219.25
Recoveries of Base stock	$9,540.00	$509.67	$9,030.33
Private Works	$1,220.00	$1,192.00	$28.00
Overheard Charges	$490.00	$4.00	$486.00
09 Civil engineering services			
Hire of Plants	$5,500.00	$1,834.00	$3,666.00

The table shows the bulk of the under collection from each output; Recoveries base stock (05) and (07), Hire of plants (09). The remaining outputs still fall behind level of budget.

Recommendation:

Management must find ways of improving revenue collections so the Ministry will be able to meet approved estimate budget.

Management response:

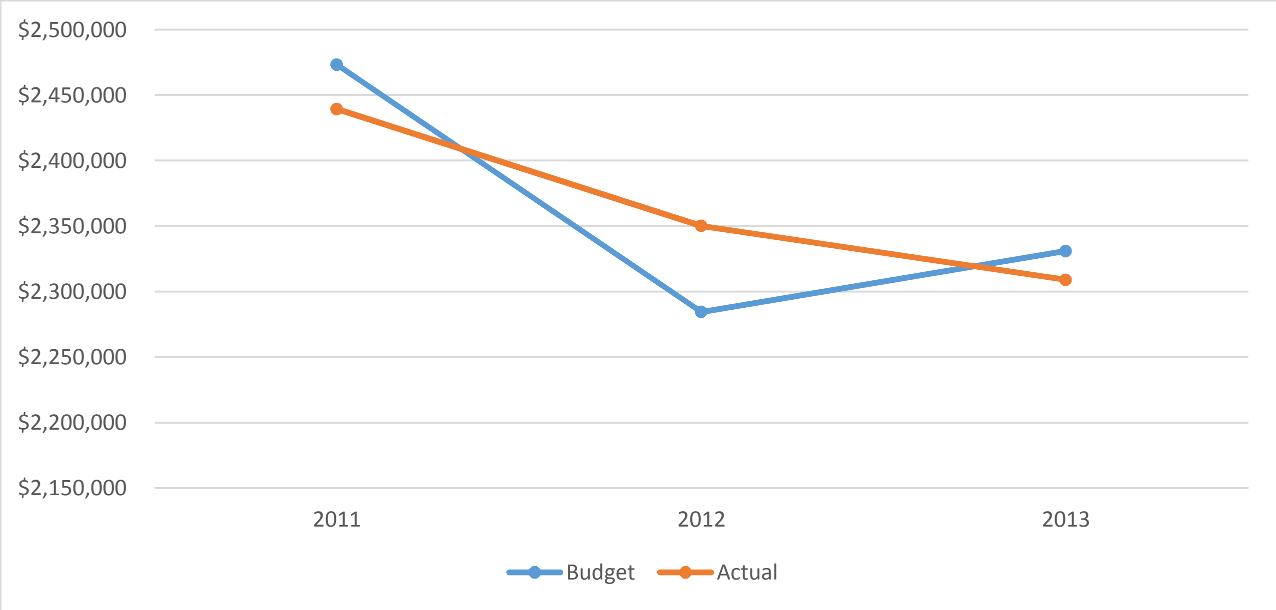
17.3.2. Expenditure (Budget)

Findings and analysis:

17.3.2.1. *MPWU Expenditure Summary*

Year	Budget	Actual	(Over)/Under
2011	$2,473,272	$2,439,342	$33,930
2012	$2,284,380	$2,350,110	($65,730)
2013	$2,331,799	$2,308,930	$22,869

17.3.2.2. *Comparative graph of Expenditures Budget against Actual.*

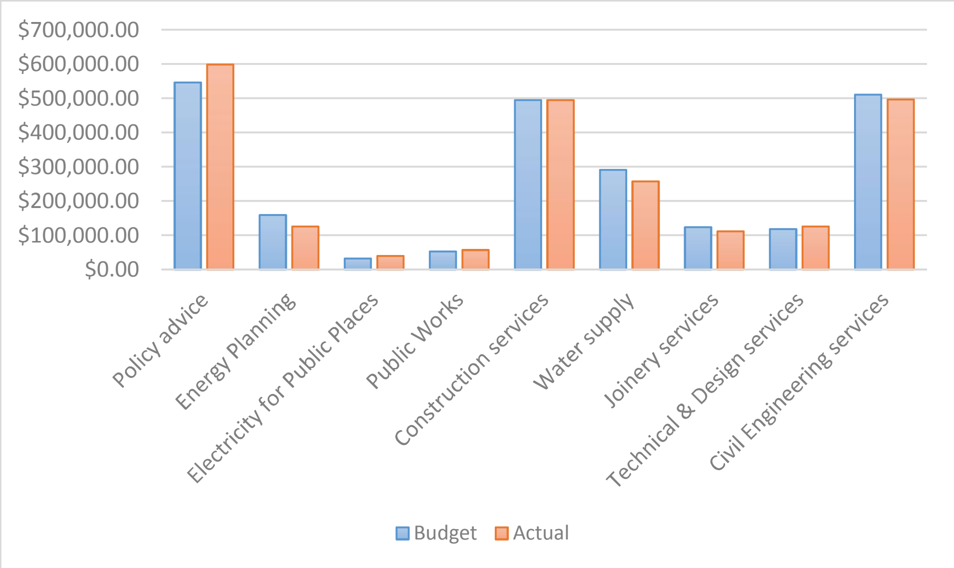


The above graph portrays the level of expenditure trend by which the Ministry shows manageable expend as evidence in reporting a saving of $22k in 2013. In 2013 the Ministry had approved an estimated budget of $2.33m and the actual spending incurred during the year was $2.30m. In 2012 the Ministry fail to operate within budget limit providing that the actual spending exceed approved budget trigger overspend of $65k.

17.3.2.3. *MPWU Expenditure Budget against Actual by Divisions.*

Divisions	**Budget**	**Actual**	**(Over)/Under**
Policy advice	$546,635.82	$598,674.74	($52,038.92)
Energy Planning	$159,298.00	$125,647.23	$33,650.77
Electricity for Public Places	$32,673.00	$39,859.88	($7,186.88)
Public Works	$53,111.00	$57,170.99	($4,059.99)
Construction services	$495,107.00	$494,758.34	$348.66
Water supply	$291,168.00	$257,636.42	$33,531.58
Joinery services	$123,743.00	$111,959.91	$11,783.09
Technical & Design services	$118,450.00	$126,187.62	($7,737.62)
Civil Engineering services	$510,697.00	$497,034.82	$13,662.18

17.3.2.4. *Comparative Graph of Budget Expenditure against Actual Per Divisions*



As highlighted above, the comparison of Ministry's expenditure budget against actual for all divisions showed those only four (4) divisions: Policy advice; Electricity for Public places; Public works and Technical & Design services, exceeded their budget expenditure. The rest of the divisions should be commented for being able to report net savings at end of FY.

Management response:

17.3.3. Revenue Account Records

Finding and Analysis:

The audit testing on the Ministry's revenue records reflected the following issues**:**

I. Cash book.

- Cash book was not up dated hence the posting for January to October 26, 2014 was omitted and missing for audit verifications.

II. General Receipts Register.

- The receipt books issued to MPWU by the Revenue Cashier at the Ministry of finance and Economic Development were not recorded in the register and neither being recorded in the register as being received by the cashier at MPWU. Hence the General Receipt Book register for both the Ministry of Public Works and Utilities and MFED were not maintained.

- Due to the absence of the receipt book register the number of used and unused receipt books and divisions or name of staff issued with receipt books could not be confirmed. The ministry's six (6) receipt books available and provided during the auditing as listed below were without other details required that should be disclosed in the register.

