

REPORT
OF
AUDITOR GENERAL



31st DECEMBER 2018

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A) GUIDE TO READING THIS AUDIT REPORT 2017

The Audit Report (Part 1) for the Government Annual Account encompasses assurance on the financial performance of each respective individual Ministry for year ended 31 December 2017. 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.

AUDIT OPINION ISSUED FOR EACH MINISTRY

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

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

REVENUE

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

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

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

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

B) ABBREVIATIONS AND ACRONYMS

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

PV – Payment voucher
RBC – Remittance between chest
RERF – Revenue Equalization Reserve Fund
SRO – Senior Responsible Officer
SA – Senior Accountant
SSO – Student Support Officer
UN – United Nations
VAT – Value Added Tax

C) TYPES OF AUDIT OPINIONS

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

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 emphasize 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)

MODIFIED AUDIT OPINION

Qualified Opinion

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

Adverse Opinion

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

Disclaimer Opinion

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

D) ACKNOWLEDGEMENT

At the outset, I would like to express my sincerest gratitude and appreciation to the staff of the Ministry of Finance and Economic Development (MFED) under the leadership of the Accountant General, Mr. Toromon Metutera for their tireless efforts in providing assistance to our audit teams in furnishing information and documentations in a very prompt manner even to the extent of having their respective tasks set aside.

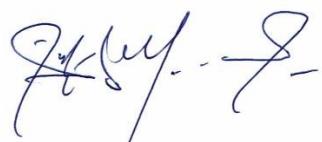
I would also like to acknowledge the support and assistance from Line Ministries in providing the requested information and relevant documents to our audit staff when conducting this year's audit. Not to mention our special thanks to those who had managed within their busy schedules to attend the Exit Meeting.

On top of that, I wish to acknowledge with much appreciation the crucial role of our auditors in collating and compiling their audit findings alongside their notable tireless efforts they had exerted that had enabled the completion of the audit report in a timely manner.

My special thanks also goes to our senior audit staff and all our support staff who have had expansively exerted full efforts in guiding and assisting to the stage of compiling and lodging the report to Parliament.

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

Kam bati n rabwa.



.....
Mr Eriati Tauma Manaima

Auditor General

Date: March 7th, 2019

E) EXECUTIVE SUMMARY

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 2017.

SCOPE AND METHODOLOGY

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

Our audit has been carried out in accordance with generally accepted auditing standards with an ultimate objective of reporting back to Parliament on how well each Ministry has utilised or managed the budget that was appropriated for 2017 and, for revenue collectors, how each had successfully collected the revenue that has been budgeted. Our focus is mainly on the comparison of the following:

- i) Revenue collected against estimate,
- ii) Expenditure incurred, including those listed under the Below the Line Accounts and Other commitments against estimate and
- iii) Supplementary Appropriations approved and the revised budget.

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

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 2017, we have maintained our independence in accordance with the requirements of the Constitution, CAP 79 and acceptable auditing standards.

In addition, we also confirm that we have no relationships with the accounting staff involved in the preparation of the annual accounts, or interests in the Kiribati Government annual account 2017. We have no unresolved disagreements with management and management has not sought to influence our views on matters relevant to our audit opinion.

EXPENDITURE AND REVENUE BUDGETS - 2017

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 of the preceding year. The parliament session held in December 2016 has approved the original 2016 expenditure budget in the sum of Maneaba Ni Maungatabu has approved the 2017 expenditure budget as well as the estimated revenue budget in the sum of **\$214,217,278.62** (expenditure) and **\$238.7m** (revenue) as per annual account 2017 Annual Account respectively.

The additional Supplementary Budget details that would give a revised budget for 2017 is shown in VII).

DEVELOPMENT PROJECTS BUDGET - 2017

The Parliament also approved the budget for development projects, both locally and externally funded, in the sum of \$14,078,125 (LCDF) and \$153,177,116 respectively as per National Budget 2017. However, as noted the amount that actually received during the year was \$84,789,142.72 as indicated in the annual account, the amount of which far outweighed the approved amount as per National Budget 2017. As confirmed major contributors for external funded projects include; Taiwan, NZAID, PEC, AUSAID, EU, UNICEF, UNFPA, UNDP, SPC, Japan, UN Women, WHO, Fred Hollows NZ Foundation, ADB, SPREP, ACIAR & SPC, World Bank, Germany, WOGC, UNEP, University of Wollongong and AGAC.

HIGHLIGHTS

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

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

MINISTRIES	Attend Exit Meeting	Audit Response received	Audit Opinion issued for 2017
OFFICE OF TE BERETITENTI	Yes	Yes	Qualified
PSO	Yes	Yes	Unqualified
JUDICIARY	Yes	Yes	Qualified
KIRIBATI POLICE SERVICE	Yes	No	Qualified
PUBLIC SERVICE COMMISSION	Yes	Yes	Qualified
MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION	Yes	Yes	Qualified
MINISTRY OF INTERNAL AFFAIRS	Yes	Yes	Qualified
MINISTRY OF ENVIRONMENT, LANDS AND AGRICULTURAL DEVELOPMENT	Yes	Yes	Qualified
MANEABA N MAUNGATABU	Yes	Yes	Qualified
MINISTRY OF COMMERCE AND INDUSTRY COOPERATIVE	No	No	Qualified
OFFICE OF THE ATTORNEY GENERAL	No	No	Qualified
MINISTRY OF FISHERIES AND MARINE RESOURCES DEVELOPMENT	Yes	Yes	Unqualified
MINISTRY OF HEALTH AND MEDICAL SERVICES	Yes	Yes	Qualified
MINISTRY OF EDUCATION	No	Yes	Qualified
MINISTRY OF INFORMATION, COMMUNICATION, TRANSPORT AND TOURISM DEVELOPMENT	Yes	Yes	Qualified
MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT	No	Yes	Qualified
MINISTRY OF WOMEN, YOUTH AND SOCIAL AFFAIRS	No	Yes	Qualified
MINISTRY OF INFRASTRUCTURE AND SUSTAINABLE	Yes	Yes	Qualified

DEVELOPMENT			
MINISTRY OF EMPLOYMENT AND HUMAN RESOURCES	Yes	Yes	Qualified
MINISTRY OF LINE AND PHOENIX ISLAND DEVELOPMENT	Yes	Yes	Qualified
MINISTRY OF JUSTICE	Yes	Yes	Qualified

As confirmed during the audit, the 2017 fiscal year was the fourth year in which the government reported through its respective Ministries/Offices had reported again a net saving valued at \$6.6m. The details of this saving are further elaborated in sub-sections below as well as in Part 2 Audit Report

APPROVED SUPPLEMENTARY BUDGET 2017

EXPENDITURE		A	B			C(A+B)	D	E	F(D-E)	G(C-D)	
Code	Ministry/Title	Original Budget	Supplementary Approved for FY 2016			Total Orig budget plus supplementaries	Revised Budget	Total Actual Exp	(Over)/Under	Total Orig budget plus Supp vs Revised Budget	Actual Variance [C(A+B) - E]
			Supplementary No. 1	Supplementary No. 2	Congency Warrant						
E02	LCDF	14,078,125.00	7,379,780.00	39,647,525.00		61,105,430.00	61,105,430.00	61,105,430.00	-	-	-
E03	Contribution to RE	-				-	-	-	-	-	-
E09	OB	1,995,288.00				1,995,288.00	1,995,288.00	1,911,007.06	84,280.94	-	84,280.94
E10	PSO	866,603.00				866,603.00	866,603.00	811,028.16	55,574.84	-	55,574.84
E11	JUDICIARY	1,828,674.00				1,828,674.00	1,828,674.00	1,823,088.00	5,586.00	-	5,586.00
E12	KPPS	7,629,214.00				7,627,496.69	7,627,496.69	7,324,071.29	303,425.40	-	303,425.40
E13	PSC	260,984.00		15,000.00		275,984.00	275,984.00	283,555.66	-7,571.66	-	-7,571.66
E14	MFAI	2,644,177.00				2,644,177.00	2,644,177.00	2,192,935.97	451,241.03	-	451,241.03
E15	MIA	2,542,869.00				2,542,869.00	2,542,869.00	2,532,100.55	10,768.45	-	10,768.45
E16	MELAD	3,320,194.00		45,602.00		3,365,796.00	3,365,796.00	3,358,668.52	7,127.48	-	7,127.48
E17	MM	3,259,356.00				3,259,356.00	3,259,356.00	3,355,933.16	-96,577.16	-	96,577.16
E18	MCIC	1,819,776.00				1,819,776.00	1,819,776.00	1,752,350.57	67,425.43	-	67,425.43
E19	KNAO	758,103.00				758,103.00	758,103.00	691,226.03	66,876.97	-	66,876.97
E20	OAG	626,816.00				626,672.00	626,672.00	566,936.85	59,735.15	-	59,735.15
E21	MFMRD	3,055,280.00				3,052,530.00	3,052,530.00	2,840,837.72	211,692.28	-	211,692.28
E22	MHMS	20,035,872.00				20,036,015.00	20,036,015.00	19,090,868.82	945,146.18	-	945,146.18
E23	MOE	22,810,457.00		138,000.00		22,948,457.00	22,948,457.00	22,208,383.31	740,073.69	-	740,073.69
E24	MCTTD	3,437,640.00	1,029,954.00	113,600.00		4,581,194.00	4,581,194.00	4,566,262.54	14,931.46	-	14,931.46
E25	MFED	2,715,046.00				2,715,046.00	2,715,046.00	2,702,767.55	12,278.45	-	12,278.45
E26	MVYSA	1,516,074.00				1,516,074.00	1,516,074.00	1,515,671.95	402.05	-	402.05
E27	MPVU	2,952,905.00		145,110.00		3,098,015.00	3,097,725.00	2,996,114.97	101,610.03	290.00	101,900.03
E28	MLHRD	4,836,293.00	29,460.00			4,865,753.00	4,865,753.00	4,787,450.59	78,302.41	-	78,302.41
E29	MLPID	3,769,542.00				3,769,542.00	3,769,542.00	3,699,469.86	70,072.14	-	70,072.14
E30	DEBT SERVICING	1,544,340.00				1,544,340.00	1,544,340.00	1,340,918.28	796,578.28	-	796,578.28
E31	SUBSIDIES, GRAN	53,187,960.00	130,000.00	5,530,000.00	2,474,077.50	61,322,037.50	61,322,037.50	57,012,950.52	4,309,086.98	-	4,309,086.98
E37	MOJ	2,579,490.00		27,000.00		2,606,490.00	2,606,490.00	2,748,291.50	-141,801.50	-	141,801.50
	TOTAL	164,071,078.00	8,569,194.00	45,634,837.00		220,771,718.19	220,771,428.19	214,218,319.43	6,553,108.76	290.00	6,553,398.76

As clearly reflected above the original budget approved by Parliament for the year 2017 was \$164,071,078. However, the revised budget after the Supplementary being approved for the unforeseen but necessary circumstances in respective of some Ministries, including LCDF and Subsidies, grant & other commitment had reached the amount of \$220,771,428.43.

OVER/UNAUTHORISED EXPENDITURE – 2017

Based on the Annual Account 2017, the total Overspent/unauthorized expenditure incurred was \$245,949.32 while the overspent noted in 2016 was \$1,520,727.86. The trend of unauthorized expenditure for the year 2016-2017 shows that there is a significant drop in the unauthorized expenditure in 2017 by 84% (a percentage change from the 2016 unauthorized figure), yet a number of Ministries still had not exerted any efforts to operate within the approved budget.

SUMMARY OF COMMON ISSUES ACROSS LINE MINISTRIES FOR THE YEAR 2016

Listed below are some common issues that had been detected across Line Ministries when performing this year's 2017 audit.

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

Legislative compliance

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

Breaches of significant legislation

During the audit, our main focus is on the Government of Kiribati financial reporting obligations. As part of our planning, we identified CAP 79, the Public Finance (Control and Audit) Ordinance 1976, and Financial 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 impact on the government Ministries.

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

a) Receipt of Revenue

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

“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 regulation 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 received during the Financial year 2017. Most of the ministries and departments relied on the records of MFED. It is the sole responsibility of the Ministries or departments to maintain their revenue records for audit purposes and to regularly reconcile their records with that held by MFED. It was also noted that not all accounting officers that collect revenue keep records of the arrears of revenue.

b) Non-compliance with Financial Regulations (FR)

- It explains that every accounting officer (AO) shall maintain a vote ledger so as to show at any time in report of every sub-head of a head, as applicable, under his control: (a) the amount authorized including any supplementary authorization, virement, etc”
- Audit found that this accounting record had not been maintained by most of the Ministries/departments to record their spending against the budget leading to un-authorised expenditure or overspending made by most Ministries/officers in 2017.
- Chapter 17 – Section 341 and 346 (1) and (2)

“It states that Board 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 board of survey convened on the last working day or at any time appointed by each financial year. Most of the Ministries/Officers failed to conduct the BOS as required by these regulations.

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

G) REPORT ON THE KIRIBATI GOVERNMENT MINISTRIES

Apart from the audit scope above, a comparative analysis of revenues and expenditure for 2017 in respect of all Ministries/Offices' outputs and other government expenses as disclosed in the Management Report together with the result of the audit carried out in respective of Ministries/Offices are provided below:

1. OFFICE OF TE BERETITENTI

1.1 Audit Opinion

A QUALIFIED AUDIT OPINION is issued for the Office of Te Beretitenti for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 1.3 below

1.2. Status of Prior Management Letter

Issues	Solved/Addressed	Status of the issues in the 2017 Audit
Outstanding imprest remain unclear/irrecoverable. KPF Reconciliation issue Incomplete logbook	No improvement Not Addressed Solved	Still outstanding No improvement Improvement in control of logbook

1.3. Significant matters arising from the audit

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

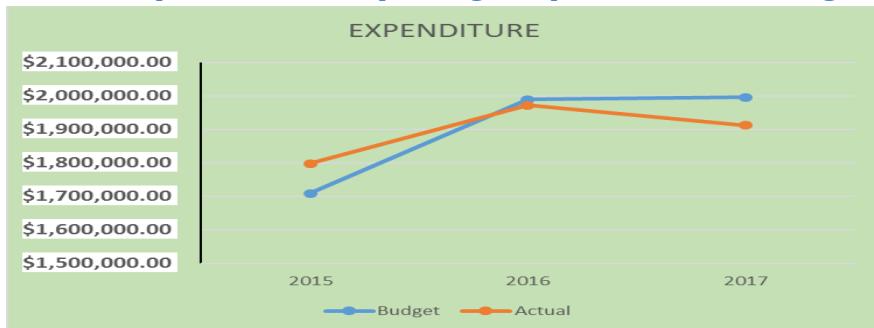
1.3.1 Expenditure Budget

Findings and Analysis:

1.3.1.1 OB Budget Summary against Actual Expenditure

Year	2015	2016	2017
Budget	\$1,708,761.00	\$1,989,426.55	\$1,995,288.00
Actual	\$1,797,284.00	\$1,972,140.48	\$1,911,007.06
Variance Under/(Over)	(\$88,523.50)	\$ 17,286.07	\$ 84,280.94

1.3.1.2 Comparative line Graph Budget Expenditure estimate against actual

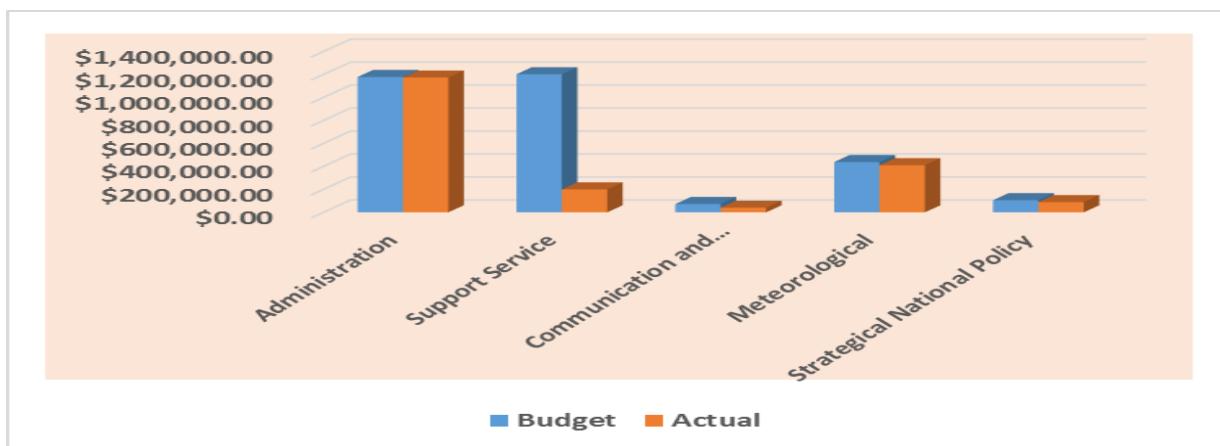


From the above comparative graph, it is evident that with slight increase in its budget level of \$5k for 2017, The Office of Te Beretitenti for the second time compared over the past years had managed to control the level of its expenditure which contributes to the overall saving of \$83k. With the vast saving of \$84k, the audit belief that Ministry has not fully utilized approved budget to cater for its activities in the fiscal period and this could have an effect (budget cut) in the following year. Thus management must be applauded for having such tremendous effort in managing expenditure within means.

1.3.1.3 OB Expenditure against Budget by Divisions - 2017

Output	Division	Budget	Actual	(Over)/Under
E0901	Administration	\$1,177,838.00	\$1,172,360.87	\$5477.13
E0902	Support Service	\$1201,696.00	\$199,171.89	\$2,524.11
E0903	Communication and relations	\$72,564.71	\$40,407.71	\$32,156.29
E0904	Meteorological	\$437,370.00	\$410,134.57	\$27,235.43
E0905	Strategical National Policy	\$105,820.00	\$88,932.02	\$16,887.98
Total		\$1,995,288.00	\$1,911,007.06	\$84,280.94

1.3.1.4 OB Comparative bar graph of budget expenditure estimate against actual by Divisions - 2017



The above comparative graph determines that all divisions operate below approved revised budget the result of which all divisions manage to incurred saving.

1.4 TRANSFER

1.4.1 Transfer Database records

Findings and Analysis:

Audit discovered that the database of transfer record was deemed not updated hence there were overspent occurred during the auditing. The table below is a transfer database record for OB:

TRANSFER DATA RECORDS 2017							
ID	FileRef	TransferDat	TransferNo	AllocationFrom	AllocationTo	TransferAmou	Comments
51		8/1/2017	17-Jan	E09010000243	E09010000239	\$30,000.00	to cover up the overspent
52		8/1/2017	17-Jan	E09020000202	E09020000206	\$5,000.00	to cover up the overspent
53		9/8/2017	02/17A	E09010000285	E09010000239	\$20,000.00	to cover up the overspent
54		9/8/2017	02/17A	E09010000285	E09010000250	\$5,000.00	to cover up the overspent
55		8/2/2017	17-Feb	E09010000227	E09010000239	\$20,000.00	to cover up the overspent
56		11/15/2017	17-Mar	E09030000216	E09030000250	\$2,300.00	to cover up the overspent
57		12/20/2017	17-Apr	E09020000202	E09020000239	\$10,000.00	To cover up
58		12/20/2017	17-Apr	E09020000233	E09020000250	\$1,000.00	To cover up
59		12/20/2017	17-Apr	E09020000285	E09020000250	\$1,306.00	To cover up
60		12/20/2017	17-Apr	E09050000203	E09050000241	\$10,000.00	To cover up
61		12/20/2017	17-Apr	E09050000216	E09050000227	\$2,000.00	To cover up
62		12/20/2017	17-Apr	E09050000216	E09050000250	\$5,000.00	To cover up
63		12/20/2017	17-Apr	E09020000216	E09020000250	\$3,000.00	To cover up
64		12/21/2017	17-May	E09030000202	E09030000204	\$4,000.00	To cover up
65		12/21/2017	17-Jun	E09050000202	E09050000250	\$7,000.00	to cover up the overspent
66		12/21/2017	17-Jul	E09020000202	E09020000232	\$3,500.00	to cover up the overspent
67		12/28/2017	17-Aug	E09010000227	E09010000215	\$10,000.00	to cover up the overspent
68		12/28/2017	17-Aug	E09010000227	E09010000239	\$10,000.00	to cover up the overspent
69		12/28/2017	17-Aug	E09050000202	E09050000241	\$10,000.00	to cover up the overspent
70		12/28/2017	17-Aug	E09010000216	E09010000241	\$7,000.00	to cover up the overspent
TOTAL						\$166,106.00	

Implication:

- If the transfer database was not updated there would be have a transferred figure that not yet accounted during the processing of such transfer to cover up the overspent.

Recommendation:

- Management must ensure that transferred documents are well posted and kept updating in the database records.

Management responses

Not sure whether the staff assigned to assist during auditing gives the correct database or not. As I have experience that more than 1 database saved in the computer. Because sometimes the database usually used accidentally

1.4.2 Salary and Temporary Transfer Analysis Table

Findings and Analysis:

The audit noted the aggregate amount of \$9,000 and \$49,500 transferred in and out within the output to cover up the overspent and to accommodate outputs that have insufficient funds and this could be seen in the increases and decreases in the payroll output allocations as per budget by \$15,530 and \$22,841.29 as followed:

CODE	Description	Origin Budget (A)	Revised Budget \$'000 (B)	Actual Spending (C)	Variance (B-A)	Variance (C-B)	TRANSFER IN (D)	TRANSFER OUT (E)	Increase (A+D)	Decrease (A-E)	Variances (A+D)-B	Variances (A-E)-B
E0901_202	Salaries	\$ 190,740.00	\$ 177,740.00	\$ 177,112.02	\$ (13,000.00)	\$ (627.98)	\$ -	\$ -				
E0901_203	Housing	\$ 11,340.00	\$ 11,340.00	\$ 9,160.00	\$ -	\$ (2,180.00)	\$ -	\$ -				
E0901_204	Allowance	\$ 20,690.00	\$ 29,371.83	\$ 29,109.02	\$ 8,681.83	\$ (262.81)	\$ -	\$ -				
E0901_205	Overtime	\$ 13,720.00	\$ 24,401.37	\$ 24,397.93	\$ 10,681.37	\$ (3.44)	\$ -	\$ -				
E0901_206	Temporary Assistance	\$ 3,820.00	\$ 24,659.60	\$ 24,135.65	\$ 20,839.60	\$ (523.95)	\$ -	\$ -				
E0901_208	Leave Grants	\$ 27,000.00	\$ 23,700.00	\$ 23,625.00	\$ (3,300.00)	\$ (75.00)	\$ -	\$ -				
SUB TOTAL		\$ 267,310.00	\$ 291,212.80	\$ 287,539.62	\$ 23,902.80	\$ (3,673.18)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E0902_202	Salaries	\$ 52,977.29	\$ 22,977.29	\$ 22,758.80	\$ (30,000.00)	\$ (218.49)	\$ -	\$ 18,500.00	\$ -	\$ 34,477.29		\$ 11,718.49
E0902_203	Housing	\$ 4,180.00	\$ 3,380.00	\$ 3,309.00	\$ (800.00)	\$ (71.00)	\$ -	\$ -				
E0902_204	Allowance	\$ 3,486.00	\$ 2,486.00	\$ 1,635.00	\$ (1,000.00)	\$ (851.00)	\$ -	\$ -				
E0902_205	Overtime	\$ 7,000.00	\$ 12,993.25	\$ 12,993.25	\$ 5,993.25	\$ -	\$ -	\$ -				
E0902_206	Temporary Assistance	\$ 6,370.00	\$ 17,170.00	\$ 16,711.00	\$ 10,800.00	\$ (459.00)	\$ 5,000.00	\$ -	\$ 11,370.00		\$ (5,800.00)	
E0902_208	Leave grants	\$ 10,500.00	\$ 9,800.00	\$ 9,778.85	\$ (700.00)	\$ (21.15)	\$ -	\$ -				
SUB TOTAL		\$ 84,513.29	\$ 68,806.54	\$ 67,185.90	\$ (15,706.75)	\$ (1,620.64)	\$ 5,000.00	\$ 18,500.00	\$ 11,370.00	\$ 34,477.29	\$ (5,800.00)	\$ 11,718.49
E0903_202	Salaries	\$ 24,674.00	\$ 18,581.72	\$ -	\$ (6,092.28)	\$ (18,581.72)	\$ -	\$ 4,000.00		\$ 20,674.00		\$ 2,092.28
E0903_203	Housing	\$ 4,250.00	\$ -	\$ -	\$ (4,250.00)	\$ -	\$ -	\$ -				
E0903_204	Allowance	\$ 160.00	\$ 4,160.00	\$ -	\$ 4,000.00	\$ (4,160.00)	\$ 4,000.00	\$ -	\$ 4,160.00			
E0903_206	Temporary Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
E0903_208	Leave grants	\$ 3,000.00	\$ 3,000.00	\$ -	\$ -	\$ (3,000.00)	\$ -	\$ -				
SUB TOTAL		\$ 32,084.00	\$ 25,741.72	\$ -	\$ (6,342.28)	\$ (25,741.72)	\$ 4,000.00	\$ 4,000.00	\$ 4,160.00	\$ 20,674.00	\$ -	\$ 2,092.28
E0904_202	Salaries	\$ 215,540.00	\$ 182,227.31	\$ 178,494.20	\$ (33,312.69)	\$ (3,733.11)	\$ -	\$ -				
E0904_204	Allowance	\$ 17,300.00	\$ 21,957.83	\$ 21,857.83	\$ 4,657.83	\$ (100.00)	\$ -	\$ -				
E0904_205	Overtime	\$ 42,220.00	\$ 22,520.00	\$ 19,543.87	\$ (19,700.00)	\$ (2,976.13)	\$ -	\$ -				
E0904_206	Temporary Assistance	\$ 5,000.00	\$ 30,000.00	\$ 28,261.00	\$ 25,000.00	\$ (1,739.00)	\$ -	\$ -				
E0904_208	Leave grants	\$ 43,500.00	\$ 43,500.00	\$ 41,814.37	\$ -	\$ (1,685.63)	\$ -	\$ -				
SUB TOTAL		\$ 323,560.00	\$ 300,205.14	\$ 289,971.27	\$ (23,354.86)	\$ (10,233.87)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E0905_202	Salaries	\$ 56,630.00	\$ 39,630.00	\$ 39,518.40	\$ (17,000.00)	\$ (111.60)	\$ -	\$ 17,000.00		\$ (39,630.00)		\$ (62,148.40)
E0905_203	Housing	\$ 12,680.00	\$ 2,680.00	\$ -	\$ (10,000.00)	\$ (2,680.00)	\$ -	\$ 10,000.00		\$ (2,680.00)		
E0905_206	Temporary Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
E0905_208	Leave grants	\$ 6,000.00	\$ 6,000.00	\$ 3,000.00	\$ -	\$ (3,000.00)	\$ -	\$ -				
SUB TOTAL		\$ 75,310.00	\$ 48,310.00	\$ 42,518.40	\$ (27,000.00)	\$ (5,791.60)	\$ -	\$ 27,000.00	\$ -	\$ (42,310.00)	\$ -	\$ (62,148.40)
GRAND TOTAL		\$ 782,777.29	\$ 734,276.20	\$ 687,215.19	\$ (48,501.09)	\$ (47,061.01)	\$ 9,000.00	\$ 49,500.00	\$ 15,530.00	\$ 12,841.29	\$ (5,800.00)	\$ (48,337.63)

As reflected above the actual level variances of \$48,501.09 (B-A), \$47,061.01 (C-B), \$5,800 (A+D)-B, and \$48,337.63 (A-E)-B had been detected after the transfer analysis completed in regarding of such output as per allocation. The concerned that raised by the audit office is for outputs that are not yet cleared which have overstatement and understatement insisted plus the remaining of unutilised budget. Therefore, the audit office requested OB account for explanations for such variances detected.

Implication:

- If the transfer record was not maintained properly and not kept update the records for OB as well as management reports, there must be an error consisted in the management report and transfer data records.

Recommendation:

- Management should maintain and to provide transfer and virements upon request for auditing purposes and for their future references.
- Management should ensure that transfer records are transferred completely and collectedly recorded in the database records.

Management responses:

Ask for extension to work on this issues and also need the clear table means to enlarge to the normal font.

1.4.3 Expenditure Transfer Analysis Table.

Findings and Analysis:

The audit noted the aggregate amount of \$157,106 and \$116,606 transferred in and out within the output to cover up the overspent and to accommodate outputs that have insufficient funds and this could be seen in the increases and decreases in the budget by \$392,454 and 551,654 as followed:

CODE	Description	Origin Budget (A)	Revised Budget '\$000 (B)	Actual Spending (C)	Variance (B-A)	Variance (C-B)	TRANSFER IN (D)	TRANSFER OUT (E)	Increase (A+D)	Decrease (A-E)	Variances (A+D)-B	Variances (A-E)-B
E0901_215	Transpor to work	\$ 12,498.00	\$ 24,427.26	\$ 24,427.26	\$ 11,929.26	\$ -	\$ 10,000.00	\$ -	\$ 22,498.00		\$ (1,929.26)	
E0901_216	Internal travel	\$ 294,190.00	\$ 281,439.52	\$ 281,332.37	\$ (12,750.48)	\$ (107.15)	\$ -	\$ 7,000.00		\$ 287,190.00		\$ 5,750.48
E0901_227	External travel	\$ 157,490.00	\$ 101,233.17	\$ 100,835.25	\$ (56,256.83)	\$ (397.92)	\$ -	\$ 40,000.00		\$ 117,490.00		\$ 16,256.83
E0901_239	Entertainment	\$ 101,170.00	\$ 142,029.10	\$ 142,027.27	\$ 40,859.10	\$ (1.83)	\$ 80,000.00	\$ -	\$ 181,170.00		\$ 39,140.90	
E0901_241	Stationery & Suppkies	\$ 23,530.00	\$ 25,504.16	\$ 24,895.35	\$ 1,974.16	\$ (608.81)	\$ 7,000.00	\$ -	\$ 30,530.00		\$ 5,025.84	
E0901_243	Office Equipment furniture&softw	\$ 73,530.00	\$ 76,820.25	\$ 76,819.51	\$ 3,290.25	\$ (0.74)	\$ -	\$ 30,000.00		\$ 43,530.00		\$ (33,290.25)
E0901_250	Local Service	\$ 38,080.00	\$ 50,686.05	\$ 50,686.05	\$ 12,606.05	\$ -	\$ 5,000.00	\$ -	\$ 43,080.00		\$ (7,606.05)	
E0901_285	Hire of Plant/Equiment	\$ 79,500.00	\$ 54,525.84	\$ 54,525.84	\$ (24,974.16)	\$ -	\$ -	\$ 25,000.00		\$ 54,500.00		\$ (25,000.00)
SUB TOTAL		\$ 779,988.00	\$ 756,665.35	\$ 755,548.90	\$ (23,322.65)	\$ (1,116.45)	\$ 102,000.00	\$ 102,000.00	\$ 277,278.00	\$ 502,710.00	\$ 34,631.43	\$ (36,282.94)
E0902_216	Internal travel	\$ 3,040.00	\$ 40.00	\$ -	\$ (3,000.00)	\$ (40.00)	\$ -	\$ 3,000.00		\$ 40.00		\$ -
E0902_232	Electricity and Gas	\$ 7,120.00	\$ 8,220.00	\$ 8,168.30	\$ 1,100.00	\$ (51.70)	\$ 3,500.00	\$ -	\$ 10,620.00		\$ 2,400.00	
E0902_233	Water	\$ 4,600.00	\$ 2,800.00	\$ 2,711.60	\$ (1,800.00)	\$ (88.40)		\$ 1,000.00				\$ (2,800.00)
E0902_239	Entertainment	\$ 18,000.00	\$ 27,000.00	\$ 26,794.07	\$ 9,000.00	\$ (205.93)	\$ 10,000.00	\$ -	\$ 28,000.00		\$ 1,000.00	
E0902_250	Local Service	\$ 5,610.00	\$ 9,416.00	\$ 9,410.23	\$ 3,806.00	\$ (5.77)	\$ 5,306.00	\$ -	\$ 10,916.00		\$ 1,500.00	
E0902_285	Hire of Plant/Equiment	\$ 41,460.00	\$ 46,726.71	\$ 46,726.71	\$ 5,266.71	\$ -	\$ -	\$ 1,306.00		\$ 40,154.00	\$ -	\$ (6,572.71)
SUB TOTAL		\$ 79,830.00	\$ 94,202.71	\$ 93,810.91	\$ 14,372.71	\$ (391.80)	\$ 18,806.00	\$ 5,306.00	\$ 49,536.00	\$ 40,194.00	\$ 2,100.00	\$ (6,572.71)
E0903_216	Internal travel	\$ 3,140.00	\$ 840.00	\$ 216.00	\$ (2,300.00)	\$ (624.00)	\$ -	\$ 2,300.00		\$ 840.00	\$ -	\$ -
E0903_233	Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
E0903_250	Local Service	\$ 17,990.00	\$ 22,032.33	\$ 22,032.00	\$ 4,042.33	\$ (0.33)	\$ 2,300.00	\$ -	\$ 20,290.00		\$ (1,742.33)	\$ -
SUB TOTAL		\$ 21,130.00	\$ 22,872.33	\$ 22,248.00	\$ 1,742.33	\$ (624.33)	\$ 2,300.00	\$ 2,300.00	\$ 20,290.00	\$ 840.00	\$ (1,742.33)	\$ -
E0905_216	Internal travel	\$ 14,910.00	\$ 6,022.00	\$ -	\$ (8,888.00)	\$ (6,022.00)	\$ -	\$ 7,000.00		\$ 7,910.00	\$ -	\$ 1,888.00
E0905_227	External travel	\$ 2,850.00	\$ 4,850.00	\$ 1,900.00	\$ 2,000.00	\$ (2,950.00)	\$ 2,000.00	\$ -	\$ 4,850.00		\$ -	
E0905_241	Stationery & Suppkies	\$ 920.00	\$ 27,488.18	\$ 27,488.18	\$ 26,568.18	\$ -	\$ 20,000.00	\$ -	\$ 20,920.00		\$ (6,568.18)	\$ -
E0905_250	Local Service	\$ 7,580.00	\$ 14,899.42	\$ 14,061.43	\$ 7,319.42	\$ (837.99)	\$ 12,000.00	\$ -	\$ 19,580.00		\$ 4,680.58	\$ -
SUB TOTAL		\$ 26,260.00	\$ 53,259.60	\$ 43,449.61	\$ 26,999.60	\$ (9,809.99)	\$ 34,000.00	\$ 7,000.00	\$ 45,350.00	\$ 7,910.00	\$ (1,887.60)	\$ 1,888.00
GRAND TOTAL		\$ 907,208.00	\$ 926,999.99	\$ 915,057.42	\$ 19,791.99	\$ (11,942.57)	\$ 157,106.00	\$ 116,606.00	\$ 392,454.00	\$ 551,654.00	\$ 33,101.50	\$ (40,967.65)

As reflected above the actual level variances of \$33,101.50 and \$40,967.65 had been detected after the transfer analysis completed in regarding of such output as per allocation. Therefore, the audit office requested OB account for explanations for such variances detected.

Implication:

- Having overstatement and understatement could be resulted from non-maintaining and insufficient information records for such transfer database records.
- If there is an error in the management report it could be ease to create the inaccurate figures disclosed as it could be seen in the understatement and overstatement budget.

Recommendation:

- Management must ensure to have updated transfer database records and to be sure all transfers are properly applied and allocated accordingly.
- Management should ensure to have regular reconciliation between management report via data records.

Management responses:

Appreciate to get a clear copy especially a table stated in the audit findings.

1.5 PAYROLL

1.5.1 KIRIBATI PROVDET FUND

Findings and Analysis:

The variances between MFED records (management report) and the audit figure indicate lack of reconciliation. The variances shown was the understatement and overstatement of some employee's contributions therefore explanations are required why the Ministry and particularly staff concerned, had failed to perform reconciliation with records held by MFED. OB also has a crucial role in ensuring deduction appearing in their monthly reports reflect 7.5% of its staff total salary and temporary each pay period. Details of such variances are elaborated in the following table below:

Output Allocation	Output Description	Management Report			AUDIT FIGURE_KPF CALCULATION 7.50%	KPF contribution As Per Management Report	Variances
		OrigBudget	Revised Budget	Actual Spending			
E0901_202	Salaries	\$ 190,740.00	\$ 177,740.00	\$ 177,112.02			
E0901_206	Temporary Assistance	\$ 3,820.00	\$ 24,659.60	\$ 24,135.65	\$ 15,093.58	\$ 14,669.84	\$ (423.74)
E0902_202	Salaries	\$ 47,050.00	\$ 22,977.29	\$ 22,758.80			
E0902_206	Temporary Assistance	\$ 6,370.00	\$ 17,170.00	\$ 16,711.00	\$ 2,960.24	\$ 3,312.92	\$ 352.69
E0903_202	Salaries	\$ 24,674.00	\$ 18,581.72	\$ -			
E0903_206	Temporary Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
E0904_202	Salaries	\$ 215,540.00	\$ 182,227.31	\$ 178,494.20			
E0904_206	Temporary Assistance	\$ 5,000.00	\$ 30,000.00	\$ 28,261.00	\$ 15,506.64	\$ 15,411.28	\$ (95.36)
E0905_202	Salaries	\$ 56,630.00	\$ 39,630.00	\$ 39,518.40			
E0905_206	Temporary Assistance	\$ -	\$ -	\$ -	\$ 2,963.88	\$ 2,964.01	\$ 0.13
		\$ 549,824.00	\$ 512,985.92	\$ 486,991.07	\$ 36,524.33	\$ 36,358.05	\$ (166.28)

As indicated above the total overstated figure of over \$3k for KPF contribution was noted after comparing the Finance General Ledger report value of \$89k. The audit (figure) calculation was derived from the annual gross per output including temporary assistance multiply by existing rate 7.5%. However, such variance seems too excessive and the Ministry of Finance must make correction or adjustment accordingly.

Implications:

- Absence of regular reconciliation would result in unnecessary overstatements and understatements.
- A Ministry that regularly updates its records, to do a proper filing and regular reconciliation would not confront variances by the end of the year.

Recommendation:

- ✓ Management should ensure it regularly updates its records through reconciliation with records held by MFED
- ✓ Management should regularly review the work of its support staff for ensuring full conformity to the requirement of the governing of FR 11 and other governing laws.

Management response:

There are 2 outputs involved with kpf contributions deduction such as Salaries & Temporary. My opinion the Treasury and KAO will seat together discussing to solve the regular issue.

For more, the ministry cannot reconcile salaries & temporaries as Treasury duty is preparing all respective ministries staff salaries together with kpf contributions.

2) PUBLIC SERVICE OFFICE (PSO)

2.1 AUDIT OPINION

We will issue a modified audit opinion for the Public Service Office (PSO) for the year ended 31 December 2017 if we do not receive satisfactory responses to anomalies noted hereunder. The qualifications will be based on significant matters as discussed in detail below.

2.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

Issues	Solved/Addressed	Status of the issues in the 2017 Audit
Outstanding imprest remain unclear/irrecoverable.	No improvement	Still outstanding

2.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

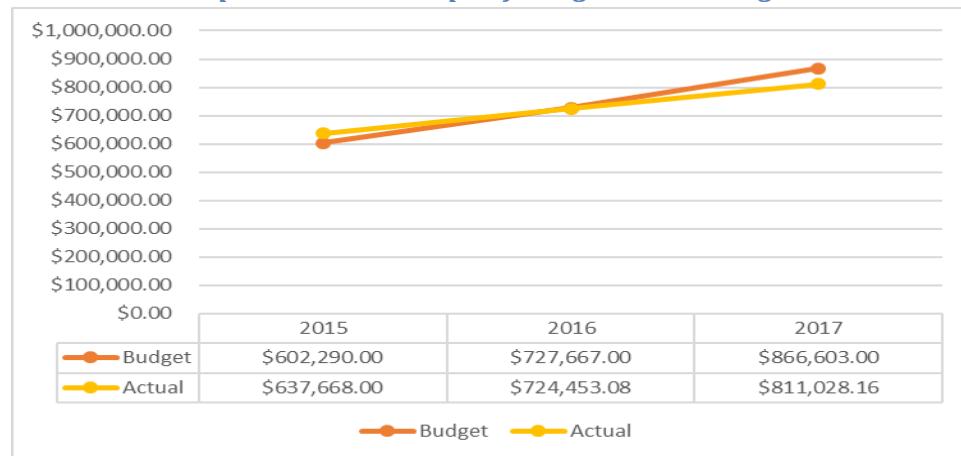
2.3.1 Expenditure Budget

Findings and Analysis:

2.3.1.1 Comparative expenditure summary table for 2015-2017

Year	2015	2016	2017
Budget	\$602,290.00	\$727,667.00	\$866,603.00
Actual	\$637,668.00	\$724,453.08	\$811,028.16
Variance Under/(Over)	(\$35,378.00)	\$3,213.92	\$55,574.84

2.3.1.2 PSO Comparative Line Graph of Budget estimate against actual 2015-2017

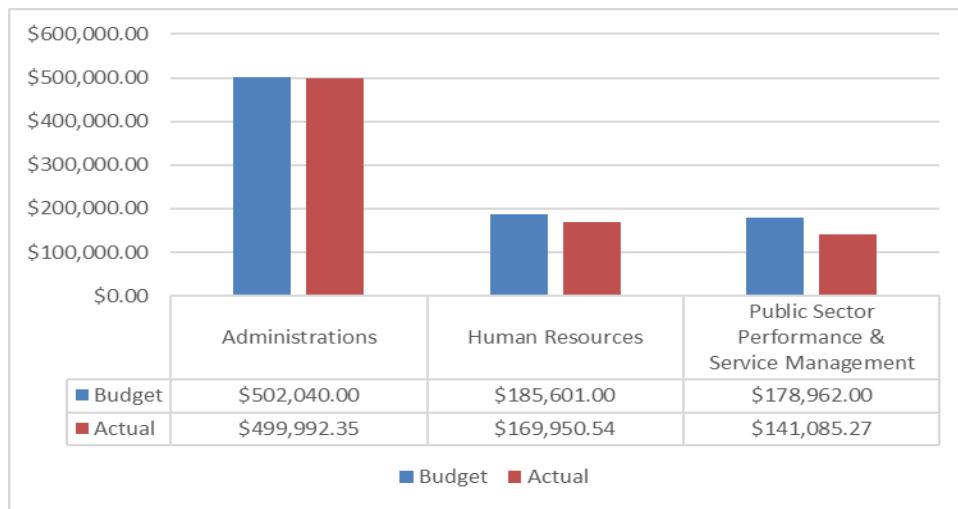


The above graph portrays the trend of expenditure against the estimated budget for years ending 2015 to 2017. PSO had an approved budget of \$866k. Therefore, It is pleasing to note that with a much more increase and realistic budget PSO was able to manage and control the level of its spending the result of which turns out to report a net saving of \$55k. Therefore, management should be extoled for such correct prediction.

2.3.1.3 PSO Expenditure against Budget for Divisions – 2017

Divisons	Administrations	Human Resources	Public Sector Performance & Service Management	Total
Budget	\$502,040.00	\$185,601.00	\$178,962.00	\$866,603.00
Actual	\$499,992.35	\$169,950.54	\$141,085.27	\$811,028.16
Variance (Over)/Under	\$2,047.65	\$15,650.46	\$37,876.73	\$55,574.84

2.3.1.4 PSO Bar graph of Budget Expenditure against actual by Divisions 2017



The above data displayed the level of budget estimate against actual spending by divisions. As clearly stated three divisions, Administration, Human resources development and Public Sector Performance & Services Management had operated within allocated budget thus contributed to the overall saving of \$55k.

3. JUDICIARY

3.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the JUDICIARY for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 3.3 below

3.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the audit opinion issued on the performance of the Public Service Commission in the fiscal year 2016.

Issues	Solved/Addressed	Status of the Issue in 2017 audit report
Arrears of Revenue	Solved	Improved revenue collection.
Database Reconciliation issues	Not solved	Issue remain in the report.
Outstanding imprest	Solved	Improved in retirement

3.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

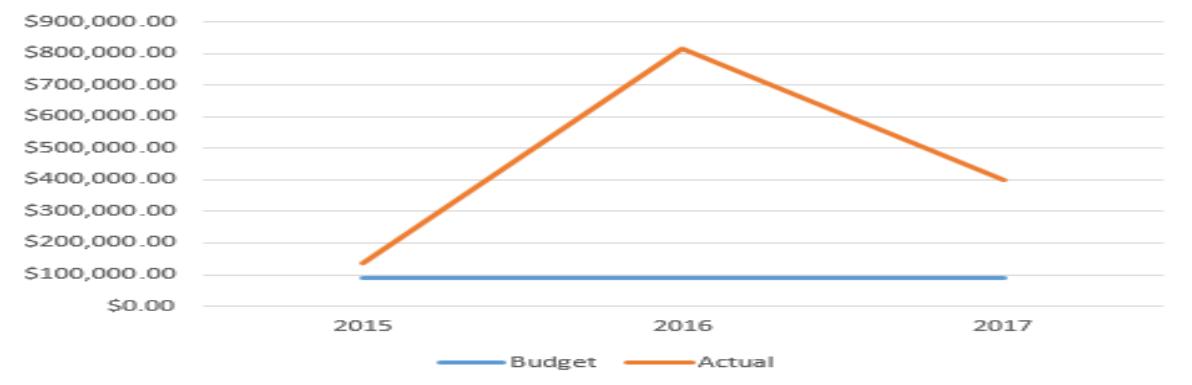
The following significant matters have been raised for your attention and comments:

3.3.1 REVENUE (BUDGET)

3.3.1.1 JUDICIARY SUMMARY REVENUE COLLECTION

Year	2015	2016	2017
Budget	\$90,000.00	\$90,000.00	\$90,000.00
Actual	\$138,172.84	\$817,251.28	\$401,159.41
Variance Under/(Over)	-\$48,172.84	-\$727,251.28	-\$311,159.41

3.3.1.2 COMPARATIVE line GRAPH OF BUDGET REVENUE estimate AGAINST ACTUAL

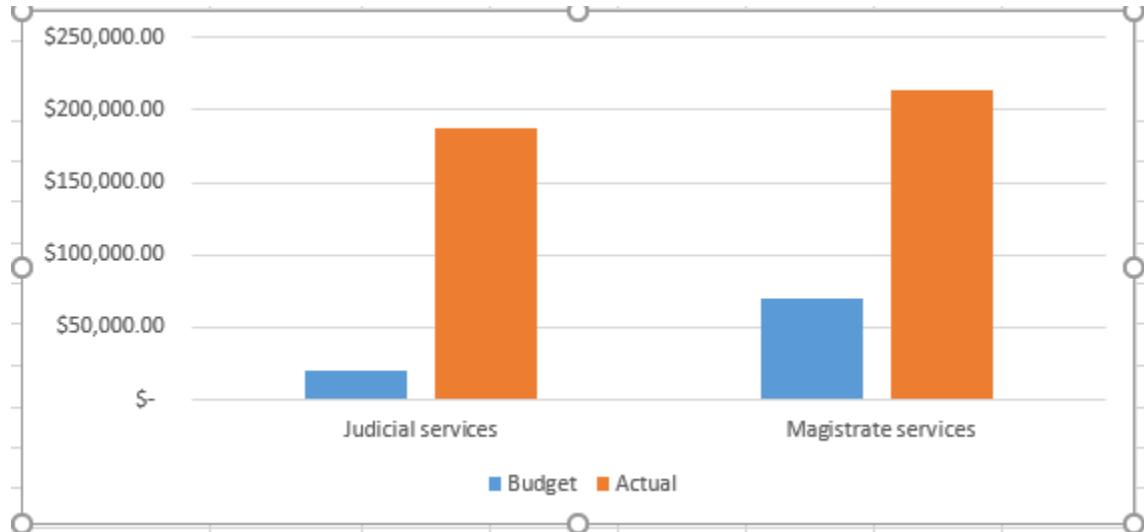


The above table and graph shows that the Judiciary had maintained its revenue collection over the past three years (2015-2016) having surpass approved budget even though there was a drop in the actual revenue collected in 2017 of \$401k but it is pleasing to note that Judiciary had continued to improve over the years and therefore management should be commended for its tireless efforts.

3.3.1.3 REVENUE AGAINST BUDGET BY DIVISIONS 2017

Code	Divisions	Revenue streams	Budget	Actual	Variance(Over)/Under
C110100002	Judicial Services	Court fines	\$20,000.00	\$187,442.79	-\$167,442.79
C110200003	Magistrate Services	Court fee	\$70,000.00	\$213,716.62	-\$143,716.62
	Total		\$90,000.00	\$401,159.41	-\$311,159.41

3.3.1.4 COMPARATIVE bar GRAPH OF BUDGET REVENUE estimate AGAINST ACTUAL BY DIVISIONS



As evidenced from the above graph, two divisions that Judicial services 01 thus surpassed its estimate revenue having collected \$187k whereas Magistrate services 02 collects \$213k.

Recommendation:

Management must be commended for achieving such tireless efforts in collecting revenue and encourage to maintained collection over the future.

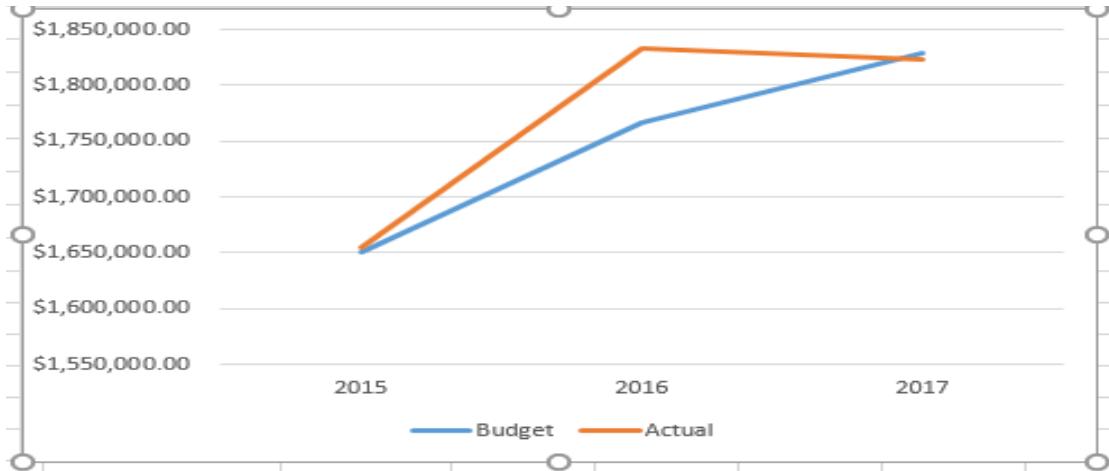
Management response:

3.3.2. EXPENDITURE (BUDGET)

3.3.2.1 JUDICIARY BUDGET EXPENDITURE SUMMARY

Year	2015	2016	2017
Budget	\$1,650,030.00	\$1,766,033.00	\$1,828,674.00
Actual	\$1,654,347.49	\$1,833,691.68	\$1,823,088.87
Variance Under/(Over)	-\$4,317.49	-\$67,658.68	\$5,585.13

3.3.2.2 COMPARATIVE line GRAPH OF BUDGET EXPENDITURE estimate AGAINST ACTUAL

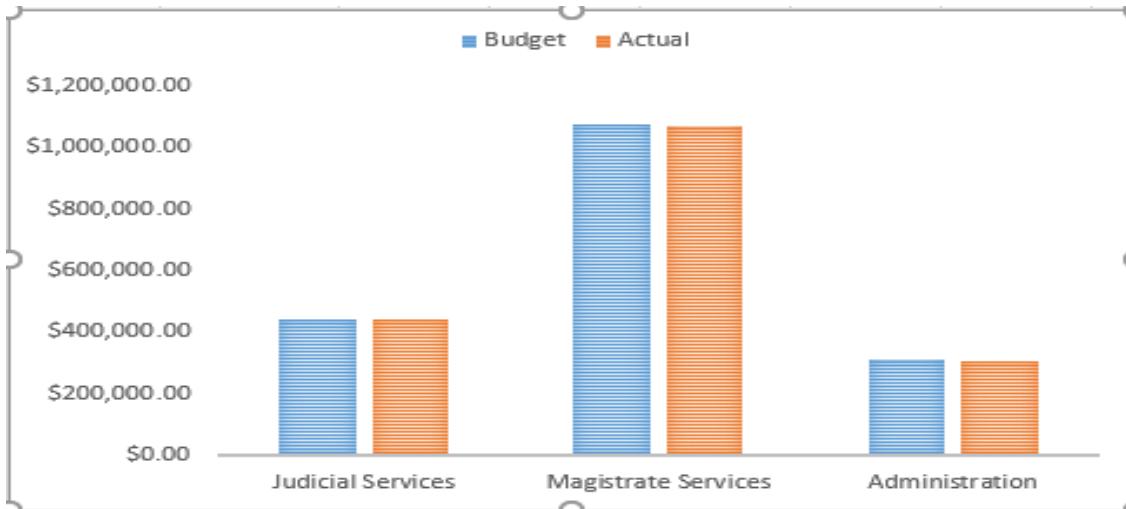


It is pleasing to note for the first time 2017 that Judiciary has incurred a saving of \$5k compared to substantial overspending of \$67k 2016.

3.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS 2017

Code	Divisions	Budget	Actual	Variance (Over)/Under
EII01	Judicial Services	\$443,176.00	\$443,144.89	\$31.11
EII02	Magistrate Services	\$1,075,822.00	\$1,072,558.49	\$3,263.51
EII03	Administration	\$309,676.00	\$307,385.49	\$2,290.51
	Total	\$1,828,674.00	\$1,823,088.87	\$5,585.13

3.3.2.4 COMPARATIVE Bar GRAPH OF BUDGET EXPENDITURE estimate against actual BY DIVISIONS 2017



As illustrated above, all three divisions are drives within approved budget thus contribute to the overall saving of \$5k.

3.3.3 Vote/Database access 2017

Finding and Analysis:

Audit confirmed from the SA whom she relieves the former SA after the reshuffle that the vote/database access could not be retrieved in the system due to there was no proper handing over during the reshuffle thus avoid the audit to scrutinize the existence and accuracy of the vote/database.

Implication:

Failure to maintain Vote/Database access is an act of breaching FR 2011.

Failure to maintain Vote/Database access could result in difficult time when performing reconciliation.

Recommendation:

In conforming to FR2011 chapter II, management must maintain and regularly update its database/access to ease reconciliation with records held by MFED.

3.3.4 TWO year leave policy

Finding and Analysis:

After a thorough check through a leave register obtained from the responsible officer (OM), the audit found out that two staff claim exceeding 2 years' entitlement as noted in the table below.

	2017			2018
Name	Leave Balance B/f	Annual leave Entitlement	Number of taken days	Leave balance
Officer 1	93	30	0	123
Officer 2	147	30	40	137

Implication:

The whole purpose of the Cabinet decision minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund. Failure to comply with cabinet decision is totally an act of breaching cabinet instruction.

Recommendation:

- ✓ Management must have enforced and implement cabinet decision minute no. 7/10 in relation to the 2 years leave entitlement to all staff.
- ✓ Management should ensure all staff when taking leave, to use up the current year's leave entitlement first and work backwards utilizing the prior two year's leave brought forward balances.

Management response:

Chief Registrar Sr Bernadette Mee Eberi	The Chief Registrar will take annual leave after attending her official trip in December 2018. It was very difficult for her to take annual leave during previous months due to shortage of administrative staff as the Senior Registrar took her leave from January – July 2018 (6 months) and the Deputy Chief Registrar took his leave from August to 1 st week of December 2018 (5 months)
Magistrate Katikora Moatau	After perusing Katikora's annual leave, her correct balance is 27 working days.
Magistrate Teanneki Nemta	Magistrate Teanneki Nemta was informed to take her annual leave next month December 2018 after the completion of her case hearings
Senior Court Clerk Atanikai Tanginako	The Senior Court Clerk will also take her leave after the completion of Court clerks' workshop in December 2018

3.3.5 Double Posting in the General ledger telecoms E11020000231/E11030000231

Finding and Analysis:

The audit extract from the General ledger and found out that one of payment reference; Jud PV 619/17, HQPV 2619/9, Chq# 228861 amount \$2,332.05 has been posted twice under two different divisions but the same output. The audit confirms after verifying the GL that there was no JV to adjust the double posting such as noted in the table below.

Division	Code	Output	Amount
Magistrate Services	E11020000231	Telecoms	\$ 2,332.05
Administration	E11030000231	Telecoms	\$ 2,332.05

Implication:

Double posting is a sign of careless and slack in performing regular reconciliation.

Recommendation:

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

Management response:**3.3.6 Misallocation****Finding and Analysis:**

The audit had randomly selected payment from the General Ledger to check and verify the accuracy of the posting. The audit could not have satisfied with the accuracy of the posting when the audit detects that certain payment were deemed charged the wrong output/allocation. Further detail of incorrect posting are as follows in the table note below:

Date	PV#	Misallocation		Correct code		Amount
07/02/2017	Jud 036/17	Electricity & Gas	EII03000232	Telecomms	EII03000231	\$ 1,293.75
07/02/2017	Jud 051/17	Electricity & Gas	EII03000232	Telecomms	EII03000231	\$ 1,332.50

Implication:

Charging the wrong allocation would cause unrealistic figure disclosed under various outputs thus distort the accuracy of the financial report.

Disclosing of figures that are not reconciled yet would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.

Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.

Recommendation:

- ✓ Management should ensure to charge a proper and correct allocation according to the nature of spending to avoid misallocation of funds.
- ✓ Management must ensure to conduct and performed regular reconciliation to avoid misallocation.
- ✓ Prior authorizing and approving payments accountable and responsible officers should thoroughly review the nature of the payments to ensure the correct coding is being charged.

Management response:**3.3.7 KPF contribution variance detected****Finding and Analysis:**

After performing the analytical review to verify the accuracy of the KPF contribution reflected in the management report, it was noted with concern that some employee's contribution was overstated and understated as indicated in the table below:

Description	E101000201	E102000201	E103000201
Salaries	\$92,412.13	\$330,347.50	\$70,876.70
Temporary	\$3,786.32	\$4,946.87	\$3,556.90
Total	\$96,198.45	\$335,294.37	\$74,433.60
Multiply 7.5%	\$7,214.88	\$25,147.08	\$5,582.52
Management report KPF contribution	\$5,604.90	\$25,067.62	\$6,799.56
Variance	\$1,609.98	\$79.46	-\$1,217.04
	Understated	Understated	Overstated

Implication:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.
- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

3.3.8 outstanding imprest 2017

Finding and Analysis:

The audit confirmed after verifying the imprest register and checked against the Listing provided by MFED and thus confirm that the following staff noted in the table still not cleared outstanding imprest for 2017.

Customer Name	Total Balance	Current	30 days	60days	90 days	Unallocated
Sis Bernadette Eberi	\$3,343.89	\$8,255.00	\$0.00	\$108.00	\$1,152.09	-\$6,171.20
Hon Sir John Muria	\$4,535.67	\$0.00	\$0.00	\$0.00	\$5,133.00	-\$597.33
Teanneki. Nemta	\$1,375.85	\$0.00	\$0.00	\$0.00	\$1,379.75	-\$3.90

Implication:

Failure to retire imprest within 10 days and/or not retired at all after return from official trip is breach of FR.

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

Recommendation:

- ✓ Imprest policy retirement should be enforced by management and/or accounting officer and officer travelling should be reminded to retire their imprest upon arrival within 10m working days.
- ✓ Management should not allow to issue imprest for subsequent travels unless the officer had retired all past outstanding dues.

Management response:

4. KIRIBATI POLICE SERVICE (KPS)

4.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Kiribati Police Service for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 4.3 below

4.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for the Kiribati Police Services performance in the fiscal year 2016.

Issues	Solved/Addressed	Status of the Issue in 2017 Audit
Weaknessess in the revenue recording system	Solved	Improved in the revenue collection
Excess spending beyond approved budget	Solved/Addressed	Improved in controlling spending
Lack of control ration	Improved	Improved in the control of rations
Outstanding imprest	Not Solved/Addressed	Remained as an issue
Weaknessess in the control of Bus ticket	Improved	Improved in the control
Weaknessess in the control of Store ledger	Not Solved/Addressed	Remained as an issue
Two Years leave policy entitlement	Not Solved/Addressed	Remained as an issue
Weakenesses in control log book	Not Solved/Addressed	Remained as an issue
Lack of control Spare parts of RKS Teanoai	Improved	Improved of control parts

4.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

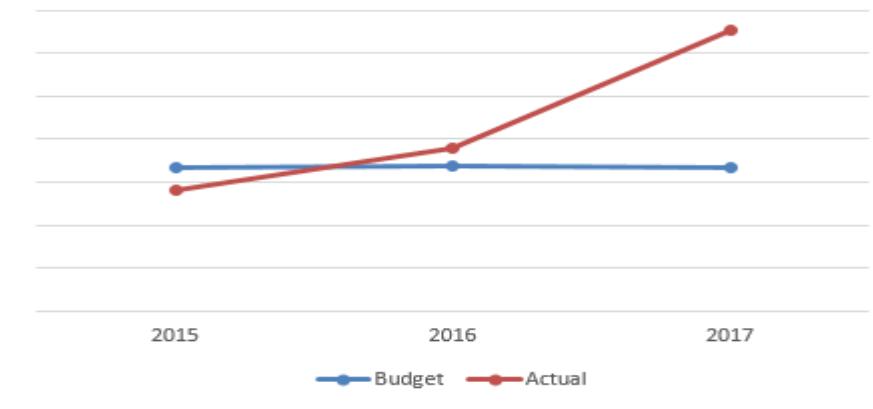
4.3.1 REVENUE (BUDGET)

Findings and analysis:

4.3.1.1 KPS Revenue summary collection 2015-2017:

Year	2015	2016	2017
Budget	\$67,200.00	\$67,400.00	\$67,000.00
Actual	\$56,183.42	\$75,668.65	\$130,318.01
Variance Under/(Over)	\$11,016.58	-\$8,268.65	-\$63,318.01

4.3.1.2 Comparative Line Graph Of Budget Revenue Against Actual

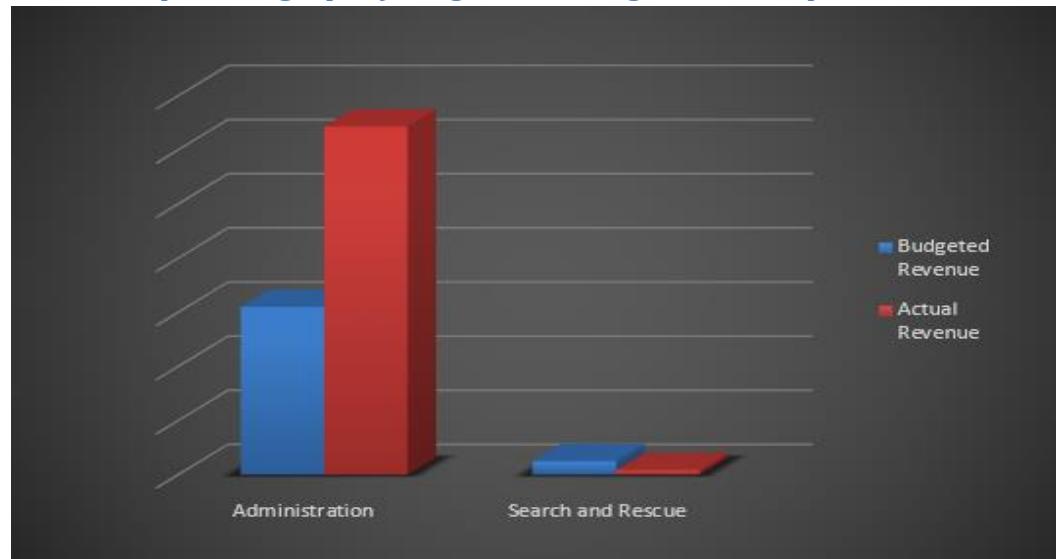


As per graph above it was clearly indicated that the KPS has performed well in 2017 having exceed revenue collection by \$63k outweighed the actual revenue collected in 2016 by \$55k (2016 \$8k less 2017 \$63k). Therefore, management must be acclaimed for their efforts and tireless commitment and to ensure that the KPS continue such tremendous performance in future years.

4.3.1.3 KPS Revenues against budget by divisions.

Divisions	Administration	Search and Rescue	Total
Budget	\$ 62,000	\$ 5,000.00	\$ 67,000.00
Actual	\$ 128606.76	\$ 1711.25	\$ 130318.01
Variance(Over)/Under	\$ (66,606.76)	\$ 3288.75	\$ (63,318.01)

4.3.1.4 Comparative graph of Budget revenue against actual per division



The graph above indicated that administration division (01) had exceed its revenue budget estimate by \$66k While Search and Rescue (04) failed to achieved revenue targets by 3k in 2017.

4.3.1.5 Revenue records and documents

Findings and Analysis:

When conducting the audit verification on revenue collection earned in the fiscal years (2017), the audit takes noted of the arrears of revenue amounted to \$518.18 remained irrecoverable. It appears management had failed to enforce and strengthen recovery action over time by the accounting responsible officer.

Implication:

- If these arrears of revenue are receivable from other government Ministries, then it is likely that these arrears will not be recovered since Government Ministries draw their budgets for only expenditures that are likely to be incurred in that current financial year, excluding expenditure from the previous fiscal years.
- If some proportion of revenue arrears is receivable from individual, then a burden was placed on officials who deals with Government Financial Reporting to make adjustment and reverse entries which is not an easy task.
- Failure to collect revenues during the financial year would understate the government revenues and lead to misrepresentation of financial reports.

Recommendation:

- Management must strictly enforce a policy where a payment should be made before service is rendered.
- Management must ensure that no arrears of revenues should lapsed the incurring financial year.

Management response:

4.3.2 EXPENDITURE (Budget)

Finding and Analysis:

4.3.2.1 KPS Expenditure summary against budget for 2015 to 2017.

Year	2015	2016	2017
Budget	\$7,262,784.00	\$7,736,542.00	\$7,629,215.00
Actual	\$7,329,687.00	\$7,890,271.15	\$7,324,071.29
Variance Under/(Over)	-\$66,903.00	-\$153,729.15	\$305,143.71

4.3.2.2 Comparative Line graph of Budgeted Expenditure against Actual for 2015 to 2017.

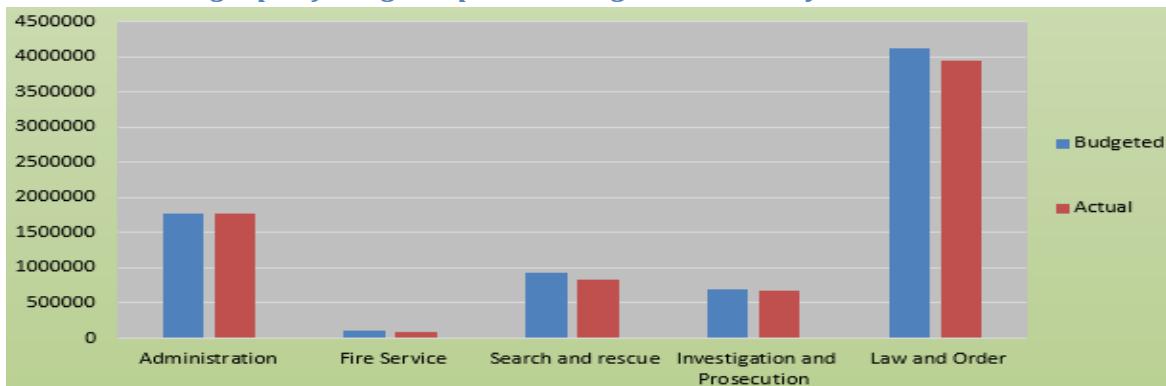


It is clearly reflected from the above comparative expenditure analysis that KPS for the first time in 2017 had operate below its budgeted estimates compared to an excess spending incurred for the year 2015 and 2016 of \$66k and \$153k. This is quite unique when exploring the trend of the budget estimate over the past three years (2015-2017) assuming that in 2017 KPS had not fully utilized funds to cater for its activities the result of which report a colossal savings of \$305k. Given the overall analysis management should have applauded for their efforts in controlling their expenditure accordingly.

4.3.2.3 KPS Expenditure against budget by divisions 2017.

Description	Administration	Fire Service	Search and Rescue	Investigation and Prosecution	Law and Order	Total
Budgeted	\$1,780,454.00	\$102,554.00	\$929,699.00	\$690,494.00	\$4,126,014.00	\$7,629,215.00
Actual	\$1,782,030.85	\$93,896.71	\$823,870.99	\$672,023.99	\$3,952,248.75	\$7,324,071.29
Variance - (Over)/under	-\$1,576.85	\$8,657.29	\$105,828.01	\$18,470.01	\$173,765.25	\$305,143.71

4.3.2.4 KPS Bar graph of Budget expenditure against actual by divisions.



As highlighted above, the only division that exceeds its expenditure above the approved budget estimates is the Administration Division while the rest of the divisions have spent below budget estimate thus generating a total saving of \$ 305k.

4.3.3 Internal travel

Findings and Analysis

- ✓ In Comparison between MFED figures and KPS Register (Database) for the total imprest drawn, it was noted that there is a variance figure of \$2,226.00 that was not recorded in the KPS Database.
- ✓ It was noted that there is a slight difference in the amount of the DW # 002/17/12 recorded in KPS Register and GL. KPS Register record the amount of \$156.00 while GL shows \$620.25, thus a discrepancy of \$ 464.25
- ✓ A wrong posting totaled to \$360 found on the GL Code 1201-216 after a pretest was done from DW Register against GL entries as detailed in the table below

GL date	Description	DW Register Code	GL Entry Code	Amount
16/11/2017	DW# 46/17/12	E1201-215	E1201-216	\$20
22/12/2017	DW# 106/17/12	E1201-215	E1201-216	\$140
02/02/2018	DW# 094/17/12	E1202-216	E1201-216	\$200
				\$360

- ✓ Audit noted there was a payment of \$140 on DW # 094/17 for Motorbike hire being made from Code E1202-216, a non-provisional code in the 2017 budget. This payment was also not reflected in the 2017 Management report and GL.
- ✓ Audit found mismatch in the records of outstanding imprest through the Customer card and Customer Aging report as detailed in the table below.

Name	Name	Abstract per aging report 1	Amount per customer cards	Variances
2017	Officer 1	530.00	510.00	20.00
"	Officer 2	560.00	490.00	70.00
"	Officer 3	200.00	200.00	-
"	Officer 4	- 677.00	510.00	- 167.00
"	Officer 5	508.00	490.00	18.00
"	Officer 6	258.00	258.00	-
"	Officer 7	- 1,233.81	-	- 1,233.81
"	Officer 8	550.00	550.00	-
"	Officer 9	363.50		363.50
"	Officer 10	334.97	20.00	314.97
		1,393.66	3,028.00	- 614.34

- ✓ Audit noted a variance of \$1355 from the figure posted on the GL and KPS Database on travelling claim # 68/17 and 69/17 as detailed below

T/c date	MinistryPVno	Descriptions	GL Figure	Database figure	Variances
24/07/2017	68/17	Travelling claim	\$425	\$ 280	\$145
24/07/2017	69/17	Travelling claim	\$1350	\$140	\$1210
			\$1775	\$420	\$1,355.00

- ✓ Audit noted a total payment of \$1020 being made on Ministry's PV No 124/17 and 125/17 for travelling claim which were appeared in the KPS Database without being posted in the GL

Implications

As noted from the auditing, the common mistakes by Account Officers was error in posting, missing of documents, improper recording of expenditures and the maintenance of relevant documents on paper and in the database which raised a concern on the misrepresentation of Financial reports.

Recommendation:

- Ensure that all expenditures on Internal Travel Imprest that have been made was recorded on Paper and in the Database system for audit verifications.
- Ensure an up to date reconciliations (monthly basis) on expenditures related to Internal Travel within that month to avoid heavy burdens of reconciliation on large volumes of data
- Ensure that documents were kept safely and manageable for audit purposes
- To have a system in place for checking and verification of data entered in the Database from Source documents to ensure that no posting error being made.
- To ensure a proper recording of expenditure in accordance to standing policies and guidelines on Government Financial Reporting.

Management response:

4.3.4 Control over log book

Findings and Analysis

The use of logbook by KPS has not been improved in the year 2017 as indicated below

- ✓ No log book maintained in the following KPS Transports.

Transport	183G	double cap
CID	189G	double cap
PMU	272	double cap
NIU	268G	double cap
DVSO	188G	double cap
Bairiki station	180G	double cap

- ✓ Audit noted some log book page for the vehicle #380G were gone missing and in-complete during the review.
- ✓ Mileages are not in order in the vehicle#380G when obtained which indicate a poor control on the use of the transport.
- ✓ Audit noted six (6) double cap vehicle were beyond repair (vehicle impairment) and has not been recorded in the fixed asset register.

Implication:

Failure to update log books would make it not possible for auditors to confirm claims been lodged for overtime, refueling and proper usages of such vehicles.

Recommendation:

- ✓ Management should ensure the drivers maintain and update their log books in order to keep track the vehicles movement from time to time
- ✓ Management should ensure that the Office Manager checks and reviews the log book on regular basis.

Management response:

4.3.5 Control over store ledger

Finding and Analysis:

It was noted in the 2016 audit report that KPS did not have a store ledger. In 2017, KPS complied with Audit recommendation to have a store ledger maintained to record and report the purchasing, movement and status of assets currently used by KPS. However, Audit revealed there was a poor control over the use of store ledger as indicated below:

1. Store ledger hasn't been updated with acquisition, movement and status of each particular asset owned and operated by KPS

Implication

Management failure in providing of such records would be create a doubt for misusing of office properties that were purchasing under Office Equipment and Furniture code.

Recommendation:

- ✓ Management should maintain a proper use of store ledger for audit purposes as well as other purposes on accounting depreciation and amortization of assets.

Management response:

4.3.6 Procurement

Finding and Analysis:

It was noted from the auditing of PVs on payment of non-expendable items that KPS was still making payments on items that costs \$5000 and above without following procurement procedures.

Audit also revealed that a payment made on PV # 0159 of \$850 does not attached with claimants' invoice.

Implications

Failure to follow procedures will undermine the Procurement Act 2011.

Recommendation

Senior responsible officers must enforce Procurement Act 2011 procedures and ensure that all purchases on non-expendable items are within the guidelines and procedures.

Management response:

4.3.7 Leave balances - 2 years entitlement policy

Findings and analysis:

- ✓ Audit noted that the updated leave balance provided by KPS for its employees does not take into consideration the calculation of a two year leave policy.
- ✓ After a review and calculation, audit noted that some officers have negative leave balances for the year 2017. However, deductions on negative leave balances are yet to be carried out.

Name	PF#	Annual leave	leave entitlement (3 yrs 2016-	2016	2017	2018	Leave taken balance	2yrs policy balance	KPS leave balance
Office 1	93042	26	78	10	26	10	46	32	76
Officer 2	93173	30	90	37	56	5	98	-8	77
Officer 3	6460		0				0	0	x
Officer 4	95003		0				0	0	x
Officer 5	2006196		0				0	0	x
Officer 6	2005129		0				0	0	x
Officer 7	91014	30	90	58	32	12	102	-12	89

Table 3.3.0a shows there were 7 employees from different divisions selected to perform our testing on their leave balances. After a calculation was done in accordance to 2 Year Leave Policy to verify KPS record of leave balance for the 7 employees, the table shows that 3 out of the 7 have had a miscalculation on their leave balance.

Implication

It is important for KPS to update leave balance taking into consideration calculation of a two year leave policy for its officers in order to avoid overstayed leave balance that will be burdened on officers to be charged with such negative leave balances.

Recommendation:

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

Management response:

4.3.8 Transfer of funds

Finding and Analysis:

Audit noted the following:

- ✓ KPS Database was not updated provided some transfer being made on paper were neither appeared in the database.
- ✓ It was noted from Transfers recorded on Paper that Transfer no 20/17 was repeated and comprises of different budget codes with different amounts, having \$ 14944 and \$66570 respectively.
- ✓ After matching the total transfers recorded on Paper against Total Transfers in the Database, it appeared that there was a total of \$ 407,493.61 unrecorded in the Database.
- ✓ KPS still using a word transfer memo to record transfers which contradicts financial accounting procedures of using a standard format to be filled and printed from the Database. The format from Database was initially enforced to avoid unrecorded transfers through the Database.
- ✓ A variance of \$1000 was noted from transfer no. 006/17 which posted the amount of \$2000 in the Database while \$3000 was recorded on paper.
- ✓ A transfer has been made on the allocation that has no budgets estimates in the 2017 budget. One being a transfer from E1202-202 to 1202-227 of \$295.38 and the other transfer was from 1206-202 to 1206-225 of \$1080. As a result, these transfers were not reflected in the 2017 Management report.
- ✓ Audit cannot verify a total transfer of \$42250 that was made on Transfer no. 001/17 – 005/17 provided there were records on paper for those transfer numbers.

Transfer between Budget Allocation Code (Refer to Table 3.3.1a)

The table below summarizes transfers that has been made to budget codes highlighted in Table 3.3.1a with details as follows:

'A' – an extracted audit figure showing the total amount of transfer made to the budget allocation code, calculated from transfers recorded on paper and in the Database.

'B' – an extracted figure from the 2017 Budget

'C' – The newly calculated figures by the audit for the revised budget figure that should be presented in the management report. It should be the total of 'A' + 'B'.

'D' – extracted revised figure from the management report.

The last column on the table shows findings and analysis on the figures presented in the management report under the revised budget column against the new revised figure from audit calculation of transfers that has been made on the budget allocation code indicated.

Table 3.3.1a shows the total distort figure of \$146,661.41 from the list of budget allocations in the management report under 'revised budget column'.

Table 3.3.1a

Allocation Code	TRANSFER TO (A)	TRANSFER FROM (B)	Amount per Original Budget Figure (C)	Revised Budget (Audit Figure) (D)	Revised Budget (Mgmt report figure) (E)	Variances (E-D)	Comments
E12010000202	\$3,000.00		\$673,582.00	\$676,582.00	\$678,073.67	\$1,491.67	Overstated
E12010000204	\$17,089.29		\$57,749.00	\$74,838.29	\$74,838.29	\$0.00	ok
E12010000205	\$35,728.51	\$389.99	\$88,307.00	\$123,645.52	\$123,645.52	\$0.00	ok
E12010000208	\$1,886.28	\$1,886.25	\$109,500.00	\$109,500.03	\$111,386.28	\$1,886.25	Overstated
E12010000215	\$128,588.16	\$984.49	\$61,036.00	\$188,639.67	\$68,822.44	-\$119,817.23	Understated
E12010000216	\$11,472.54	\$11,496.82	\$59,037.00	\$59,012.72	\$62,714.72	\$3,702.00	Overstated
E12010000227	\$26,193.59	\$148,453.38	\$195,250.00	\$72,990.21	\$43,372.33	-\$29,617.88	Understated
E12010000232	\$7,024.00		\$150,000.00	\$157,024.00	\$166,520.16	\$9,496.16	Overstated
E12010000243	\$250.00		-	\$250.00	\$131.24	-\$118.76	Understated
E12010000245	\$17,000.00	\$7,042.24	\$85,300.00	\$95,257.76	\$85,257.76	-\$10,000.00	Understated
E12020000202	\$7,000.00	\$8,982.00	\$50,284.00	\$48,302.00	\$41,714.45	-\$6,587.55	Understated
E12020000205	\$1,319.04		\$11,537.00	\$12,856.04	\$14,175.08	\$1,319.04	Overstated
E12020000215	\$7,367.58	\$7,000.00	\$4,188.00	\$4,555.58	\$11,923.16	\$7,367.58	Overstated
E12040000202		\$75,048.54	\$398,554.00	\$323,505.46	\$324,739.38	\$1,233.92	Overstated
E12040000216	\$12,200.00		\$7,695.00	\$19,895.00	\$12,895.00	-\$7,000.00	Understated
E12040000227	\$70,878.01		\$3,290.00	\$74,168.01	\$74,007.47	-\$160.54	Understated
E12040000244	\$392.53		\$2,500.00	\$2,892.53	\$3,285.06	\$392.53	Overstated
E12050000202		\$1,764.96	\$367,718.00	\$365,953.04	\$365,925.24	-\$27.80	Understated
E12050000204	\$0.23		\$48,027.00	\$48,027.23	\$48,027.00	-\$0.23	Understated
E12060000202		\$229,988.43	\$2,585,105.00	\$2,355,116.57	\$2,354,896.00	-\$220.57	Understated
E12060000204		\$5,000.00	\$301,029.00	\$296,029.00	\$269,829.00	-\$26,200.00	Understated
E12060000208	\$26,400.00	\$18,000.00	\$427,200.00	\$435,600.00	\$422,400.00	-\$13,200.00	Understated
E12060000215	\$114,004.00	\$13,200.00	\$95,520.00	\$196,324.00	\$158,520.00	-\$37,804.00	Understated
E12060000216	\$30,700.00		\$11,830.00	\$42,530.00	\$81,219.00	\$38,689.00	Overstated
E12060000241	\$72,133.00		\$14,220.00	\$86,353.00	\$86,353.00	\$0.00	ok
E12060000243	\$21,504.43	\$40,133.00	\$3,900.00	-\$14,728.57	\$23,786.43	\$38,515.00	Overstated
						-\$146,661.41	Distort figure

Implications

Transfer between budget outputs was merely practiced in KPS continuously over the past years which heavily place burdens on Senior Accountants and Account Officers to make adjustment entries which is not an easy task. As noted from the auditing, the common mistakes to Account Officers in adjusting entries on transfers that have been made was error in posting and missing of transfer documents which raised a concern on the misrepresentation of Financial reports.

Recommendation:

Ensure that all transfers that have been made was recorded on Paper and in the Database system for audit verifications.

- Ensure an up to date reconciliations (monthly basis) on transfers being made within that month to avoid heavy burdens of reconciliation on large volumes of data.
- Ensure that documents were kept safely and manageable
- To have a system in place for checking and verification of data entered in the Database from Source documents to ensure that no posting error being made.