1. 043401-044000	4. 052601-052800
2. 040601-040800	5. 062401-062600
3. 013001-013800	6. 035201-035400

III. Form A

- The Ministry of Works and Ministry of Finance have no Form A[1] provided for audit verification when requested during the audit. That is, Form A copies were not available together with the original copies kept at MFED. Thus verification of Form A extracted from the cash book as listed in the table below could not be made:

Form A	Date	Receipt No.	Amount
124/13	27/10/13-05/11/13	052729-052760	3,919.85
125/13	04/11/13-10/11/13	052761-052796	4,337.70
126/13	10/11/13-13/11/13	052797-062408	1,321.20
127/13	13/11/13-13/11/13	062409-062420	799.80
128/13	13/11/13-17/11/13	062421-062440	2,471.20
129/13	28/11/13-19/11/13	062441-062452	1,461.40
130/13	19/11/13-25/11/13	062453-062485	3,699.20
131/13	26/11/13-27/11/13	062485-062392	894.20
132/13	27/11/13-02/12/13	062493-062512	2,742.00
133/13	03/12/13-09/12/13	062513-052544	4,423.10
134/13	09/12/13-11/12/13	062545-062556	1,183.10
135/13	11/12/13-18/12/13	062551-062588	3,871.20
136/13	18/12/13-28/12/13	062589-067439	6,647.30
137/13	28/12/13-01/01/14	067440-067448	1,067.70
	Total		**$ 38,838.95**

Furthermore, after tracing the above Form A to the GL Revenue for MPWU, some Form As were valued at no more than $1.50 while other Form As were not disclosed in the GL. For instance Form A ref: 127/13 was not appeared in the GL and Form A ref: 134/13 was valued at $1.50.

Implication:

- If cash book was not update this can result in the variances between MFED and MPWU records.
- Failure to maintain register to record all receipt books pursue the prospect to manipulate receipt which can trigger misappropriation of cash.
- There is an opportunity to commit and conceal theft as result of the non-production of Form A

Recommendation:

- Management must regularly conduct review to ensure that cash book are kept up to date and to ensure that reconciliation should be perform in a timely manner.
- The register must be open and maintain in order to keep track of movement of receipt books
- Management urge to kept all relevant information and other vital financial record in a more secure environment and readily available during the audit.

Management response:

17.3.4. Direct Purchase Local

Findings and analysis:

- There were items purchased which had never been recorded in the store ledger when cross referencing the no. of items purchased to the store ledger as followed:

PV no.	Amount	allocations	Items	Supplier
531/13	2,998.00	E2709_40A	2 laptops @ $1499	Tetanini
263/13	970.00	E2709_40A	2 Davey pump @ $485.00	Cenpac Marine
260/13	4,261.40	E2709_40A	40 pcs Insulation tape 200 mtr cable wire 2.5 mm 100 mtr cable wire 6mm 100 mtr cable wire 6mm 80 energy saver bulb 25 watts 18 Circuit breaker 6Amp 30 folder senfor switch 240 vlts	Angiriin Hardware
261/13	548.50	E2709_40A	1 Roll chain linked fence coated 2 Galvanized pipe 2" 1 roll tie wire	Angiriin Hardware
368/13	3,925.90	E2709_40A	6 tyre & tube (8.25 - 16) 6 tyre (7.50 - 16) 6 inner tube(7.50 - 16 2 Fan Belt 1 Brass rod	PVU
573/13	567.50		5 Pcs welding rods 3 broom 1 angle grinder(bosh) 1 hand drill 1 power drill	Betio Min Mart
755/13	810.00	E2709_40A	3 batteries Loader 120@ 270	Newways
763/13	307.60	E2709_40A	Monitor screen Bus fare drop invoice Using phone to follow up	Lixma

Implications:

Tools and office equipment acquired but not recorded in the store ledger would be unrecoverable when gone missing.

Recommendations:

Management must regularly review the position of the base stock to ensure that all items are properly tagged and recorded in the Store ledger.

Management response:

17.3.5. External Travel - Imprest

Findings and Analysis:

Imprest has noted not being retired as evidenced by the amount of $5,255.00 as indicated below:

Date	Code	PV #	Details	Amount
14/05/13	E2701_35A	334/13	Travelling claim - Maketa Iotebwa(attend Conservation management training	$ 432.45
28/06/13	"	654/13	T/C - Reenate Tanua to attend 2nd Asian Pacific Water Summit(13/05/13 - 23/05/13)	$ 2,190.96
19/05/13	"	1031/13	T/C - Eita Metai - Checking products for Road at Brisbane & Kiritimati Is.(05/03/13 - 22/03/13	$ 2,507.27
2/9/13	"	1096/13	T/C - Miriam Tikana for W/Shop in Fiji (Energy Database - (18/08/13 - 24/08/2013)	$ 124.32
			TOTAL	**$ 5,255.00**

Implications:

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

Recommendations:

- 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:

17.3.6. Log Books

Findings and analysis:

The log books were not maintained for the following vehicles:

Driver's Name	Req. No.
Headquarter transport	BG 042
Construction Division	367
Construction Division	222
Civil Engineering Director	BG 152
Civil Engineering Director	BG 162

Building and Engineering	BG 242

Implications

Failure in maintaining and reviewing of vehicles log books will lead drivers to abuse and misuse of governments' vehicles.

Recommendation

Reviewing the drivers log book in the manner of all drivers log book should maintained and up to date in order that any official routes taken at a given time, fuel consumed and date are recorded respectively.

Management response:

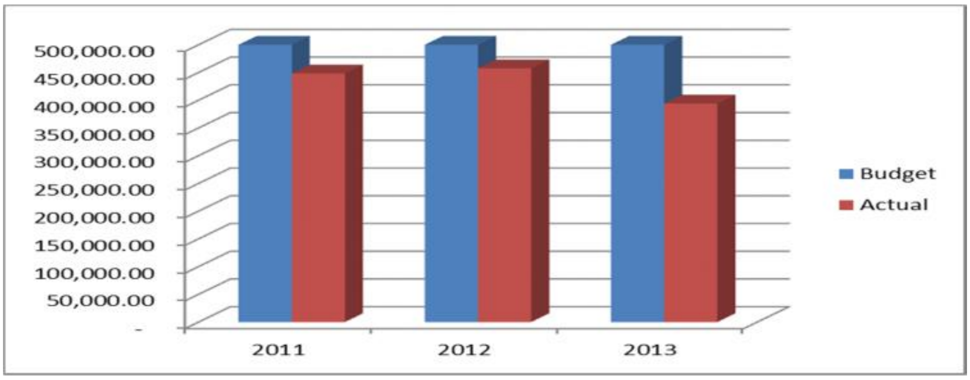
17.3.7. Other Commitments Building and Maintenance - E316000050a

Finding and Analysis:

17.3.7.1. *Other Commitments Expenditure Summary*

Descriptions	2011	2012	2013	Total
Budget	500,000.00	500,000.00	500,000.00	1,500,000.00
Actual	448,110.31	457,617.33	393,953.46	1,299,681.10
Variance	$ 51,889.69	$ 42,382.67	$ 106,046.54	$ 200,318.90

17.3.7.2. *Comparative Graph Expenditure Budget against Actual*



In 2013, there was a remaining balance of $106k from the $500k allocated for repairs of Gov't building, as disclosed in the Management report 2013[2]. This was an indication that some of the activities/jobs were not carried out during 2013. This remaining fund could have better been utilized by other Ministries in dire need of repair.

Management response:

18. MINISTRY OF LABOUR & HUMAN RESOURCES DEVELOPMENT

18.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Labor & Human Resources Development for the year ended 31 December 2013. A qualified opinion should be expressed as being "except for" the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 18.3 discussed in detail below:

18.2. STATUS OF PRIOR MANAGEMENT LETTER FOR COMPARISON

The following issues were noted as the causes of the audit opinion for the Ministry of labor & Human Resources Development performance in the fiscal year 2012.

- Colossal excess in the estimate budget which result in an overspend.
- Lack of performing proper reconciliation with MFED and failure to maintain vote book.
- Insufficient control over the revenue collection.
- Payroll weakness.
- Lack of maintaining and updating store book (register).