Management response:

5. PUBLIC SERVICE COMMISSION (PSC)

5.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Public Service Commission the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 5.3 below

5.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion issued on the performance of the Public Service Commission in the fiscal year 2016.

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

5.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

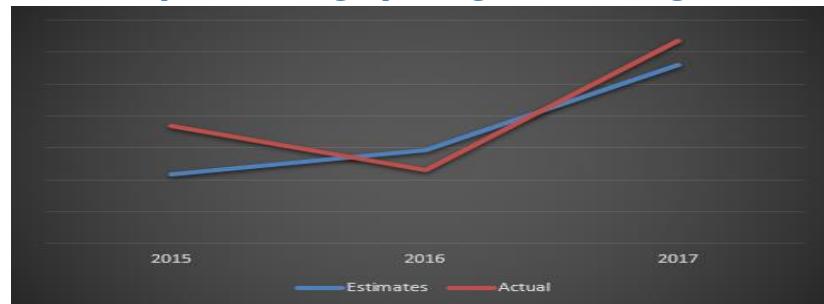
5.3.1 CONTROL OVER EXPENDITURE BUDGET

Finding and Analysis:

5.3.1.1 Comparative table expenditure against estimates

Year	2015	2016	2017
Estimates	\$241,818	\$249,123	\$275,984.00
Actual	\$256,698	\$242,925	\$283,555.66
Variance (Over)/Under	-14,880	6,198	-7,572

5.3.1.2 Comparative line graph budget estimates against actual



The above graph depicts the level of budget expenditure against actual for the years 2015 to 2017. With an appropriate increase in the budget estimate level from \$249k (2016) to \$260k (2017) PSC cannot capitalize its level of expenditure which result in an excess spending of \$7k. This indicate lack of

commitment and monitoring in operating within means compared with a saving earned for 2016 of \$6k. Therefore, management must be realistic and consistent in order to operate within approved budget to avoid future overspending.

5.3.2 MISALLOCATIONS

Findings and Analysis:

It was found during the audit that some payments made were indeed charged the wrong output/allocation. The issues noted were same detected last audit thus proves responsible officer had not bothered to implement the audit recommendation of 2016. Details of such misallocations are included in the table below:

Date	Pv #	Misallocation	Correct code	Amount	Description
12/22/2017	251/17	E13010000213 Code: Telecoms	E13010000239 Code: Entertainment	\$300.00	Cost of 1 pig for chairman entertainment
12/22/2017	250/17	E13010000213 Code: Telecoms	E13010000241 Code: Stationeries & Supplies	\$438.13	Settlement of invoice no 00023969& 00023987

Implication:

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

Recommendation:

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

Management response:

No transfer being made resulting in charging inappropriate codes.

5.3.3 PAYMENT PAID OUT FROM PERSONAL EMOLUMENT TO MEET OPERATIONAL COST(Transfer)

Finding and Analysis:

The audit had noted certain payment which has been paid out from Personal emolument to cater for operational cost such as noted in the table below: The audit belief determines the failure to comply with Financial regulation result in a violation of FR 145 (2). The audit aware of a circular issued by MFEP 1/17 on 3/11/2017 directed by cabinet to waive FR 145(2) allowing Ministries to continue with their financial operation until the end of 2017 but this is limited only for the replenishment of exhausted outputs and financial recurring expenses such as PUB, Telecoms, PVU and other operational charges.

Date	Pv #	Misallocation	Amount	Description
12/4/2017	231/17	E13010000203 Code: Allowance	\$1,134.00	Security services for November 2017
8/14/2017	159/17	E13010000203 Code: Allowance	\$1,080.00	Security services for 1/6/-30/6/17
12/19/2017	239/17	E13010000203 Code: Allowance	\$1,171.80	Security services for December

Implication:

- Charging the wrong code (output) as per stated above would lead to incorrect over spending of the output wrongly charged.
- Incorrect spending under the wrongly charged output would lead management astray when deciding on the appropriate level per output for next year's budget level.
- Charging wrong outputs raises doubts on the integrity of the accounting officer of the Office.
- Charging wrong outputs is an act of breaching the Financial regulation 145 (2).

Recommendation:

- ✓ Management should ensure to avoid such payment if the nature of spending has not been approved.
- ✓ Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure correct allocations had been made .

Management

responses:

We wish to express our sincere apology since we do not have a budget for the wages of our Security Personnel's. It was during the time when people started breaking in to the PSC office when the Former Chairman gave his instructions that there should be Security guard who should secure the premises 24 hours, and so We used our code E13010000203(Housing) to pay their wages since we could not from pay it out from our Operational Cost since the monies under this code is not sufficient to provide for their wages

6. MINISTRY OF FOREIGN AFFAIRS AND IMMIGRATION

6.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Ministry of Foreign Affairs and Immigration for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 6.3 below

6.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Ministry of Foreign Affairs and Immigration performance in the fiscal year 2016

Issues	Solved/Addressed	Status of the issue 2017 audit
Colossal overspending incurred by MFAI.	Not solved/Addressed	MFAI incurred excess spending
Unsigned bus tickets.	Not Solved/Addressed	Improved monitoring bus tickets.
Outstanding imprest.	Not Solved/Addressed	Still outstanding imprest not recovered.
Salary overpaid Contravene of Procurement Act.	Not Solved/Addressed Solved/Addressed	Still not recovered. Improved compliance.

6.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

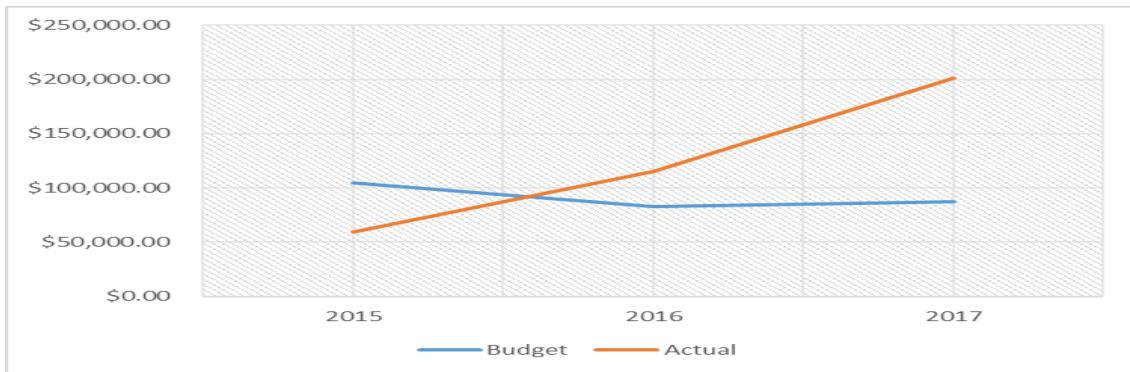
6.3.1 CONTROLS OVER REVENUE:

Findings and Analysis:

6.3.1.1 MFAI Budget (REVENUE) SUMMARY 2015-2017

Year	2015	2016	2017
Budget	\$105,000.00	\$83,000.00	\$87,000.00
Actual	\$59,667.00	\$115,169.09	\$201,137.17
Variance Under/(Over)	\$45,333.00	(-\$32,169.09)	(\$114,137.17)

6.3.1.2 Comparative line graph revenue budget against actual 2015 to 2017.

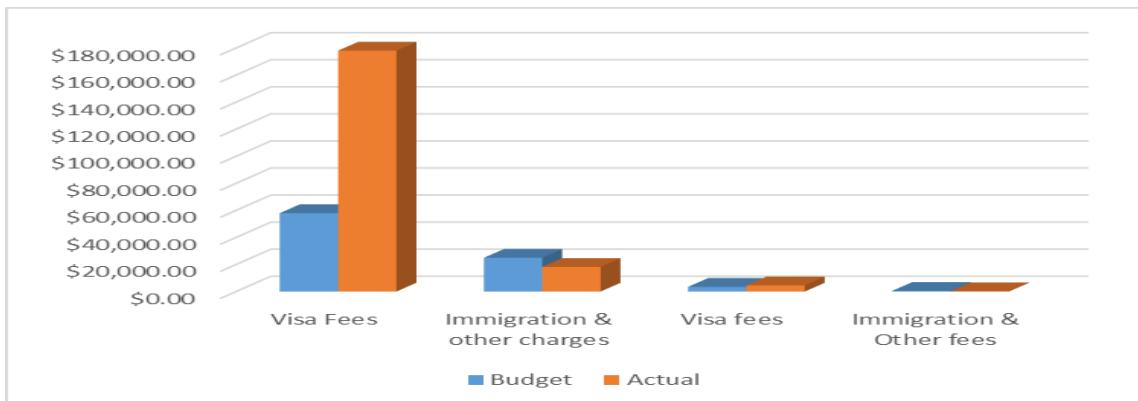


It is pleasing to note from the overall analysis that Ministry has continued to improve its revenue collection over the last two years (2016-2017). As evidenced above, in 2017 the Ministry has given an increase its budget level of \$4k (\$83k 2016 to \$87k 2017) but its actual collection surpassed its approved budget by \$114k which was even higher than the actual revenue collection of \$32k in 2016. Management must be commended for such remarkable improvement and to ensure it provides more realistic budget level for future years.

6.3.1.3 MFAI REVENUES (Actual) against Budget by Divisions

Division	Immigration		High Commission Fiji		Total
Revenue Stream	Visa Fees	Immigration & other charges	Visa fees	Immigration & Other fees	
Budget	\$58,000.00	\$25,000.00	\$3,500.00	\$500.00	\$87,000.00
Actual	\$178,073.92	\$18,211.12	\$4,627.13	\$225.00	\$201,137.17
Variance (Over)/Under	-\$120,073.92	\$6,788.88	-\$1,127.13	\$275.00	-\$14,137.17

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



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

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

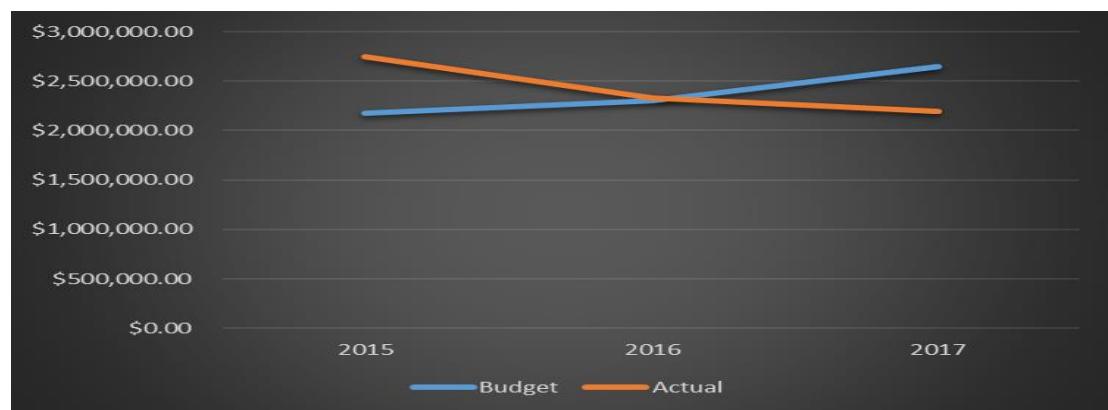
6.3.2 CONTROLS OVER EXPENDITURE:

Findings and Analysis:

6.3.2.1 MFAI BUDGET EXPENDITURE SUMMARY

Year	2015	2016	2017
Budget	\$2,178,571.00	\$2,301,878.00	\$2,644,176.00
Actual	\$2,745,374.59	\$2,332,288.28	\$2,192,935.97
Variance Under/(Over)	(S566,803.59)	(S30,410.28)	\$451,240.03

6.3.2.2 Comparative line graph Expenditure estimate against actual 2015 - 2017

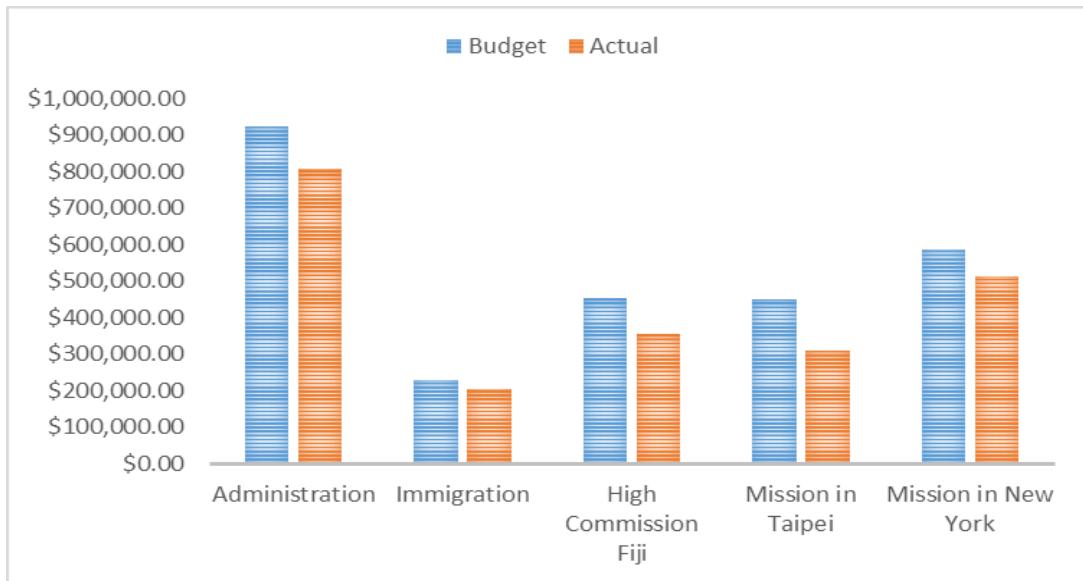


It is significant to note from the MFAI expenditure summary that Ministry for the first time in 2017 had produce a dramatic saving of \$451k compared to the excess spending in 2015 and 2016 respectively. In fact, the audit is of belief that Ministry has not fulfil to carry out all activities hence the reason for huge saving under respective divisions. However, management should provide more realistic budget level that would cater for activities its branches would deliver in future years.

6.3.2.3 MFAI Budget against Actual by Divisions – 2017

Divisions	Budget	Actual	Variance (Over)/Under
Administration	\$922,116.00	\$808,189.01	\$113,926.99
Immigration	\$230,313.00	\$205,943.73	\$24,369.27
High Commission Fiji	\$454,366.00	\$356,429.25	\$97,936.75
Mission in Taipei	\$449,494.00	\$310,845.61	\$138,648.39
Mission in New York	\$587,887.00	\$511,528.37	\$76,358.63
Total	\$2,644,176.00	\$2,192,935.97	\$451,240.03

6.3.2.4 Comparative BAR Graph Budget against Actual by divisions- 2017



It is evidenced from the table and graph shown above that all of the Ministry's divisions had operate within approved budget thus contribute to the overall saving of \$114k.

Recommendation:

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

Management response:

The Ministry noted the substantial level of reported saving which was quite a shock and would be keen to actually verify this finding. However, the Ministry would like to mention a few factors that may have also contributed to this saving:

- There were a lot of expenditures that were left unpaid last year and were paid out in the beginning of the year. This was a common issue across all Divisions but with the bulk within Admin particularly on external travel that were paid out this year including payouts made earlier this year to settle overseas services invoices that were just received in January;
- Saving was also due to non-permanent hire of the vehicle when the Secretary only used its own purchased car (black car) until mid-year when the permanent hire just commenced with the arrival of its double cab;
- The continued saving made through vacancies is also a factor contributing to the saving which includes leave grant as well; and
- There were also big purchases required to be undertaken in 2017 but these were never carried out by our Account staff in spite of reminders resulting too in the non-spending of the anticipated expenditure that should have been incurred in 2017;

6.3.3 KPF contribution variance detected

After performing the analytical review to verify the accuracy of the KPF contribution reflected in the management report, it was noted with concern that some employee's contribution was overstated and understated as indicated in the table below:

Description	Administration E14010000201	Immigration E14020000201	High Commission E14030000201	Mission Taipei E14040000201	Mission in New York E14050000201
Salaries	\$223,668.98	\$94,676.40	\$44,570.00	\$14,999.92	\$82,939.78
Temporary	\$17,678.80	\$15,871.40	\$1,622.64		
Total	\$241,347.78	\$110,547.80	\$46,192.64	\$14,999.92	\$82,939.78
Multiply 7.5%	\$18,101.08	\$8,291.09	\$3,464.45	\$1,124.99	\$6,220.48
Management report KPF contribution	\$17,775.36	\$8,273.05	\$3,243.86	\$1,125.02	\$2,401.31
Variance	\$325.72	\$18.03	\$220.59	(\$0.03)	\$3,819.17
	Understated	Understated	Understated	Overstated	Understated

Implication:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.
- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

MFAI Account Staff are now updating all reconciliations with Payroll from MFED but the overpayment and underpayment of KPF contributions must be affected by the posting and payment from MFEP as the system automatically calculates this according to payrolls.

6.3.4 Transfer double posting

Finding and Analysis:

The audit could not satisfy with the accuracy of the transfer being posted in the GL as the audit detected a double posting in some selected output as noted in the table below. The result of which impact on

producing the incorrect figure disclosed in the management report under output E1403000203 of \$40,182.22 while in actual fact the correct figure should be \$32,541.22. The error was caused by MFED during the posting and this should be already adjusted(raised JV) during the reconciliation process between the MFED and MFAI.

E1403000203 Housing Assistance				Opening Balance		\$ -
1/31/2017	1-Jan	I	6	MFAI revised budget 2017	\$ 24,900.00	\$ 24,900.00
12/31/2017	12-Dec	II	23	MFAI no.12/17	\$ 7,641.22	\$ 32,541.22
12/31/2017	12-Dec	II	49	MFAI no.12/17	\$ 7,641.22	\$ 40,182.44
				Closing Balance		\$ 40,182.44
E1403000204 Allowances				Opening Balance		\$ -
1/31/2017	1-Jan	I	6	MFAI revised budget 2017	\$ 71,030.00	\$ 71,030.00
12/31/2017	12-Dec	II	23	MFAI no.12/17	\$ 7,641.22	\$ 63,388.78
12/31/2017	12-Dec	II	23	MFAI no.12/17	\$ 578.73	\$ 62,810.05
12/31/2017	12-Dec	II	49	MFAI no.12/17	\$ 7,641.22	\$ 55,168.83
12/31/2017	12-Dec	II	49	MFAI no.12/17	\$ 578.73	\$ 54,590.10
				Closing Balance		\$ 54,590.10

Implication:

Double posting of transaction raised doubt regarding the integrity and reliability of the management report produced by MFED.

Double posting could impact on producing incorrect figure which also have effect in the budget.

Recommendation:

- ✓ Management encouraged to maintain frequent reconciliation with MFED in order to avoid mis-posting and to ensure to perform frequent reconciliation.

Management Response

We have only one transfer for these transfers but the posting was done by MFED therefore this double posting is likely caused by MFED officer posting transfers but this would have been rectified from our side if reconciliation of these transfers against MFED record was made in a timely manner.

6.3.5 Misposting

Finding and Analysis:

The audit conducts a testing on selecting some output in the General Ledger to verify the accuracy and existence of transaction being posted in the General ledger and detected that some were incorrectly posted and charged to MFAI output in the General Ledger. The audit checks the PV's and confirmed they were correct but perhaps the error was actually incurred by MFEP when posting the transactions in the General ledger. This issue was observed last year audit report (2016) but it appears there's no improvement in the reconciliation process entertain between MFAI and MFED. Details of mis-posting are as shown in the table below:

HOPV	PV	Amount	Details	Ministry	Allocation	Code name
2826/4	311/17	1075	TSS	OB	E1401000250	Local Service
2326/5	334/17	716.8	TSS	OB	E1401000250	Local Service
6063/05	217/17	160	MFC	MFC	E1401000250	Local Service
8387/06	261/17	480	MFC	MFC	E1401000250	Local Service

Implication:

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

Recommendation:

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

Management response:

Referring to the table provided from your office, the Ministry disagrees with these as these are correct payments required for the co-shared arrangements for one security firm that provides this service to the whole OB compound including MFAI as per copy attached. Therefore, the Ministry kindly requests to have this corrected and to be cleared from the list of queries and issues raised.

6.3.6 Transfer from personal emoluments to cater for operational cost

Finding and Analysis:

The audit query on the transfer being entertain between MFAI and MFED without considering the FR 145 (2). The transfer made on **3/2/2017** from E14001000202(Salary) to cater for E1401000216 (Internal travel). It has noted that the transfer made prior the decision being finalized by cabinet. As recall to cabinet decision, the audit conscious of a circular issued by MFEP 1/17 on **3/11/2017** directed by cabinet to waive FR 145(2) allowing Ministries to continue with their financial operation until the end of 2017 but this is limited only for the replenishment of exhausted outputs and financial recurring expenses such as PUB, Telecoms, PVU and other operational charges. This could lead to the violation of the FR 145 (2)

Implication:

- Charging the wrong code (output) as per stated above would lead to incorrect over spending of the output wrongly charged.

- Incorrect spending under the wrongly charged output would lead management astray when deciding on the appropriate level per output for next year's budget level.
- Charging wrong outputs raises doubts on the integrity of the accounting officer of the accounting department.
- Charging wrong outputs is an act of breaching the Financial regulation 145 (2).

Recommendation:

- ✓ Management should ensure to avoid such payment if the nature of spending has not been approved.
 - ✓ Prior authorizing and approving any significant payments accountable and responsible officers should thoroughly review the nature of the payment and code being charged to ensure correct allocations had been made.

Management response:

This transfer was made to cater for operational costs based on past practices and understanding that it is allowable as long as it is made within one output, however it was only last year when MFED presented a paper resulting in Cabinet's decision which was made towards the end of the year but by then this transfer had been entertained. This could have been prevented and corrected instantly had MFED rejected this transfer unfortunately, this was approved and that was why it went ahead.

The transfer however was in line with the objective issued by Cabinet that it was meant to replenish exhausted outputs required for the operational charge which the Ministry urgently require to support the delivery of its service. The Ministry had taken heed of the instruction ensuring that this is not repeated.

6.3.7 Omitted transfer # 11/17 e14010000203 to e14010000201 \$1699.16

Finding and Analysis:

An independent audit check confirmed that one of the transfer from the E14010000203 to E14010000201 amounted to \$1699.16 has been omitted and not accounted for in the GL (Transfer) thus make is difficult for auditor to verify the accuracy of the transfer being made under certain output. The absence of not entering the transfer noted proves to be the failure of the MFED within the accounting department as well as lack of not performing regular reconciliation when this should be amended.

Implication:

Omitted transfer could distort the figures/amount reflected in the management report under revised budget for certain outputs.

Omitted transfer could raise doubt regarding the unreliability and correctness of the management report produced by MFED.

Lack of reconciliation between MFAI and MFED was the cause of problem.

Recommendation:

- ✓ Management must ensure to perform regular/frequent reconciliation with MFED to avoid omitted transfer and to make sure that all transfer is taken into account.

Management response:

Transfer was done from our side but did not affect our revised Budget as all transfer In and Out of KPF Contributions was restricted from MFED. We kept the copy of this transfer but did not have it posted to Data Base in our Account.

6.3.8 Store Ledger

Finding and Analysis:

Audit checks affirm that one of the items (filling cabinet) was not recorded in the store register. After the audit sight the item it found out that the filling cabinet is not available as the audit confirmed from accounting officer and Office manager within MFAI that the filling cabinet still with the supplier (Koes) and not yet delivered even though the payment had already been made on Invoice # 00024164, PV# 533/17 dated on 28/12/17 amounted to \$4,963.41.

Implication:

Un-receipted item increased the chance of misappropriation goods.

Un-receipted item triggered waste of funds.

Recommendation:

- ✓ Management should ensure that all item purchases must be checked with invoice and to ensure that all items are currently exist and recorded in the store register.

Management response:

The response made by the Office Manager did not reflect the reality that this filling cabinet had been delivered and is already in office. We suspect that this cabinet was brought in during the OM's leave hence he is unaware however we have now entered its details into the stock register for due compliance and therefore request that this query is considered settled and cleared.

6.3.9 Outstanding imprest

Finding and Analysis:

As noted, the total outstanding imprest brought forward from previous years up to 2017 has accumulated to \$152k. An increase of \$83k (2016 \$69k-\$152k 2017) indicate lack of prompt recovery not being entertain and enforce by MFAI (Accounting department). Details of such outstanding imprest are shown in the table below: Further details for each names can be provided when requested.

Oustanding Imprest for MFAI-2017		Current	November	October	Before October	UNALLOCATED
CODE	NAME					
PENKA	Officer 1	\$6,217.00		\$35,857.82	-\$18.44	\$41,956.38
ELLAHE	Officer 2			\$1,853.00		\$1,853.00
KAEEIT	Officer 3	\$8,633.00		\$2,096.00	-\$26.00	\$10,703.00
TIAESM	Officer 4			\$500.00		\$500.00
FASAFA	Officer 5			\$269.90	-\$3.00	\$266.90
BENITE	Officer 6			\$11,953.90	-\$270.00	\$11,683.90
BURAYE	Officer 7			\$1,000.00		\$1,000.00
ANNETO	Officer 8			\$2,220.00		\$2,220.00
TEITE	Officer 9			\$500.00		\$500.00
ANNIKW	Officer 10	\$2,142.00		\$500.00	-\$9.35	\$2,632.65
BARABA	Officer 11			\$3,020.84		\$3,020.84
TANGUR	Officer 12			\$4,233.97		\$4,233.97
MAKUBA	Officer 13			\$17,299.92		\$17,299.92
TEARIOIO	Officer 14			\$4,750.00		\$4,750.00
TEEKIE	Officer 15			\$6,196.49		\$6,196.49
RETETE	Officer 16			\$21,719.39	-\$7,545.40	\$14,173.99
ELAIIU	Officer 17			\$14.86		\$14.86
BITANA	Officer 18			\$2,170.00		\$2,170.00
TAREHE	Officer 19			\$36,644.56	-\$25,426.49	\$11,218.07
MONETA	Officer 20			\$1,634.37		\$1,634.37
TAREMA2	Officer 21			\$201.00		\$201.00
KOURNE	Officer 22			\$12,885.68		\$12,885.68
KAUITO	Officer 23			\$1,854.61	-\$0.02	\$1,854.59
Total		\$16,992.00		\$169,376.31	-\$33,398.70	\$152,969.61

Implication:

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

Recommendation:

- | |
|---|
| ✓ Imprest retirement policy should be enforced by management and/or accounting officer and officers traveling should be reminded to retire their Imprest upon arrival within 10 |
|---|

- consecutive working days.
- ✓ Management should give this a priority especially from current employees to avoid accumulation of outstanding imprests.
 - ✓ Management should not issue Imprest for subsequent travels unless the officer had retired all past Imprest and/or had no outstanding dues.

Management response:

Please refer to table attached for update outstanding however it should be noted that a number of officers included in the list continue to travel as per the clearance made by MFED which is a signal that they no longer have outstanding to their name.

While agreeing and committed to enforce the 10 days retirement of imprest, the Ministry also wishes to express its grave concern as the very reason why these substantial imprest remained outstanding is not because a staff has not retired its imprest, but because, these were left pending and not actioned for so long by responsible staff within the Imprest staff for years.

Now, the question to Audit is this, in going through this imprest oustanding, was there a reconciliation made to check OB's record to verify that a staff has actually retired her or his imprest against MFED's queue of incomplete and pending claims and retirements piling up in their office? This is very important to address and to ensure that a fair and balanced audit report is released.

6.4 AUDIT REPORT ON THE KIRIBATI HIGH COMMISSION ACCOUNT (SUVA FIJI) FOR YEAR 2016

We will issue a qualified audit opinion for the KHC for the year ended 31st December 2017 if we do not receive satisfactory responses to anomalies noted hereunder. The qualification will be based on significant matters as discussed in detail below.

6.4.1 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Kiribati High Commission for the fiscal year 2016.

The following issues were noted as the causes of the audit opinion for Kiribati High Commission for the fiscal year 2016.

Issues	Management Response	Status of audit in 2017
4.1.7 Double Posting	To confirm the double payment, I need to confirm the reference number for PV2187/12 in the total sum of \$462.30.	Still outstanding
4.1.8 Outstanding Imprest 2016	I need to reconcile with Treasury records to confirm the os balances up to year ending the 2017. I have to send a request to the Accountant General	Still outstanding
4.1.9 KHC Staff Advance	<i>However, for staff on secondment, I need to reconcile with Treasury records for the year 2017 and prior years</i>	Still outstanding
4.1.11 Lack of Segregation of Duties	Copies of Specimen to be forwarded to Treasury and copy KAO	Still outstanding
Deduction of fortnightly salary from TS to offset housing assistance	a written letter stating the reason of administration oversight and why it is hard to review the contract as it is already lapsed.	Still outstanding
Un-supporting claim for reimbursement of school fee 75%	a written letter requesting KAO reconsideration why it is hard to review the contract at this time as the Former HC was appointed by the Former Government.	Still Outstanding
Claim of outstanding bank charge	TS has to send a follow up Accountant General.	Still Outstanding

6.4.2 SIGNIFICANT MATTERS ARISING FROM THE AUDIT 2017

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

6.4.2.1 Kiribati High Commission – Bank Reconciliation FY 2017

Finding and Analysis:

- The issue with the completion of the Bank Reconciliation for KHC remain doubt and unresolved despite the fact that management still fail. It observed during the audit that Bank Reconciliation 2017 has not completed as required from January-September except for October to December (November final). This issue had been brought up in the previous government account 2015/2016 and it appears that management had failed to implement the audit recommendation for future improvement. It is therefore that the audit could not

confirmed the accuracy of the cash at bank/on hand reflected in the annual account (2017) of \$44,017.87 with incomplete Bank reconciliation report 2017.

- In addition, because of the above reason it would be difficult for the auditor to identify outstanding deposited not yet credited as well as the unpresented cheques.

2015/2016 Implications:

- Unsupported excessive variance would undermine the integrity of the posting system by MFED.
- Misstatement of funds and no regular bank reconciliation would encourage fraud.
- The absence of performing regular bank reconciliation with MFED records could also lead to a misleading balance shown at the year-end in Government annual account.

2015/2016 Recommendations:

- Audit recommends that management must ensure that proper bank reconciliation statement should be prepared and reconciliation is performed by Senior Accountant at KHC on a monthly basis.
- Also Senior Accountant should ensure to regularly reconcile her bank balances against MFED's records including other Gov't Ministries and/or Agencies.
- Before closing the annual account balance for KHC, MFED should ensure that KHC had reconciled their bank account so to account for the agreed balance figure in the final annual account to avoid huge overstatements by MFED and of course distortions to the net worth value of Government.

Management response:

6.4.2.2 KHC Revenue

Findings and Analysis:

6.4.2.2.1 Revenue Budget 2015-2017

Table 6.4.2.2.1a

Year	2015	2016	2017
Budget	\$13,000.00	\$800.00	\$4,000.00
Actual	\$4,537.26	\$485.00	\$4,852.13
Variance Under/(Over)	\$8,462.74	\$315.00	(-\$852.13)

6.4.2.2.2 Comparative Line graph revenue estimates against actual 2015-2017 – KHC

Graph 6.4.2.2.2a

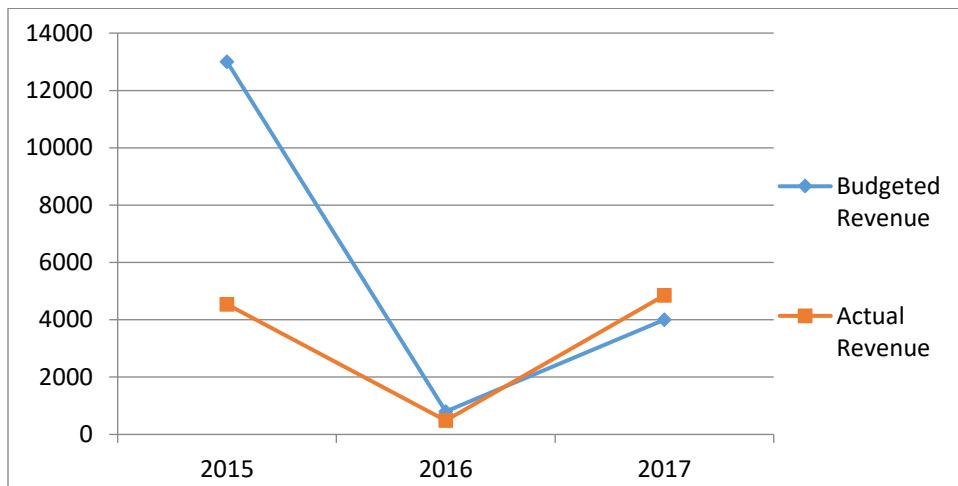


Table 6.4.2.2.1a and Graph 6.4.2.2.2a above graph depicted the Kiribati High Commission comparative trends of its budgeted revenue against the actual revenue realized during the financial year 2015-2017.

Given an increase in its budget estimate of \$3200(2016 \$800 less 2017 \$4000) it appears that for the first time over the past three (3) years the High Commission had collect more than an approved budget which result in an excess saving of \$852. KHC management should be applauded with such improvements and should continually aim to meet targeted revenue in future years.

6.4.2.2.3 Revenue Budgeted against actual by allocation.

Table 6.4.2.2.3a

Description	Visa fees(1403000003)	Immigration & other charges(1403000012)	Total
Budget	\$3,500.00	\$500.00	\$4,000.00
Actual	\$4,627.13	\$225.00	\$4,852.13
Variance (Over)/Under	-\$1,127.13	\$275.00	-\$852.13

6.4.2.2.4 Comparative Revenue estimate bar graph against actual by allocation

Graph 6.4.2.2.4a

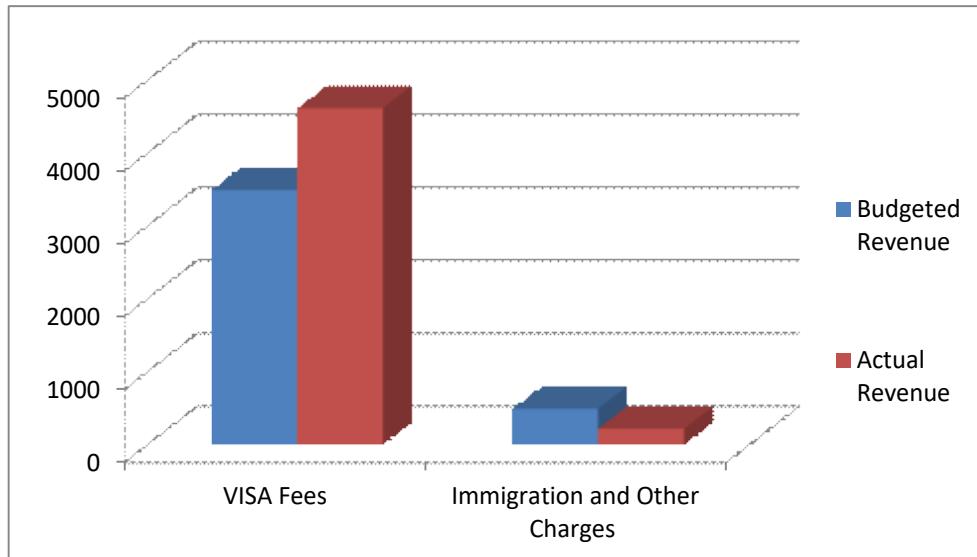


Table 6.4.2.2.3a and Graph 6.4.2.2.4a clearly shows the trend of KHC revenue collection against the budgeted estimate. The analysis of budgeted revenue against actual revenue by allocation determines which allocation collects more than the other for decision making purposes.

The above table 3.2.3a and Graph 3.2.4a shows that the revenue collected for VISA Fees have met the targeted revenue while revenues collected from Immigration and Other Charges was less than the budgeted estimates.

Implications

Under-collection of Government revenue may diminish Government Revenue which will affect Government budgeting in the next fiscal year.

Recommendation

Accounting Officer of KHC must strictly place a monitoring mechanism in ensuring a reliable and efficient recording of Revenue transactions.

Management Response

6.4.2.2.5 KHC Bank Reconciliation – Cash Received (Revenue) for 2017

Findings and Analysis:

After reconciling the Cash Deposits in the Bank Statement Jan – December 2017 with Form A, audit noted the deposit of \$1520.62 appeared in the bank statement but not recorded on Cashbook. Therefore, the audit could not have confirmed the accuracy of the amounted deposited since the audit cannot match the receipt amount (Form A) with the bank statement (shown amount deposited). Further details of rr# can be view in yellow.

Reconciliation of Bank Deposits (Bank Statement) and Cash Receipt (Cash BOOK)				
KHC Revenue - Bank Statement 2017		KHC Revenue - Form A (Hard Copy)		
Transaction Date	Amount	Form A No.	Amount	Receipt No
4/19/2017	\$1,520.02	VS		
4/19/2017	\$2,737.62		KHC 01/17	\$2,737.62 249717 - 249726a
6/16/2017	\$2,234.50		KHC 02/17	\$2,234.50 249727 - 249740
9/12/2017	\$2,006.00		KHC 03/17	\$2,006.00 249764 - 249774a
11/23/2017	\$2,591.10		KHC 04/17	\$2,591.10 249775 - 249786a
11/29/2017	\$6,931.70		KHC 05/17	\$6,931.70 249787 - 249803
12/13/2017	\$2,094.25		KHC 06/17	\$2,094.25 249804 - 249812a
12/29/2017	\$6,557.25		KHC 07/17	\$6,554.40 249819a - 249822
12/29/2017	\$431.70		KHC 08/17	\$431.70 249824 - 249824
	\$27,104.14			\$25,581.27

Implications

The risk associated with the incompleteness of bank reconciliation was that KHC wouldn't be able to detect errors in transactions made from its bank account. The accumulation of non-reconciled Cash book and Bank balances have had placed a concern over the accuracy of KHC Cash Position. Some additional associated risks are outlined as follows:

- Mis-statement of funds and fraud would be triggered if no regular bank reconciliation is conducted by the KHC.
- Loss of public funds.
- Lack of proper bank reconciliation statement undermined FR 16.13.

Audit noted that the issue related to the incompleteness of Bank Reconciliation for each financial year is persistent over the past years till the current year 2017, where Senior Accounting Officers failed to prepare a complete Bank Reconciliation from Jan to Dec for each of the financial year. The preparation of Bank reconciliation should be regarded as mandatory monitoring mechanism of Cash transactions that every Accounting Officers must complied with and should be available when required by the audit.

Recommendation:

- ✓ Audit recommends that management must ensure that proper bank reconciliation statement should be prepared and performed by Senior Accountant at KHC on a monthly basis.
- ✓ Accounting Officers of KHC must ensure real time reconciliation of bank balances with MFED's records including other Gov't Ministries and/or Agencies on a regular basis (Monthly basis) to avoid misrepresentation of Government Financial Account.

- ✓ MFED should consider possible measures to address the recurring issue of bank reconciliation through; i) exploring of avenues to assign some of KHC staff to assist Third Secretary, or ii) recruit assistant accounting officer residing in Fiji to assist Third Secretary.

6.4.2.2.6 Weaknesses in the Recording/Reporting System of KHC Revenue

Findings and Analysis:

After reviewing selective receipt numbers, Audit noted the following:

a) **INCONSISTENT RECORDING OF REVENUE IN THE RECEIPT BOOK 2017**

Audit noted the inconsistency in the recording of revenues in the receipt book. The rate of the birth certificate in which Accounting Officer have given to the customers differs in a number of receipt numbers in the receipt book. Reference can be sought in rr # 249717 for the receipt of 1 birth certificate for \$12.50 while rr249727 for being a receipts of \$6 for 1 birth certificate. Audit confirmed that rate for birthday effective from 1st January 2015 was \$12.50.

b) **INCONSISTENT REPORTING OF REVENUE IN THE 2017 FINANCIAL REPORTS.**

Audit noted that revenues earned in the financial year 2016 were reported in the 2017 financial reports (Management report) as a result of late deposits before the end of the financial year. Accounting Officer of KHC must have known a proper accounting treatment to expenditures reported after the balance date (31 December 2017) that adjustment should be made to incorporate/account those revenues earned during the financial year 2016 into the Financial Statement of KHC 2016 (management report 2016)

c) **DISCREPANCIES IN THE TOTAL REVENUE FIGURES REPORTED IN KHC DATABASE, MFED CASH BOOK GL AND FORM A**

Audit noted discrepancies in the total revenue reported in the KHC Database, MFED Cash GL and FORM A as follows. These total revenue figures are the revenues from KHC Visa fees, Immigration and other charges plus other Ministries' revenues and other cash received by KHC that are accounted in the receipt book of KHC

	A		B	C		
	FORM (FJD)	A	KHC DATABASE(FJD)	Extracted MFED (KHC Cash Book) FJD	Variance (A-B)	Variance (B-C)
Fijian Currency	\$25,581.27		\$19,963.00	\$5,166.00	\$5,618.27	\$14,797.00
Rate 1.4 Equivalent AUD	\$18,272.34		\$14,259.29	\$3,690.00	\$4,013.05	\$10,569.29

E) MISALLOCATION OF REVENUE

Walk through testing indicate the misallocation of revenues recorded in the KHC database which incorrectly charge C1403000008 unknown code which not identified under the Government chart of accounting(coding). In fact, the correct code that should be charge is the C1403000012 (Immigration & Other Charges).