18.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

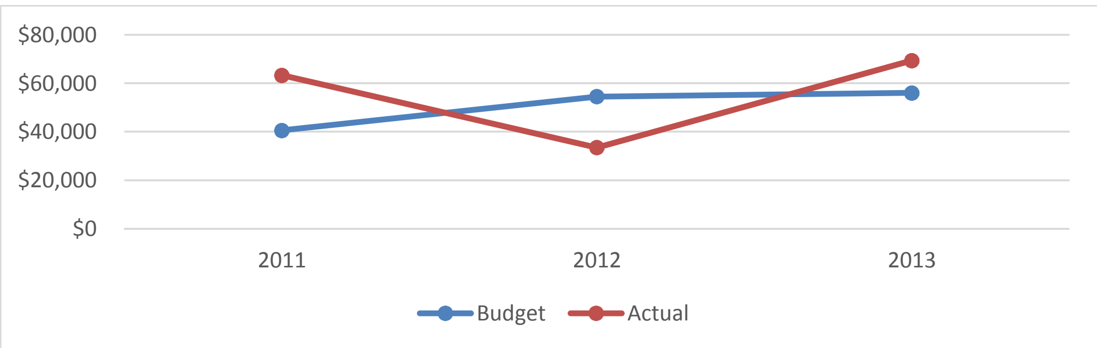
18.3.1. 3.1 REVENUE BUDGET

Finding and Analysis:

18.3.1.1. *MLHRD Revenue Summary Collection:*

Year	Budget	Actual	(Over)/Under
2011	$40,530	$63,266	($22,736)
2012	$54,480	$33,517	$20,963
2013	$56,005	$69,355	($13,350)

18.3.1.2. *Comparative Graph of Budget Revenue against Actual*

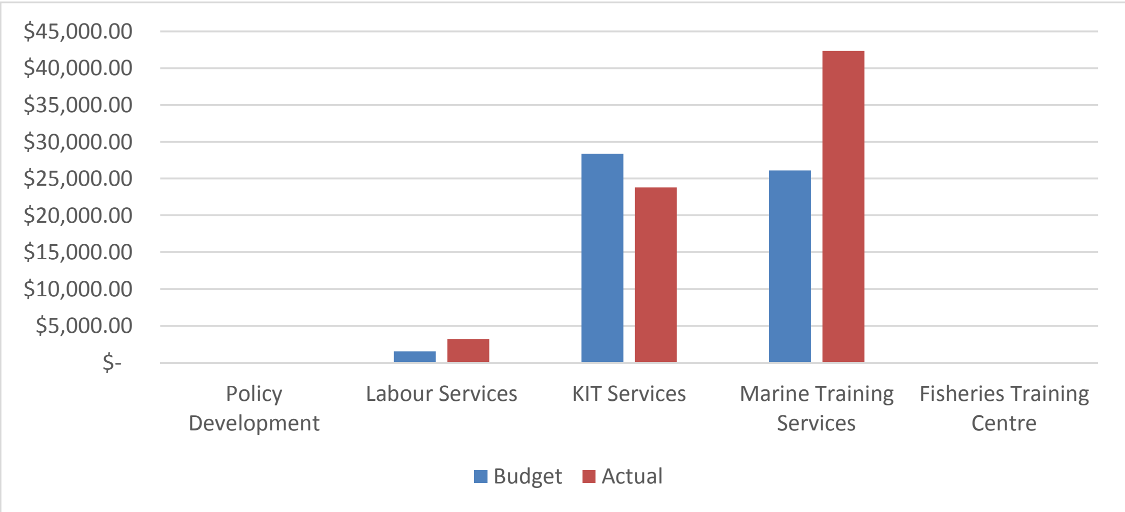


The increase in the actual revenue of $56k in 2013 had shown an improve in the revenue collection as determine by exceeding estimate budget of $69k which contribute to the overall saving of $13k when compared with the shortfall in the revenue collection of $20k in 2012. The Ministry should be commended for such achievement and require to maintain its revenue collection in the future.

18.3.1.3. *MLHRD Revenues against Budget by Divisions.*

Divisions	**Budget**	**Actual**	**(Over)/Under**
Policy Development			
Labour Services	$1,542.00	$3,236.50	($1,694.50)
KIT Services	$28,352.00	$23,792.80	$4,559.20
Marine Training Services	$26,111.00	$42,326.00	($16,215.00)
Fisheries Training Centre			

18.3.1.4. *Comparative Graph of Budget Revenue against Actual Per Divisions*



From the above comparative graph it is clear that the main revenue stream of collection are; Labor services, KIT services and Marine training services while Policy Development and Fisheries training Centre have no revenue. Overall, Marine training services has the highest revenue collection of $16k and slight collection for labor services of $3k whereas KIT Services does not meet its target.

Recommendation:

The Ministry should be commended for such achievement and to ensure it continue its efforts in increasing its revenue collection in the future.

Management response:

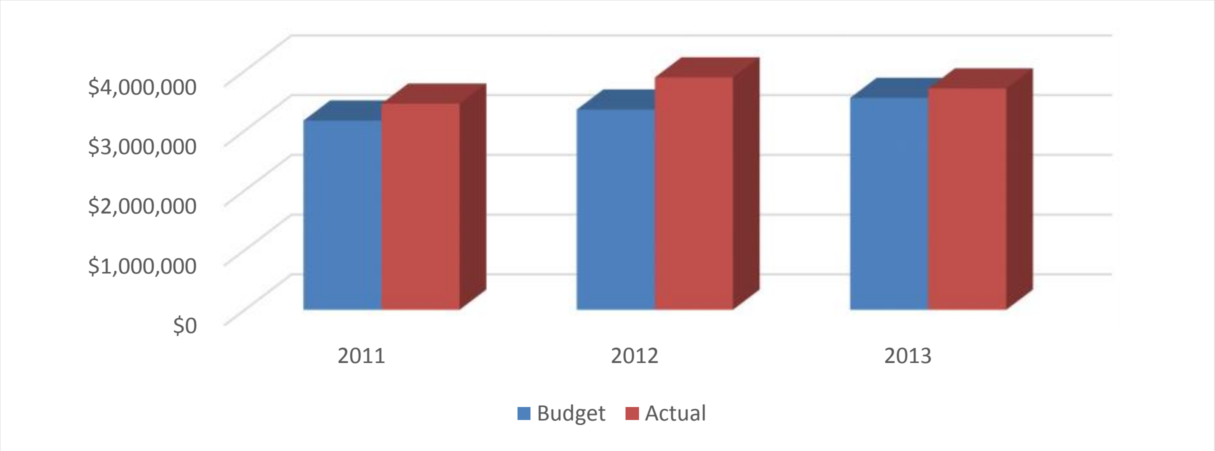
18.3.2. Expenditure (Budget)

Finding and Analysis:

18.3.2.1. *MLHRD Expenditure Summary*

Year	Budget	Actual	(Over)/Under
2011	$3,165,520	$3,449,139	($283,619)
2012	$3,350,964	$3,888,698	($537,734)
2013	$3,545,963	$3,702,696.70	($156,733)

18.3.2.2. *Comparative graph of Budget Expenditure against Actual.*

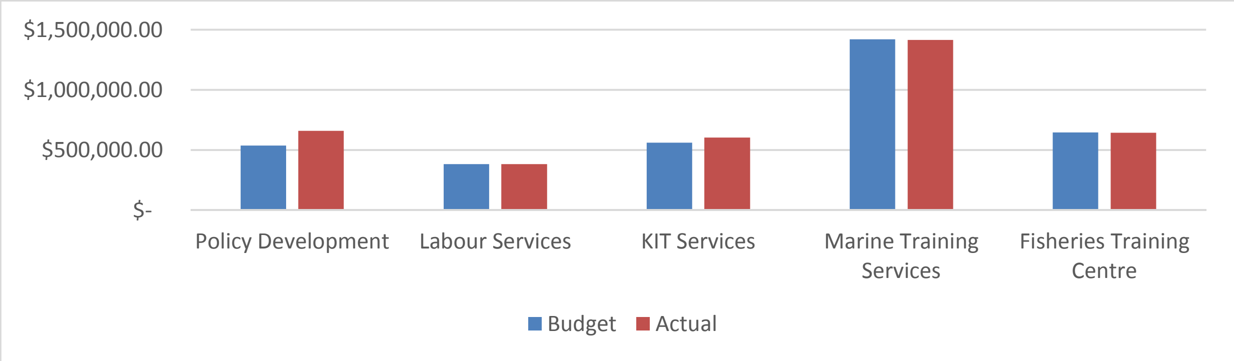


As evidence from the above analysis, consecutively for the last three years the Ministry has unable to mobilize the level of its expenditure having exceed an estimate budget which cause the overspend within the year (2011-2013) even though the ministry has granted an increase in its budget. In 2013 the Ministry overrun budget by $157k which is also the same issue in 2011 and 2012 when the ministry suffered a huge overspend of $283k and $537k respectively.