Particular	Allocation noted in the KHC Database	Receipt No.	Correct Allocation Code	Amount
single entry visa	C14030000008	249803	C14030000012	\$74
single entry visa	C14030000008	249811	C14030000012	\$65
single entry visa	C14030000008	249813	C14030000012	\$65
single entry visa	C14030000008	249814	C14030000012	\$65
				\$269

Implications:

The highlighted issues from (a) to (e) have an associated risk of misrepresentation of Government Financial Reports – Annual Account and Management Report 2017

Recommendation:

Accounting Officer of KHC must ensure to comply with the following

- Frequent recording of Revenues to relevant Accounting Forms/Document and to KHC Database
- Accounting Officer should be well versed with Accounting Procedures and Standard
- Routine and regular review need to be performed by other account officer to ensure that no posting errors being made to KHC Database and other Accounting Forms/Documents.

Management response:

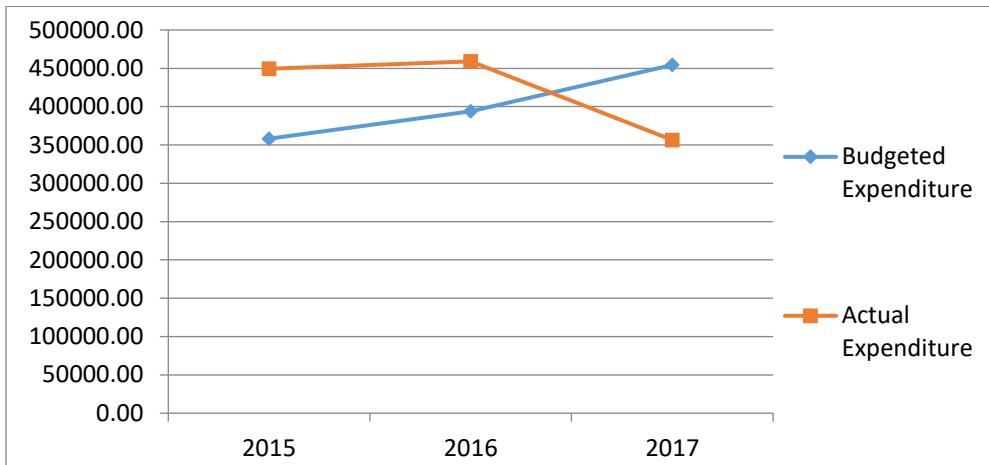
6.4.2.3 Control over Expenditure – Kiribati High Commission 2017

Findings and Analysis:

6.4.2.3.1 Summary Expenditure Against Budget 2015-2017

Year	2015	2016	2017
Budget	\$358,183.00	\$393,963.00	\$454,366.00
Actual	\$449,615.62	\$459,061.44	\$356,429.25
Variance Under/(Over)	(\$91,432.62)	(\$65,098.44)	\$97,936.75

6.4.2.3.2 Comparative Line Graph Budget Expenditure Against Actual 2015-2017



It is clearly reflected from the above comparative expenditure analysis that KHC for the first time in three years (2015-2017) had operated below its approved budget expenditure in the year 2017 the outcome of which contribute to report a colossal saving of \$97k compared to an excess spending incurred for the year 2015 and 2016 of \$91k and \$65k respectively. Therefore, management should be applauded for their efforts in controlling their expenditure accordingly.

6.4.2.3.3 KHC bank reconciliation – cash withdrawal and cash payments 2017

Findings and Analysis:

- Audit testing note that all payments of KHC were made through the bank account through cheque and disk pay form, the total cash payment must be matched with total withdrawals from KHC bank account via cheque and disk pay. However, the Audit noted discrepancies in the total withdrawal from KHC Bank Account compared to the MFED record. It appears that the variance of \$718k as shown in Table 3.3.3a has not been taken into account in the MFED records (database). This assures that KHC lack in consulting proper reconciliation with MFED to keep updated with records. Since the variance was understated in the MFED records, it could signal the fact that management report had produce the incorrect figure which also could impact on government annual account.

Table 3.3.3a

Total Bank Withdrawal (A)	Total Cash Payment KHC Database	-	Total Cash Payment - MFED Record (C).	VARIANCE (C-A)
\$4,626,742.74	\$3,905,299.55		\$3,908,163.74	\$718,579.00

- Cancelled Cheques

Audit noted that the following cheque #s were cancelled, however the cheque leaf for the corresponding cancelled cheque numbers were not attached to the cheque butt. Reference can be sought in cheque number; 23361, 23490, 24179, 24181

Implication:

Variances detected between the MFED database and KHC records have an impact on the accuracy and existence of the management report. Cancelled cheques which are not attached to the cheque leaf is act of misappropriation of funds.

Recommendation

- Accounting Officer of KHC must ensure to conduct frequent reconciliation with MFED to avoid such variances detected.
- All cancelled cheque leaf should be attached to the cheque butt

Management response:

6.4.2.3.4 Salaries (E1403-202)

Findings and Analysis

After a review of KHC General Ledger on Salaries and Pay costing 2017, The audit identified one of the Staff currently working at the Kiribati High Commission known as Student Support Officer who was supposed to be paid under High Commission provision (E14010000202 as per agreed Establishment Register 2017) at Level 6. Though, the audit check found out that the officer was paid from MOE (E23090000202) after confirming with the salary (MFED). The audit issue raised doubt as why the officer currently working with KHC but paid out from MOE even though there is no provisions (SSO) budgeted for under MOE as confirmed by referring to the Establishment Register.

Implication:

Payments (Salary) which are made without provision under the concerned Ministry undermine the integrity of Ministry concerned in paying out improper remuneration.

Recommendation

- It is the duty of KHC Accounting officer to ensure that its Workforce list matched payroll list from MFED so that actual expenditure was actually represented in KHC Payroll Ledger

Management response:

6.4.2.3.5 Overtime (E1403-204)

Finding and Analysis:

After reviewing selected PV on Overtime, Audit noted the following

- PV059/12 \$505.50, PV065/3 \$1,371.00, PV 091/7 \$2540.37, 0238/17 \$738.27, PV086/11 \$1,035.07, were not signed by Authorizing Officer. Third Secretary affirmed that KHC have entered into Banking Payment system whereby all payments have been paid from KHC Bank Account using the Diskpay template that consist the breakdown of the payment that was authorized by the KHC Senior Responsible Officer. Third Secretary have treated the diskpay template filled and authorized with SRO Signature as a legal financial document in supporting all KHC payment transactions however audit recommends that all relevant prescribed under FR Section 2.2.2 should be used and adopted to record payment transactions.
- Unsigned Overtime docket. Reference can be sought in PV 57/17 \$482.50, PV 086/11 \$1,035.07

Implication:

- Unsigned Payment vouchers diminish the integrity and reliability of the payment.
- It is act of breaching the financial of Regulation.

Recommendation

It is the duty of KHC Accounting Officer to be well versed of financial regulations that outlines procedures and guidelines for the accounting of the Government revenues and Expenditure.

Management response:

6.4.2.3.6 Wages (E1403-207)

Findings and Analysis:

After reviewing selected PVs on Wages pay sheet, audit noted the following

- a) There is a difference in the hourly rate used in the paysheet and in the contract agreement of MFAI Fiji Local Staffs as follows

Table 6.4.2.3.6a (Extract of the Paysheet for the Payperiod 12/5/17)

Name	Fortnight Rate of Salary as per Contract (w.e from 1/2/17 – 31/8/17)	Paysheet Hourly rate extracted from Paysheet Jan 2017 – August 2017
Executive Assistant	5.80	9.91
Security Guard	3.20	5.81
House Keeper	3.20	5.81
Security Guard	3.20	5.81
Handy Woman	3.20	5.81
Gardener	3.20	5.81
Driver	3.20	5.81
Security Guard	3.20	5.81

- b) Audit noted overpayment of Wages as a result of using wrong calculation formula for Gross Pay. Gross pay should be calculated by multiplying the Normal Fortnight working hours of 72.5 with hourly rate. However, the highlighted cell from table 6.4.2.3.6b shows that the Gross Pay of Officer 1 was calculated from the Normal Working hours plus excess hours (a total of 87hrs) multiplied with hourly rate. Hence, the calculation of his gross pay has included the portion of the excess hours that should be calculated separately as Overtime.

In addition to Officer 1 Gross Pay (that have included excess hours), Officer 1 have had paid with Overtime on this same paysheet, meaning that excess hours were paid both in Gross Pay and in Overtime. Audit couldn't verify the calculation formula used in the captioned paysheet for officer 1 Gross Pay and Overtime since the calculation breakdown was not shown and was done by former TS while the current Third Secretary (Senior Accounting Officer of KHC) has still not aware on how the calculation was done by the former Third Secretary.

TABLE 6.4.2.3.6B (EXTRACT OF PAYSHEET FOR THE PERIOD 12/5/17)

Officer	Fortnight Working Hours (A)	Normal Fortnight Working hours (Hourly Rate	Gross Pay (B)	Gross Pay (Audit Figure)	Variance
Officer 1	87.00	72.5	5.81	505.47	421.22	84.25

Implications

It is important to note that the practice of using inconsistent rate and miscalculation of Gross Pay and Overtime by Accounting Officer of KHC have persisted throughout the pay period of 2017.

Using wrong calculation may result in either an overpayment or underpayment of Wages. As in the case of Officer 1 from Table 4.5.1b, Gross pay was overpaid by \$84.25. The risk associated was overstatement of Wages (E1403-207) leading to a misrepresentation of Government Management Report 2017

Recommendation

Accounting office of KHC must be well versed of calculation formula for Staff Allowance to avoid underpayment and overpayment of allowance. In the case of Officer 1, the calculation must be amended and overpayment should be charged as an advance against the officer who had received the overpayment.

Management response

6.4.2.3.7 External Travel (E1403-227)

Audit and Findings

1. From the selected PV of the allocation code, Audit noted that PV 136/8, \$5341.00 was not well supported with relevant documents such as
 - Travel Instruction (could be a form of correspondence from Secretary to Cabinet as an evidence that H.E team will be accompanied by Officials from KHC)
 - Invitation letter of the meeting represented by H.E and KHC Officials.
2. The total Outstanding Imprest for KHC Staff 2017 was not completely agreed with the records upheld with MFED. According to the analysis stated in the table below, the KHC database report an outstanding of \$11k. In fact, MFED listing analysis reports an outstanding of \$27k. Therefore, the variance of \$16k becomes problematic between KHC records and MFED Aging as why such records cannot agree.

Designation	Imprest No	Allocation	Imprest (KHC database)	MFED Listing(Aging) records	Variance
Officer 1	17-Feb	E14030000227	\$5,000.00	\$4,750.00	\$250.00
Officer 2	17-Mar	E14030000216	\$910.00		\$910.00
Officer 3	17-May	E14010000227	\$4,500.00	\$8,541.00	-\$4,041.00
Officer 4	17-Jun	H2204C056261	\$922.50		\$922.50
Officer 5				\$14,173.99	-\$14,173.99
Officer 6				\$309.99	-\$309.99
			\$11,332.50	\$27,774.98	-\$16,442.48

Implications

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

Recommendation

- For auditing purposes, it is important that every accounting officer must ensure to attach supporting document to Payment voucher
- Management should ensure the officers concerned arrange for immediate retirement of their Imprests and where any dues are payable to government, to arrange immediate recovery.
- Further Imprest will not be entertained to the above officers until arrangements have been made to clear the outstanding Imprests.
- Management should have an Imprest register for ensuring timely retirements of Imprest from those that have returned from official trips.
- Management must ensure to conduct frequent reconciliation on timely basis to avoid such discrepancies exist in the Ministry records offset records upheld within MFED.

Management response:

6.4.2.3.8 Telecomm Charges (1403-231)

Findings and Analysis

Audit noted from selected PVs of E1403-231 that PVs were raised on telecom bill provided by the service provider. However, Audit was not able to validate the accuracy of the payment since the PV was not fully supported with details of call log number so that it would give assurance to the audit to identify whether those calls are official or unofficial. Reference can be sought in PV 70/9 \$3122.05.

Implication

If bill cannot specify log calls to determine whether calls are officials, the chance of misusing public funds from the allocation 1403-231 will be very high.

Recommendation

It is the duty of every accounting officer to ensure that sufficient controls are in place to validate expenditures. Audit would recommend that prior to issuing payments on telecoms, log calls must be included in the bill and the accounting officer must ensure that calls that have been made are recognized as official call unless otherwise specified in the contract that no limit should be placed on the call from KHC registered numbers.

Management response:

6.4.2.3.9 Store Ledger

Findings and Analysis

Audit noted that there was a poor control over the use of store ledger. KHC has an Asset register that hasn't been regularly updated with acquisition, movement and status of each particular asset owned and operated by KHC. Audit noted payment of the following items not entered in KHC Asset Register

Items	Pvno	Allocation	ActualExp
2 national car flags	0048/17	E14030000241	\$250.00
3 bottles water refill	0118/17	E14030000241	\$49.80
1 lenovo NB B5080 intel	0185/17	E14030000241	\$1,298.95
1 laptop HP NB probook 450 G2 I5200U	0185/17	E14030000241	\$1,598.94
inv S1000031424 1 electric urn 20 litres -Simmons for office use	300/2	E14030000241	\$250.00
5 bottles water refills	0264/17	E14030000241	\$83.00
1 new battery for cd110	019/3	E14030000241	\$230.00
spectacle for TS	094/3	E14030000241	\$250.00
cable usb quotation 130784	106/3	E14030000241	\$70.65
dell monitor with optix dvdrw/windows 10 for TS	107/3	E14030000241	\$2,510.00
3 A4 car flags	109/3	E14030000241	\$300.00
1 visa stamp	088/4	E14030000241	\$195.00
spec -ts Due \$520 less dep paid \$250	069/5	E14030000241	\$270.00
1 executive chair for FS -replace existing chair	096/5	E14030000241	\$310.00
4 bottles water refill	017/6	E14030000241	\$66.40
10 office chairs inv A141	084/6	E14030000241	\$950.00
4 wayp/board, 5 m ext cord, pin plugs & 2 bulbs	085/6	E14030000241	\$54.00
4 bottles water refill	059/7	E14030000241	\$66.40
gas cooker with 2yrs warranty	099/8	E14030000241	\$5,240.00
4 bottles water refill	091/9	E14030000241	\$66.40
hard drive for HC	023/10	E14030000241	\$165.00
laptop bag	117/10	E14030000241	\$45.00
pair spectacles	042/12	E14030000241	\$310.00
Total			\$14,629.54

Implication

Management failure in providing of such records would be create a doubt for misusing of office properties

Recommendation

Management should maintain a proper use of store ledger for audit purposes as well as other purposes on accounting depreciation and amortization of assets.

Management response:

7. MINISTRY OF INTERNAL AFFAIRS (MIA)

7.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Ministry of Internal Affairs for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 7.3 below

7.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the audit opinion for the Ministry of Internal Affairs performance in the financial year 2016.

Issues	Solved/Addressed	Status of the issue in 2017 audit
Control over bus ticket	Solved	Improved control bus tickets
Log books were not maintained and updated	Solved	Log book had been maintained and updated
Un recorded item in the store ledger	Solved	Improve in the recording
Unauthorized payment	Solved	Improved in the control of the payment
Misallocation of transactions	Not solved/address	No improvement in the system.
Leave balance – Two years entitlement policy	Not solved/address	Not solved/addressed

7.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

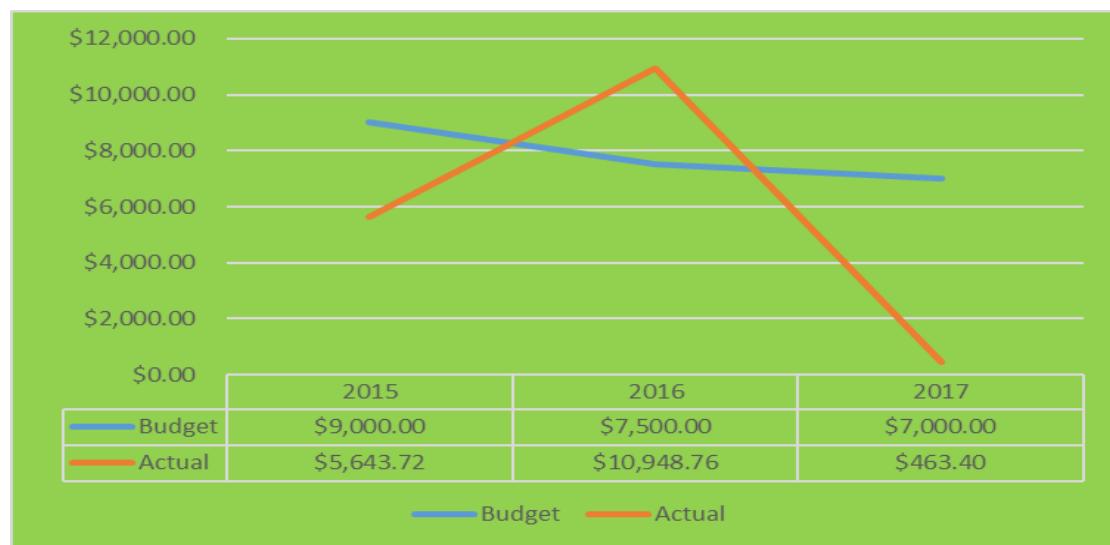
7.3.1 REVENUE (BUDGET)

Finding and Analysis:

7.3.1.1 MIA REVENUE SUMMARY COLLECTION

Year	2015	2016	2017
Budget	\$9,000.00	\$7,500.00	\$7,000.00
Actual	\$5,643.72	\$10,948.76	\$463.40
Variance Under/(Over)	\$3,356.28	(\$3,448.76)	\$6,536.60

7.3.1.2 MIA COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL



As clearly shown in the above graph, the Ministry had experienced a frustrating year in 2017 whereby the Ministry failed to meet approved revenue budget which resulted in an under collection of \$6k compared to an excess collection of \$3k achieved in 2016. The audit is conscious of the fact that one of the revenue stated under Administration (Charter to Banaba-C1501000015) should be reflected under the Maneaba ni Maungatabu revenue collection and perhaps this is not the case as appeared on the management report.

Management response:

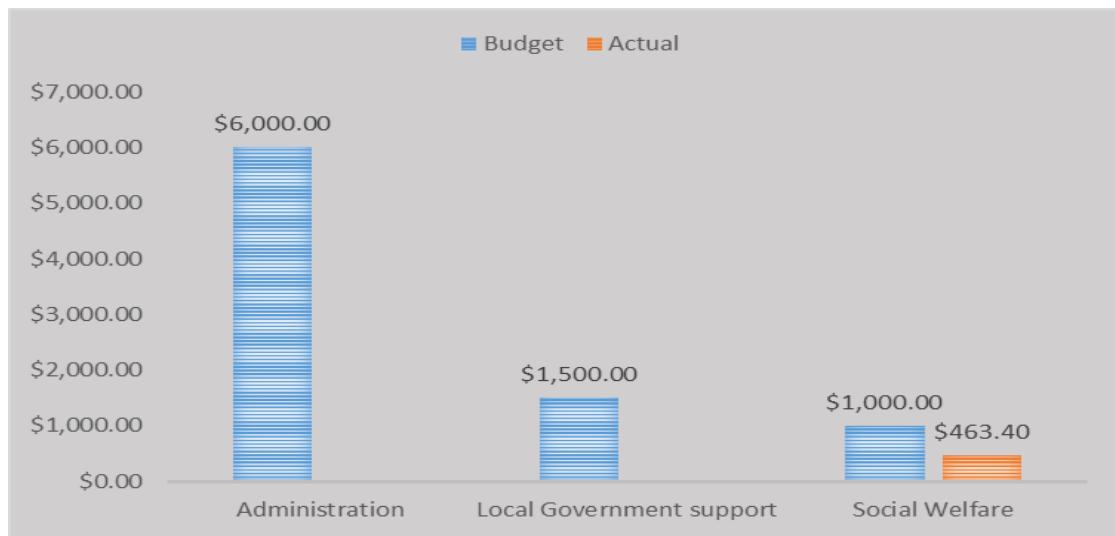
Management agree to Audit query and wish to clarify why the revenue shortfall was realized at end of 2017. The revenue budget for Administration was expected from the collection of the sea fares of the charter of vessels to Banaba for Hon. Member of Parliament from that island. This was not eventuated given the charter was taken on by the House of Assembly instead of the MIA. The revenue budget under the Local Government Division of \$1500.00 was expected from the payment for the use of the photocopy machine for copying document by those who seek assistance for copying receipt and other kind of document. As noted this service was never used/needed during the

year 2017 hence there was no revenue being collected. MIA advised that the provision be discarded in the budget preparation for the years to follow.

7.3.1.3 MIA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS.

Division	Administration	Local Government support	Social Welfare	Total
Budget	\$6,000.00	\$1,500.00	\$1,000.00	\$8,500.00
Actual			\$463.40	\$463.40
Variance (Over)/Under	\$6,000.00		\$536.60	\$8,036.60

7.3.1.4 MIA COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS.



As reflected in the graph/table above, Social Welfare Unit is the only division that generate revenues for MIA which fall below the expected approved budget by \$536. The other two divisions (Administration and Local Government support) had fail to collect not even single dollar thus contribute to deficit of \$8k.

Management response:

Management agree to the audit query of the revenue shortfall and would try to achieve its revenue budget this year.

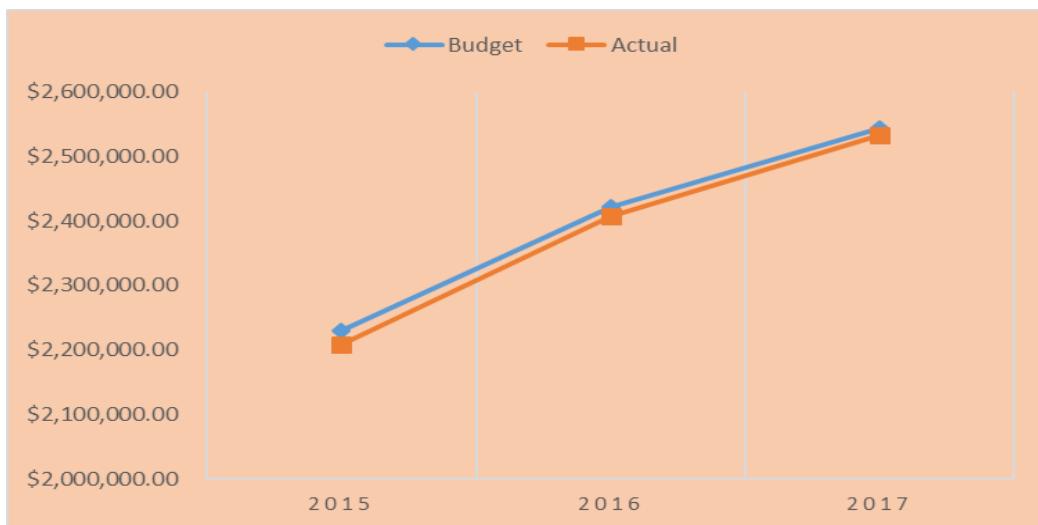
7.3.2 EXPENDITURE (BUDGET)

Findings and Analysis:

7.3.2.1 MIA EXPENDITURE SUMMARY

Year	2015	2016	2017
Budget	\$2,229,210.00	\$2,422,135.00	\$2,542,869.00
Actual	\$2,208,340.00	\$2,407,475.59	\$2,532,100.55
Variance Under/(Over)	\$20,870.00	\$14,659.41	\$10,768.45

7.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL.

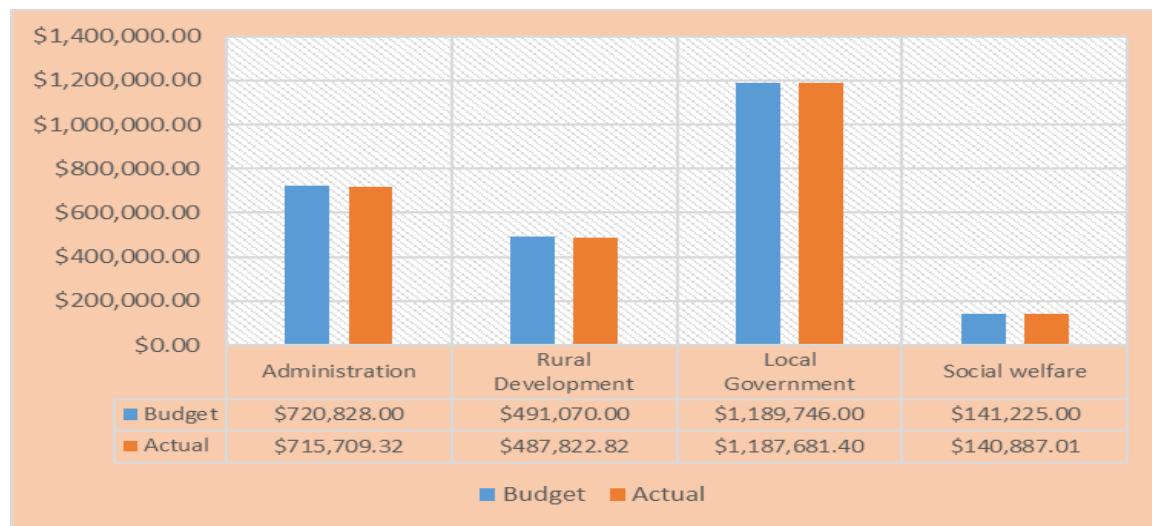


The trend indicated above displays that the level of budget estimates has been increased for the last three consecutive years (2015-2017). In 2017 the Ministry was given an approved estimate budget of \$2.5m whilst the actual spending was reducing below the approved estimated budget which has simply resulted in reporting the net saving of over \$10k (Budget \$2,542m less Actual \$2,532).

7.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Description	Administration	Rural Development	Local Government	Social Welfare	Total
Budget	\$720,828.00	\$491,070.00	\$1,189,746.00	\$141,225.00	\$2,542,869.00
Actual	\$715,709.32	\$487,822.82	\$1,187,681.40	\$140,887.01	\$2,532,100.55
Variance (Over)/Under	\$5,118.68	\$3,247.18	\$2,064.60	\$337.99	\$10,768.45

7.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



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

7.3.3 MISPOSTING E15010000239-ENTERTAINMENT (HQPV 5062/02 MELAD 0064/17 \$54, HQPV 8185/07 MCTTD 0499/17 \$661.30)

Finding and Analysis:

As part of the audit review, the audit had randomly check the General ledger to ensure that all posting is correctly charge according to proper code and allocation. The result of the testing identified two of the payment related to the MELAD and MCTTD incorrectly posted under the Ministry of Internal Affairs General ledger E15010000239-Entertainment. This is the common mistake entertain by MFED when conducting the posting of transaction. While in fact, MIA had also fail to detect the error during the reconciliation process.

Implication:

Mis-posting of transactions (code) could cause unrealistic figures disclosed in the management report and would miss-inform management when considering budget level for future years.

Failure to perform regular reconciliation on timely basis triggered miss-posting undetected.

Recommendation:

- ✓ Management is recommended to conduct proper and regular reconciliation on timely basis with records kept by MFED to avoid miss-postings and to take corrective action when deviations are noted before submitting management report for audit scrutiny.

Management response:

After rechecking the original copies of the Payment Vouchers as noted by Auditors as being incorrectly posted, Management noted that the PVs in question were correctly posted but the Ministry's references were incorrect. The

Ministry's references should be MIA 0064/17 and MIA 0499/17. Instead of MELAD 0064/17 and MCTTD 0499/17. Copies of the two PVs are available for your further checking and verification.

7.3.4 LEAVE BALANCES - 2 YEARS ENTITLEMENT POLICY

Findings and analysis:

A total of twenty-two (22) employees from different divisions selected to perform our testing on their leave balances. After conducting sample testing it was noted that there were twenty (20) employees out of the twenty-two (22) who had actually exceeded 2 years' entitlement as indicated in the accumulation of leave balances for more than 3 to 4 years back which is not in line with Cabinet decision minute no. 77/10 as shown below;

Officer Name	Leave Entitlement	Leave Balance	Status
Officer 1	30	106.5	Should be 90 L/Balance instead of 106 L/Balance
Officer 2	18	67.0	Should be 54 L/Balance instead of 67 L/Balance
Officer 3	30	110.0	Should be 90 L/Balance instead of 110 L/Balance
Officer 4	14	49.0	Should be 42 L/Balance instead of 49 L/Balance
Officer 5	30	136.0	Should be 90 L/Balance instead of 136 L/Balance
Officer 6	30	126.0	Should be 90 L/Balance instead of 126 L/Balance
Officer 7	30	105.0	Should be 90 L/Balance instead of 105 L/Balance
Officer 8	30	112.0	Should be 90 L/Balance instead of 112 L/Balance
Officer 9	30	192.0	Should be 90 L/Balance instead of 192 L/Balance
Officer 10	30	125.0	Should be 90 L/Balance instead of 125 L/Balance
Officer 11	30	110.0	Should be 90 L/Balance instead of 110 L/Balance
Officer 12	22	132.0	Should be 66 L/Balance instead of 132 L/Balance
Officer 13	22	161.0	Should be 66 L/Balance instead of 161 L/Balance
Officer 14	14	100.0	Should be 14 L/Balance instead of 100 L/Balance
Officer 15	22	137.0	Should be 66 L/Balance instead of 137 L/Balance
Officer 16	22	99.0	Should be 66 L/Balance instead of 99 L/Balance
Officer 17	22	80.0	Should be 66 L/Balance instead of 80 L/Balance
Officer 18	22	88.0	Should be 66 L/Balance instead of 88 L/Balance
Officer 19	22	79.0	Should be 66 L/Balance instead of 79 L/Balance
Officer 20	22	96	Should be 66 L/Balance instead of 96 L/Balance
Officer 21	22	114	Should be 66 L/Balance instead of 114 L/Balance
Officer 22	22	146	Should be 66 L/Balance instead of 146 L/Balance

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

Implications:

- The whole purpose of the Cabinet Decision Minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund. No adhering to this decision is a violation of Cabinet decision.
- The absence of approval by Cabinet for accumulating the leave balances beyond two years' leave entitlement would annul the record above that showed more than 2 years' leave balances.

Recommendation:

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

Management response:

Management agrees to the findings. These 22 employees are outer island seconded staff working at the Island Councils who have excessive leave entitlements as accumulated from years before. The implementation of Cabinet's decision is slow given that this is due with budget constraints to finance the relievers and also a challenge of finding suitable relievers for the staff to relieve the 22 employees. The Ministry have started implementing the decision this year and this is still on-going.

7.3.5 KPF CONTRIBTION**Findings and analysis:**

The table provided hereunder showed the comparison figure disclosed in the management report, pay costing against the Audit calculations as follows;

		A	B	C			
Code	Accounts	Management report	Paycosting	Salaries+Temporary *7.5%	Variance(A-B)	Variance(A-C)	Notes
E15010000201	KPF	\$12,615.74	\$20,328.03	\$14,293.27	-\$7,712.29	-\$1,677.53	Understated
E15020000201	KPF	\$21,127.61	\$21,239.59	\$21,136.40	-\$111.98	-\$8.79	Understated
E15030000201	KPF	\$59,512.22	\$55,401.60	\$60,190.35	\$4,110.62	-\$678.13	Overstated
E15050000201	KPF	\$3,599.51	\$3,558.70	\$3,568.17	\$40.81	\$31.34	Overstated
		\$96,855.08	\$100,527.92	\$99,188.19	-\$3,672.84	-\$2,333.11	

As indicated above the variance(understated/overstated) specified under each output was noted after comparing the Finance General Ledger report (management report) value of \$96,855.08 and Pay costing of \$100,572.92. The total variance of \$3,672 detected is an indicated of poor reconciliation between MIA and MFED (Salary section) when processing management report thus result in the inconsistent figure disclosed.

The audit (figure) calculation was derived from the annual gross per output including temporary assistance multiply by existing rate 7.5%. However, such variance seems to be overestimate/underestimate and the Ministry of Finance must make correction or adjustment accordingly.

Implications:

- Absence of regular reconciliation would result in unnecessary overstatements and understatements.
- A Ministry that regularly updates its records, to do a proper filing and regular reconciliation would not confront variances by the end of the year.

Recommendations:

- Management should ensure it regularly updates its records through reconciliation with records held by MFED
- Management should regularly review the work of its support staff for ensuring full conformity to the requirement of the governing of FR 11 and other governing laws.

Management response:

Management disagree that there is poor reconciliation between MIA and Finance because the verification of the KPF payment being paid should be based on the general ledger figures and the salary list of unconsolidated figures but not with the pay costing figures hence MIA does not agree to the variance figure of 3672.00. Further we have asked MFED to assist on this issue for further clarification

7.3.6 OUTSTANDING IMPREST \$32,916.17 2017

Finding and Analysis:

- As noted, the total outstanding imprest brought forward from previous years up to 2017 has accumulated to \$32k. An increase of \$18k (2016 \$14,570-\$32,916.17 2017) is an indication of nonexistence of prompt recovery not being entertain and enforce by MIA (Accounting department). Details of such outstanding imprest are shown in the table below: Further details for each names can be provided when requested.
- The total value of the outstanding imprest of \$32,916.17 were extracted from the MFED listing provided. The audit notes that there's no updated list provided by MIA (accounting officer) as this could more realistic unless the Ministry rely and depend on the list provided by MFED or else it would be a matter of reconciliation issue if both parties disagree with outstanding imprest for each respective staff.

MIA - RURAL DEVELOPMENT (E1502)				MIA - SOCIAL WELFARE (E1505)			
PF#	NAME		AMOUNT	PF#	NAME		AMOUNT
2004120	Terautete Tareti		40.03	2010229	MAURI TEEKAWA PF20102	\$	315.00
2005395	Mareweiti Ritton Tabo2		175.96		Teinabo Ariera	\$	780.00
2008054	KAOTITAAKE.KOKORIA PF 20080		207.17	2010033	Tabwaua Taoaba PF 2010	\$	370.00
2013055	Atanimango Bosoa PF2013055		570.00		MIKARI OOKA	\$	300.04
2014109	Taakea Fetuele Ale PF2013056		570.00	2012135	ATAAKE KAMORIKI PF2012	\$	1,190.00
2014109	Matang Kaburara PF2014109		663.00	2014173	Oerenga Takaria PF20141	\$	299.60
2016094	Ruube Barekiau PF2016094		500.00		SUALIKI NEEMIA	\$	2,250.00
			\$ 2,726.16	2015193	Teauatara Villiams PF 201	\$	516.00
PF#	NAME		AMOUNT		Beteri Bangke	\$	657.65
2016125	Taeateiti David Yeeting PF20161		3,221.97	91043	Bouataake Tengkam PF910	\$	900.00
2005156	Toka Teemwa PF2005156		6,973.00	94135	Teitinrerei Anree PF 94135	\$	2,190.00
2016148	Ruaia Kaburoro PF2016148		582.00		Raarube Teoti	\$	1,400.00
Contract	Tioo Ieie CONTRACT		200.00	2009212	TAKARETI KEEKO PF#20092	\$	180.00
	Hon Atarake Nataara		7,558.00			\$ 11,348.29	
2009232	Uritina Etera Teangana PF20092		209.55				
2014183	James Teweiariki Teaero PF2014		97.19				
			\$ 18,841.71				

Implication:

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

Recommendation:

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

Management Response:

Management do share the concern of auditors on the increase of the outstanding imprest but not inclined to agree to the total outstanding as stated given that there are some discrepancies noted in the list and these discrepancies are provided hereunder and furthermore Management wish to mention that some of the outstanding had been cleared this year which indicate the Ministry concern on this issue.

PF numbers	Names	Bfwd bal	2016	2017	Total	Remarks	2018 status
2004120	Terautete Tareti	\$ 40.03	\$ -	\$ -	\$ 40.03	hqpv929 Misa273/09 Terautete.T	
2005395	Mareweiti Rition	\$ -	\$ 41.96	\$ 134.00	\$ 175.96		
2008054	Kaotitaake Kokoria	\$ 0.55	\$ -	\$ 230.00	\$ 207.17	Ongoing ded'n which effective from this yr	Decrease
2013055	Atanimango Bosoa	\$ -	\$ -	\$ 570.00	\$ 570.00	Xmas posting	
2014109	Taakea Fetuele	\$ -	\$ -	\$ 570.00	\$ 570.00	Xmas posting	
2014109	Matang Kaburara	\$ 90.00	\$ 15.00	\$ 558.00	\$ 663.00		
2016094	Ruube Barekiau	\$ -	\$ -	\$ 500.00	\$ 500.00	retired in 2017 but posted date is 2018	cleared
2016125	Taeateiti Yeeting	\$ -	\$ -	\$ 3,221.97	\$ 3,221.97	OB	
2005156	Toka Teemwa	\$ 7,295.00	\$ 540.00	\$ (862.00)	\$ 6,973.00	MM	Decrease
2016148	Ruaia Kaburoro	\$ -	\$ -	\$ 582.00	\$ 582.00	KNAO	
Contract	Tioo Ieie	\$ -	\$ -	\$ 200.00	\$ 200.00	settled this year by RR	
HM	Atarake Nataara	\$ -	\$ -	\$ 7,558.00	\$ 7,558.00	MCIC	
2009232	Uritina Etera Teangana	\$ 165.00			\$ 209.55	MWYSA	need confirmation
2014183	James Teweiariki Tearo			\$ 97.19	\$ 97.19	MWYSA	
2010229	Mauri Teekawa	\$ 315.00	\$ -	\$ -	\$ 315.00		
	Teinabo Ariera	\$ 780.00	\$ -	\$ -	\$ 780.00		
2010033	Tabwaua Taoaba	\$ 370.00	\$ -	\$ -	\$ 370.00		
	Miikari Ooka	\$ 300.04	\$ -	\$ -	\$ 300.04		
2012135	Ataake Kamoriki	\$ 405.00	\$ 315.00	\$ 490.00	\$ 1,190.00		
2014173	Oerenga Takaria			\$ 299.60	\$ 299.60	MWYSA	
	Sualiki Neemia	\$ -	\$ 2,250.00	\$ -	\$ 2,250.00	retired in 2016 but pending as itinerary was needed	
2015193	Teauatara Villiams	\$ -	\$ -	\$ 516.00	\$ 516.00		
	Beteri Bangke	\$ 657.65	\$ -	\$ -	\$ 657.65	brought forward from 2002	
91043	Bouataake Tengkam	\$ -	\$ -	\$ 900.00	\$ 900.00	ret imp#2222/17Bouataake	
94135	Teitirerei Anre	\$ 675.00	\$ -	\$ -	\$ 2,190.00	should be \$675.00	\$ 1,515.00
	Rarube Teoti	\$ 315.00	\$ -	\$ -	\$ 1,400.00	should be 315.00	\$ 1,085.00
2009212	Takareti Keeko	\$ 180.00	\$ -	\$ -	\$ 180.00		\$ 2,600.00
	Total	\$11,588.27	\$3,161.96	\$15,564.76	\$32,916.16		
		\$ 3,948.27	\$ 3,161.96	\$ 4,668.00	\$ 11,374.85		
	Total of MIA's os imprest as per Audit query2017	\$ 32,916.16					
Less	non MIA's staff	\$ 18,941.31					
	balance	\$ 13,974.85					
Less	Variance in amount	\$ 2,600.00					
	MIA's imprest balance as at 31 Dec 2017	\$11,374.85					
Less	imprest retired in 2018	\$ 3,850.00					
	Remaining balance	\$ 7,524.85					

Management Response:

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

8.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Environment, Lands and Agricultural Development** for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 8.3 below

8.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the cause of the audit opinion for Ministry of Environment, Lands and Agricultural Development performance in the financial year 2016:

Issues	Solved/Addressed	Status of the Issue in 2017 Audit
Under collection of Revenue	Not Solved	Shortfall in revenue collection
Arrears of Revenue	Not Solved	Remained as an issue
Weaknesses in the revenue collection	Solved/Addressed	Improve in the revenue collection
Excess spending beyond approved budget	Solved/Addressed	Improved in controlling spending
Lack of control Bus ticket	Solved/Addressed	Improvement
Weakenesses in control log book	Solved/Addressed	Improvement
Outstanding imprest	Not Solved	Remained as an issue

8.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

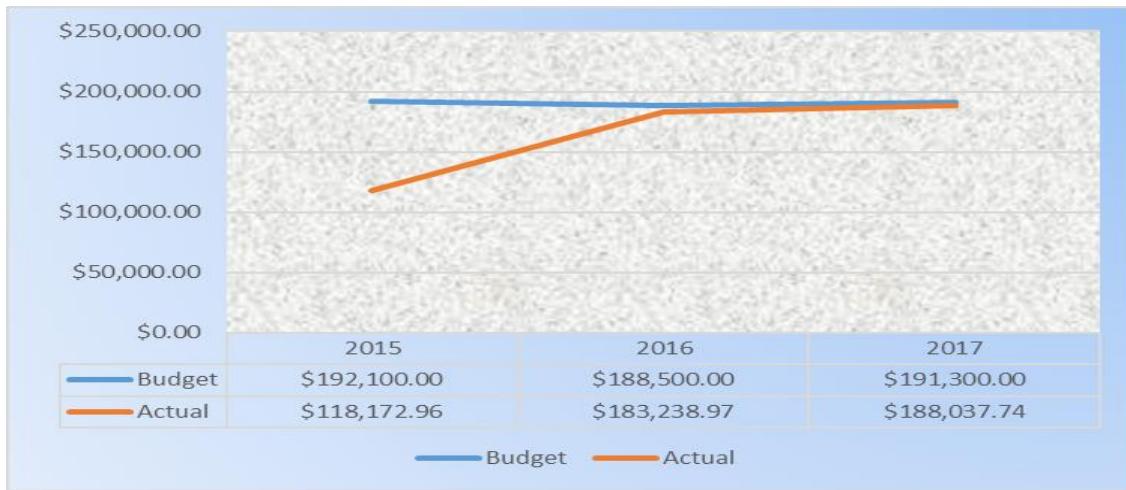
8.3.1 REVENUE (BUDGET)

Finding and Analysis:

8.3.1.1 MELAD REVENUE SUMMARY COLLECTION

Year	2015	2016	2017
Budget	\$192,100.00	\$188,500.00	\$191,300.00
Actual	\$118,172.96	\$183,238.97	\$188,037.74
Variance Under/(Over)	\$73,927.04	\$5,261.03	\$3,262.26

8.3.1.2 MELAD COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL



As clearly indicated from the analysis above, the Ministry was given an increase in its budget of \$191k but it appears that Ministry still unable to collect its estimate thus result with a shortfall of \$3k. However, it is pleasing to note the actual collection when compared to that gained in 2016 was more by \$5k.