18.3.2.3. *MLHRD Expenditure Budget against Actual by Divisions*

Divisions	Budget	Actual	(Over)/Under
Policy Development	$ 536,324.96	$ 659,904.71	-$ 123,579.75
Labour Services	$ 383,166.00	$ 383,074.05	$ 91.95
KIT Services	$ 561,269.00	$ 604,116.84	-$ 42,847.84
Marine Training Services	$ 1,418,079.00	$ 1,413,400.09	$ 4,678.91
Fisheries Training Centre	$ 646,826.00	$ 642,201.01	$ 4,624.99

18.3.2.4. *Comparative Graph of Budget Expenditure against Actual Per Divisions*



Two out of the five (5) divisions within MLHRD fail to operate in favor of their budget estimate. The bulk of the overspend causes from Policy development and KIT services. The remaining division continues operating within limit.

18.3.2.5. *MLHRD Divisions Expenditure Budget against Actual by Allocation (Output)*

	Budget	Actual	(Over)/Under
01 Policy development			
KPF	$ 12,123.00	$ 15,542.85	($3,419.85)
Transport to normal place	$ 17,305.00	$ 20,566.74	($3,261.74)
Internal travel & transport	$ 12,760.00	$ 15,703.82	($2,943.82)
External travel & transport	$ 89,809.00	$ 200,305.00	($110,496.00)
Direct purchases -local	$ 25,261.00	$ 29,521.86	($4,260.86)
02 Labour Services			
Direct purchase-local	$ 11,877.00	$ 15,595.56	($3,718.56)
03 KIT services			
KPF	$ 24,359.00	$ 25,343.05	($984.05)
Temporary assistance	$ 11,542.00	$ 23,171.94	($11,629.94)
Electricity & Gas	$ 36,800.00	$ 67,550.00	($30,750.00)
04 MTC			
Direct purchase-local	$ 392,197.00	$ 392,491.47	($294.47)

The table above shows major output with excessive actual of spending. As can be noted the focal excess of spending that contribute to the budget overrun is the External travel under (01 Policy development) of $110k, Electricity & Gas of $30k and temporary assistance of $11k (03 KIT services). While the remaining output still operate above estimate budget.

Recommendation:

The Management must strengthen and strictly control the level of its expenditure in order to operate in favor of approved budget so that the Ministry can avoid excess spending at the end of the year.

Management response:

18.3.3. 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 GL balance or Management report. This is an indication of poor control over the management of vote ledger where it should always be agree or reconciled against Finance record.

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:

18.3.4. Outstanding Imprest $29,453

Finding and Analysis:

The audit notes that the following MLHRD Staffs has an outstanding imprest as stated in the table below.

MLHRD - POLICY DEVELOPMENT (E2801)	
PF#	**AMOUNT**
95082	3,329.47
96228	1,224.86
50	5,179.36
2002131	3,493.01
	$ 13,226.70

MLHRD - LABOUR SERVICE (E2802)	
PF#	**AMOUNT**
2005298	275.90
2008133	424.08
95155	899.93
	$ 1,599.91

MLHRD - FTC (E2805)	
PF#	**AMOUNT**
2009258	476.85
2008155	521.04
96059	315.00
	$ 1,312.89
MLHRD - KIT (2803)	
PF#	**AMOUNT**
2001172	1,181.00
92060	1,946.00
99092	4,500.00
94049	450.00
	$ 8,077.00
MLHRD - MTC (2804)	
PF#	**AMOUNT**
2009101	3,411.50
2010098	315.00
94041	1,510.00
	$ 5,236.50

Implication:

- 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 retirement 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 Response

18.3.5. Local Contribution to Development Fund

Findings & Analysis

Banaba Compensation (LCDF):

- The amount of $819k was the actual spending utilized to cater for Banaba compensation in 2013, however although the amount that was budget for was not reflected in other commitments as compared to the 2012 when the Ministry budget for $500k.

- After selecting sample of PV from the GL to check for accuracy and completeness. It was noted that (PV#29/13 $87,607.50) was deemed inappropriate since some of the claimant are not signed. There neither details of RR to show that payments have been returned nor written authority for release of the salary.

Implications:

- Funds may not be spent in line with the Banaba compensation requirements. Funds may not be furthering or achieving the desired goals.
- There is risk that unsigned compensation could be misappropriated or lost. Those receiving funds without signing could later claim that they did not receive the allowance.

Recommendation

- Management should implement a formal reporting process on how money is spent.
- Management should ensure that where payment in regard Banaba compensation is not signed for, they are not paid out. Any unpaid compensation should be held securely until they can be signed for and paid out/ return to MFED.

Management response:

19. MINISTRY OF LINE PHOENIX ISLAND DEVELOPMENT

19.1. AUDIT OPINION

A Modified audit opinion (qualified opinion) was issue for the Ministry of Line Phoenix Island Development for the year ended 31 December 2013. A qualified opinion should be expressed as being “except for” the effects of the matter to which the qualification relates (ISA 705, paragraph 7). The qualification was due to significant matters as 19.3 discussed in detail below:

19.2. STATUS OF PRIOR MANAGEMENT LETTER FOR COMPARISON

It was noted during the audit that all matters raised in previous audit reports have been dealt with accordingly.

19.3. SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

19.3.1. Control over Revenue

The Ministry of Lines and Phoenix Islands has eight major revenue heads including sundry revenue as detailed below:

Code	Item	Actual	Budget	Variance
C2901000001A	Sundry Recoveries	11,441.29	3500	(7,941.29)
C2901000002A	Rental of Gov't Premises	8,074.88	23000	14,925.12
C2903000001A	Carpentry & Joinery	1,481.45	1000	(481.45)
C2904000001A	Rental of Houses	92,662.32	68000	(24,662.32)
C2905000001A	Sales of Electricity	427,775.71	250000	(177,775.71)
C2907000001A	Water supply fees	31,003.87	46000	14,996.13
C2909000001A	Solar salt Sales	19,127.80	5000	(14,127.80)
C2910000001A	Computer Services	1,663.40	1500	(163.40)
C2911000001A	Sale of business plans	1,652.50	1000	(652.50)
	GRAND TOTALS	**594,883.22**	**399,000.00**	- **195,883.22**

As reflected above the actual revenue collected exceeded the estimated revenue significantly by 50 %. All revenues heads exceeded estimate, except for Rental of Government premises and Water supply fees.

19.3.2. Government Rental Premises

The shortfall of revenue from government premises was $15,060.12 (i.e. $23,000 (Budget), less Actual of $7,939.88[1]). Such shortfall was attributed to the following tenants:

Gov't Property:	Budget	Actual	Variance
Warehouse	7572[2]		7572
ANZ	1800	1800	0
Fair Price	4908	2863	2045
Dojin	2184	1456.88	727.12
Western			
Union	1800	1200	600
Pre-school	960	80	880
Other	3776	540	3236
Total	23000	7939.88	15060.12

In 2013, there were no tenants of the warehouses, so its budgeted revenue could not be received during the year. The rest of the tenants, except ANZ, had not paid their rent in full.

Implications:

This outstanding rental charges had a negative impact on the cash flow and also had affected the overall government revenue from which all government spending in 2013 were financed.

Recommendations:

- MLPID to provide and maintain the aging analysis of these outstanding rental charges.
- MLPID should find effective ways and means of collecting outstanding rental charges from tenants and keep the outstanding rental charges to the minimum.

Management response:

19.3.3. Electricity Sale

According to the GL, the revenue collection was more than $427k, exceeding the budget by $177k. However, the accumulated outstanding total amount for electricity bills as at end of 2013 was $576,067.29 made up as follows:

1)	Domestic	$27,457.94
2)	Commercial	$533,520.75
3)	Disconnected/demolished	$15,088.60
	Total	$576,067.29

[1] $8074.88-135 (miss posting)

[2] Warehouse (BKL) $5,484 and Warehouse (near CPPL) $2,088.

Included in the total receipts of $427k earlier mentioned were journal voucher (JV) entries valued at over $46k. Also noted was that these JVs were part, not full payment of Electricity bill, in respect of some Ministries. For instance HQJV316 amounted to only $3000 was a part payment for Land Management total E/Bill of $22,393.19. That is only 14 % of Land Management E/bill of over $22k was partly settled, via a JV.

Based on the budget for electricity, the revenue was set at $250,000 while the fuel budget provided, which was funded by GoK, was $786,201 thus resulting in a shortfall of $536,201, being an amount subsidized by Government. It is therefore of paramount importance for MLPID to continuously exert pressure on the collection of arrears of electricity from slack customers and to ensure, for fairness sake, all Ministries including MLPID are charged and pay up their bills promptly in full.

Implications:

The poor collection of sale from electricity will result in a cash flow problem which would contribute to unnecessary drain out of public funds.

The accumulated outstanding bills from commercial operators, which constitute about 93% of total outstanding bill, indicated Government has provided subsidies to these operators at detriment of public funds.

Recommendations:

1) Electricity section should ensure that all customers' outstanding electricity bills be well recorded and to expedite prompt recovery actions.
2) All journal vouchers raised are to be matched with the total outstanding bills.
3) The MLPID Office should not be exempted from electricity charges on its consumption.
4) MLPID to consider means of increasing the annual revenue budget for electricity so it matches with fuel cost supply that is funded by GoK.

Management responses:

The Electricity Section does have a record/subsidiary ledger for each house and everyone does know that disconnection will be on the last week of each month. The bulk of this outstanding is mainly from Gov't Companies and then those Employees that were transferred, retired and deceased. Recovery of these outstanding is slower as there is a need to print deductions from Salary for confirmation. As for Gov't Companies, we have sent reminders for settlement but asked for more time as it short notice and need ample time to check for surplus from other outputs.

In the past, the Former AG have advised former SA not to disconnect all Gov't Companies as there is a special account to set up whereby payment will be made from that account. Till now nothing happens so we continue to charge each company (gov't).

19.3.4. Deposit not on Daily Basis

Findings and Analysis

Audit tests revealed that there were a number of daily collections not banked on a daily basis. For instance, the collection for the 2nd April was banked on the 15 April, more than a week after collection. The cash collections from 3rd to 4th April were banked on the 15 April. The revenue collection for the 5th April was banked on the 25th April and collection for 18 April was banked on the
22 April, 2013.The revenue collection for 4th to 5th March 2013 was banked on 11 March 2013. 6th to 7th March was banked on 11th March. The total amount involved for these delayed banking is detailed
in the table below.

Date of Collection	Date of deposit	Amount	Reference
4th to 7th March 2013	11 March 2013	$7,317.37	20130302 and 0303
2nd to 4th April 2013	15th April 2013	$7,586.34	20130401 and 0401
5th April 2013	25th April 2013	$14,326.81	20130413
18 April 2013	22 April 2013	$6,905.59	20130409 and 0410
Total		$36,136.11	

Some of the revenue collections for December 2012 were also being mixed up with January 2013 Form A. This implies that some collections for December 2012 were deposited in January 2013.

It is therefore obvious that actual cash collected for the said periods has been kept somewhere before being banked. The most suitable place for these collections to be kept at, which is unfortunately not available, is the safe. FR 6.5

Issues/Implications

No safe for cash
Cash holding time = two, three weeks
Amounts involved by identified days, substantial
FR banking requirement? BoK only few paces from MLPID revenue office
The likely implication of such issue would be: 1) misappropriation or loss of public funds and 2) deviation from the relevant clauses of the Financial Regulation.

Recommendations:

- Management should monitor closely actions of Revenue division of their bank pay ins and ensure a safe is quickly provided for Cashier.
- Reprimand should be considered for those failing to promptly pay in daily revenue collections.
- The Revenue clerk, after the Form A had been signed off by the Senior Account, should deposit all collections on a daily basis.

Management response:

We accept and apologized for this oversight. The problem could be mended at that time according to details received as that Cashier was pregnant for that time and experienced any common sickness that occur during early months.
Monitoring and control was weak as other Account Clerk should be placed to take over during that absent periods.

19.3.5. Bank Reconciliation Statements: No .5 Bank Account Findings and Analysis

As reported in my previous audit report, the proper bank reconciliation statements were not available
as none was prepared in a correct format.

Certainly, the current balance for Gov't No. 5 Bank account of $2.59m as appeared in the 2013 annual account was deemed excessively overstated by over $2m when compared to either MLIPD's Cashbook or Bank balance of $176k and $281k, respectively. In this case, given the absence of the proper bank

reconciliation statement for 2013, the most acceptable balance for the No. 5 Bank account as at 31 December 2013 should be $281k and not $2.59 m as reported in the 2013 Annual Account.

Implication

Without a proper bank reconciliation statement, direct debits or any other bank errors would not be easily detected which could ultimately lead to loss of public funds. Lack of proper bank reconciliation statement contravened FR 16.13

Recommendations:

- The Senior Accountant should ensure that proper format of the bank reconciliation statement be used when preparing the monthly bank reconciliation statement.
- The SA to ensure a monthly reconciliation is carried out so to agree with the cash balance appearing in the bank statement.
- The ending Cash at bank balance as per record of the account section MLPID should be amount disclosed or reported in the 2013 Annual Account.

Management response:

Training from Ministry of Finance and Economic Development had been conducted to MLPID following previous Audit findings. Since Attache's program still not back to use in Kiritimati, reconciliation was still prepared but this only between the bank statement and MLPID cash book. Unfortunately what's been reconciled did not enter in System hence a substantial amount as stated above.

With the assistance of local Consultant, Dr Ieete with reconciliation format there will be a change in balance if the System not affected by Power on/off before closing of 2014 Annual Accounts.

Lastly, since this case not solved we will leave this matter to Acting Accountant General for improvement.

19.3.6. Access/Database for Banking/Receipts

Finding and Analysis

Tracing Form A or individual revenue code in the Access Database was not possible since relevant Form As' references were excluded when posting monthly receipts to the Access Database. Form As summarized the daily collection according to their revenue codes.

Therefore monthly total amount for each revenue outputs could not be examined, analyzed and compared to the 2013 Annual Account.

Implication:

Certainly, insufficient details of revenue transactions could result in a miss allocation and would not be conducive when reconciling individual revenue accounts at the end of the financial year.

Recommendations:

- The Access data base application should be able to capture detailed transactions appearing on the Form A.
- All Form A details should be fully disclosed in the Access data base.

Management response:

We still keep the old ways of keeping records according to FR. Since no standardize Access Database introduced, we line ministries tend to create our own Access as to make our work easier and fast but in fact according to Audit findings, it does not.

A new Access was introduced by SMIS III project in which all Line Ministries has to use and since some of your staff were invited during this presentation, hopefully they stated this recommendations to account for in the Standardized Vote Access.