Recommendation

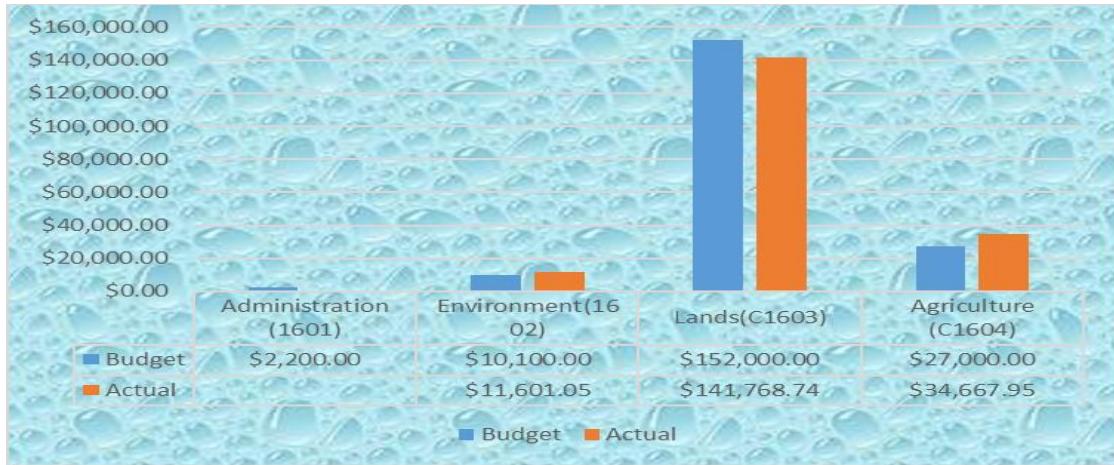
Management should exert efforts in future years so to be able to meet its set target.

Management response:

8.3.1.3 MELAD REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Description	Administration (1601)	Environment(1602)	Lands(C1603)	Agriculture (C1604)	Total
Budget	\$2,200.00	\$10,100.00	\$152,000.00	\$27,000.00	\$191,300.00
Actual		\$11,601.05	\$141,768.74	\$34,667.95	\$188,037.74
Variance (Over)/Under		-\$1,501.05	\$10,231.26	-\$7,667.95	\$3,262.26

8.3.1.4 MELAD COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS



Two divisions namely Environment and Agriculture had exceeded their estimate revenue budget in the sum of \$1k and \$7k respectively and therefore should be encouraged to do same in future years. Although, this was offset by the shortfall in the revenue collection of \$63k by Land division and the non-collection revenue (zero) by Administration. Management should ensure its revenue estimate is aligned with the activities its divisions will deliver in future years.

Recommendation:

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

Management response:

1. The revenue code under Administration (C1601-003) shall be deleted from the report as confirmed to be double with one under Environmental Division. The purpose of this code is to collect fees from the interested parties or the public for using the Nippon Causeway and other government lands when picnics or camping. It was decided that it will move under the Environment Division in which controlling and monitoring activities have to be exercised from the Division.
2. Code C1603-056 related to Sublease rent & leases – Tenant have to comply with policy with regard for prompt payment of their sublease. Target not met due to non-compliance by tenants even though awareness broadcasted over radios and newspapers still some were not care. If there is a section to give the Ministry any power to make all tenants evacuate the land then target for the year will of course be met.
3. Code C1603-006 related to Quarantine which shows that estimate is not actual due to limited local stuff being sent overseas during the year.
4. Code C1604-026 Livestock sales – a revised response will be sent once full details received from Division concerned but for now, there is few stock being sold hence target not met.

The Ministry has to exercise a monthly check up on all revenues by using the system in making a decision regarding those weak revenues. The system is created by a local TA from Ministry of Finance which is approved provides great help in making and providing reports. The report can be used for monitoring monthly earnings/revenues where decision will be made regarding weak outputs.

Management will focus on this report and will implement plans when needed to attract attention from the public to use MELAD as their relaxing place (parks) or shopping for meats, eggs, plants etc.

8.3.1.5 Accumulative OUTSTANDING SUB LEASE \$1,509,131.92

Finding and Analysis:

Outstanding Sub Lease –Land Division

- The audit revealed the accumulated outstanding sublease of \$1,509,131.92 as per listed provided by the Lands division. An increase of \$537k (2016 \$971,533.75 less 2017 \$1,509,131.92) more than half million is an indication of poor recovery from tenants and also is a sign that emphasize lack of enforcement in the collection by the Lands department. Further details and names can be provided when requested.
- The audit takes note of the fact that the total outstanding sublease of \$1m provided may not be the exact/precise figure since the records were not updated due to some of the tenant forgot to or not present receipt (rr#) to the Lands division after incurring payment at the MFED. This is also an indication that the Land division had failed to maintain and updated its records and to reconcile with figures held by MFED (revenue cashier) but perhaps rely on its own records.

Implications:

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

Recommendation:

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

Management response:

As recommended, the Account Division is tasked to perform reconciliation on a monthly basis but as in charge of the Section, I Senior Accountant with one senior staff have to provide check up to avoid accumulating arrears especially on those tenants that already pay their sublease.

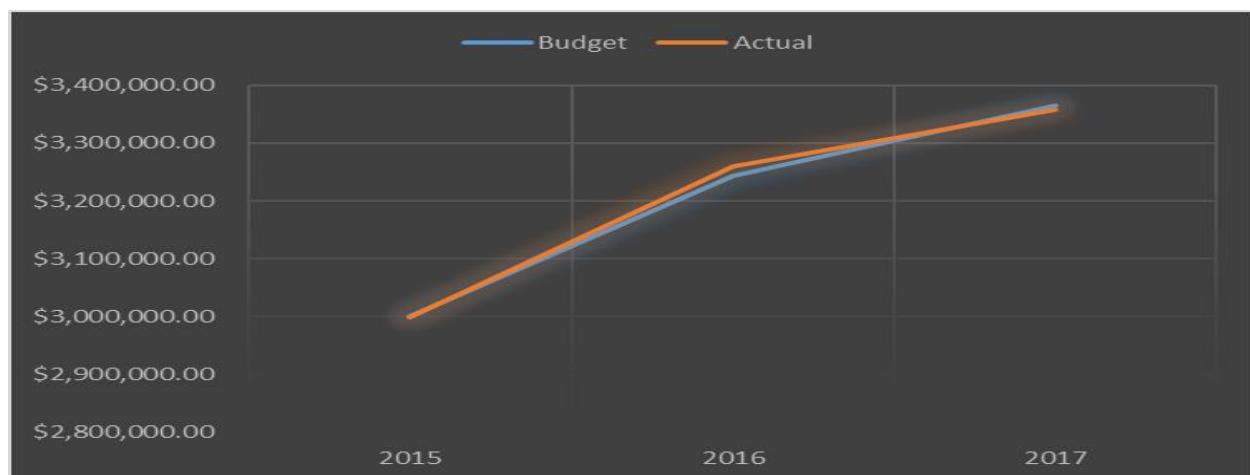
8.3.2 EXPENDITURE (BUDGET)

8.3.2.1 MELAD EXPENDITURE SUMMARY

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$2,999,994.00	\$3,243,609.00	\$3,365,796.00	\$3,365,796.00	
Actual	\$2,999,705.26	\$3,259,538.29	\$3,358,668.52	\$3,358,668.52	
Variance Under/(Over)	\$288.74	(\$15,929.23)	\$8,387.48	\$7,127.48	\$1,260.00

Based on the audit calculation, it was noted that the total variance shown on the management report of \$8,387.48 is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$7,127.48 (\$3,365,796-\$3,358,668.52) and not \$8,387.48. Therefore, the error noted indicate that management report has been overstated by \$1,260.

8.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

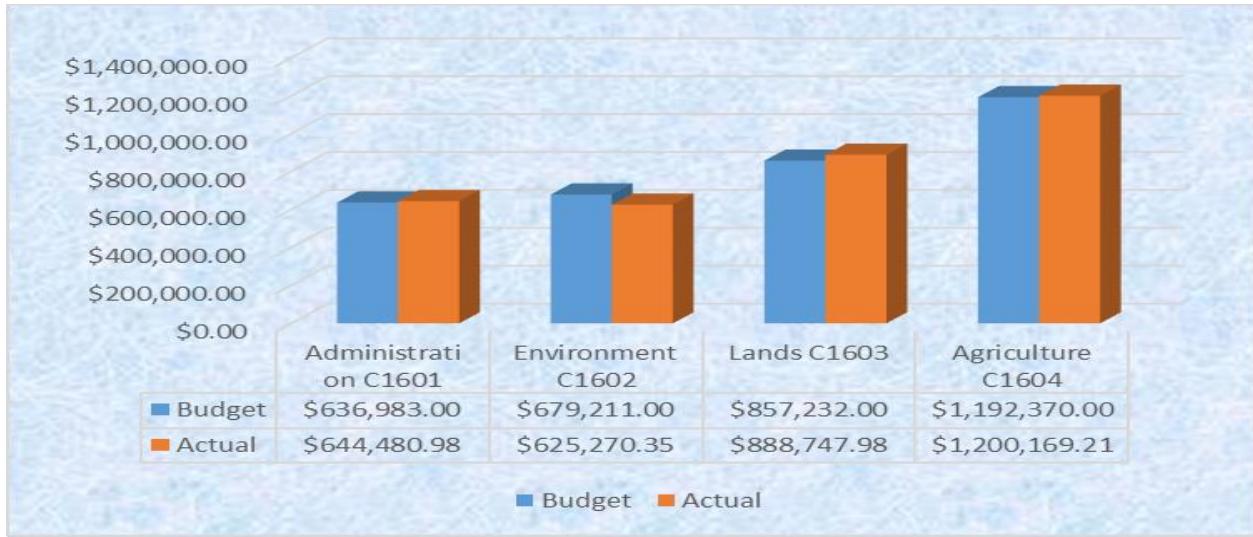


A much improve by the Ministry in 2017 having spent below budget estimate which contribute to the overall saving of \$7k compared with last year (2016) excess spending of \$15k. Management should have commended for their efforts and encouraged to sustained such momentum in future years.

8.3.2.3 EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Description	Administration C1601	Environment C1602	Lands C1603	Agriculture C1604	Total
Budget	\$636,983.00	\$679,211.00	\$857,232.00	\$1,192,370.00	\$3,365,796.00
Actual	\$644,480.98	\$625,270.35	\$888,747.98	\$1,200,169.21	\$3,358,668.52
Variance (Over)/Under	-\$7,497.98	\$53,940.65	-\$31,515.98	-\$7,799.21	\$7,127.48

8.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



As noted from above, the bulk of the overspent was derived from Administration division \$7k, Lands division \$31k and Agriculture with an excess spending of \$7k. While, Environment is the only division that manage to cater below budget estimate.

Recommendation:

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

Management response:

Management was prepared from Ministry of Finance therefore have to answer but with our part in line Ministry is to confirm that revised budget have been included. With different in figure we are tasked to double check and inform headquarter for any different in figure.

With recommendation in preparation of Ministry budget, all divisional heads have participated in their budget as responsible to provide justification whenever needed.

8.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS (ENVIRONMENT-E16020000233-\$600, E16020000245-\$660) WITH TOTAL OF \$1260.

Findings and Analysis:

The audit checks and confirmed after verifying transfer between output shown in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero but not what as reflected under each output. Therefore, the management report has been overstated by \$1260 and this was caused by the failure of posting in the system (system error) resulting from the employees negligent in entering into the system.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E16020000233	Relocation	\$600.00			\$600.00
E16020000245	Housing assistance	\$660.00			\$660.00
Total					\$1,260.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliability of the management report prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MELAD and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management Response:

It is the Ministry responsibility to check and account for in the System amount that have been appropriated by the Maneaba ni Maungatabu, therefore confirm that all codes are included by the MFED. If total budget posted not match with approved budget then we have to inform MFED for any omission or double. Failure to do that leads to increase or under budget hence this variance found as detected during Audit inspection.

We regret for this failure and would improve to make sure that reconciliation is carried out accordingly.

8.3.4 DOUBLE ENTRY POSTING

The audit extract from the General ledger and found out that two of payment as per detail in the table below has been posted twice under the same output. After verifying the GL, the audit notes and confirmed that there was no contra account that will offset in the GL(credit) neither the JV to adjust the double posting such as noted in the table below.

E16040000232	Electricity and gas	
209556	hqpv2371/8 melad181/17 pub	\$1,618.40
209556	hqpv2602/8 melad181/17 pub	\$1,618.40

Implication:

Double posting is a sign of negligent and lack of performing regular reconciliation.

Double posting distort the total amount for each particular output.

Recommendation:

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

Management response:

The double posting is resulting from payment vouchers being raised by the Ministry when the first one confirmed to be misplaced. It is our duty to detect this double posting when doing reconciliation for August report but as still appeared in the report, there was no reconciliation done. If there is a reason behind it, the former Senior Accountant will provide a revised response.

8.3.5 MISALLOCATION

Finding and Analysis:

The audit had randomly selected payment from the General Ledger to check and verify the accuracy of the posting. The audit could not have satisfied with the accuracy of the posting when the audit detects that certain payment were deemed charged the wrong output/allocation. Further detail of incorrect posting are as follows in the table noted below:

E16020000244 Repairs Equipment						
DATE	PERIOD	NUMBER	NUMBER	REFERENCE	DETAILS	DEBIT
3/8/2017	3-Mar	130	80	18906	hqpv5334/03 melad056/1602 Kiri	\$80.00
5/16/2017	5-May	319	35	204/1602/17	hqpv5528/05 melad204/1602/17 A	\$100.50
8/8/2017	8-Aug	638	21	308/1602/17	hqpv5173/08 melad308/1602/17 A	\$191.60
9/19/2017	9-Sep	767	61	357/1602/17	hqpv5443/09 melad357/1602/17 A	\$242.60

E16030000231 Telecomms						
DATE	PERIOD	NUMBER	NUMBER	REFERENCE	DETAILS	DEBIT
12/21/2017	12-Dec	1227	111	1272	hqpv3233/12 618/16 pub	\$4,620.00

Implication:

Charging the wrong allocation would cause unrealistic figure disclosed under various outputs thus distort the accuracy of the financial report.

Disclosing of figures that are not reconciled yet would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.

Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.

Recommendation:

- ✓ Management should ensure to charge a proper and correct allocation according to the nature of spending to avoid misallocation of funds.
- ✓ Management must ensure to conduct and performed regular reconciliation to avoid misallocation.
- ✓ Prior authorizing and approving payments accountable and responsible officers should thoroughly review the nature of the payments to ensure the correct coding is being charged.

Management Response:

Misallocation concerning payment vouchers stated clearly in report is confirmed not true. Attached copies of payment vouchers for confirmation that they charged correct code which is E16020000244 but not E16020000227 as stated.

Enclosed copies stated above. Annex1

8.3.6 KPF CONTRIBUTION VARIANCES**Finding and Analysis:**

The following variances note below derived from comparing the actual KPF contribution in management report and pay costing to determine the accuracy of the posting. As noted, the discrepancies indicate a lack of reconciliation.

Allocation	Revised Budget	Actual MR	Pay Costing	Variance btwn 2 & 3	Notes
E16010000201A	17,690.00	15,097.42	\$ 19,223.59	(4,126.17)	Understated
E16020000201A	27,380.00	22,401.23	22,433.46	(32.23)	Understated
E16030000201A	31,550.00	24,807.00	27,264.39	(2,457.39)	Understated
E16040000201A	50,270.00	40,212.01	41,145.86	(933.85)	Understated
		102,517.66	\$ 110,067.30	-\$ 7,549.64	

Implication:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.
- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

To be answered by Salary Division

8.3.7 OUTSTANDING IMPREST

Findings and Analysis:

The audit checks and confirmed after comparing the Ministry (MELAD records) against with the MFED listing and note that the outstanding imprest for each staff appended in the table below were not agree. The Melad database records configure a total imprest of \$7k while the MFED listing report a total imprest of \$8k. Therefore, the audit cannot satisfy with the records held by the MFED as why some staff still had their outstanding reflected in the listing provided by MFED. This is a failure of the imprest division of not properly performing regular reconciliation and updating records once retirement had been made by the Ministry. Further detail regarding names(selection) can be provided when requested.

Name	MELAD Database	MFED records	Variance	Notes
Officer 1	\$682.00	\$629.27	\$52.73	Disagree
Officer 2	\$2,460.00	\$565.00	\$1,895.00	Disagree
Officer 3	\$300.00	\$869.97	-\$569.97	Disagree
Officer 4	\$1,411.00	\$3,457.57	-\$2,046.57	Disagree
Officer 5	\$400.00	\$526.00	-\$126.00	Disagree
Officer 6	\$2,070.00	\$2,070.00	\$0.00	Agree
Totals	\$7,323.00	\$8,117.81	-\$794.81	

Implications:

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

Recommendations:

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

Management response:

We confirmed that outstanding imprest still exist as resulted from none follow up by Account to remind concerned officers after returning from official trips. In practice Officers travelling have prepared their retired imprest once they have a new trip.

In report we have agreed with the first three employees but the other three have different figure with report.

Enclosed print out on both records. Annex2 & 3

8.3.8 TWO YEARS LEAVE ENTITLEMENT POLICY – LEAVE BALANCES

The updated leave balances for selected staff of MELAD division (lands) highlight that the following staff noted in the table below exceed the two (2) years entitlement policy thus are not in line with Cabinet decision minute no. 77/10.

Post Title	Entitlement	Leave Balance	Supported?	2 Years entitlement	Notes
Director of Lands	30	190	Yes	no	No compliance
Chief Land Management officer	30	160	Yes	no	No compliance
Land Administration officer	22	116	Yes	no	No compliance
Senior Lands Surveyor	26	154	Yes	no	No compliance
Senior Cartographer	26	149	Yes	no	No compliance
Land Planning officer	22	104	Yes	no	No compliance

Implication:

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

Recommendation:

Management must enforce and implement the Cabinet Decision Minute No. 77/10 to all staff accordingly.

Management response:

According to finding in report regarding Leave Entitlement, Registry has been updating record for Employees and a revised one will be submitted once requested.

9. MANEABA N MAUNGATABU (MNM)

9.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Maneaba n Maungatabu** for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 9.3 below

9.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for the Maneaba ni Maungatabu performance in the fiscal year 2016.

Issues	Solved/Addressed	Status of the issues in the 2017 audit
Revenue under collection	Solved/Addressed	Improved in the revenue collection.
Outstanding imprest	Not Solved/Addressed	No Improvement in the recovery by imprest holder's.

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 – 2015-2017

Year	2015	2016	2017
Budget	\$12,850.00	\$4,000.00	\$9,350.00
Actual	\$3,093.00	\$9,518.00	\$6,329.05
Variance Under/(Over)	\$9,757.00	(-\$5,518.00)	\$3,020.95

9.3.1.2 MNM Comparative Line Graph of Budget Revenue against Actual- 2015-2017

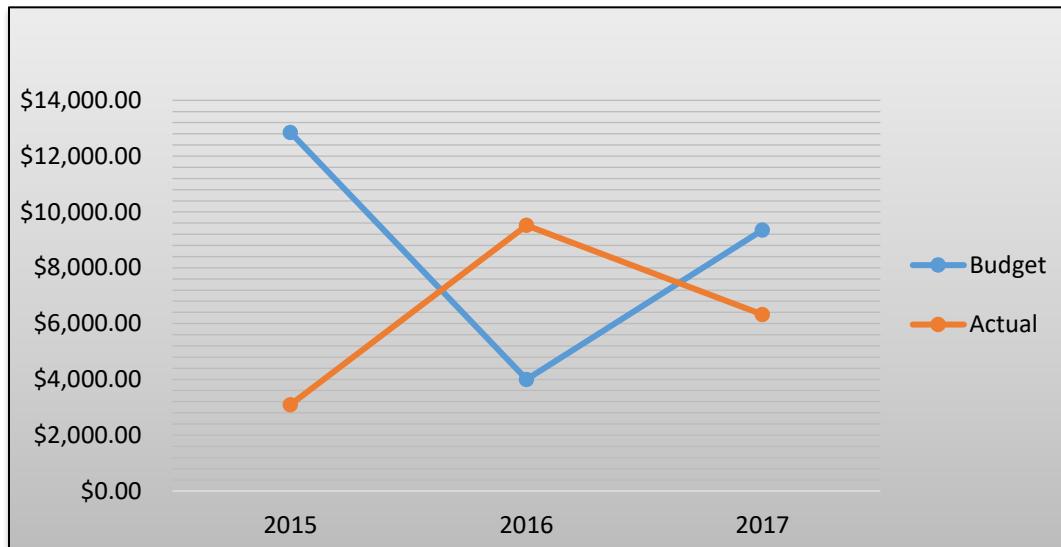


Table and Graph above shows financial trends between the budgeted revenue and actual revenue for the year 2015 to 2017 as determined by the behavioral change of the budgeted revenue and the actual revenue fluctuates over the three-year period.

In 2015, MM only managed to generate 24% of the total budgeted revenue while the rest of the proportion (76%) was inactive that requires rational explanation from MM Management. In 2016, MM started off with the minimal budgeted revenue from the revenue figure that was realized in 2015 that is \$4k, however MM was able to generate more than twice the revenue budgeted estimate. As the budgeted revenue inflated in 2017 to 9k, MM Management was able to generate 67% while the rest of the 33% was inactive against MM Management.

Implication

From past experiences, the drop in revenue was a result of accrual engagement with other Government Ministries as well as from other individual and businesses. A drop in revenue will diminish the Government total revenue that would affect government fiscal expenditures in the next fiscal years.

Recommendation

In past practices, the drop in revenue was a result of accrual from other Government Ministries as well as from other individual and businesses. However, it is important that MM have strictly enforced a consistent policy that will govern the use of their properties commercially while avoiding accrual engagement.

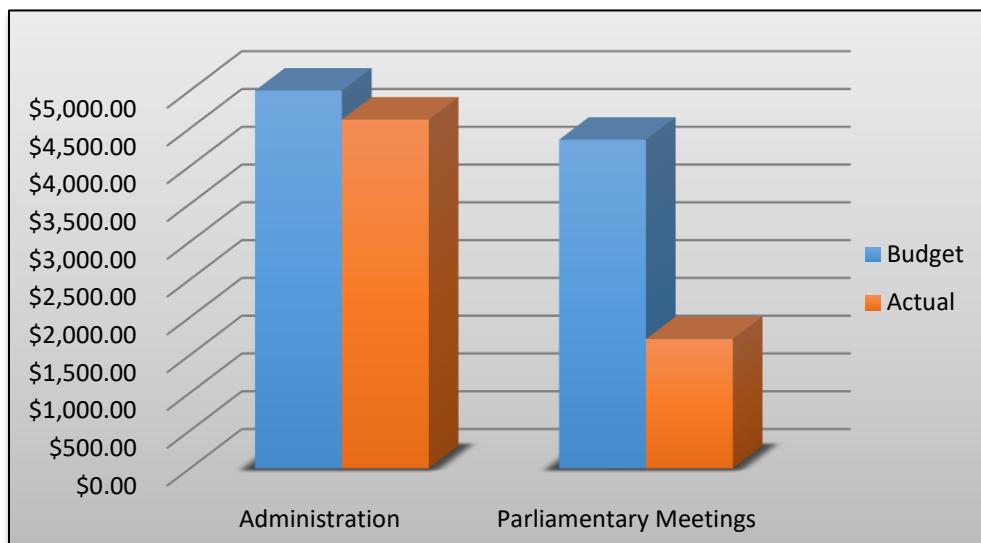
Management response:

Although MnM management had occasionally failed to collect revenue on time, yet strengthening account workforce is essential to fully support and execute the daily roles of account unit more effectively and efficiently. Despite those challenges, MnM management was able to collect revenue of \$4,800 before end of December 2017 but the amount did not appear in the 2017 account report as it was probably submitted later after the 2017 account has been closed. PV# 739/17 shows evidence on the amount of such collection/revenue received from Parliament's restaurant rental.

9.3.1.3 MNM Revenues against Budget by Divisions

Divisions	Administration	Parliamentary meetings	Total
Budget	\$5,000.00	\$4,350.00	\$9,350.00
Actual	\$4,616.00	\$1,713.05	\$6,329.05
Variance(Over)/Under	\$384.00	\$2,636.95	\$3,020.95

9.3.1.4 MNM Comparative Bar Graph Estimate Revenue by Divisions against actual



As clearly indicated from the above graph, both divisions Administration and Parliamentary meetings generate less than the budgeted estimates. It is paramount of importance that Management must fulfil obligation by means of meeting revenue targets as approved.

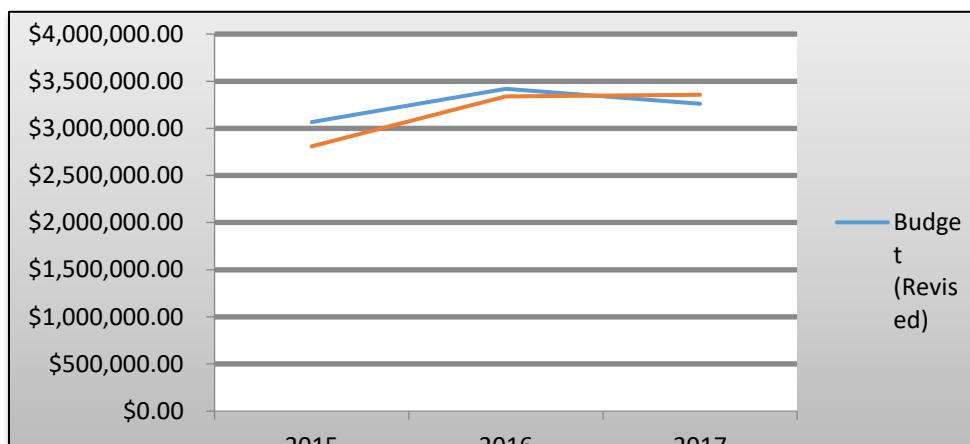
9.3.2 Expenditure (Budget)

Findings and Analysis

9.3.2.1 Parliament Budget Summary against Actual Expenditure

Year	2015	2016	2017
Budget	\$3,066,410.00	\$3,419,042.00	\$3,259,356.00
Actual	\$2,809,028.88	\$3,340,494.96	\$3,355,933.16
Variance Under/(Over)	\$257,381.12	\$78,557.04	(\$96,577.16)

9.3.2.2 Comparative Bar Graph Budget Expenditure against actual.

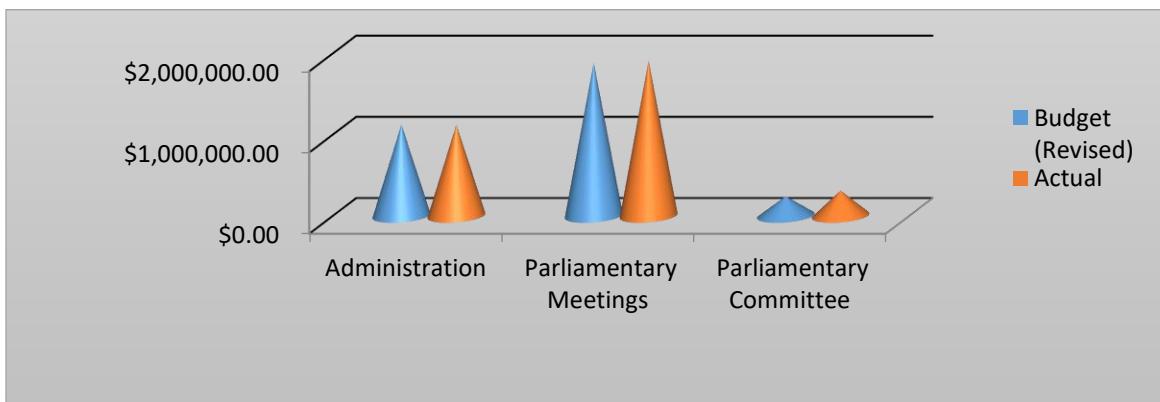


As clearly revealed above, the budgeted expenditure line fluctuates while the actual expenditure line increases steadily over the three-year period. As the budgeted expenditure rise, the actual expenditure increase as this was indicate in the period in 2015 to 2016, but it is pleasing to note from past position that the MM had report a vast saving of \$257k and \$78k respectively. However, although when the budgeted expenditure falls the actual expenditure still increase. This was evidence in 2017 when the Ministry report an excess spending of \$96k.

9.3.2.3 MNM Expenditure against Budget by Divisions – 2017

Divisions	Administration	Parliamentary meetings	Parliamentary committee	Total
Budget	\$ 1,127,745.00	\$ 1,888,255.00	\$ 243,356.00	\$ 3,259,356.00
Actual	\$ 1,127,745.00	\$ 1,915,258.88	\$ 312,929.78	\$ 3,355,933.16
Variance(Over)/Under	\$0	\$27,003.38	\$69,573.78	(\$96,577.16)

9.3.2.4 MNM Bar comparative graph against Budget by Divisions – 2017



From the exhibited graph, Administration Division did manage to operate within the budget line while Parliamentary Meeting and Parliamentary Committee Divisions have spent more than the budgeted estimates

Recommendation:

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

Management Response:

There was an initial application for a supplementary budget 2017 for MnM to cater for hosting the Association of Pacific Islands Legislatures (APIL) held in Kiritimati Island and other new operational activities for Parliament. The supplementary requested to MFED at the time was \$243,792. In the end, the request was not accepted due to the understanding that a warrant will be issued out towards end of the year to facilitate those expenses.

9.3.3 MISALLOCATION

It was noted from the auditing that there was a poor recording of expenditures that results in misallocation as detailed below. Misallocation noted was related to expenses being charged to wrong output code.

Date	Details	Amount	Pv#	Allocation	Proper Allocation	Analysis
2/8/2017	Cost of 24 tonnes of water and 2 trips vacuum truck	\$ 441.00	197	E1701-241	E1701-250	Understated E1701-241 and Overstated E1701-250 by \$441
5/11/2017	Payment of hire bus during house of parliament april	\$2,640.00	791	E1701-250	E1701-235	Understated E1701-250 and Overstated E1701-235 by \$2640
12/12/2017	Charges for painting cafeteria inv 2/17	\$ 33.75	1889	E1702-215	E1701-250	Understated E1702-215 and Overstated E1701-250 by \$33.75
12/12/2017	Charges for painting cafeteria inv 2/17	\$ 135.00	1889	E1701-241	E1701-250	Understated E1701-250 and Overstated E1701-250 by \$135.00
19/1/17	Payment of orders for committee and speaker meeting	\$ 89.70	106	E1701-243	E1701-239	Understated E1701-243 and Overstated E1701-239 by \$89.70
21/2/17	Refreshment for Speaker's meeting with vice president	\$ 44.50	257	E1701-241	E1701-239	Understated E1701-241 and Overstated E1701-239 by \$44.50
3/3/2017	Being cost of 2 axes and 15 sand paper for office use	\$ 128.25	335	E1701-241	E1701-243	Understated E1701-241 and Overstated E1701-243 by \$128.25
3/3/2017	Payment of 1 set saw ozo for handyman	\$ 36.00	337	E1701-241	E1701-243	Understated E1701-241 and Overstated E1701-243 by \$36.00
25/1/17	Being cost of bricks for office garden	\$ 200.00	131	E1701-241	E1701-250	Understated E1701-241 and Overstated E1701-250 by \$200

Implications

As noted from the auditing, the common mistakes by Account Officers was error in posting, missing of documents, improper recording of expenditures and the maintenance of relevant documents on paper and in the database which leads to the misrepresentation of Financial reports.

Recommendation

It is the responsibility of Senior Accountants to:

- Ensure that all expenditures recorded on PVs must be properly recorded in the database for audit verifications.
- Ensure an up to date reconciliations (monthly basis) on expenditures related to expenditure codes within that month to avoid heavy burdens of reconciliation.
- Ensure that documents were kept safely and manageable for audit purposes
- To have a system in place for checking and verification of data entered in the Database from Source documents to ensure that no posting error being made.
- To ensure a proper recording of expenditure in accordance to standing policies and guidelines on Government Financial Reporting.

Management response:

9.3.4 Transfer between Output/Divisions

The last column on the table shows findings and analysis on the figures presented in the management report under the revised budget column against the transfer records from Database within the budget allocation code indicated.

Table 9.3.4.1a shows the total distort figure of \$204,245.00 from the list of budget allocations in the management report under 'revised budget column'.

Table 9.3.4.1a: SUMMARY OF ANALYSIS ON TRANSFERS

Budget Allocation	Database	Management	Variance	Findings and Analysis
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Code	Amount	report		
E17030000218	\$ 150,000.00	66,867.00	83,133.00	there is a variance between transfer out noted on database and management report by \$83,133
E17030000240	\$ 12,616.00	14,585.70	1,969.70	there is a variance between transfer out noted on database and management by \$1,969.70
E17020000227	7,500.00	50,128.64	42,628.64	there is a variance between transfer out noted on database and management report by \$ 42,628.64
E 17030000216	150,000.00	76,304.24	73,695.76	there is avariance between transfer comes in noted on database and management by \$73,695.76
E17030000215	12,616.00	12,415.33	200.67	there is a variance between transfer comes in noted on database and management report by \$ 200.67
E17020000215	7,500.00	4,882.21	2,617.79	there is a variance between transfer comes in noted on database and management report by \$ 2617.79
			204,245.56	Total Distort figure

Implications

Transfer between budget outputs was merely practiced in MM continuously over the past years which heavily place burdens on Senior Accountants and Account Officers to make adjustment entries which is not an easy task. As noted from the auditing, the common mistakes to Account Officers in adjusting entries on transfers that have been made was error in posting and missing of transfer documents which raised a concerns related to the misrepresentation of Financial reports.

Recommendation

It is the responsibility of Senior Accountants to

- Ensure that all transfers that have been made was recorded on Paper and in the Database system for audit verifications.
- Ensure an up to date reconciliations (monthly basis) on transfers being made within that month to avoid heavy burdens of reconciliation on large volumes of data.
- Ensure that documents were kept safely and manageable
- To have a system in place for checking and verification of data entered in the Database from Source documents to ensure that no posting error being made.

Management response:

It appears that Parliament accounting system works just fine but if the issue still persists then the new post of a Senior Accountant will help to ease up those mistakes.

9.3.5 Imprest

Findings and Analysis:

Audit confirmed a total outstanding imprest for 2017 that is yet to be recovered is \$214,520.74. Details and names of imprest holders can be provided upon request

Implication

Imprests are considered as financial debt owed to the Government. The increase in advances over time have had placed the Government in riskier financial position resulted from unrecovered and unaccounted imprests. This practice has always been regarded as human failures, however if this practice persistent substantially in the future, the likelihood of misappropriation of Government funds will continue and would affect the Government overall spending in future financial year.

Recommendation:

- ✓ Accounting Officers of MM must ensure an up to date reconciliation of outstanding imprest with MFED Accounting Division
- ✓ Management and Accounting Officer must enforce a procedure and policy governing a consistent mechanism of recovering advances from imprests.
- ✓ Accounting Officers must ensure accounting of imprest advances accurately in their financial database system.

Management response:

Still an issue with Parliament. MnM management will work on it but the issue will be quickly lessened if we strengthen our Account workforce.

9.3.6 Payroll - KPF

Findings and Analysis:

Audit noted a variance between the KPF Figure posted in the management report and total KPF Figure calculated from MM Pay Costing 2017 as detailed below:

Table 9.3.6a

Allocation	Pay Costing 2017	Management report 2017	Variance
E17020000201	32415.23	17543.8	14871.43
E17020000201	31418.33	37222.8	5804.47

Implications:

As noted from the auditing, the common mistakes by Account Officers involved the miscalculation of account entries, which leads to understatement and overstatement of entries in the GL, thus leading to the misrepresentation of Government's financial reports.

Recommendations:

It is the responsibility of Senior Accountants to:

- Ensure that all expenditures on Payroll that have been made was recorded in the Pay costing must be properly accounted for in General ledger.
- Ensure an up to date reconciliations (monthly basis) on expenditures related to KPF within that month to avoid heavy burdens of reconciliation of large volumes of data
- Ensure that documents were kept safely and manageable for audit purposes
- To have a system in place for checking and verification of data entered in the Database from Source documents to ensure that no posting error being made.
- To ensure a proper recording of expenditure in accordance to standing policies and guidelines on Government Financial Reporting.

Management response:

It is the responsibility of Salary Unit of MFED hence MnM cannot do anything about this.

9.3.7 Non-Expendable Items

Findings and Analysis:

Audit revealed there was a poor control over the use of store ledger as indicated below:

2. It was confirmed that the following items were purchased by MM, but not recorded in the store ledger.

Table 9.3.7a: Summary of unrecorded items in store register

Date	Details	Amount	Pv#	Allocation	Non expendable items
12/08/2017	Being settlement of inv# 162/17 against LPO 093776	408.5	1871	E17010000241	1 dust pan, 3 dish tray, 2 glass Jug, 3 circle tray and 40 glass cup
12/04/2017	Payment of 8 headphone LPO 093688	144	1853	E17010000241	8 headphone
13/1/17	Being cost of items for Speaker resident and office	1186.74	72	E17010000243	1 rice cooker 7litre, 2 bread toaster, 2 microwave oven
13/1/17	Being cost of items for Speaker resident and office	1126.13	71	E17010000243	2 wheel barrow, 4 rake, 3 cane knives, 2 axe and 1high pressure water
03/03/2017	Being cost of 2 axes and 15 sand paper for office use	128.25	335	E17010000241	2 axe
03/03/2017	Payment of 1 set saw ozo for handyman	36	337	E17010000241	1 set saw ozo

3. Store ledger hasn't been updated with acquisition, movement and status of each particular asset owned and operated by KPPS

Implication

Management failure in providing of such records would be create a doubt for misusing of office properties that were purchasing under Office Equipment and Furniture code.

Recommendation

Management should maintain a proper use of store ledger for audit purposes as well as other purposes on accounting depreciation and amortization of assets

Management response:

MnM management agreed that there should be a register book to record all office properties purchased for the office. Currently, MnM management has a register book which records office items however there is still a need to ensure that all office items purchased by the office must be recorded for audit purpose and other accounting purposes.

9.3.8 Two year Leave Policy Entitlement

Findings and analysis:

- ✓ Audit noted that the updated leave balance provided by MM for its employees does not take into consideration the calculation of a two year leave policy.
- ✓ After a review and calculation, audit noted the following officers have incorrect leave balances

Table 9.3.8a: Summary of Leave verification from a sample of MM Employees

Officer	Leave balance as per Leave Form	Leave Balance – Audit Figure
Officer 1	125	35
Officer 2	185	95

Implication

It is important for MM to update leave balance taking into consideration calculation of a two year leave policy for its officers in order avoid overstayed leave balance that will be burdened on officers to be charged with such negative leave balances.

Recommendation:

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

Management response:

To comply as per Cabinet decision.

10. MINISTRY OF COMMERCE AND INDUSTRY COOPERATIVE (MCIC)

10.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Commerce and Cooperative Industry** for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 10.3 below

10.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM.

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 2016.

Issues	Solved/Addressed	Status of the issue in the 2017 audit
Refueling of employee vehicle .	Solved/Addressed	Improvement in the control.