19.3.7. Control Over Expenditure

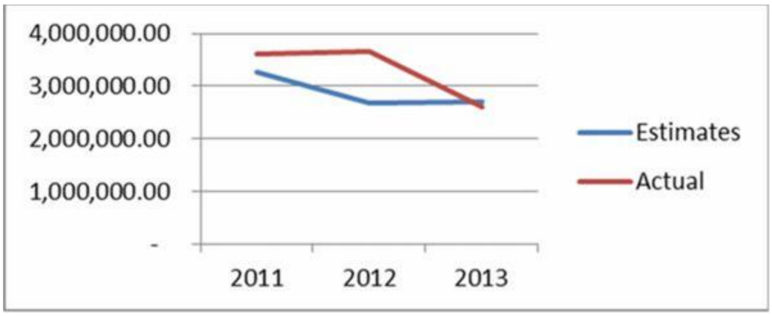
19.3.7.1. *Expenditure Table against Estimates – MLPID 2013*

Finding and Analysis:

Expenditure against Budget 2013			
Expenditure	**2011**	**2012**	**2013**
Estimates	3,278,756.00	2,678,756.00	2,698,278.96
Actual	3,600,521.00	3,667,198.00	2,594,683.67
Under/(Over)	(321,765.00)	(988,442.00)	103,595.29

The Ministry's expenditure budget when compared to the actual spending incurred during 2013 showed a net saving of over $103k.

19.3.7.2. *Expenditure Graph against Estimates 2013*



As can be seen from the above graph, 2013 was for the first year the ministry had reduced its spending level resulting in a net saving of $103k when compared to the previous two years, 2011 and
2012, when the ministry reported excess net spending of $321k and $988k respectively. The ministry showed a major improvement in monitoring all its activities in 2013 and therefore should be commented on such notable performance.

19.3.7.3. *Expenditure Table by Divisions against Estimates*

Finding and Analysis

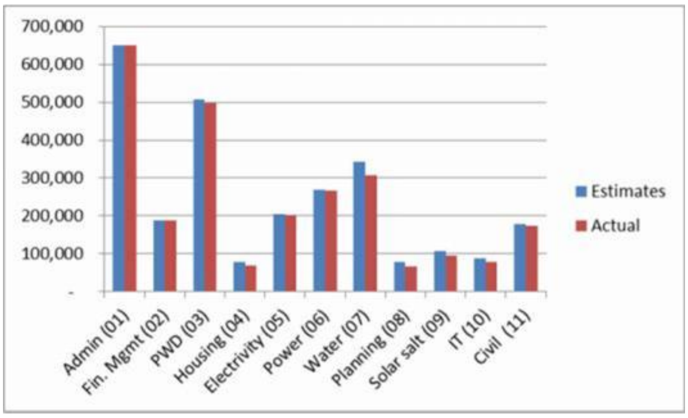
The table below summarized the Ministry's outputs budget against actual expenditure.

			Comparative expenditure against estimates by Divisions - 2013								
Division	**Admin (01)**	**Fin. Mgmt (02)**	**PWD (03)**	**Housing (04)**	**Electivity (05)**	**Power (06)**	**Water (07)**	**Planning (08)**	**Solar salt (09)**	**IT (10)**	**Civil (11)**
Estimates	650,954	187,769	506,797	77,522	205,347	268,950	343,454	78,483	106,374	87,472	177,458
Actual	651,123.56	187,807.37	497,889.20	69,783.71	201,585.59	265,606.66	306,799.93	67,130.08	94,070.94	78,893.95	173,992.68
Net/(Over)	**(169.56)**	**(38.37)**	**8,907.80**	**7,738.29**	**3,761.41**	**3,343.34**	**36,654.07**	**11,352.92**	**12,303.06**	**8,578.05**	**3,465.32**

As highlighted above only two outputs: Admin and Finance Division reported immaterial overspending while the rests disclosed net savings.

19.3.7.4. *Comparative Graph against Estimates by Divisions – 2013*

The Ministry has 11 divisions and none of them reported overspending as detailed in the graph below.



The Graph above shows all divisions' respective actual spending for the year 2013 against approved estimates. However the audit noted some of the provisions may have been set too high, for instance, the provisions for Water and Solar Salt of over $36k and $12k, respectively, were deemed too excessive.

Recommendations:

- Ministry should revise its budget for those outputs with excessive net savings
- T h e Ministry should continuously maintain such good performance on its financial operation in future years.

Management response:

This was true because a tight control over activities where seen not priority and secondly, the removal for costs of fuel for Power Generators from Ministry's budget to Local Contribution to Development Fund.

19.3.8. Payroll – Salaries

Findings and Analysis

The table below showed the comparison of Ministry's salary budget against MFED's record

Salary			
Budget	Pay Costing	GL report	Min Recds
1,360,451.00	1,207,984.24	1,145,120.22	719,774.47

It was clearly stated from the above table that the Ministry records does not always complement the Finance figure GL rpt/Mgmt Report and this shows that no proper reconciliation has been performed between these two parties i.e MFED and MLPID. As noted there was a variance of **$425k between Finance**

(GL report) and Linnix, $62k between pay costing and GL report in which the audit found that these amounts were too excessive and must be corrected or justified accordingly by the concerned ministry.

The audit found that the salary level of one of the five officers whose salaries were audited should be reviewed for adjusted accordingly. As per stated on Payroll in year 2013 the officer has been paid on level 9(3) from Jan – April and hurdled to level 9(4) from May – December. The audit believes that something wrong here since the officer has shift her salary level within one year in which she supposed to be on the next level in the following year as usual.

Also the audit noted that her salary progression was also wrong and must be corrected accordingly. Her first appointment (internal on Promotion for Level 10-9/8 from PSC was 01/01/09 and this is where she starts paid on level 10(1) in 2009. Last year 2013 she was supposed to be paid on level 9(1) but the audit found she was paid on level 9(3) from Jan-April and level 9(4) from May-Dec thus resulting in an overpayment $630.00. It was further noted some staffs of this ministry had been awarded salary increments without any performance appraisal (SPA) being rose thus indicating the Ministry's failure in complying with NCS Section E1.5 (F).

In addition, the audit also detected that one officer named: Bwerita appeared on two payrolls, one in payroll for E2905 and the other for E2911. In this instance, the concerned ministry should check and delete the inappropriate one from the Payroll accordingly.

Implication

- The support of a SPA to any salary increment would encourage staff to strive hard and competitively failing by which no reward in the form of salary increment will be granted.
- The absence of a monitoring mechanism on payroll would cause undue expenses to MLPID, for example, double payments of salary, unwarranted salary increases.

Recommendation

- The concerned ministry should review staffs incremental date and ensure that appropriate procedures be applied fairly to all staffs, re NCS Section E refers.
- The Ministry should recover unwarranted salary increments from staff concerned.
- The ministry through the account section should check names on payroll and ensure that no repeated names appear on the payroll.
- The Ministry should ensure the double salary payment is recovered with immediate effect and take remedial actions where necessary.
- Proper reconciliation should be implemented between these parties.
- Strong internal control over salary increments must be put in place to avoid any grievances.

Management response:

I had progress the Officer's salary and found to be correct. She should be paid on L9/3 for the whole 2013 therefore her overpayment for periods after April 2013 has to be generalized to her Advance account. I now leave this matter to Salary for confirmation and then surcharge Officer's Advance account. These will be included in 2015 account. The other officer named Bwerita is okay as output E2911 charged for his salary or wages whereas output E2905 is for his tool allowance.

19.3.9. Allowances – Overtime, Charge, Shift, Dirt

Overtime

Findings and Analysis

Overtime for two employees selected were not tested due to unsupported Payment voucher number
2705/13 for Beri Ioane/others $1140.7 and unavailability of PV number 3079/13 amounted to $985.8 for Tooma/others. Audit detected that no copies of overtime dockets and other supporting documents attached with PV 2705/13 thus audit could not verify or confirm the accuracy of amounts being claimed.

Implication

The absence of supporting documentations to the overtime PV will annul the payment been made and the absence of the PV would make it difficult for the audit to authenticate the amount been paid.

Recommendation:

- The ministry should ensure that all PVs are available for auditing and to ensure supporting documentations are attached to all PVs.
- The Ministry should also ensure all unsupported PVs are not processed for payment and to take appropriate actions on those deviating from such requirement.

Management response:

Supporting documents mentioned above have been provided during Exit Meeting dated 1st May, 2015.