10.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

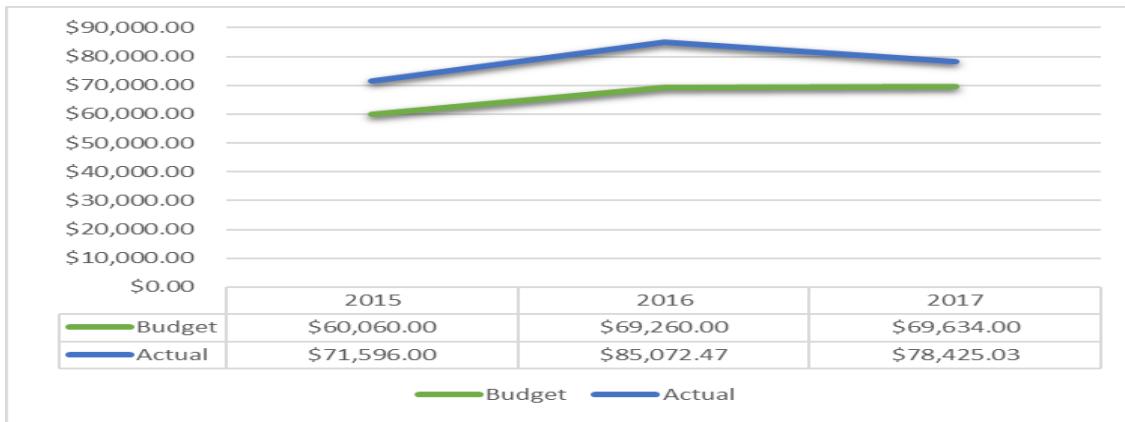
10.3.1 REVENUE (BUDGET)

Findings and analysis:

10.3.1.1 MCIC Revenue Summary Collection (2015-2017)

Year	2015	2016	2017
Budget	\$60,060.00	\$69,260.00	\$69,634.00
Actual	\$71,596.00	\$85,072.47	\$78,425.03
Variance Under/(Over)	(\$11,536.00)	(\$15,812.47)	(\$8,791.03)

10.3.1.2 Comparative Line Graph of Budget Revenue Against Actual

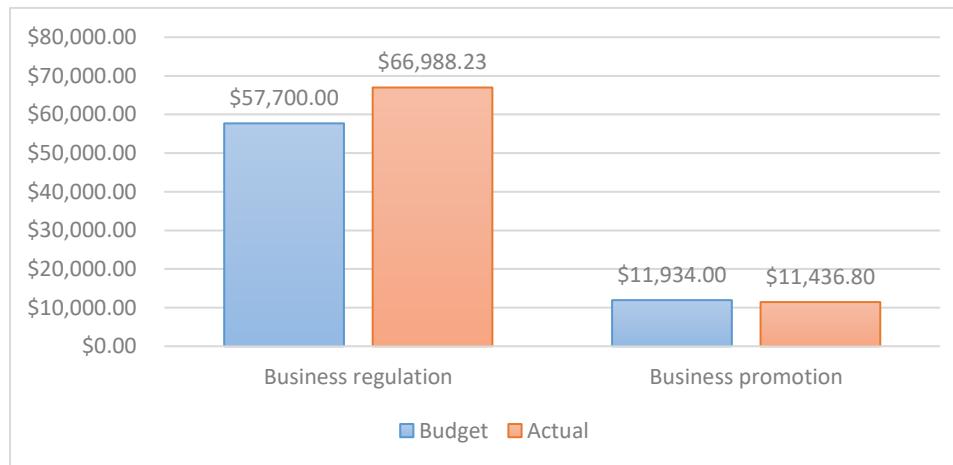


A slight drop in the actual revenue collection of \$8k in 2017 compared to the increase in the actual revenue collection in 2016 of \$15k. It is pleasing to note from the above analysis that for the past three years (2015 to 2017), MCIC had maintained the intensity level of its revenue collection by having exceeded again revenue budget estimate. Management should be commended for such notable achievement for the past three years.

10.3.1.3 MCIC Revenues against Budget by Divisions – 2017

Divisions	Business regulation	Business promotion	Total
Budget	\$57,700.00	\$11,934.00	\$69,634.00
Actual	\$66,988.23	\$11,436.80	\$78,425.03
Variance(Over)/Under	(\$9,288.23)	\$497.20	(\$8,791.03)

10.3.1.4 Comparative Bar Graph of Budget Revenue against Actual by Division



The above statistics clearly showed that two divisions (Business Regulation 1801 and Business promotion 1803) that generate the revenue for the entire Ministry and only one division (Business Regulation) exceed revenue collection by \$9k while the other division failed to meet revenue targets.

Recommendation

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

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

Management response:

10.3.1.5 ARREARS OF REVENUE MCICD \$9,900

Finding and Analysis:

The total accumulated outstanding for arrears of revenue which carry forward from 2016 to 2017 as noted during the audit was \$9,900. The audit notified that some of the outstanding revenue not yet collected related to the previous year (2016). Further, the audit confirmed some tenants are failed to complied with certain requirement/agreement even though Ministry unsuccessfully to enforce and strict prompt payment from tenants. Details of the outstanding are noted in the table below.

Account name	Sub leases	Rental for Year	Rental for year	Total Amount
		2016 Outstanding	2017 outstanding	
TTT	\$300.00			
TTT		\$0.00	\$3,840.00	\$4,140.00
Account name	Sub leases	Rental for Year	Rental for year	Total Amount
		2016 Outstanding	2017 outstanding	
BDV	-	\$960.00		
BDV			\$960.00	\$1,920.00
Account name	Sub leases	Rental for Year	Rental for year	Total Amount
		2016 Outstanding	2017 outstanding	
Dojin	-	\$1,920.00		
Dojin			\$1,920.00	\$3,840.00
Total				\$9,900.00

Implication:

Failure to recover the above revenue (arrears) will automatically affect the inflow of funds into Government account.

The accrued arrears will become difficult to recover especially from those business who are liquidated/insolvency.

Recommendation:

- | |
|---|
| ✓ Management encouraged to implement strong mechanism for follow up on those arrears in order to minimize the arrears from escalating in future. |
| ✓ Management should strengthen and enforce the agreement between the Ministry and tenants to ensure that if tenant failed to comply with the condition of the agreement could result in the termination of the agreement. |

Management response:

10.3.2 EXPENDITURE (BUDGET)

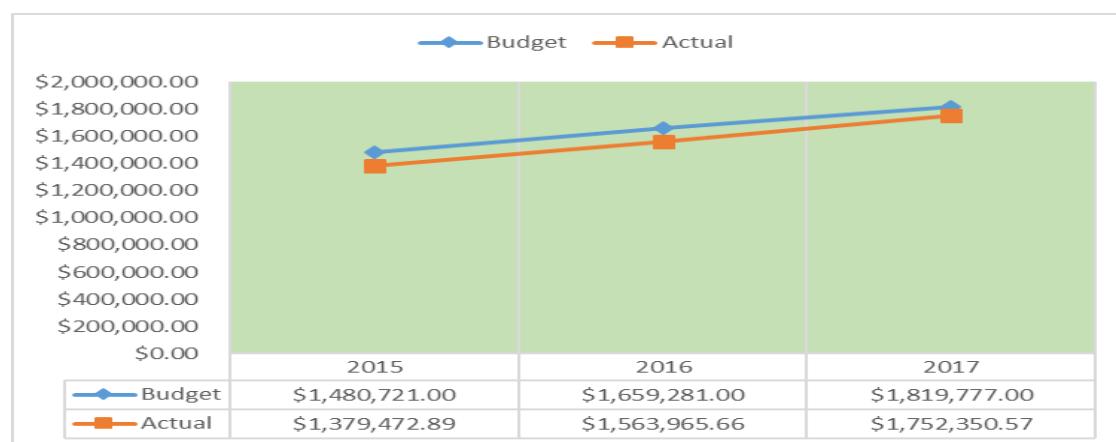
Findings and analysis

10.3.2.1 MCIC Expenditure Summary

Year	2015	2016	2017	Audit figure	Variance
Budget	\$1,480,721.00	\$1,659,281.00	\$1,819,777.00	\$1,819,777.00	
Actual	\$1,379,472.89	\$1,563,965.66	\$1,752,350.57	\$1,752,350.57	
Variance Under/(Over)	\$101,248.11	\$95,315.34	\$70,426.43	\$67,426.43	\$3,000.00

The audit noted that the total variance shown on the management report of \$70,426.43 is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$67,426.43 (\$1,819,777 - \$1,752,350.57) and not \$70,426.43. Therefore, the error noted indicate that management report has been overstated by \$3k.

10.3.2.2 Comparative Graph of Expenditure Budget against Actual



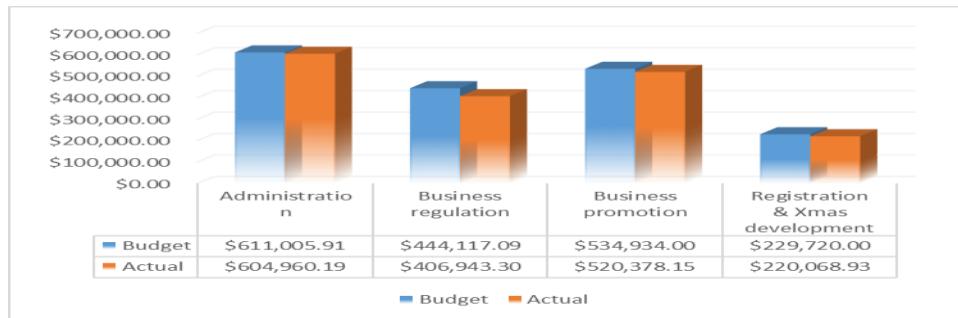
Due to the incorrect figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. the audit belief that MCIC should report a saving of \$67k but not \$70k(Management report). The above table and graph depicts the increase in the budget level by \$840k (2016 \$1,659m-2017 \$1,819m). It is pleasing to note that Ministry had control level of its spending thus contribute to saving of \$67k. Therefore, management should be commended for being able to spend within its budget allocation.

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

10.3.2.3 MCIC Expenditures against Budget by Division

Divisions	Administration	Business regulation	Business promotion	Registration & Xmas development	Total
Budget	\$611,005.91	\$444,117.09	\$534,934.00	\$229,720.00	\$1,819,777.00
Actual	\$604,960.19	\$406,943.30	\$520,378.15	\$220,068.93	\$1,752,350.57
Variance (Over)/Under	\$6,045.72	\$37,173.79	\$14,555.85	\$9,651.07	\$67,426.43

10.3.2.4 Comparative Bar Graph of Budget Expenditure against Actual By Division.



It is pleasing to note that all of four (4) divisions of MCIC had managed to save within their approved budget thus contribute to the overall saving of **\$67k**.

Recommendation:

Management must ensure to continuously maintain its level of spending within its approved budget in future years.

Management to ensure its budget level is more reflective of the activities its divisions will executive in future years.

Management response:

10.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS (BUSINESS REGULATION: E18020000244-REPAIRS OF EQUIPMENT AMOUNT \$3000.00

Findings and Analysis:

The audit confirmed after verifying transfer between output (E18020000244- transfer# 5/17 and 21/7) and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero balance but not \$3,000. Therefore, the error contributes to overall incorrect total of \$40,173.79 for Business regulation which in actual fact the correct figure should report a saving of \$37,173.79. Therefore, the management report has been overstated by \$3000 and this could lead to the failure of posting in the system as result of employee's careless mistake in entering into the system.

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MCIC and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

10.3.4 KPF VARIANCE DETECTED

Finding and Analysis:

As noted during the audit, the variance detected in the calculation of KPF contribution is one of the major concerned for all across line Ministries as figure disclosed in the management report under KPF contribution for each divisions as shown in the table below cannot agree with the pay costing and even with the calculation performed during the audit. This is mainly due to the lack of reconciliation that was not conducted on a regular/frequent basis between the MFED records and that kept by the Ministry and also with Salary division. This issue has been repeated over the past years of auditing and appears that there is no improvement in the system.

	Administration	Business Regulation	Business Promotion	Registration & Xmas Dev
Description	E18010000201	E18020000201	E18030000201	E18040000201
Salaries	\$141,295.58	\$182,547.24	\$170,931.10	\$69,406.80
Temporary	\$6,502.20		\$18,354.70	
Total	\$147,797.78	\$182,547.24	\$189,285.80	\$69,406.80
Multiply 7.5%	\$11,084.83	\$13,691.04	\$14,196.44	\$5,205.51
Management report KPF contribution	\$14,504.95	\$11,758.94	\$13,130.33	\$5,195.27
Variance	(\$3,420.12)	\$1,932.10	\$1,066.11	\$10.24
	Overstated	Understated	Understated	Understated

	B	GL	AD	a	b	c	
Output	Description	Rev Budget	GL	Audit figure	VARIANCE B - GL	VARIANCE K - M	VARIANCE L - M
E18010000201	Kpf Contribution	14,410.00	14,504.95	14,530.81	- 94.95	- 120.81	- 25.86
E18020000201	Kpf Contribution	14,851.00	11,758.94	7,126.36	3,092.06	7,724.64	4,632.58
E18030000201	Kpf Contribution	17,417.00	13,130.00	9,424.24	4,287.00	7,992.76	3,705.76
E18040000201	Kpf Contribution	8,360.00	5,195.27	4,240.17	3,164.73	4,119.83	955.10

Implications:

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

Recommendation:

- Management must ensure to conduct it proper review and regular reconciliation with MFED to avoid discrepancies at the end of financial year.
- MFED should make sure that KPF contributions for each division are not overspent or overstated/understated.

Management response:

10.3.5 Outstanding Imprest 2017 \$10,287.07

Findings and Analysis:

The total outstanding imprest detected in 2017 after independent check was \$10, 287.07. The audit confirmed that the outstanding imprest still not yet recovered by respective imprest holders as per MFED listing. Details of the outstanding imprest are noted below:

Officer	Designation	Amount
Officer 1	Minister	1993.55
Officer 2	EA	780
Officer 3	DBPC	3741.29
Officer 4	AIPD	3072.88
Officer 5	Not detailed	489.8
Officer 6	SAS	209.55
		10,287.07

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

Recommendation:

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

Management response:

10.3.6 UNAVAILABILITY OF INFORMATION FOR RENTAL AGREEMENT/TENANTS AND COOPERATIVE RENTAL HOUSE

Finding and Analysis:

- The audit could not extend further independent examination and scrutiny as the information required was not available even though the audit had consult with the Head of the division but failed to provide any details and particulars information to support findings. In this stances, the audit could not verify the validity of the tenants to confirmed effective of the agreement between the Ministry and tenants.
- For cooperative house rental, the audit also cannot testify the number of houses occupied by tenants as well as payment since the information required was not available upon the audit request.

Implication:

The absence and unavailability of information make it difficult for the audit to confirmed the validity of the contract/agreement between the Ministry and Tenant whether the agreement still exist as well as those whom occupied cooperative house.

Unavailability of the information sought during the audit would undermine the integrity of the responsible head within divisions keeping and storing that information.

Recommendation:

Ministry must ensure that all information required during the course of the audit should be kept and store in a secure environment and have it ready upon the audit request.

Management response:

11. OFFICE OF THE ATTORNEY GENERAL

11.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Office of the Attorney General** for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 11.3 below

11.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The following issues were noted as the causes of the audit opinion for the Office of the Attorney General performance in the fiscal year 2016.

Issues	Solved/Addressed	Status of the issue in the 2017 audit
Lack of performing reconciliation which result in the variances in the KPF contribution.		Not solved/Addressed
Log book was not being provided for auditing purposes. Outstanding imprest.	Solved/Addressed	Not solved/Addressed

11.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

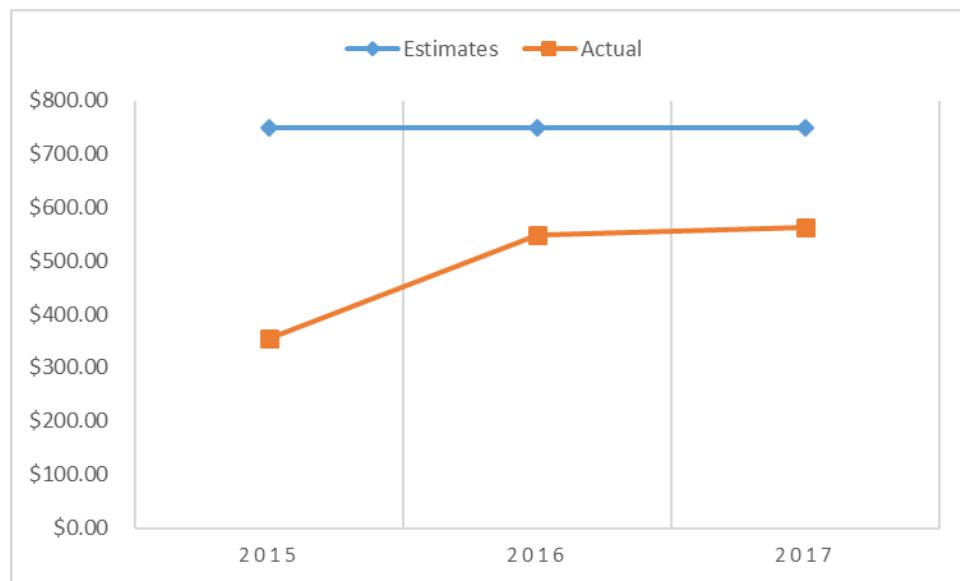
11.3.1 Control over REVENUE - BUDGET

Findings and analysis:

11.3.1.1 REVENUE SUMMARY COLLECTION – OAG 2015-2017

Year	2015	2016	2017
Estimates	\$750.00	\$750.00	\$750.00
Actual	\$354.60	\$548.50	\$562.30
Variance (Over)/Under	\$395.40	\$201.50	\$187.70

11.3.1.2 COMPARATIVE GRAPH OF REVENUE BUDGET AGAINST ACTUAL



It is clearly evident that OAG had struggle over the past three years (2015-017) to collect its revenue of \$187. However, it is paramount importance for OAG to provide a more realistic budget figure in future years to ensure such revenue had been collected.

11.3.1.3 Revenues Budget against actual by division – OAG 2017

Division	Administration	Budget	Actual	(Over)/Under
Administration	Legal fees	\$500.00	\$562.30	(\$62.30)
Criminal prosecution	Sale of Law books	\$250.00		\$250.00
		\$750.00	\$562.30	\$187.70

The above analysis indicates that the shortfall in the revenue collection derived from the non-collection in the sale of law books (Criminal prosecution) whereas only one division (Administration) exceed revenue collection.

11.3.2 CONTROL OVER EXPENDITURE - BUDGET

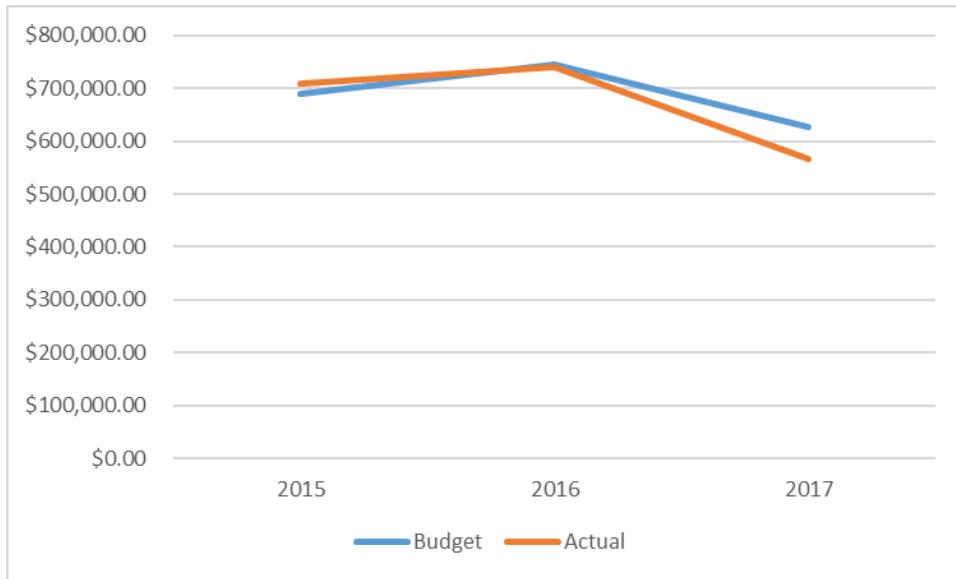
FINDINGS AND ANALYSIS:

11.3.2.1 Expenditure budget summary- OAG

Year	2015	2016	2017	Audit Calculation	Variance
Budget	\$689,188.00	\$745,243.00	\$626,672.00	\$626,816.00	
Actual	\$708,141.50	\$740,876.41	\$566,936.85	\$566,936.85	
Variance Under/(Over)	(\$18,953.50)	\$4,366.59	\$64,129.15	\$59,879.15	\$4,250.00

The audit noted that the variance shown on the management report of \$64,129.15 is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$59,879.15 (\$626,816-\$566,936.85) and not \$64,129.15. Therefore, the error noted indicate that management report has been overstated by \$4k.

11.3.2.2 Comparative line graph of budget Expenditure estimates against actual

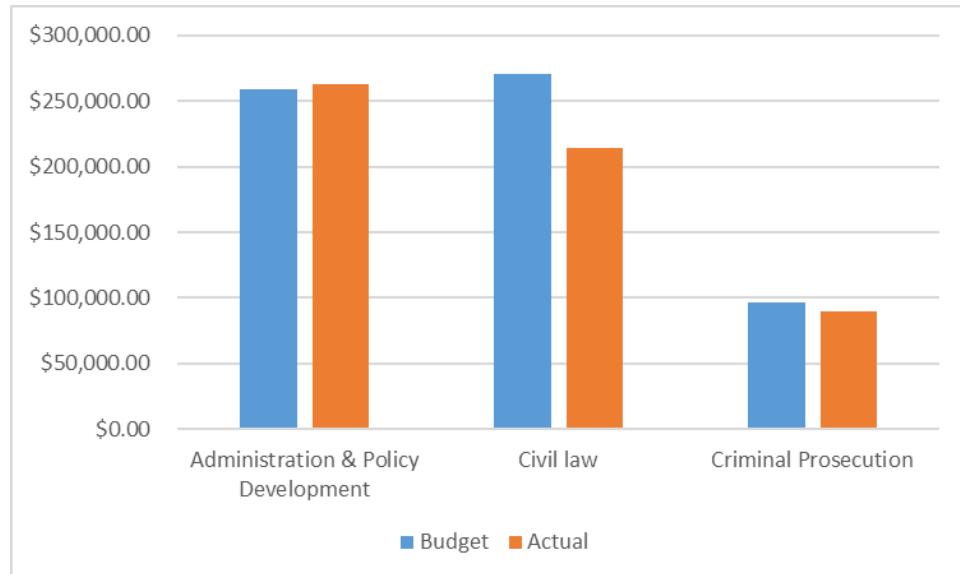


The graph above depicts a comparative level of budget expenditure estimate against the actual for the years ending 2015 up to 2017. Despite a drop in its approved budget from \$746k (2016) to \$626k (2017) the Office of the Attorney General for the second consecutive time (2016-2017) still capable of producing a much further net saving of \$59k (2017) compared to lower saving of \$4k in 2016. Therefore, management must be embrace and commended for their tireless efforts in managing spending within approved budget and encouraging to maintained momentum in future operation.

11.3.2.3 Expenditure Budget against Actual By Divisions 2017

	Budget	Actual	Variance (Over)/Under
Administration & Policy Development	\$259,147.00	\$263,281.35	(\$4,134.35)
Civil law	\$270,802.00	\$213,814.19	\$56,987.81
Criminal Prosecution	\$96,723.00	\$89,841.31	\$6,881.69
Total	\$626,672.00	\$566,936.85	\$59,735.15

11.3.2.4 Comparative Bar graph of Budget expenditure estimate against actual by divisions.



11.3.3 incorrect variance detected under management report disclosed under divisions(administration:E200100000217(Local training), E20010000219(Local training-catering).

Finding and Analysis:

The audit confirmed after verifying transfer between output (E20010000217, E20010000219) and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero balance but not \$3,500 and \$750 for Local training and Local training catering respectively. Therefore, the error contributes to overall incorrect total of \$259.65 for Administration which in actual fact the correct figure must be an overspend of (**\$3,990.85**).

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the OAG and MFED.

Recommendation:

Management must find ways of improving reconciliation to avoid future problems in the posting and

entering of transactions which result in the variances detected in the management report.



Management response:

11.3.4 KPF contribution variance management report

Finding and Analysis:

The audit note the following discrepancies exist in the management report when calculating the KPF contribution such as noted in the table below:

Description	Administration E20010000201	Civil Law E2002000201	Criminal Prosecution E2003000203
Salaries	\$43,231.34	\$119,368.90	\$55,227.50
Temporary	\$4,661.70		
Total	\$47,893.04	\$119,368.90	\$55,227.50
Multiply 7.5%	\$3,591.98	\$8,952.67	\$4,142.06
Management report KPF contribution	\$4,286.96	\$10,739.25	\$3,303.91
Variance	-\$794.98	-\$1,786.58	\$838.15
	Overstated	Overstated	Understated

Implication:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.
- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

11.3.5 MISPOSting HQPV 2363/12 160/20 ATHKL

Finding and Analysis:

The audit confirmed after reviewing the General ledger that one payment has been erroneously charged improper output/allocation. This is the failure of the MFEP when processing the GL but more precisely it is a lack of proper reconciliation when this should be already detected during the reconciliation between OAG and MFED. The audit also confirmed that there is no JV to adjust the mis-posting neither the contra-account reflected in the General Ledger.

Date	PV#	Incorrect allocation	Correct code	Amount		
12/15/2017	160/20 athkl	Transport to work	E2001000215	Telecomms	E2001000231	337.5

Implication:

Charging the wrong allocation would cause unrealistic figure disclosed under various outputs thus distort the accuracy of the financial report.

Disclosing of figures that are not reconciled yet would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.

Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.

Recommendation:

- ✓ Management should ensure to charge a proper and correct allocation according to the nature of spending to avoid misallocation of funds.
- ✓ Management must ensure to conduct and performed regular reconciliation to avoid misallocation.
- ✓ Prior authorizing and approving payments accountable and responsible officers should thoroughly review the nature of the payments to ensure the correct coding is being charged.

Management response:

11.3.5 ERRONEOUSLY charging ministry output E2001000250 (Local service)

Finding and Analysis:

In reviewing the General ledger, the audit claim that one of the payment relevant to Ministry of Justice has been fallaciously posted under the Office of the Attorney General output. This is an indication of not performing proper reconciliation and this could be already amended during the consultation between OAG and MFED.

Details	Code	Amount	MOJ correct code
hqpv5828/05 moj297/17 Ngateti	E2001000025	\$372	E37001000250

Implications:

- Mis-posting of proper transaction to the Ministry appropriate output could cause unrealistic figures disclosed in the management report and could affect the budget level for future years.
- Failure to perform frequent reconciliation could result in allocating improper output according to their appropriate code.

Recommendation:

- ✓ Management is highly recommended to maintain and conduct regular reconciliation with MFED in order to instantly take corrective action when deviations are detected.

Management response:

12. MINISTRY OF FISHERIES AND MARINE RESOURCES DEVELOPMENT

12.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Fisheries and Marine Resources Development** for the year ended 31 December 2017 with “**Emphasis of matter**” the effect of the matters as discussed in detail from 12.3 below

12.2 STATUS OF PRIOR MANAGEMENT LETTER

The Ministry has been issued an Unqualified opinion for the last three consecutive years since 2013.

12.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

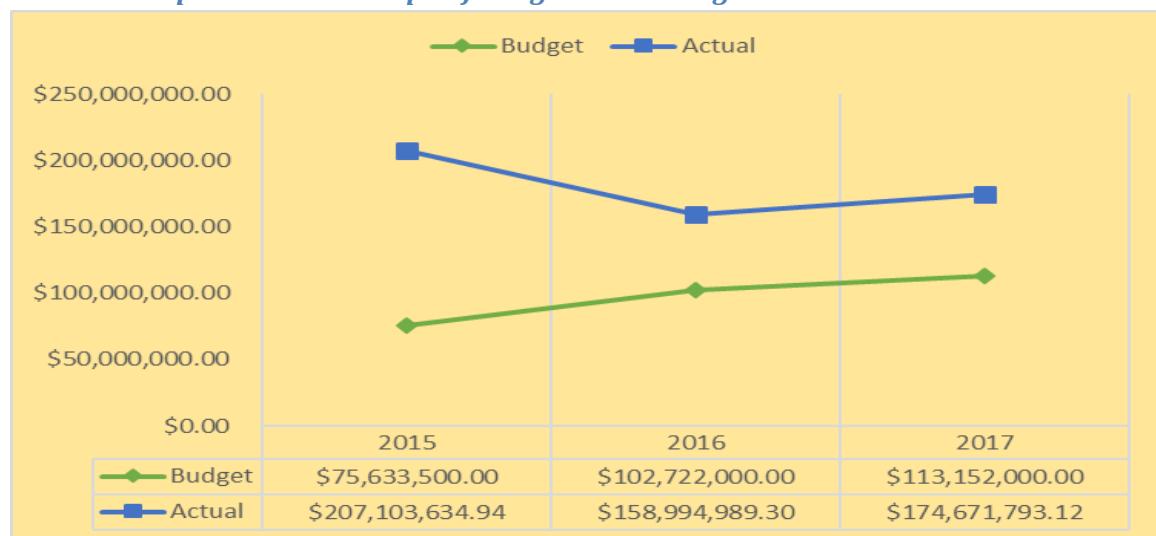
12.3.1 REVENUE (BUDGET)

Findings and analysis:

12.3.1.1 MFMRD Revenue Summary Collection:

Year	2015	2016	2017
Budget	\$75,633,500.00	\$102,722,000.00	\$113,152,000.00
Actual	\$207,103,634.94	\$158,994,989.30	\$174,671,793.12
Variance Under/(Over)	(\$131,470,134.94)	(\$56,272,989.30)	(\$61,519,793.12)

12.3.1.2 Comparative Line Graph of Budget Revenue against Actual



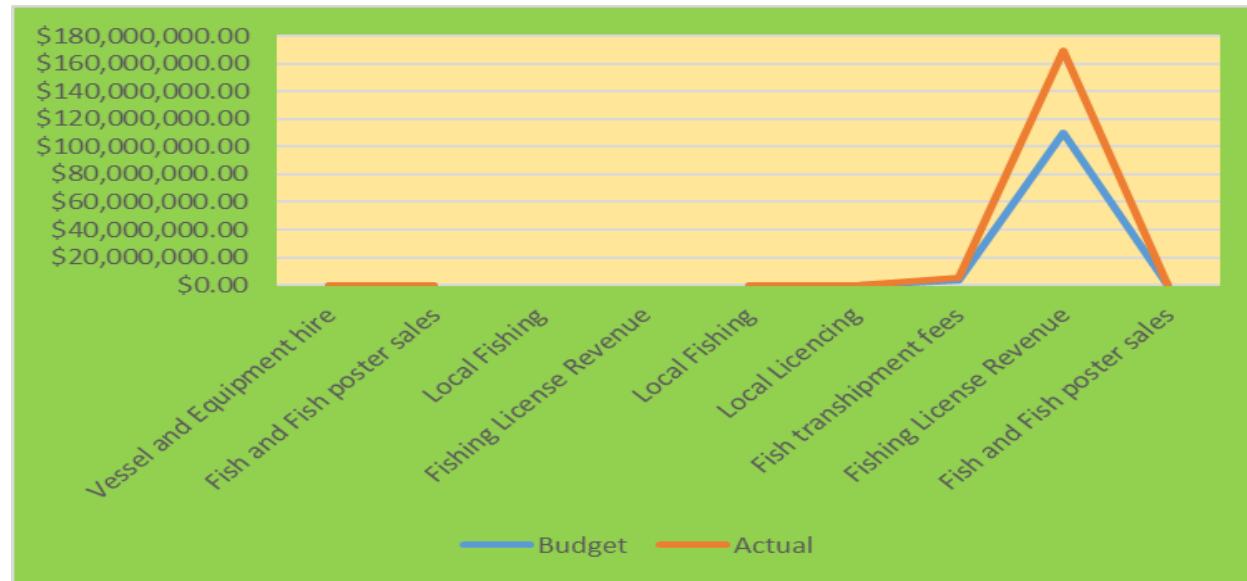
The above analysis clearly depicts a rapid increase in the actual revenue collection of \$16m in 2017 (2016 \$158m- 2017 \$174m) compared to significant drop in actual collection of \$49m for 2016 (2015 \$207m- 2016 \$158m). It is pleasing to note that the Ministry had continuously surpassed its revenue

budget thus result in the excess revenue collection of \$61m. Therefore, it is of paramount importance that the Ministry should be commended for the unrelenting tireless efforts that had contributed and increased the government revenue surpluses.

12.3.1.3 MFMRD Revenues against Budget by Division

Description	Budget	Actual	Variance Under/(Over)
Fishing Vessel Licensing			
Vessel and Equipment hire	\$5,000.00	\$5,520.40	-\$520.40
Fish and Fish poster sales	\$35,000.00	\$60,396.95	-\$25,396.95
Local Fishing			
Fishing License Revenue			
Licensing & Enforcement			
Local Fishing	\$60,000.00	\$84,524.06	-\$24,524.06
Local Licencing	\$37,000.00	\$41,117.00	-\$4,117.00
Fish transhipment fees	\$3,000,000.00	\$5,314,710.32	-\$2,314,710.32
Fishing License Revenue	\$110,000,000.00	\$169,148,022.30	-\$59,148,022.30
Mineral Resources			
Fish and Fish poster sales	\$15,000.00	\$17,502.09	-\$2,502.09
Total	\$113,152,000.00	\$174,671,793.12	-\$61,519,793.12

12.3.1.4 Comparative Graph of Budget Revenue against Actual per Division



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

Recommendation:

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

Management response:

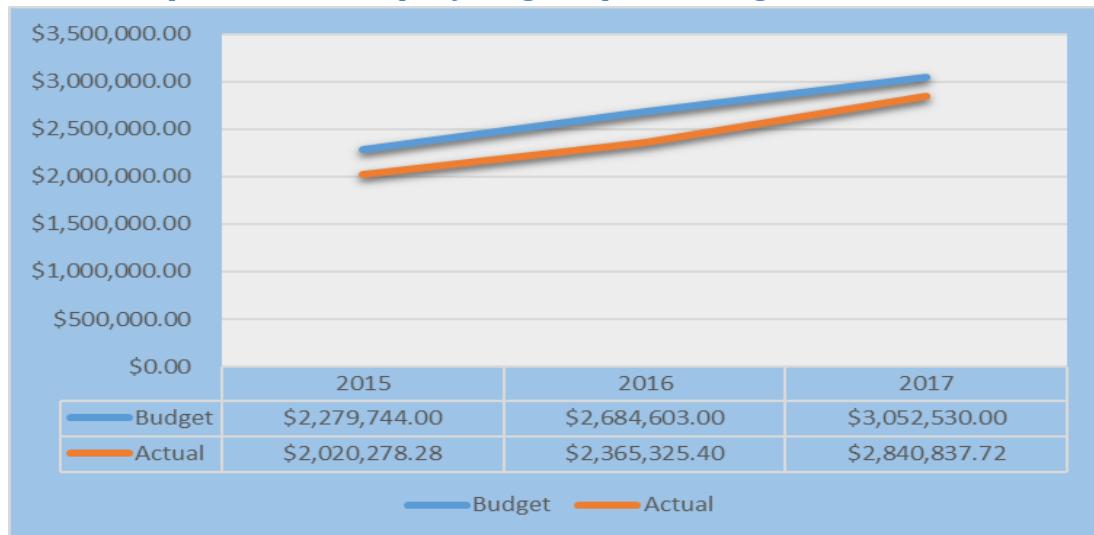
12.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

12.3.2.1 MFMRD Expenditure Summary

Description	2015	2016	2017
Budget	\$2,279,744.00	\$2,684,603.00	\$3,052,530.00
Actual	\$2,020,278.28	\$2,365,325.40	\$2,840,837.72
Variance Under/(Over)	\$259,465.72	\$319,277.60	\$211,692.28

12.3.2.2 Comparative Line Graph of Budget Expenditure against Actual.

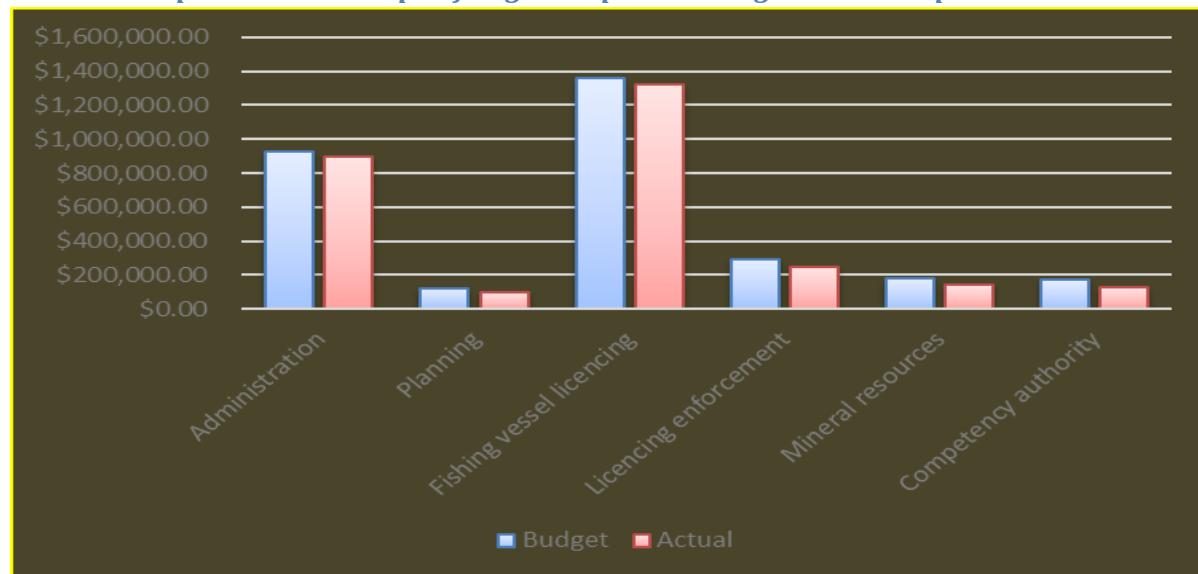


The summary table and graph above depict trend of the approved budget against the actual spending for the past three years 2015 to 2017. In 2017 the MFMRD had given a slight increase in its budget level of \$367k (2016 -\$2,684m- 2017-\$3,052m).It is worth to note from the overall assessment that the Ministry in 2017 had operated below its approved budget level which could indicate there are commitments or programs the Ministry had not executed during the year or the budget level set was too high.

12.3.2.3 MFMRD EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS.

Divisions	Administration	Planning	Fishing vessel licensing	Licencing enforcement	Mineral resources	Competency authority	Total
Budget	\$930,120.00	\$120,670.00	\$1,356,801.00	\$291,330.00	\$181,574.00	\$172,035.00	\$3,052,530.00
Actual	\$898,222.13	\$102,177.35	\$1,322,687.23	\$246,222.35	\$143,700.87	\$127,827.79	\$2,840,837.72
Variance (over)/Under	\$31,897.87	\$18,492.65	\$34,113.77	\$45,107.65	\$37,873.13	\$44,207.21	\$211,692.28

12.3.2.4 Comparative Bar Graph of Budget Expenditure against Actual per Division



As shown above, all of the six (6) different divisions under MFMRD have managed to carry out their respective activities within the allocated budget.

Recommendation:

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

Management response:

The Ministry believed there is a surplus of \$214,442.28 due to several vacancies at MFMRD in 2017. According to Annex 1 of this paper, at the end of 2017 there are 30 remaining vacancies to be filled. The recruitment remains ongoing and so far the MFMRD have completed the recruitment on 20 vacancies.

12.3.2.5 LEAVE ENTITLEMENT (TWO YEARS LEAVE POLICY).

Finding and Analysis:

The audit could not extend further testing to verify leave balance for each staff as the leave database was not updated as confirmed with the Office Manager(OM). In this instances, the audit could not determine and identified number of staff whether they complied with the policy or fail.

Implication:

Failure to update leave database weakens the integrity and responsibility of office Manager. In the absence of leave database could distort the leave balance for each staff.

Recommendation:

- ✓ Management should ensure that all staff leave balance must be updated and recorded in the database to ensure that when staff take annual Officer Manager encouraged to take into account annual leave.
- ✓ Management obliged to ensure leave database must be ready and available during audit inspection.

Management response:

This is disappointing on the part of the OM not knowing that the Ministry had a RIMS database and excel that records all attendance and leave records. The leave record of MFMRD staff is updated every end of the week and circularized to the Management for their information and actions. Annex 3 provide a copy of the attendance and leave records for your information.

Office Manager (OM) has apologized for the inaccurate information she had provided to the Audit team because she did not realize the information she will provide is part of an audit report.

The Ministry would like to propose to Audit that since attendance and leave records of staff are controlled and managed by ICT and Admin section, the Audit is requested to liaise with the ICT or Admin.

12.3.2.6 DOUBLE POSTING OF TRANSACTIONS UNDER DIFFERENT OUTPUT

Finding an Analysis:

As observed, the audit had discovered a double entry of transactions posted under MFMRD General ledger. The audit checks and confirmed that there was no adjustment being entertain neither by JV or contra account that will offset (credited) in the General ledger. The audit belief that the error was caused by MFED in posting and processing these transactions. However, this issue should already detected and adjusted during the reconciliation process between Accounting officer (MFMRD) and MFED. Further details of double posting can be view in the table below:

E21030000232	Electricity and gas	
246252	hqpv2225/11 804/21 PUB	\$5,261.90
246252	hqpv2657/11 804/21 PUB	\$5,261.90
E21040000203	Housing Assistance	
10001739	hqpv2232/1 mfmrd009/17 khc	\$251.00
10001739	hqpv2232/1 mfmrd009/17 khc	\$349.00

Implication:

Double posting is a sign of careless and slack in performing regular reconciliation.