19.3.10. Control over Imprest – Internal and External Travels

Findings and Analysis

Total ministry outstanding Imprest for the year ending 2013 was **$53,925.19** as can be evidenced from the list provided. The amount outstanding in 2012, as could be sighted in previous audit report, was **$90,424.16**. There is a notable improvement in monitoring the Imprest outstanding however, it is evidenced there are some officers still not bothering to retire their Imprest on a timely basis, approximately 10 days after official trips ended as required under Financial Regulation (FR). The audit noted from the list provided some officers were from Tarawa (Ministries) including some members of the Parliament and these officers must retire their respective Imprests as soon as possible or not allowed to travel until such outstanding Imprests are cleared.

Further, the audit noted that **Imprest # Iap 634/13 $5,000** for former Secretary was not properly supported by an itinerary, or other relevant supporting documents, hence the audit could not verify the accuracy of the above payments. Another payment made vide **PV 2091/12 $5201.65** was noted not available during the auditing hence audits could not prove the accuracy of such payment. There was no absence form used when applying for special imprest for overseas travel. As confirmed by Accountant, in previous years officers traveling overseas did not fill in any absence form when applying for their imprests. This implies that financial procedures at MLID differed with the current financial procedures practiced in the Tarawa.

Implications:

The accumulation of unretired special imprest, especially when the officer has to pay back certain amount from the total imprest drawn, would ultimately lead to the loss of public funds. Also Special imprest issued without proper supporting documents contravenes the relevant clauses of the Financial Regulation and will therefore be deemed improper payment.

The absence of a monitoring mechanism and recovery arrangement procedures, particularly for officers from other Ministries, would make it difficult for MLPID to reduce its backlog of outstanding Imprests.

Recommendation

- Concerned ministry should put in place a strong control over Imprest ensuring that all Imprest should be retired within 10 days from when the trip ended.
- MLPID should ensure it provides other Ministries the staff of whom had drawn Imprests from MLPID with full particulars of the Imprests been issued by them for updating their records.
- MLPID should refrain from issuing Imprests to officers from Tarawa (Ministries).
- MLPID should not issue subsequent Imprest to its officers until their former Imprests had been cleared.

Management response:

It seems that concerned officers did not know that they have to retire or clear their names after returning from their official trip. Our failure from Account in not sending reminders but that was before and as mentioned by Internal Audit during their visit in 2014, we comply with that now. Issuing of top up imprest for Tarawa employees is no more entertained unless there is a directive advice from the Accountant General for payment. For now, fresh imprest is not issued out unless fully cleared.

19.3.11. Procurement

Findings and Analysis

During the auditing it was noted that some payments for Air Fare has not been procured for as evidenced when the audit conducted its testing on the two payment vouchers as listed below:

- Pv # Lap 2114/13 amounted to $5,490 in respect of for Mr. Tuake and family.
- Pv 3 Lap 849/13 amounted to $9,312.4 in respect of Hon. Minister, Tawita and Spouse and Secretary.

The audit could not find supporting documents such as procurement minutes, quotations from different suppliers, etc. attached both with the Payment Vouchers (PV) and the File/Folder for procurement documents. In this instance, the audit confirmed that these payments of over $5,000 were made without following procurement procedures as stipulated under the Procurement Act 2002.

Implication

Payments made without complying with financial regulation or procurement procedures are deemed improper payments as it is highly likely that such payment will be received by the non-bona fide payee.

Recommendation

The Ministry through its account section should strictly enforce the Procurement Act for amounts exceeding $5,000 and $50,000.

Management response:

According to response from former Senior Accountant, they enforced the Procurement Act but the problem is for not attaching documents to their payments. As agreed, future procurement has to be prepared from Kiritmati (MLPID) and then send over to Agency Bairiki to handle and call for a MPRC or CPRB.

19.3.12. Communication Charges

Findings and Analysis

Communication Charge - 2013			
Year	Mgmt rpt	Ministry rcds	Variance
2013	9099.96	8598.82	501.14

Illustrated above was the payment for communication charge in 2013 for Ministry of Line and Phoenix Island Development (MLPID) in comparison with MFED's record. Although there was a minimal variance of $501.14 reported this was an indication of poor reconciliation. If the ministry's record was absolutely correct then the above variance was an overstatement by the Ministry of Finance.

Implication

Disclosure of un-reconciled figures will cast significant doubt on the reliability and the accuracy of the financial report.

Recommendation

It is recommended that the ministry should perform a monthly reconciliation with Ministry of Finance to avoid discrepancy, etc.

Management response:

During Auditing, the difference of $501.14 belongs to Agency Tarawa figure as not included in Vote Kiritimati.

19.3.13. Direct Purchase – Overseas

Findings and Analysis

1	2	3			
Budget App.	**Mgmt Rpt/GL**	**Ministry records**	**Varce 1&2**	**Vrc 1 & 3**	**Vrc 2&3**
52,295.00	79,241.68	96,774.01	(26,946.68)	(44,479.01)	(17,532.33)

From the table above, it was noted again that Ministry of Finance figure (column 2) does not agree with Ministry records (column 2) and therefore reporting a variance of over $17k. When comparing the budget of $52,295 against the Ministry's reported expense of $96,774 the Ministry had incurred over spending of its budget by $44k. The audit strongly recommended a monthly or regular reconciliation to be carried out to ensure MFED's record actually reflected that of the Ministry's and not vice versa as there may have been miss-postings done by MFED as had been experienced in the past by other Ministries.

Further, Audit also noted that one payment, **PV # 2058/13 $514.35,** was wrongly allocated to E290945A instead of E290845A (Planning). Apparently, audit noted there was no provision for code E290945A (Solar salt)- overseas purchase in Budget 2013, therefore these overseas purchases should be corrected to E290845A. Despite this wrong allocation there will not be any change to line output E29…45A.

Another payment made on **PV # 1668/13 amounted to $5,601.3** should be shared equally between code 0545A & 0640A, however, the amount being posted was just allocated to only one code which is 0545A as per stated in the General Ledger report.

Implication

Disclosure of un-reconciled figures will cast significant doubt on the reliability and the accuracy of the financial report.

Recommendation

Officers countersigning the payment vouchers as well as those responsible for posting PVs should ensure the codes appearing on the PVs conform to the budget allocation by output.

Management response:

This shows that Ministry failed to keep records reconciled on a monthly basis, hence this wrong posting seen.

19.3.14. Leave Balances and Leave Grant

Findings and Analysis

There were 5 employees from different divisions selected to perform our testing on their leave balances. Of the five officers 3 had leave balances exceeding 2 years entitlement as these had been accumulated for more than 3 to 4 years back which is not in line with Cabinet Decision Minute No. 77/10 where it stated that all outstanding leave balances to be brought forward should only be for 2 years. These officers, therefore, must take leave immediately in order to use up the balances beyond two years back failing by which would have such excess balances forfeited from January, 2015.

On the other hand there were others having negative leave balances for more than 100 w.ds as per details below:

Staff	Post Title	Entitlement	Leave Balance
Officer	Forman	30	-105.00
Officer	Driver	14	-158.00

The ministry should take appropriate action in recovering the excess leaves already taken.

Leave Grant:

Management report	**119,676.00**
Ministry records	**113,733.00**
Variance	**5,943.00**

The audit found that there was a variance of $5,943 between Finance records and Linnix (MLPID) . Excessive variances reported indicated which NO proper reconciliation made between two parties which are MFED and MLPID.

Implication

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

Recommendation:

- The concerned Ministry should enforce and implement the Cabinet Decision Minute No.77/10 to all staffs at Linnix – for leave balances verification
- Strong internal control system over leave balances should be implemented to avoid future negative outstanding leave balances.
- The Ministry should have a leave roster prepared as a means of controlling leaves taken and ensuring leave balances remaining are within acceptable range.

Management response:

This matter is now with Salary for processing adjustment for inclusion in the 2015 account under Beere Boraing and Beniamina Tiem advance account. The Administration side through Registry has maintained records for each Employee leave balance and update once leave form approved.