It could also undermine the integrity and credibility of the system being used in the workforce.

Double posting could have an effect by inflating such outputs which could result in an overspend for particular outputs.

Recommendation:

- ✓ In order to avoid double posting of PV in future times management has to ensure to performed a more regular/frequent monthly with line Ministries (MFED via PSO) to ensure that all transactions are properly accounted for in appropriate code/allocation before finalizing management report.

Management response:

1. It is believed that PV 804 for PUB was doubled paid. This happened when this Ministry was disconnected for few days and was asked Finance to confirm on payment. The finance confirmed that could not find PV and asked to produce another payment on same PV. This was why this payment was doubled. However, this was paid off again in January this year as the bill for December 2017, where the Ministry paid only \$433.95 as to account for the double payment. Please refer to annex 3 (a) for support from MFMRD database.
2. PV 009/17 for Housing was not believed to be a double payment with the reason that Payment \$251and \$349 was for Kaon Tianare and Aketa Taanga respectively from same Division (E2104) paid on the same PV Number. Refer to Annex 3 (b) for support.

12.3.2.7 IN COMPLETE TOTAL FIGURE DISCLOSED IN MANAGEMENT REPORT UNDER LICENSING & ENFORCEMENT (FISHING LICENSE REVENUE).

Findings and Analysis:

The audit noted an incomplete figure disclosed under the actual revenue located in the Fishing License Revenue(C2104000045). The issue concerned is with the unreliability of the system or could be the failure and careless of the accounting officer(MFED) not entering the total amount of revenue earned by the MFMRD. In fact, this should be already detected and amended when consulting the reconciliation (MFMRD vs MFED) before finalizing management report. Therefore, management is sought to provide explanation.

Implication:

Incomplete figure disclosed in the management demoralize the integrity of the accounting officer and also the system currently used by the MFED.

Recommendation:

- ✓ Management required to consult frequent reconciliation on a regular basis (weekly/month basis) with MFED to ensure proper transaction are take into account and recorded.
- ✓ Management should ensure the accounting officer (MFED) must be well versed in operating the

system without any failure been entertain given the need for induction to all accounting officer to familiar with the system.

Management response:

13. MINISTRY OF HEALTH AND MEDICAL SERVICES (MHMS)

13.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Ministry of Health and Medical Services for the year ended 31 December 2017 “Except for” the effect of the matters as discussed in detail from 13.3 below

13.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the audit opinion for Ministry of Health and Medical Services performance in the financial year 2015 to 2016

Issues	Solved/Addressed	Issues status in 2017 audit
Excess spending	Not solved/addressed	Unauthorized spending still reported in 2016 and 2017
Imprest outstanding	Not solved/addressed	Outstanding imprest still detected in 2016
Vote ledger or database	Same as above	Database in 2016 was not updated
Control over ration	Same as above	2016 issues not yet resolved and no improvement as repetitive issues still detected in 2017
Patient Allowance _ Betio Hospital	Not solved/addressed	<ul style="list-style-type: none">➤ The unsigned allowance of \$1,460➤ Collecting of \$550 without authorities

13.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

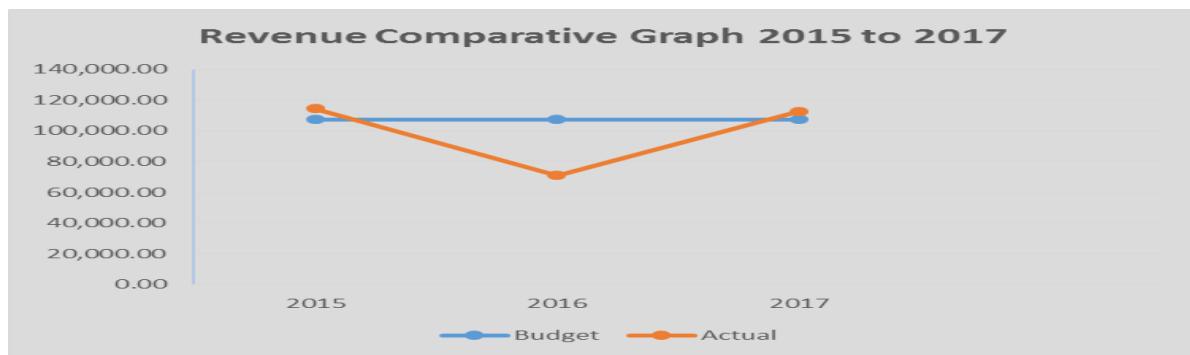
13.3.1 REVENUE (BUDGET)

Finding and Analysis:

13.3.1.1 MHMS REVENUE SUMMARY COLLECTION:

Year	2015	2016	2017
Budget	\$107,470.00	\$107,470.00	\$107,470.00
Actual	\$114,563.40	\$70,909.00	\$112,747.15
Variance Under/(Over)	(\$7,093.40)	\$36,561.00	(\$5,277.15)

13.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

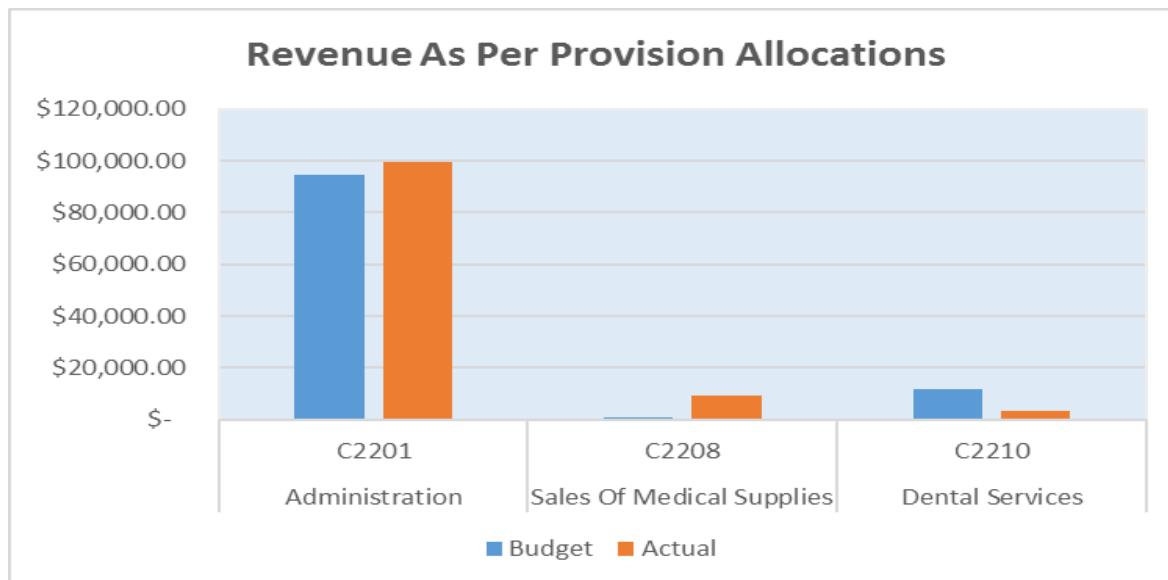


Based on the above analysis that in 2016 MHMS had managed to collect the sum of over \$70k against an estimate budget of \$107k which resulted in the shortfall of revenue significant by over \$36k. However, in 2017 MHMS had continued its estimate revenue budget of \$107k and managed to collect the sum of \$112k which resulted in exceeding the budget by \$5k.

13.3.1.3 MHMS REVENUE AGAINST BUDGET BY DIVISION 2017

Description	Administration	Sales Of Medical Supplies	Dental Services
	C2201	C2208	C2210
Budget	\$ 94,600.00	\$ 1,000.00	\$ 11,870.00
Actual	\$ 99,709.65	\$ 9,513.70	\$ 3,523.30
(Over)/Under	\$ (5,109.65)	\$ (8,513.70)	\$ 8,346.70

13.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISION



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

Recommendation:

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

Management response:

13.3.1.5 CONTROL WEAKNESSES OF MHMS REVENUE

Findings and Analysis:

One of the outstanding and repetitive issues from previous audit for MHMS was the control weaknesses over its revenue system as follows:

- As noted there were no hard copies of form A 01/17 to 48/17 plus 64/17 provided during the audit.
- The cash book register for MHMS was noted available although not updated as evidenced by omitting of cash book excel records as indicated in the table below:

cash book 14	form A 14/17	17/03/2017 to 21/03/2017
cash book 15	form A 15/17	17/03/2017 to 21/03/2017
cash book 16	form A 16/17	17/03/2017 to 21/03/2017
cash book 18	form A 18/28	28/03/2017 to 20/05/2017
cash book 19	form A 19/28	28/03/2017 to 20/05/2017
cash book 20	form A 20/28	28/03/2017 to 20/05/2017
cash book 21	form A 21/28	28/03/2017 to 20/05/2017
cash book 22	form A 22/28	28/03/2017 to 20/05/2017
cash book 23	form A 23/28	28/03/2017 to 20/05/2017
cash book 24	form A 24/28	28/03/2017 to 20/05/2017
cash book 27	form A 27/30	30/05/2017 to 05/06/2017
cash book 28	form A 28/30	30/05/2017 to 05/06/2017
cash book 30	form A 30/12	12/06/2017 to 15/06/2017
cash book 32	form A 32/22	22/06/2017 to 25/06/2017
cash book 34	form A 34/03	03/07/2018 to 04/08/2017
cash book 35	form A 35/03	03/07/2018 to 04/08/2017
cash book 36	form A 36/03	03/07/2018 to 04/08/2017
cash book 37	form A 37/03	03/07/2018 to 04/08/2017

- And the Register Book for Private Ward receipts was not kept properly hence the pages for 1/01/2017 to 6/05/2017 were torn out as indicated by the missing of such periods.
- The audit discovered the private ward receipted figure \$440 was not accounted into the cashier's cash book form As. Furthermore, the total of \$2,190 is the amount omitted and not recorded into the private ward records as shown in the table below:

Date	Name	Register Records		Form A figure	variances	Form A NO	
		Receipt No	Amount				
17/10/2017	Michael Baraniko	423572	\$ 300.00	\$ -	\$ (300.00)	57/17	not accounted which means this will be treated as a cash losses
21/10/2017	Kabuati Namoori	435038	\$ 40.00	\$ -	\$ (40.00)	57/17	okay
	Michael Baraniko	435065	\$ -	\$ 480.00	\$ 480.00	58/17	the private ward did not record it into the register.
27/11/2017	kabiriera Reiher	435112	\$ 20.00	\$ -	\$ (20.00)	58/17	okay this receipt was appeared at Form A 59/17
27/11/2017	kabiriera Reiher	435034	\$ 100.00	\$ -	\$ (100.00)	58/17	not accounted which means this will be treated as a cash losses
27/11/2017	kabiriera Reiher	435076	\$ 60.00	\$ 60.00	\$ -	58/17	
30/11/2017	Kinateao Minoteti	435149	\$ -	\$ 60.00	\$ 60.00	59/17	the private ward did not record it into the register.
4/12/2017	Teata Tio	435164	\$ -	\$ 90.00	\$ 90.00	59/17	the private ward did not record it into the register.
4/12/2017	Keaki Rimon	435160	\$ -	\$ 60.00	\$ 60.00	59/17	the private ward did not record it into the register.
1/12/2017	Maria Terese	435082	\$ 40.00	\$ -	\$ (40.00)	60/17	not accounted which means this will be treated as a cash losses
7/12/2017	Kaata Moemoe	436004	\$ -	\$ 40.00	\$ 40.00	61/17	the private ward did not record it into the register.
12/12/2017	Bakaua Tebano	436026	\$ -	\$ 140.00	\$ 140.00	62/17	the private ward did not record it into the register.
12/12/2017	Keaki Rimon	436039	\$ -	\$ 100.00	\$ 100.00	62/17	the private ward did not record it into the register.
12/12/2017	Kinateao Minoteti	436040	\$ -	\$ 60.00	\$ 60.00	62/17	the private ward did not record it into the register.
13/12/2017	Keaki Rimon	436042	\$ -	\$ 20.00	\$ 20.00	62/17	the private ward did not record it into the register.
13/12/2017	Keaki Rimon	436043	\$ -	\$ 120.00	\$ 120.00	62/17	the private ward did not record it into the register.
14/12/2017	Michael Baraniko	436070	\$ -	\$ 420.00	\$ 420.00	62/17	the private ward did not record it into the register.
14/12/2017	Michael Baraniko	436071	\$ -	\$ 180.00	\$ 180.00	62/17	the private ward did not record it into the register.
15/12/2017	Ruria Benetito	436082	\$ -	\$ 60.00	\$ 60.00	62/17	the private ward did not record it into the register.
20/12/2017	Teata Tio	436121	\$ -	\$ 80.00	\$ 80.00	63/17	the private ward did not record it into the register.
22/12/2017	Burori Tatua	436151	\$ -	\$ 60.00	\$ 60.00	63/17	the private ward did not record it into the register.
22/12/2017	Tonganibea Tamoa	436153	\$ -	\$ 60.00	\$ 60.00	63/17	the private ward did not record it into the register.
27/12/2017	Tekaietei Titiku	436172	\$ -	\$ 60.00	\$ 60.00	63/17	the private ward did not record it into the register.
27/12/2017	Baniiti Bauro	436187	\$ -	\$ 100.00	\$ 100.00	63/17	the private ward did not record it into the register.
		Σ of the understated revenue receipted:		\$ (440.00)			
		Σ of the unrecorded fees in the p/register:		\$ 2,190.00			

As reflected above the total of \$440 (unaccounted figure) should be treated as cash losses hence the amount indicated was signifying the receipted figure which have not yet accounted by the cashier whereas it should be included in the form As that paid in at MFED.

- Hence, reasonable responses are required from management concerning the above anomalies noted.

Implications:

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

Recommendations:

- Management should ensure all accounting documents are kept in a proper and safe place for future and audit references.
- Management should enquire the unaccounted of \$440 from cashier and fully investigated the un-deposited amount or to provide form As for audit verification and confirmation for such un-deposited figure.
- The Ministry through its Private Ward Unit must maintain a register in order to properly record the number of patients being accommodated at the Private ward, including number of days, room number, amount payable and receipt number when paid.

Management responses:

MOH accounting documents are kept well but due to misunderstanding or not well informed or trained to the cashier, hard copies for mention form As are not available but original copies are sent to MFED. Opies will be presented as required for verification.

MOH apologies for this and cashier will now work in hand with private ward nurses on duty to look after this register

Receipt had been sighted and there is a difference on the amount recorded on the receipt and on the excel sighted by the audit. Therefore MOH request a more review on this query and if the amount on the receipt take into account it will be then match with cash book which means no loss.

Improvement: New recruit Account officers' must be well trained before they disperse to line Ministries. Handing over between officers must properly carried out where report must be well signed.

13.3.2 EXPENDITURE (BUDGET)

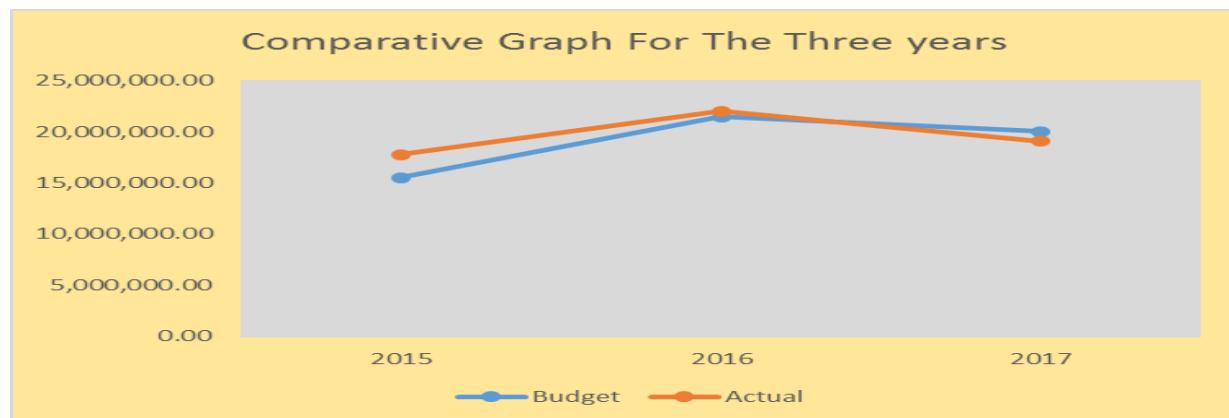
Finding and Analysis:

13.3.2.1 MHMS EXPENDITURE SUMMARY

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$15,522,764.00	\$21,477,205.00	\$20,035,871.00	\$20,035,871.00	
Actual	\$17,792,976.00	\$22,047,213.91	\$19,090,868.82	\$19,090,868.82	
Variance Under/(Over)	(\$2,270,212.00)	(\$570,008.91)	\$965,082.18	\$945,002.18	\$20,080.00

The audit check and confirm that the total variance shown on the management report of \$965,082.18 is incorrect. After thorough calculation the audit note that the accurate figure that must be reflected after deduction should be \$945,002.18 (\$20,035,871 less \$19,090,868.82) but not \$965,082.18. Therefore, the error noted indicate that management report has been overstated by \$20k.

13.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL



As a result of an inaccurate figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit assures that MHMS should report a saving of \$965,082.18k but not \$945,002.18 (Management report). As evidenced from the table above and from records provided on the budget for 2017, the budget of \$20,035,871 which clearly indicated the decreases in the budget by \$1.4m (2016 \$21,477,205-2017 \$20,035,871). Therefore, MHMS should be recommended for the good effort to minimize its expenditure by \$1.4m in 2017.

Recommendation:

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

Management response:

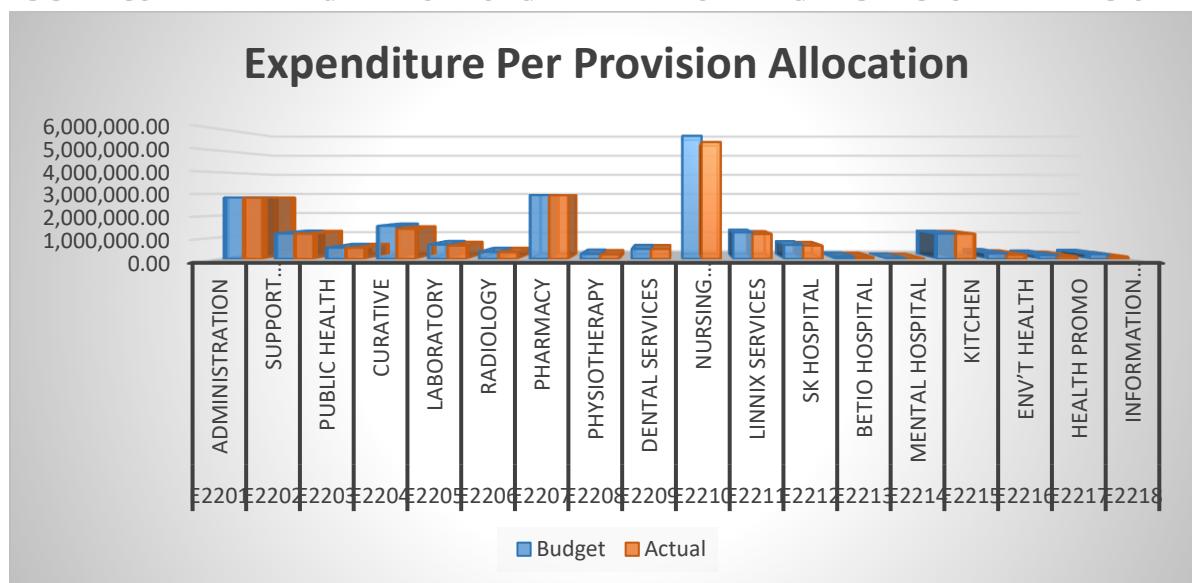
It is correct that there is an error in the management report on MOH overall balance therefore the audit figure must be taken.

Improvement: There is an improvement in our reconciliation system with Finance GL will help to cease query in next report.

13.3.2.3 MHMS EXPENDITURE AGAINST BUDGET BY DIVISIONS

Code	Division	Budget	Actual	(Over)/Under
E2201	Administration	\$2,835,307.00	\$2,826,331.45	\$8,975.55
E2202	Support Services	\$1,173,612.00	\$1,164,675.56	\$8,936.44
E2203	Public Health	\$519,647.00	\$515,076.06	\$4,570.94
E2204	Curative	\$1,526,654.00	\$1,391,004.96	\$135,649.04
E2205	Laboratory	\$659,076.00	\$616,760.90	\$42,315.10
E2206	Radiology	\$322,346.00	\$319,506.03	\$2,839.97
E2207	Pharmacy	\$2,797,925.00	\$2,740,188.63	\$57,736.37
E2208	Physiotherapy	\$227,507.00	\$202,953.40	\$24,553.60
E2209	Dental Services	\$461,972.00	\$454,892.85	\$7,079.15
E2210	Nursing Services	\$5,682,503.00	\$5,392,756.72	\$289,746.28
E2211	Linnix Services	\$1,221,520.00	\$1,152,463.42	\$69,056.58
E2212	SK Hospital	\$649,856.00	\$614,032.46	\$35,823.54
E2213	Betio Hospital	\$93,839.00	\$82,270.05	\$11,568.95
E2214	Mental Hospital	\$34,603.00	\$17,900.00	\$16,703.00
E2215	Kitchen	\$1,170,969.00	\$1,165,091.09	\$5,877.91
E2216	Env't Health	\$257,742.00	\$193,072.19	\$64,669.81
E2217	Health Promo	\$180,480.00	\$126,762.86	\$53,717.14
E2218	Information Unit	\$220,313.00	\$115,130.19	\$105,182.81
Total		20,035,871.00	19,090,868.82	945,002.18

13.3.2.4 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISION



Recommendation:

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

Management response:

Apologies on this error and an accurate reconciliation will be done from now on.

13.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS UNDER DIFFERENT OUTPUT TOTAL UP TO \$20,080.00

Findings and Analysis:

The audit confirmed after verifying transfer between output noted in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero balance but not as reflected under each output shown in the table below. Therefore, the management report has been overstated by \$20,080.00 and this could lead to the failure of posting in the system as result of employees negligent in entering into the system. The other possibility is the lack of regular review and poor reconciliation between MHMS and MFED.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E220100000218	Local Accom & Allow ance	\$2,000.00			\$2,000.00
E220300000218	Local Accom & Allow ance	\$4,500.00			\$4,500.00
E220700000218	Local Accom & Allow ance	\$3,080.00			\$3,080.00
E220800000218	Local training	\$1,000.00			\$1,000.00
E221100000237	Advertisement/Media	\$3,500.00			\$3,500.00
E241400000230	Cleaning	\$6,000.00			\$6,000.00
Total					\$20,080.00

Implication:

- Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.
- Variance detected raised uncertainty regardless of lack of reconciliation between the MHMS and MFED.

Recommendation:

- | |
|---|
| <ul style="list-style-type: none"> ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report. |
|---|

Management Response:

Apologies on this error and reconciliation will be done more accurately this coming year.

Improvement: Reconciliation had been improved which will be seen in future accurate report.

13.3.4. THE TRANSFER DATABASE RECORDS

Finding and Analysis:

The audit discovered that the database transfer record of \$299,500 was not sufficient to cater output provision as per allocations and to cover the overspent as per database records indicated below:

ID	Transfer No.	Transfer Date	Allocation From	AllocationTo	Transfer Amount	Comments
1	1		E22070000202	E22070000216	\$ 10,000.00	
2	2	22-May-17	E22010000285	E22010000216	\$ 10,000.00	transfer for
3	3	07-Jun-17	E22010000285	E22010000239	\$ 1,500.00	transfer for
4	4	12-Jun-17	E22010000285	E22010000239	\$ 5,000.00	To cater
6	5	26-Jun-17	E22070000202	E22070000250	\$ 8,000.00	To cater for
10	7	18-Jul-17	E22100000202	E22100000245	\$ 10,000.00	To cater for
11	8	14-Aug-17	E22100000217	E22100000219	\$ 2,000.00	To cater for
12	9	18-Aug-17	E22010000285	E22010000250	\$ 5,000.00	To cater for
13	10	27-Sep-17	E22030000202	E22030000203	\$ 10,000.00	
14	10	27-Sep-17	E22040000202	E22040000203	\$ 10,000.00	
15	10	27-Sep-17	E22100000202	E22100000203	\$ 10,000.00	
16	10	27-Sep-17	E22160000202	E22160000203	\$ 10,000.00	
17	11	03-Nov-17	E22030000246	E22030000216	\$ 8,000.00	To cater for
19	12	07-Nov-17	E22030000246	E22030000243	\$ 5,000.00	To cater for
18	12	07-Nov-17	E22030000246	E22030000250	\$ 15,000.00	To cater for
22	13	23-Nov-17	E22030000246	E22030000250	\$ 20,000.00	
23	2B	23-Nov-17	E22030000246	E22030000243	\$ 5,000.00	
24	2B	23-Nov-17	E22030000246	E22030000250	\$ 5,000.00	
28	16	28-Dec-17	E22030000246	E22030000243	\$ 5,000.00	
27	16	28-Dec-17	E22030000246	E22030000250	\$ 45,000.00	
25	17	28-Dec-17	E22010000202	E22010000227	\$ 25,000.00	
26	17	28-Dec-17	E22010000285	E22010000227	\$ 70,000.00	
29	18	28-Dec-17	E22160000202	E22160000250	\$ 5,000.00	
Total Tranfer					\$ 299,500.00	

Implication:

- If the transfer database was not updated there would be have a transferred document that not yet accounted during the processing of such transfer to cover up the overspent.

Recommendation:

- Management must ensure that transferred documents are well posted and kept updating in the database records.

Management response:

MOH will update the transferred accordingly. Document for unrecorded transfer will be provided for the next years records

Improvement: All transfer copies will be provided so that this query will be removed.

13.3.4.1 Transfer Database for Expenditure And Payroll _ MFED Database Records

Findings and Analysis:

In performing the audit evaluation of this transfer database records via management report which had been transferred in and out with a total of \$299,039 to cover up the overspent, the audit discovered the overall increases and decreases in the budget with an overall variance noted of \$34,350.00 and \$152,641.00 which have signified the overstatements and understatements budget as evaluated below:

CODE	Description	Origin Budget (A)	Revised Budget \$'000 (B)	Actual Spending (C)	Variance (B-A)	Variance (C-B)	TRANSFER IN (D)	TRANSFER OUT (E)	Increase (A+D)	Decrease (A-E)	Variances (A+D)-B	Variances (A-E)-B
E2201_202	Salaries	\$ 302,873.00	\$ 240,033.00	\$ 241,449.96	\$ (62,840.00)	\$ 1,416.96	\$ -	\$ 25,000.00		\$ 277,873.00		\$ 37,840.00
E2201_216	Internal Travel	\$ 29,955.00	\$ 34,485.00	\$ 34,478.10	\$ 4,530.00	\$ (6.90)	\$ 10,000.00	\$ -	\$ 39,955.00		\$ 5,470.00	
E2201_227	External Travel	\$ 185,000.00	\$ 280,000.00	\$ 279,816.76	\$ 95,000.00	\$ (183.24)	\$ 95,000.00	\$ -	\$ 280,000.00		\$ -	
E2201_239	Entertainment	\$ 11,000.00	\$ 16,950.00	\$ 16,943.13	\$ 5,950.00	\$ (6.87)	\$ 6,500.00	\$ -	\$ 17,500.00		\$ 550.00	
E2201_250	Local Service	\$ 168,627.00	\$ 173,347.00	\$ 173,340.64	\$ 4,720.00	\$ (6.36)	\$ 5,000.00	\$ -	\$ 173,627.00		\$ 280.00	
E2201_285	Hire of Plant/Equipment	\$ 176,300.00	\$ 73,120.00	\$ 73,114.88	\$ (103,180.00)	\$ (5.12)	\$ -	\$ 91,500.00		\$ 84,800.00		\$ 11,680.00
SUB TOTAL		\$ 873,755.00	\$ 817,935.00	\$ 819,143.47	\$ (55,820.00)	\$ 1,208.47	\$ 116,500.00	\$ 116,500.00	\$ 511,082.00	\$ 362,673.00	\$ 6,300.00	\$ 49,520.00
E2203_202	Salaries	\$ 211,900.00	\$ 198,400.00	\$ 198,069.35	\$ (13,500.00)	\$ (330.65)	\$ -	\$ 10,000.00		\$ 201,900.00		\$ 3,500.00
E2203_203	Housing Assistance	\$ 46,068.00	\$ 52,968.00	\$ 52,867.00	\$ 6,900.00	\$ (101.00)	\$ 10,000.00	\$ -	\$ 56,068.00		\$ 3,100.00	
E2203_216	Internal Travel	\$ 10,240.00	\$ 11,240.00	\$ 11,209.00	\$ 1,000.00	\$ (31.00)	\$ 8,000.00	\$ -	\$ 18,240.00		\$ 7,000.00	
E2203_250	Local Service	\$ 5,000.00	\$ 100,000.00	\$ 100,652.08	\$ 95,000.00	\$ 652.08	\$ 85,000.00	\$ -	\$ 90,000.00		\$ (10,000.00)	
E2203_243	Office Equipment/Furniture	\$ 5,575.00	\$ 10,725.00	\$ 11,354.45	\$ 5,150.00	\$ 629.45	\$ 15,000.00	\$ -	\$ 20,575.00		\$ 9,850.00	
E2203_246	Specialist Purchase	\$ 150,000.00	\$ 2,340.00	\$ 2,309.12	\$ (147,660.00)	\$ (30.88)	\$ -	\$ 108,000.00		\$ 42,000.00		\$ 39,660.00
SUB TOTAL		\$ 423,783.00	\$ 275,673.00	\$ 275,808.92	\$ (148,110.00)	\$ 135.92	\$ 118,000.00	\$ 118,000.00	\$ 184,883.00	\$ 243,900.00	\$ 9,950.00	\$ 43,160.00
E2204_202	Salaries	\$ 572,390.00	\$ 533,379.00	\$ 531,536.15	\$ (39,011.00)	\$ (1,842.85)	\$ -	\$ 10,000.00		\$ 562,390.00		\$ 29,011.00
E2204_203	Housing	\$ 74,100.00	\$ 84,100.00	\$ 62,336.00	\$ 10,000.00	\$ (21,764.00)	\$ 10,000.00	\$ -	\$ 84,100.00		\$ -	
SUB TOTAL		\$ 646,490.00	\$ 617,479.00	\$ 593,872.15	\$ (29,011.00)	\$ (23,606.85)	\$ 10,000.00	\$ 10,000.00	\$ 84,100.00	\$ 562,390.00	\$ -	\$ 29,011.00
E2207_202	Salaries	\$ 209,101.00	\$ 164,701.00	\$ 152,272.00	\$ (44,400.00)	\$ (12,429.00)	\$ -	\$ 18,000.00		\$ 191,101.00		\$ 26,400.00
E2207_216	Internal Travel	\$ 11,000.00	\$ 17,050.00	\$ 16,188.52	\$ 6,050.00	\$ (861.48)	\$ 10,000.00	\$ -	\$ 21,000.00		\$ 3,950.00	
E2207_250	Local Service	\$ 5,000.00	\$ 8,850.00	\$ 8,818.89	\$ 3,850.00	\$ (31.11)	\$ 8,000.00	\$ -	\$ 13,000.00		\$ 4,150.00	
SUB TOTAL		\$ 225,101.00	\$ 190,601.00	\$ 177,279.41	\$ (34,500.00)	\$ (13,321.59)	\$ 18,000.00	\$ 18,000.00	\$ 34,000.00	\$ 191,101.00	\$ 8,100.00	\$ 26,400.00
E2210_202	Salaries	\$ 3,547,778.00	\$ 3,527,778.00	\$ 3,352,877.05	\$ (20,000.00)	\$ (174,909.95)	\$ -	\$ 22,000.00		\$ 3,525,778.00		\$ (2,000.00)
E2210_203	Housing Assistance	\$ 25,128.00	\$ 35,128.00	\$ 31,600.00	\$ 10,000.00	\$ (3,528.00)	\$ 10,000.00		\$ 35,128.00		\$ -	
E2210_219	Local Catering	\$ 650.00	\$ 2,670.00	\$ 2,661.00	\$ 2,020.00	\$ (9.00)	\$ 2,000.00	\$ -	\$ 2,650.00		\$ (20.00)	\$ -
E2210_245	Unform	\$ 20,000.00	\$ 21,000.00	\$ 20,173.97	\$ 1,000.00	\$ (826.03)	\$ 10,000.00	\$ -	\$ 30,000.00		\$ 9,000.00	
SUB TOTAL		\$ 3,593,556.00	\$ 3,586,576.00	\$ 3,407,312.02	\$ (6,980.00)	\$ (179,263.98)	\$ 22,000.00	\$ 22,000.00	\$ -	\$ 3,525,778.00	\$ -	\$ (2,000.00)
E2216_202	Salaries	\$ 175,738.00	\$ 159,188.00	\$ 128,927.18	\$ (16,550.00)	\$ (30,260.82)		\$ 15,000.00		\$ 160,738.00		\$ 1,550.00
E2216_203	Housing Assistance	\$ 2,064.00	\$ 12,064.00	\$ 4,271.00	\$ 10,000.00	\$ (7,793.00)	\$ 10,000.00		\$ 22,064.00		\$ 10,000.00	
E2216_250	Local Service	\$ 3,170.00	\$ 9,470.00	\$ 4,426.00	\$ 6,300.00	\$ (5,044.00)	\$ 5,000.00		\$ 14,470.00		\$ 5,000.00	
SUB TOTAL		\$ 180,972.00	\$ 180,722.00	\$ 137,624.18	\$ (250.00)	\$ (43,097.82)	\$ 15,000.00	\$ 15,000.00	\$ 36,534.00	\$ 160,738.00	\$ 15,000.00	\$ 1,550.00
GRAND TOTAL		\$ 5,943,657.00	\$ 5,668,986.00	\$ 5,411,040.15	\$ (274,671.00)	\$ (257,945.85)	\$ 299,500.00	\$ 299,500.00	\$ 850,599.00	\$ 5,046,580.00	\$ 39,350.00	\$ 147,641.00

After performing a thorough evaluation and review of the management report via the transferred figures the following anomalies noted for management response:

- The increases and decreases in the budget noted would be signified the changes in the budget balances and this changes should agree with the revised budget figures.
 - i. Refer to the changes of individual output provisions as per allocation in related to the increases and decreases column (Original Budget minus/add with the approved transferred figures is equal to the changes in the budget) whereas this changes should be reflected into the revised budget. This changes should also agree with revised budget figure as per indicated at the above analysis table.
- The variances noted for individual output provisions as per allocation have signified also the understatements and overstatements as reflected in the revised budget disclosed in the management report.
 - ii. However, refer to the variances column and note the revised budget minus with the changes in the budget column (increases/decreases) and the variances should become zero. If there is a variance there must be an error in the management report or the transfer/virement/supplementary database was not updated

Implication:

- The variances had signified the error in the management report or the transferred/virement/supplementary database was not updated.
- The variances had signified the poor performance for the MFED and MISE account unit in failing to review and to reconcile their records.

Recommendation:

- Management should maintain and to provide transfer and virements upon request for auditing purposes and for their future references.
- Management should ensure that transfer records are transferred completely and collectedly recorded in the database records.
- Management should response to the noted variances detected and made submissions according to the variances noted to amend their records with MFED.

Management response:

In order to clear out this variance all copies of transfer will be provided. Management report revised budget is correct but it is again an apologies from MOH side tht oversight the idea to reconcile our revised budget. But since we had Finance record this query will be cleared and then requested to be removed all transfers provided.

Improvement: A monthly reconciliation is strictly done between line Ministries and Finance nd this will improve this issue which repeatedly happene. Updating record will strictly done fromofficers concern.

13.3.5 LEAVE BALANCE – TWO YEARS ENTITLEMENT POLICY

Findings and Analysis:

Through a follow up on the last audit issue regarding officers with huge leave balances and some with negative leave balances the audit confirmed that this remains an issue with no action yet take. As it could be evidenced by performing walkthrough test and enquiries with officers responsible that;

- i. The policy over the controlling of leave balances effective in 2010 has not yet fully implemented by the ministry to bring about only two years back leave entitlements.
- ii. Some staffs had huge accumulated outstanding leave balances and other with negative leave balances without action taken against (reconciliation or correction of leave balance in line with the 2yrs leave policy).

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

The table above was an extraction from the audit management report for the last audit for financial year

Implications:

The whole purpose of the Cabinet decision on forfeiting leave balances is to avoid unnecessary drain out of public fund hence, not adhering to this decision is of course a violation of Cabinet decision

Recommendation:

- The responsible division (accounting officers) has to review the variance noted and if not agreed then has to provide justifiable explanation in order to settle the issue as raised.
- The Ministry should consider performing timely checking and review of staff's leave balances so as to early produce correct leave balance to early alert those who are going to over exhausting their leave entitlement to avoid future negative leave balances.
- Strong internal control mechanism over leave balances should be implemented in order to avoid future negative outstanding leave balances.

Management response:

MOH apologies for this cause and Administration through concern officer now informed on this matter where they will make a leave plan for next year to this staff. For lapse leave will automatically cancelled.

For staff which had been overstayed their leave will automatically deducted to contr this overstayed.

Improvement: Updating of leave will strongly done so no more overstayed leave to be happen.

13.3.6 CONTROL OVER LOG BOOK

Findings and Analysis:

Through a follow up one of the outstanding and repetitive issues from previous audit for MHMS was the control over log book which had not been yet settled until to date as listed below:

- i. The control over log book was inadequate and this could be evidenced when detecting the same irregularities as noted in my previous audit report for 2016 till to date.
- ii. The audit could not perform further testing on the Ministry log books due with the non-production of drivers' log books for 2017 and the 2018 was not also properly maintained and updated hence there were unrecorded of trips as listed in the table provided below:

Vehicle Type	Vehicle No.	Log book Available		Maintained and Updated	Mileage 2017		Mileage 2018		Reviewed	Audit Remarks
		2017	2018		Start	End	Start	End		
Ambulance	111	No	Yes	27/01/2018-04/2/2018	0	0	51091	52646		05/2/2018 to 25/06/2015 was skipped and not maintained
				26/06/2018-28/07/2018	0	0	52751	60510		29/07/2018 to 7/11/2018 was skipped and not maintained
	G117	No	Yes	30/05/2018-11/08/2018	0	0	123766	137724		01/01/2018 to 29/05/2018 and 12/08/2018 to 7/11/2018 was skipped and not maintained
Mini Bus	G152	No	Yes	30/05/2018-08/08/2018	0	0	200105	214528		01/01/2018 to 29/05/2018 and 09/08/2018 to 7/11/2018 was skipped and not maintained.
	G196	No	Yes	04/06/2018-10/08/2018	0	0	265196	282600		01/01/2018 to 9/08/2018 and 11/08/2018 to 7/11/2018 was skipped and not maintained.
Double Cabin	G143	No	Yes	02/02/2018-25/05/2018	0	0	214990	80559		01/01/2018-27/01/2018 and 01/06/2016 to 07/11/2018 was skipped and not maintained
	G434	No	Yes	28/01/2018-30/05/2018	0	0	18204	33070		01/01/2018 to 27/01/2018 and 01/06/2018 to 07/11/2018 was skipped and not maintained
Big Bus	unknown	No	Yes	30/06/2018-08/08/2018	0	0	93217	114058		01/01/2018 to 29/06/2018 and 09/08/2018 to 7/11/2018 was skipped and not maintained.
	unknown	No	Yes	20/04/2018 to 01/06/2018	0	0	76263	81320		01/01/2018 to 19/04/2018 and 02/06/218 to 7/11/2018 was skipped and not maintained
unknown	unknown	No	Yes	05/08/2018-07/11/2018	0	0	215102	230976		
	unknown	No	Yes	Page No 145	06/07/2018-10/08/2018	0	0	121824	125011	
unknown	unknown	No	Yes	16/08/2018-16/09/2018	0	0	270705	271382		01/01/2018 to 15/08/2018 and 17/09/2018 to 7/11/2018 was

After performing a thorough review of the log book for prior audit report with the current auditing findings the following anomalies noted for management response:

- One of the outstanding and repetitive issues from previous audit for MHMS and remains the same issues for 2017 and 2018.
- The non-maintaining of drivers' log book for 2017 and failure in updating of 2018 log book record hence there were skipped dates that not recorded in the 2018 records.
- The overtime claims which had been claimed for 2016, 2017 and 2018 by drivers were inadequate and not proper due with the non-maintaining of such log books. As required all drivers' overtime must be reviewed against their log book by the responsible officer.

Implication:

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

Recommendations:

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

Management response:

MOH apologises on this matter and log book now distributed to drivers for their record. We agree with the audit on this report therefore MOH will now strongly do a strong control on maintaining a log book. As had been informed from previous Senior Accountant log book had been introduced in 2016 but seems the responsible officer may not strictly monitor well to maintain the log book especially drivers.