19.3.15. KPF & Pension Contributions

Findings and Analysis

It was noted that the amount being approved by parliament for KPF & Pension Contributions of $105k was seemed excessive compared to the total payment as reported by MFED (or from Finance Management report) of $94,949, resulted in a net saving of over $10k. There was a variance of over $4k found to be overstated by Finance as the Audit figure below showed the Finance figure in which the audit would seek and require explanations for it accordingly. According to the management report from Finance some of the Divisions for Linnix which their KPF & Pension Contributions were overspent as follows:

Division	*Overspent by $*
Administration	*5,002.2*
Finance Management	*38.37*
Housing	*179.21*
Electricity Distribution	*1.56*
Solar Salt	*637.11*

Implication

This overspending is a deviation from the 2013 Appropriation Act and employees KPF contribution may not be paid.

Recommendation:

MLPID should ensure that KPF contributions for each division are not overspent.

Management response:

It is true according to Auditors funding as most savings under Salaries were transferred out during balance day adjustment as to cater for weak outputs whereas KPF and Contribution stayed untouched.

19.3.16. Hire of Plants and Equipment

Findings and Analysis

After reviewing the Management report from Finance and the total payment for plants and equipment from the vote book the discrepancy of $87k was noted. The Linnix report the amount of $187k whereas MFED report the amount of $100k for Plants and Equipment meaning $87k was being understated by the Finance.

Further, the audit could not perform extra testing for payments of hire of plants and equipment since the ministry did not maintain copies of Journal Vouchers being sent to MFED. As per conveyed by the responsible officer all invoices from PVU at Kiritimati Branch were sent to Tarawa by former Senior Accountant to raise JVs, make payments and post them to attaché accordingly. It was also noted during the auditing that the JVs cash book register was not updated.

The audit noted that the approved budget for Plants and Equipment was deemed too excessive as evidenced from reporting a net saving of over $38k ($225,741-$187,178) the difference between the revised budget and actual total payment for hire of plants and equipment.

Implications

Inflating expenditure budget could deprive other ministries desperately needing an increase in their expenditure level.

Variance in figures between MFED and MLPID will cast doubt on the reliability and accuracy of the PVU expenditure ending reported balance.

Recommendation

- Management should give more realistic estimates budget level to avoid inflating expenditure budget than needed.
- To avoid excessive variances between Finance and Ministry, the procedure for preparing a monthly reconciliation statement should be enforced and performed regularly.
- The ministry should keep copies of JVs for future references and audit purposes
- JVs cash book register should be updated for ease of references in future audits.

Management response:

Still in budget have a high amount for Permanent hire. When the service provided by PVU is of high standard, then budget amount will overspent at end of the year as cost for each Vehicle have been accounted for.

19.3.17. Log Book

Findings and Analysis

Most of log books were available and provided during the auditing. However, some log books provided were for year 2014 and not for year 2013 in which case the audit could not verify driver's hours/mileage taken during the year. Even those provided for 2013 the audit found those were not updated as evidenced from log book for vehicle number TC003 (Admin) where the entering into the

Log book just started on 14/06/13 and ceased on the 6/11/13. Upon enquiry the AS advised all log books for vehicles were just distributed sometimes in April, 2013 however, the audit, as already alluded earlier, noted some log books were opened much later.

Management response:

It is true that using Log book just implemented due to previous findings. For information, all overtime dockets for drivers have to copy log book and attach with dockets. Without attachment beside dockets, no payment of overtime. As for others, they have to attach their attendance register copied, together with original dockets as supporting for payment.

19.3.18. Vote Ledger

Findings and Analysis

The posting of transactions into the Vote Ledger seemed up to date however audit found that some postings were doubled or repeated. This evidenced when overtime payment extracted for Tooma/Others PV number 3079/13 $985.8 from the Vote ledger for audit verification and confirmation but the officer could not find or allocate proper HQPV from the details as posted to Vote ledger. Hence no further testing performed for such payment due to unavailability of PVs during the auditing.

Management response:

Posting to Vote book is done first thing before passing payment for cheque issuance. Double posting to Vote is a result of neglecting tasks. A new Standardize Vote introduced mid last year 2014 to improve the Accounting System in which one of them is to cease the double posting.

19.3.19. Local Contribution to Development Fund

Power Generation

The actual expenditure for the above should be over $870k and not over $900k as reported in the 2013 Annual Account. The difference should have been adjusted as some commitments, not materialized, were also included inflating the amount for power generation expense. Some of the figures included invoices from Triple Tee, JMB, which were not actually paid.

The current procedure for payment of fuel was deemed uneconomical and could lead to the drain out of public fund unnecessarily. The fixed total amount of $19,418 for fuel payment was made without confirming the remaining liter of fuel on hand and the remaining balance of fuel kept by KOIL.

As confirmed from KOIL each power station has different capacity of fuel storage and refueling time schedule. However, the fixed payment of $19k was not consistently required as such huge payment could be made after one week, two weeks, and even after three days.
Further the storage capacity for each power station was far below the amount of liters paid and therefore when distributed not even half of the liter purchase was used by all stations. The remaining balance for each payment was kept at KOIL.

It was also confirmed during the visit to KOIL that sometimes, the remaining balance of Linnix fuel kept by KOIL could be difficult to determine. The delivery driver and the KOIL office staff may come up with different balances. For instance, the KOIL delivery driver may record 2000 liter in its log book as the remaining balance for Linnix, while Koil office staff records 300 liters as Linnix's remaining balance.

The current procedure for payment of fuel for the generation of power throughout Kiritimati is prone to financial risk and the excessive amount of fuel being purchased had not been used for the purpose it was intended for.

As confirmed by the KOIL Delivery Driver that Banana Power station had not been refueled twice during the week as the power attendant was not in, but still no blackout was reported during that period.

Implication

Continuing paying the fixed amount of $19k without prior proper checks on the volume of fuel actually needed will consequently lead to the unnecessary drain out of public fund, adding more to cash flow problem.
The absence of a monitoring mechanism could lead to eventual misappropriation of funds.

Recommendation:

1) MLPID to ensure payment for fuel be made for each power station separately and only upon producing: a) the confirmation on the level of remaining balance of fuel at each station and b) the confirmation of the remaining balance of fuel kept at the KOIL.
2) A monthly reconciled report should be provided to MLPID for scrutiny and spot checks to confirm the records and actual refueling at each depot.
3) Both KOIL and MLPID accounts should ensure their ending balances are properly reconciled.

Management Response:

The fixed payment of $19k is now altered and a weekly checkup of fuel in generator was recorded in register before payment processed. However unseen commitment arises where our officer who accompanies the fuel truck to record amount for each generator is sometimes left behind as no transport available.

19.3.20. Externally Funded Projects

Projects – GoK and externally funded

Findings and Analysis

As per records provided from the Senior Planning Officer, the audit noted that there were six projects been completed while three were still in progress as detailed in the table below:

Year	Project title	Donor	Progress
2012	Rainwater Harvesting Project	New Zealand	Completed
	Upgrading Infrastructure for MLPID – Teraina	Taiwan	Completed
	Upgrading of Gulfport Primary School	GGP - Japan	Completed
	Expansion of TRW-JSS for two Classrooms Science Lap and economic	GGP - Japan	Completed
	Environmental Education for Sustainable Development	GGP - Japan	Completed
	KUC Preschool for Ronton	GGP - Japan	Completed
2012	Kiritimati Solid Waste Management	New Zealand	Ongoing
2013	MLPID Landing Craft	Taiwan	Ongoing
2014	Water and Sanitation Project	EU	Ongoing

Further, the audit confirmed that some of the above mentioned projects were deposited in Linnix Account and some were not. Those that were through Linnix were paid out of No. 5(Linnix) Account and not the project account No.4 which is presumed as the right account for safe custody.

Implications:

Having all project funds deposited in Linnix No. 4 account could make monitoring of progress of each project difficulty if reconciliation by different activity is not conducted regularly or on a monthly basis.

Having one pool of fund could delay completion of projects as funds could easily be utilized for purpose other than those intended.

Management response:

As stated for another project account beside Number 5 in Kiritimati, this lays in MFED for approval.