Improvement: Distribution of log book will be introduced right away and will follow up with strictly monitoring from concern officers. Concern officer now well informed on this repeatedly issue and will be punished if the log books lost and not updated.

13.3.7 PATIENT ALLOWANCES AT BETIO HOSPITAL

Findings and Analysis:

Through a follow up for the inappropriate of \$1,460 and the collections of \$550 allowances without authority for 2016 the audit discovered that the issue was remained unsolved hence the account unit requested the listed from the audit for confirmation of such amount. However, the audit office had been updating its lists and could be able to provide it upon request.

Implication:

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

Recommendations:

- Management should ensure that all allowances are signed by patients and where no RR is provided for any unsinged allowances the officer responsible should make good such unsigned allowances.
- Also, the audit recommends that an allowance when collected on behalf of a patient, a written authority should be demanded first prior releasing of such allowance.
- Management to follow up this finding and take appropriate actions as mentioned earlier where no authorities were provided nor RR to confirm unclaimed allowances were actually returned.

Management responses:

MOH apologises on this issue and now it had been exercised that np one cannot sign someone's names without the authority. This had been well informed to concern officers and if this is happen again all staff concern must be punished straight away.

Listof unauthorised collection of allowances and not signed aallownces now received by the account.

For unsigned allowances no quieries hd been made from these people so assume that this might had been collected.

MOH will find out the original signature listing to prove this had been pid out

RR will also provide to prove that the uncollected had been returned

If these document cnnot find Management will then take action and will punish staff concern and to pay off this mount of money.

13.3.8 CONTROL OVER RATION

Finding and Analysis:

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

- The stock purchased process was not complying with government policy and procurement act 2002. Additionally, the stock purchased for 2017 could not be verified thus the stock ledger was not maintained. The table below were selected payment vouchers for stock purchased that had been purchased and found without ledger cards:
- Since the stock ledger was not maintained the audit officer provide the kitchen stock card for control purposes whereas the account unit was undertaking a stock taking with kitchen division (refer to appendix for the stock ledger card provided and to be used) which have then to take it into account stock rations as per summary stock sheet table below:

Date of Stock Taking	Ledger Card No.	Item Name/Description	Quantity	LEDGER CARD		
				IN	OUT	BALANCE ON HAND
7/11/2018	001	Rice 40lbs	14	14	0	14
7/11/2018	002	Sugar 50kg	25	25	0	25
7/11/2018	003	Biscuit	34	34	0	34
7/11/2018	004	Bake Beans	17 ctn (24 pieces) 23pcs	431	0	431
7/11/2018	005	Flour 25kg	19	19	0	19
7/11/2018	006	Salt	11	11	0	11
7/11/2018	007	Island Conrned Beef	11 ctn (24pcs)+19pcs	283	0	283
7/11/2018	008	Mackereal	4 ctn (24pcs) + 20pcs	116	0	116
7/11/2018	009	Mince Garlic	36 ctn (12pcs)	432	0	432
7/11/2018	010	Anchor Milk 300g	26+38	64	0	64
7/11/2018	011	Anchor Milk 800g	3ctn (12pcs) + 13	49	0	49
7/11/2018	012	Milo 400g		12	0	12
7/11/2018	013	Mushroom Soy Sauce	1 ctn (12pcs)	12	0	12
7/11/2018	014	Spaghetti	6ctn (24pcs)+23pcs	167	0	167
7/11/2018	015	Super Noodle	30ctn+57ctn (24pcs)	2088	0	2088
7/11/2018	016	Roller Oats	28pcs	28	0	28
7/11/2018	017	Sunquick	26ctn(12pcs)+11pcs	323	0	323
7/11/2018	018	Curry Powder	19ctn(48pcs)	912	0	912
8/11/2018	019	turkey	47 ctn	47		47
8/11/2018	020	hen	22 ctn	22		22

- The fish rations were unable to be counted hence the stacking was not properly labeled and stacked. The audit had assumed that the fish rations supplied from KFL which had been stored in the container cold store was around 3 to 4 tones and mixed up with reef fish plus catons of drumstick and cassava as evidenced in the photo indicated as follows;



As reflected above the Ministry must be put in place a mechanism control over supplying of fish rations from KFL and local fish markets which have signified a urge of amount spending for such supplying of fish rations as indicated in the table below;

Date	Supplier	Invoice	Item Description	Kg	Tone	Unit	PV No.	Amount	Balance
27/04/2017	KFL	KFL025/17	Tuna Loin	2283	2.3	\$ 6.00	0964/17	\$ 13,698.00	
			Tuna Slice	2400	2.4	\$ 4.50	0964/17	\$ 10,800.00	
			Marlin Loin	2880	2.9	\$ 6.50	0964/17	\$ 18,720.00	
			Reef/Botto	6000	6	\$ 4.80	0964/17	\$ 28,800.00	\$ 72,018.00
10/9/2017	KFL	KFL065/17	Tuna Loin	2283	2.3	\$ 6.00	1450/17	\$ 13,698.00	
			Tuna Slice	2400	2.4	\$ 4.50	1450/17	\$ 10,800.00	
			Marlin Loin	2880	2.9	\$ 6.50	1450/17	\$ 18,720.00	
			Reef Fish	6000	6	\$ 4.80	1450/17	\$ 28,800.00	\$ 72,018.00
12/8/2017	KFL	KFL099/17	Tuna Loin	5580	5.6	\$ 6.00	1823/17	\$ 33,480.00	
			Tuna Slice	2400	2.4	\$ 4.50	1823/17	\$ 10,800.00	\$ 44,280.00
Grand Total Payment				35106	35.2				\$ 188,316.00

After performing the analytical review the audit discovered that the amount spent for Central Hospital was so more than expected hence the amount involved was \$188,316.00, was a urge amount. However, this payment did not involve the cost of fish from local fish market, drum sticks and canned fish/meat and not also included the remaining of fish rations from end of 2016 as this payment was for KFL only. Therefore, management must be put in place a strong control over rations.

- Through a follow up for 2016 rations the audit noted the following issue that had not yet been settled as indicated in the table listed below:

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

As discovered the payment voucher no. 0451/16 and 0625/16 were not kept in the appropriated box file and still missing.

Implication:

The non-recording of the above stocks in the proper stock ledger/register would increase the risk of misappropriation of a ration by staffs.

It would also distort the budget, thus increase risk of loss to public funds, as repetitive orders could be placed as if no similar purchases had been made earlier.

Recommendation:

- 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 must ensure to avoid of supplying overstock of rations for the purpose of a minimal of a spending and a wasted of rations beyond than expected.
- Management must ensure that stock rations supplying and delivered by suppliers are collectedly delivered the whole supplies of goods at once and every details of such goods are recorded and updated in the new stock ledger card provided.
- Management must ensure that the audit recommendations should be followed and if there are staffs who are not readily willing to abide with it penalties shall be applied and imposed unto the officer concerned.

Management response:

MOH apologies again on this repeated issue

MHMS hd provided a database to the kitchen but not being updated by concern officer. For staff who are neglected their duty must be punished.

Since stock taking hd been in place, Administrtion, Account must do the stock taking every end of month.

Stock ledger will now be checked to be updated nd account staff will now involved in the counting of ordered food when delivered from suppliers. It been experience that ordered goods always delivered on weekends but OIC in the kitchen had been informed tht no more deliveries to be made on weekends but just on weekdays as account officers had to involve in the counting also.

14. MINISTRY OF EDUCATION

14.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the Ministry of Education for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 14.3 below

14.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Ministry of Education performance in the fiscal year 2016.

Issues	Solved/Addressed	Status of the issues in the 2016 audit
REVENUE EXPENDITURE <ul style="list-style-type: none">• Poor control of school rations• Unavailability of selected PV's 2053/15, 2505/15, 441/15.	Addressed Not solved/Addressed	Within the year of 2017 and back there was no proper stock ledger card available or provided from the Kitchen (KGV&EBS AND KTC). But fortunately in this year 2018 they have their own stock ledger card provided to control the movement of rations which means there is an improvement and other mentioned/previous issues have now considered but not being ignored. MOE is very pleased to inform your good office that the availability of selected Payment vouchers is now obtained and searched.

14.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

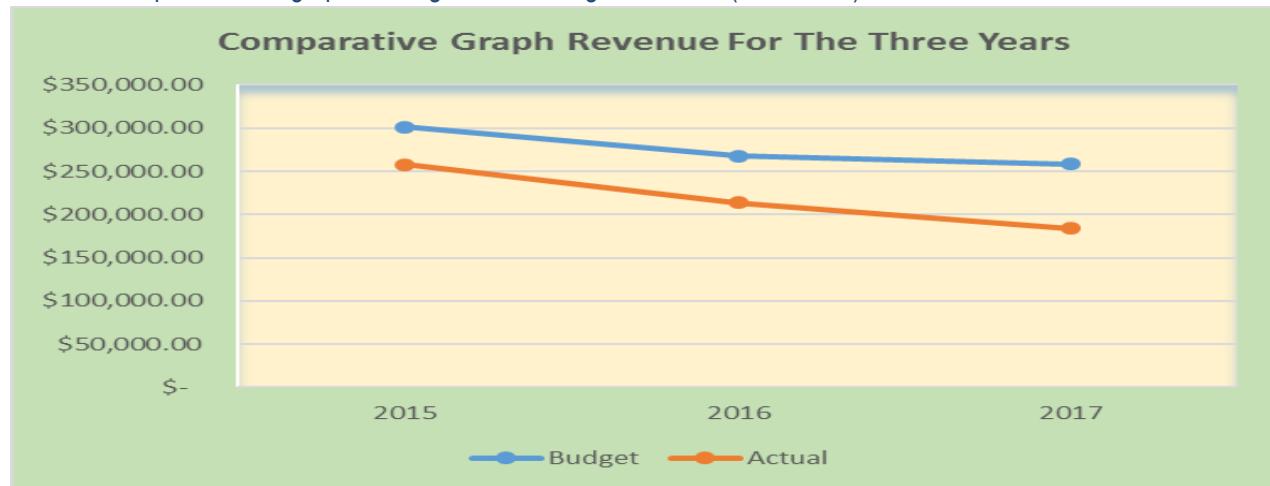
14.3.1 REVENUE (BUDGET)

Finding and Analysis:

14.3.1.1 MOE comparative Revenue summary collection (2015-2017)

Descriptions	2015	2016	2017
Budget	\$ 301,300.00	\$ 267,600.00	\$ 258,600.00
Actual	\$ 257,570.20	\$ 213,352.25	\$ 184,119.35
(over)/under	\$ 43,729.80	\$ 54,247.75	\$ 74,480.65

14.3.1.2 Comparative line graph of Budget Revenue against Actual (2015-2017)

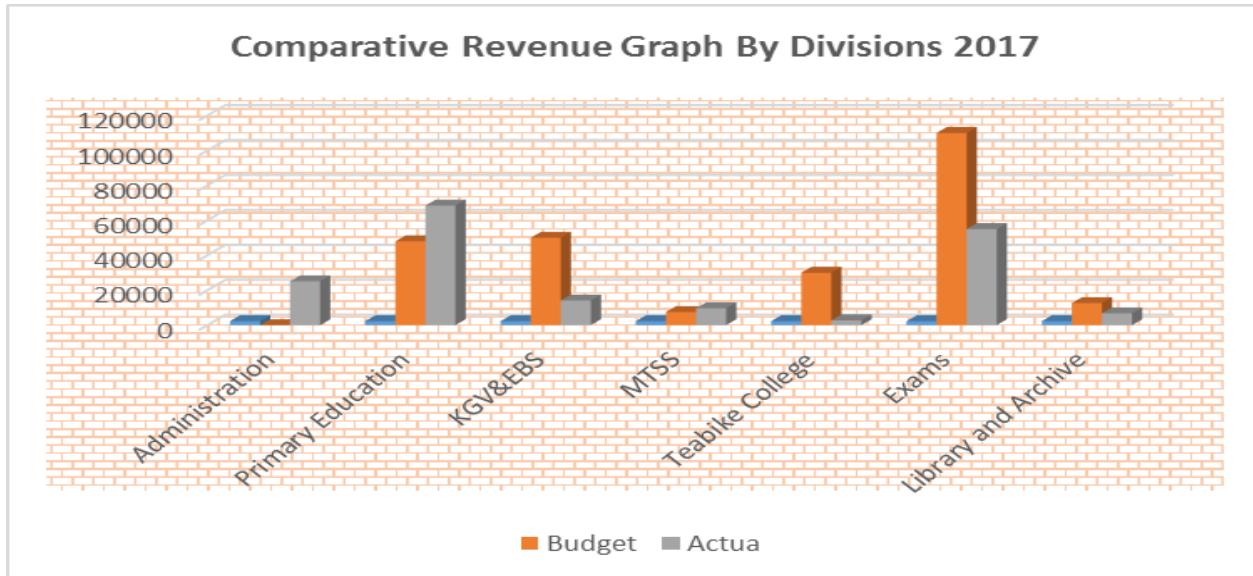


With a reduction in the budget estimate over that of 2017, MOE still was not able to meet its target by \$74k.

14.3.1.2 MOE Revenues against budget by divisions:

Descriptions	Administration 2301	Primary Education 2302	KGV&EBS 2304	MTSS 2305	Teabike College 2306	Exams 2308	Library and Archive 2310
Budget	\$ -	\$ 48,000.00	\$ 50,000.00	\$ 7,500.00	\$ 30,000.00	\$ 110,000.00	\$ 12,600.00
Actual	\$ 25,068.22	\$ 68,437.80	\$ 14,080.00	\$ 9,705.00	\$ 2,774.35	\$ 55,018.10	\$ 6,753.53
(over)/under	\$ (25,068.22)	\$ (20,437.80)	\$ 35,920.00	\$ (2,205.00)	\$ 27,225.65	\$ 54,981.90	\$ 5,846.47

14.3.1.3 Comparative BAR graph of Bugdet revenue against actual per division



The above information portrays seven divisions within MOE that collected revenue. In actual fact, three (3) divisions (Administration, Primary Education and MTSS) managed to exceed their revenue budgets and therefore should be commended for such achievement. The remaining four (4) divisions failed to collect their targets thus has resulted in an aggregate loss for the Ministry by over \$124k. Management should encourage these divisions to provide more realistic targets that would be reflective of the collections they expect in future years.

Recommendation:

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

Management response:

- a. **Administration – such increase exists from rental of properties such s hiring of class room and maneaba for different purposes from the public as increased of this revenue this year 2017**
- b. **Primary Education – this revenue relates with the collection of fees from student of Rurubao Primary School. The increase happens based on the number of student intake is also increasing every year.**
- c. **KGV&EBS/Tebike/MTSS – This revenue concerns only for those two collections which are 1. Tution fee and 2. Caution fee.**
- d. **Exam – this collection is relting with two codes which are 1. National Certificate and 2. Certificate of Exam result. These are the reasons of why the decreasing incurs in 2017:**
 - i. **National Certificate – It declines because of no more charge on late enrolment for JSC, KNC AND KSSC**

- ii. Certificate of Exam Unit result – The decline is based on the number of student who was doing a recount is decline as well hence the decline of this collection is anticipated to be declined.
- e. Library and Archive – Its declining according to your record but MOE would have the anticipation to increase this collection because the demand of archival service is still increasing from time to time. MOE will try its best to achieve the said budget of \$12,600. There will be an anticipation to increase this revenue to the following year and after because of MOE has promoted and consulted this service to communities through awareness and visiting approach. Such consultation is focus on the significance of being a member of National Library and archive service.

14.3.1.4 MOE ARREARS OF REVENUE

Findings and Analysis:

Through a follow up one of the outstanding and repetitive issues from previous audit report for MOE was the control over revenue arrears which had not been yet settled until to date. However, the cashier could not provide the arrears of revenue lists for 2017 for audit scrutiny. The non-production of such records would raise doubt on the integrity of management in keeping records and is a complete violation of the provisions of FR 11.

Implications:

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

Recommendation:

- | |
|--|
| <ul style="list-style-type: none">✓ MFEP must ensure that each Ministry maintains and provide details of arrears of revenue by the end of each financial year.✓ Management has to review its existing revenue collection system and consider establishing a more robust internal revenue control device with regular reminder to ensure that all outstanding fees/fines are paid promptly as anticipated accordingly. |
|--|

Management response:

The Ministry of Education is still now searching for school register for 2017 from Head Teacher of Rurubao Primary School (MOE will get back to your office when the information available) Note in the year 2018 there is no arrears incurred as all school fees for students have paid to the Government Account No. 1. Our way forward to such issue: Unpaid fees means the student will not

accept in the next term/year anymore thus the payment of fees in 2018 is all cleared as well from expatriate student.

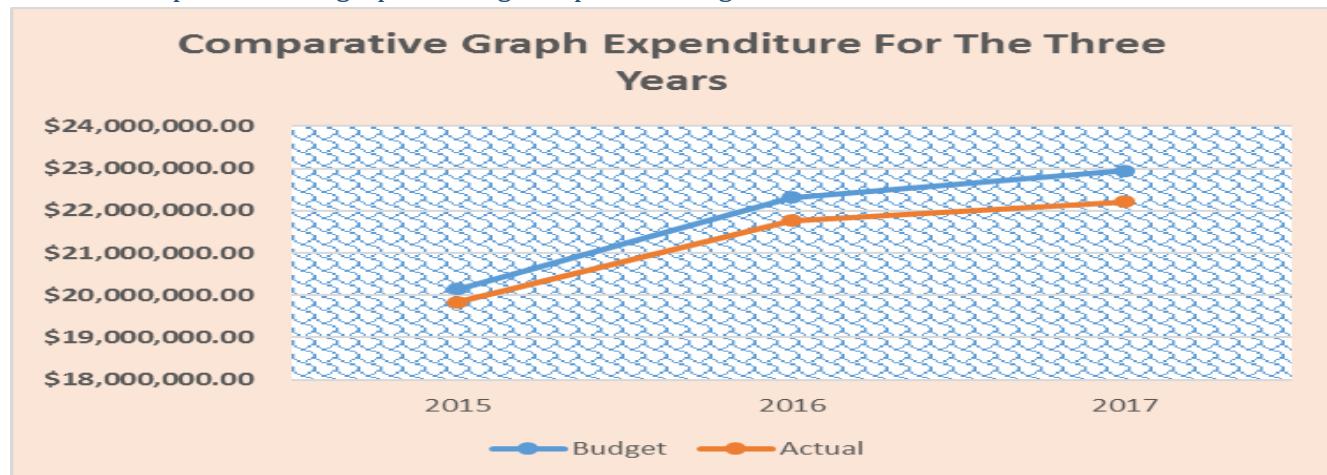
14.3.2 EXPENDITURE (BUDGET)

14.3.2.1 MOE EXpenditure summary against actual (2015-2017)

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$20,152,235.00	\$22,307,956.00	\$22,948,458.00	\$22,948,458.00	
Actual	\$19,834,250.17	\$21,770,085.61	\$22,208,383.31	\$22,208,383.31	
Variance Under/(Over)	\$317,984.83	\$537,870.39	\$740,262.69	\$740,074.69	\$188.00

The audit noted that the total variance shown on the management report of \$740,262.69 is incorrect. In actual fact the correct figure that must be reflected after deduction should be 740,074.69 (\$22,948,458 less \$22,208,383.31) but not \$740,262.69. Therefore, the error noted indicate that management report has been overstated by \$188.

14.3.2.2 Comparative line graph of Budget Expenditure against Actual



Due to the incorrect figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit belief that MOE should report a saving of \$740,074.69k but not \$740,262.69(Management report). It is pleasing to note a correlation budget trend with actual expenditure pattern over the three-year period. Therefore, management should ensure it continuously maintain its expenditure level within its budget allocation. As the budget kept increasing over the past three years (2015-2017).

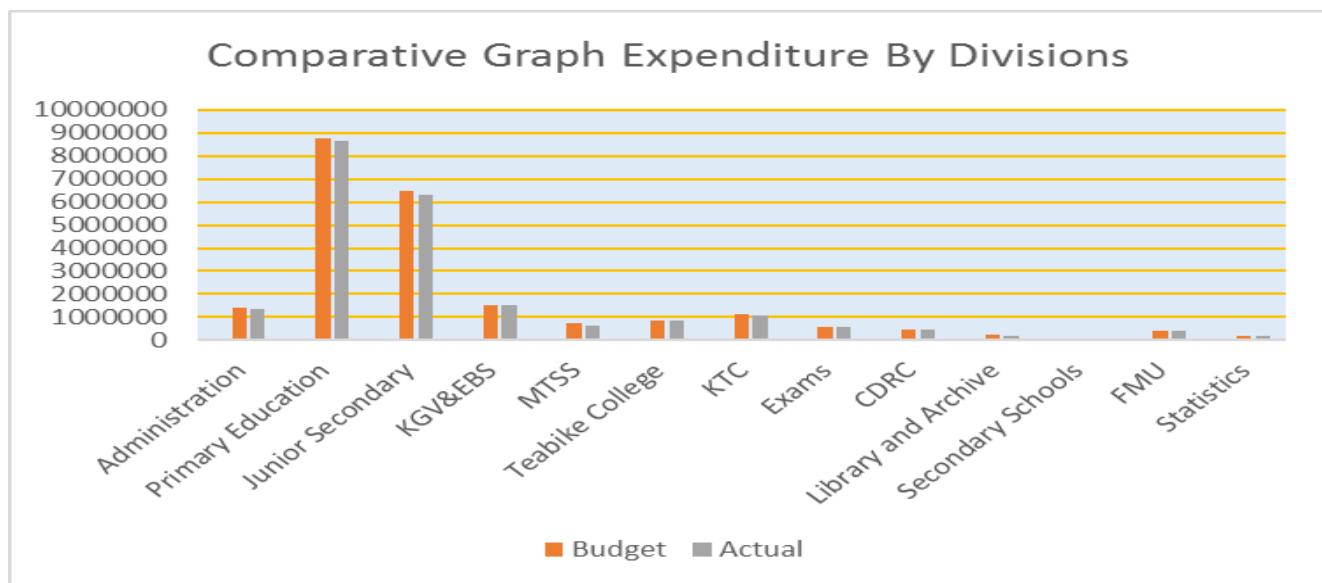
Management response:

MOE will try its best to maintained its spending level within respective divisions. There will be anticipation to decrease the trend nad level of spending for the following.

14.3.2.3 MOE Expenditure against budget by divisions

Description	Administration 2301	Primary Education 2302	Junior Secondary 2303	KGV&EBS 2304	MTSS 2305	Teabike College 2306	KTC 2307	Exams 2308	CDRC 2309	Library and Archive 2310	Secondary Schools 2311	FMU 2312	Statistics 2313
Budget	\$ 1,414,106.00	\$ 8,785,093.00	\$ 6,469,543.00	\$ 1,530,356.00	\$ 736,953.00	\$ 839,192.00	\$ 1,125,568.00	\$ 589,129.00	\$ 479,951.00	\$ 253,785.00	\$ 97,330.00	\$ 414,497.00	\$ 212,955.00
Actual	\$ 1,344,909.56	\$ 8,663,327.30	\$ 6,303,996.76	\$ 1,519,545.79	\$ 654,775.31	\$ 834,728.84	\$ 1,074,680.94	\$ 574,238.01	\$ 452,658.61	\$ 198,863.70	\$ 30,786.48	\$ 394,178.21	\$ 161,693.77
(over)/under	\$ 69,196.44	\$ 121,765.70	\$ 165,546.24	\$ 10,810.21	\$ 82,177.69	\$ 4,463.16	\$ 50,887.06	\$ 14,890.99	\$ 27,292.39	\$ 54,921.30	\$ 66,543.52	\$ 20,318.79	\$ 51,261.23

14.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL BY DIVISION



It is clearly evidenced that all of the divisions under MOE had managed to operate within their estimate budget limit when the actual spending is less below the budget. Therefore, the management should be recommended for the good effort for managing its operation within their estimate budget for having a saving as at the end of financial year 31st December 2017.

Recommendation:

Management should encourage its divisions to continuously maintain their spending levels within their budget limits.

Management should ensure its budget level is aligned to its divisions' future operational activities.

Management response:

14.3.2.5 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCOSED DIVISIONS (CDRC-E23090000230, cleaning \$188).

The audit checks and confirmed after verifying transfer between output shown in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management

report should be also zero but not what as reflected under output(Cleaning). Therefore, the management report has been overstated by \$188 and this was caused by the failure of posting in the system (system error) resulting from the employees negligent in entering into the system.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E23090000230	Cleaning	\$188.00			\$188.00
Total					\$188.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliability of the management report prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MOE and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

The reconciliation for the year 2017 has completed and accurate from the Ministry of Education. The issue in regards to the existence of such variance is caused by the MFED where MFED did not inserted our transfer into this consolidated management report this year 2017. Therefore, MFED via Account must responsible for this variance.

14.3.2.6 vote ledger _ database vote

Finding and Analysis

The audit discovered that the recurrent vote database record was unable to be audited due with the unavailability of a recurrent database vote system.

Implication:

Failure in maintaining and updating of their system it would make reconciliation difficult and a breach of FR11.

Recommendation:

In conforming with FR 11 chapter 8 and paragraph 168-169 management must maintain and regularly update it vote book and to have a pack up system to avoid of such problems.

Management response:

Recurrent database for the year 2017 is completed and updated thus MOE hs conformed with the FR 2011 chapter 8 (Paragraph 168-169) and no breach action has made.

14.3.3 Ignoring of the prior AUDIT REPORT findings and recommendations 2016

14.3.3.1 PERSONAL EMOLUMENT ISSUES

Finding and Analysis:

Through a follow up the audit discovered that the 2016 did not yet addressed and solved. However, the audit noted the following issues for management responses:

- i. Unsigned and uncollected salaries was added up to \$35k
- ii. Salaries which had collected without authority amounted to \$17,156.85
- iii. No confirmation letter kept/attached in their PF to support the payment of charge allowance \$1,981.00

If there is no response from management concerning of the unresolved issues raised above and in prior audit report, the amount stated above shall be treated as the cash losses and recovery and penalties shall be imposed unto MOE staff.

Implication:

- unsigned and uncollected salary could be treated as misappropriated or used for personal gaining
- Signing salary on behalf of someone without proper authority could also treated as a cash loss for public funds if the management still not able to provide such document for this issues.

Recommendation:

- | |
|--|
| <input checked="" type="checkbox"/> Management must impose proper actions and penalties against staff who have collected salaries if this issue was still remained unsolved. |
|--|

Management Response:

The Ministry of Finance through Salary unit could not paid claims under the Personal Emolument if there were no supporting provided from the employer. Uncollected salaries for the year have yet deposited back to the Government Account No.1 through the Revenue sub-division under MFED. Whereas, no issue in regards to the collection of salaries without authority from payees have lodged for the year 2017 and 2017 which means all collected salaries during 2016 were properly authorized.

Therefore, MOE still searching those requirements as per reported within and from MOE and MFED respectively. Also MOE request if this report for the year 2016 could not contribute to your audit opinion for 2018, it is appreciated indeed.

14.3.4 lack of control of the ration for kgv & ebs and ktc

Finding and Analysis:

KGV and EBS

The audit noted with concern that similar issue from last year audit (2015 and 2016 account) which had not been addressed nor had considered a way forward to improve standard procedure for monitoring rations when it brought to notice that it still remained a repetitive issue for 2017 account as indicated below:

- No further testing hence there is no ledger card available upon request for auditing verifications.
- No a separate summary stock sheet for the year ended 31st December 2017

KTC

- 2016 Stock ledger for KTC was not completed hence June to December were omitted from the records

This specifies the fact that management had failed to take actions according to the audit recommendations hence the weaknesses control over rations were not yet addressed accordingly.

Implications:

- For being ignoring the audit recommendations for prior year audit report would cause the repetitive mistakes and signified the failure of management to comply with audit recommendations accordingly.

Recommendations:

- ✓ Whilst the issues for prior audit report was yet not resolved and yet is one of the repetitive issue for 2017 management should take actions and imposed penalties unto staff who have not complied to the prior audit recommendations accordingly.

Management response:

No proper ledger card within the year 2016 and 2017 but in 2018 MOE provides such card to control and monitor the movement of ration each day. MOE is pleased to comply with requirement as KAO recommendation.

14.3.5 UNAVAILABILITY OF PAYMENT VOUCHERS REQUESTED

Findings and Analysis:

The amount of \$221,200 is the amount involved for the payment vouchers which had not yet provided and not yet been resolved during a follow up. However, if the payment voucher were unable to trace them again as requested then the payments would be treated as improper.

Implication:

- For being ignoring the prior audit report and recommendations it signifies the failure of management to attempt the audit report findings and recommendations

Recommendation:

- ✓ MOE should ensure that all prior audit findings and recommendation must be attempted accordingly or if not management must take actions and imposed penalties unto staff who were not willing to comply to the audit findings and recommendations.

Management response:

We need confirmation and more details on that. Note MOE needs to comply with the Audit requirement.

14.3.6 two year leave policy entitlement

Findings and analysis:

- The audit noted that the prior audit report was not yet resolved hence the leave balances did not indicate the actual balance for 2016 and 2017 as listed in the table below:

PF #	Report Bal 2016	PF Bal 2016	Variance	Balance 2017	Remarks
2001076	87	7	80	14	
200086	104	67	37	78	
95036	89	25	64	36	
2003017	84	22	62	33	
200084	104		104		PF not available
2002043	92	92	0	103	
8055	92		92		PF not available
2001143	100	0	100	0	
200096	94		94		PF not available
2003042	83	0	83	0	
2012068	-1	0	-1	21	
2013018	-3		-3		PF not available
2006063	-3	4	1	11	
2013139	-2	1	-1	4	
2005038	-1	0	-1	0	
2005017	-7	-7	0	0	

As reflected above its signifies the poor control over leave balance hence the balances did not identify the actual balance for the 2 year leave.

Implications:

- If the leave balances continued not resolve according to the whole purpose of the Cabinet Decision Minute 77/10 the individual leave balances would be not actually indicated the correct end balance.

Recommendation:

- Management must ensure that all prior audit findings and recommendations are properly attempted accordingly, if not management must take actions and imposed penalties unto staff who were not willing to comply to the audit findings and recommendations

Management response:

Ministry of Education do work with such policy in regards to the Cabinet decision/directive minute 77/10 especially 2018.

15. MINISTRY OF INFORMATION, COMMUNICATION, TRANSPORT AND TOURISM DEVELOPMENT

15.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Information, Communication, Transport and Tourism Development** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 15.3 below

15.2 SIGNIFICANT MATTERS OUTSTANDING FROM PREVIOUS AUDIT

The following issues were noted as the causes of the audit opinion for Ministry of Information Communication Transport and Tourism Development performance in the financial year 2016:

Issues	Solved/Addressed	Status of the Issue in 2017 Audit
Under collection of Revenue	Solved	Improved in the revenue collection
Excess spending beyond approved budget	Solved/Addressed	Improved in controlling spending
Outstanding imprest	Not Solved/Addressed	Remained as an issue
Two Years leave policy entitlement	Not solved	Remained as an issue
Weakenesses in control log book	Solved/Addressed	Improvement

Management Response:

Outstanding Imprest could results from the followings:

- Officials draw their imprest nearly at the end of the year and retired the following year thus can be an outstanding for the previous year.

Two Years Leave policy entitlements:

- This will be solved this year.

15.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

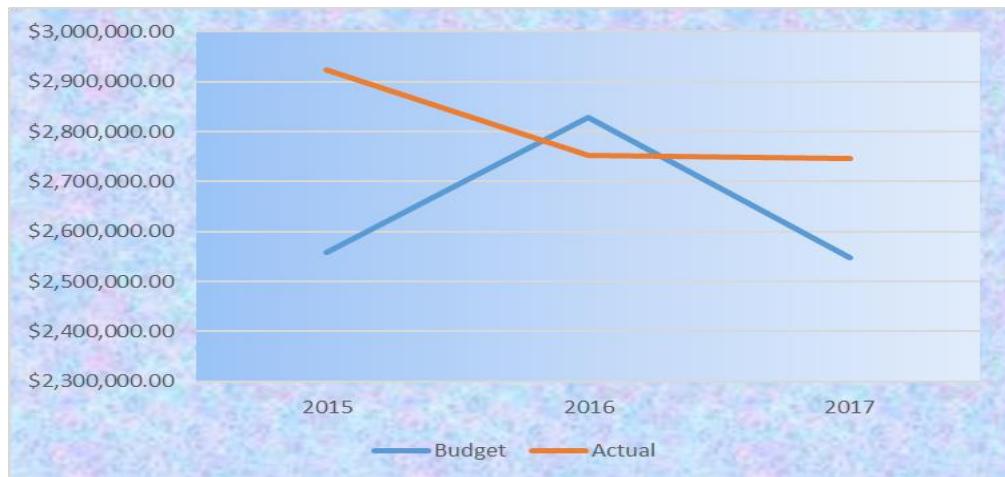
The following significant matters have been raised for your attention and comment:

15.3.1 REVENUE (BUDGET)

15.3.1.1 MICTTD REVENUE SUMMARY COLLECTION:

Year	2015	2016	2017
Budget	\$2,557,401.00	\$2,829,521.00	\$2,546,869.00
Actual	\$2,924,551.22	\$2,753,649.19	\$2,746,731.36
Variance Under/(Over)	-\$367,150.22	\$75,871.81	-\$199,862.36

15.3.1.2 MICTTD COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

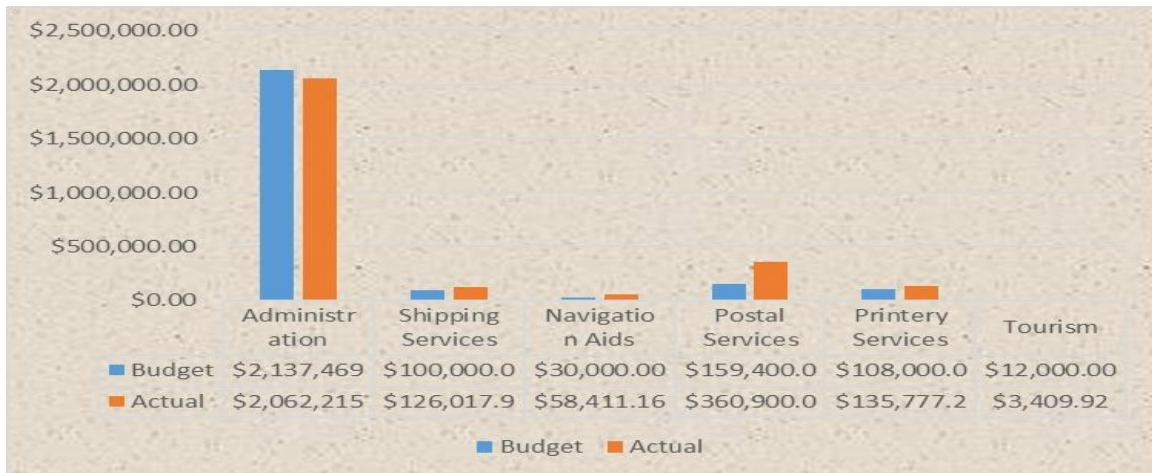


The level of budget estimate fluctuates over time. In 2017, it observed that Ministry has grant an approved budget of \$2,546m a decrease of \$283k compared to previous year 2016. However, the actual revenue collection of \$2,746m surpasses the budget estimate by significant amount of \$199k. This is another major achievement for the Ministry compared to the short fall report in 2016. Therefore, management must be embrace for their performance and encourage to maintain in future years.

15.3.1.3 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION

Divisions	Budget	Actual	(Over)/Under
Administration	\$2,137,469.00	\$2,062,215.07	\$75,253.93
Shipping Services	\$100,000.00	\$126,017.98	-\$26,017.98
Navigation Aids	\$30,000.00	\$58,411.16	-\$28,411.16
Postal Services	\$159,400.00	\$360,900.00	-\$201,500.00
Printery Services	\$108,000.00	\$135,777.23	-\$27,777.23
Tourism	\$12,000.00	\$3,409.92	\$8,590.08
Ministry Total	\$2,546,869.00	\$2,746,731.36	-\$199,862.36

15.3.1.4 COMPARATIVE GRAPH OF BUGDET REVENUE AGAINST ACTUAL BY DIVISION



Two (2) divisions (Administration and Tourism) failed to meet revenue estimate. In contrast, most the revenue earned generate outweighed from the remaining four divisions where the bulk of its derived from Postal services. Further details of the revenue collection can be viewed in the table below.

Outputs	Budget	Actual	(Over)/Under
C2401 – Administration			
Jaxa (Air Service)	\$1,058,244.00	\$1,023,843.53	\$34,400.47
Jaxa (Downrange)	\$679,225.00	\$692,901.00	-\$13,676.00
Open Ship Registration	\$400,000.00	\$345,470.54	\$54,529.46
C2402-Shipping Services			
Recruitment & exam fees	\$33,000.00	\$47,515.32	-\$14,515.32
Licence for Foreign vessel	\$40,000.00	\$48,642.13	-\$8,642.13
Licence for Domestic vessel	\$25,000.00	\$27,476.03	-\$2,476.03
Seaworthiness	\$2,000.00	\$2,384.50	-\$384.50
C2403 – Navigation Aids			
Light dues	\$30,000.00	\$58,411.16	-\$28,411.16
C2406 – Postal Services			
Sundry fees	\$1,000.00	\$13,563.77	-\$12,563.77
Letter post terminal cre	\$6,000.00	\$14,012.47	-\$8,012.47
Sale of stamps	\$21,500.00	\$25,453.90	-\$3,953.90
Parcel post terminal	\$6,000.00	\$2,803.05	\$3,196.95
Private box rental	\$4,900.00	\$6,725.05	-\$1,825.05
Commission on money	\$120,000.00	\$298,341.76	-\$178,341.76
C2408- Printery Services			
Printing sales	\$108,000.00	\$135,777.23	-\$27,777.23
C2409- Tourism			
Cruise Line fees	\$12,000.00	\$3,409.92	\$8,590.08
Total	\$2,546,869.00	\$2,746,731.36	-\$199,862.36

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

Recommendations:

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

Management response:

Administration:

Jaxa

The short fall of \$13,676 for Air Service Agreement result from the change of Exchange rate. The initial forecast exchange rate was 0.75354. However, the first remittance of \$603,432.97 uses the exchange of 0.7928 while the second remittance of \$410,415.59 uses the exchange of 0.7772

Open Ship Registry

Rejection of older vessels for registration.

Tourism:

Cruise Line Fee

some cruise calls in 2017 were cancelled that why cruise income is under the budget- The rate is calculated as tax rate of \$6.00 USD per passenger (1,606 expected passengers)

15.3.2 CONTROL OVER EXPENDITURE

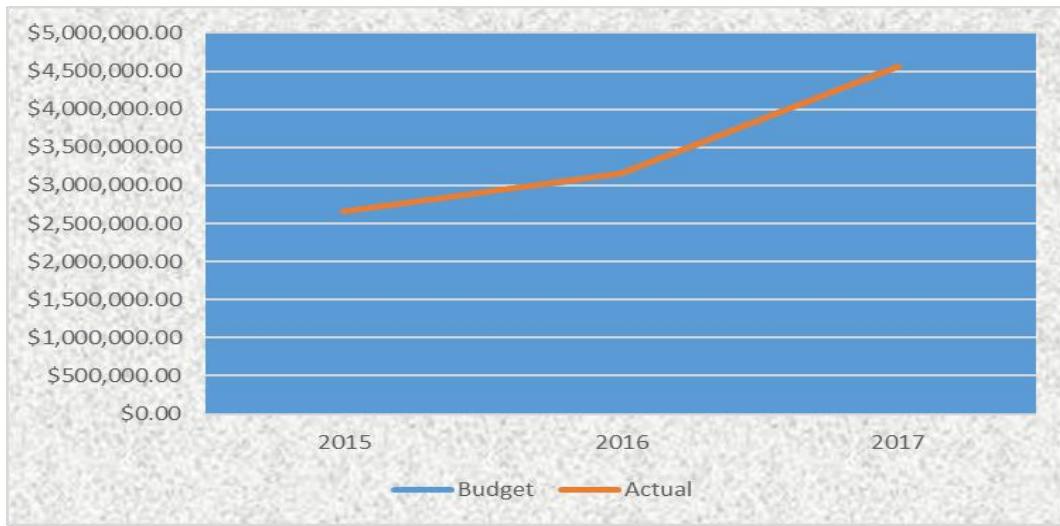
Finding and Analysis:

15.3.2.1 COMPARATIVE EXPENDITURE AGAINST BUDGET.

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$2,677,655.00	\$3,149,294.00	\$4,581,193.00	\$4,581,193.00	
Actual	\$2,666,059.00	\$3,154,452.31	\$4,566,262.54	\$4,566,262.54	
Variance Under/(Over)	\$11,596.00	(\$5,158.31)	\$16,923.46	\$14,930.46	\$1,993.00

Based on the audit calculation, it was noted that the total variance shown on the management report of \$16,923.46 is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$14,930.46 (\$4,581,193 - \$4,566,262.54) and not \$16,923.46. Therefore, the error noted indicate that management report has been overstated by \$1,993.00

15.3.2.2 COMPARATIVE GRAPH OF EXPENDITURE BUDGET AGAINST ACTUAL

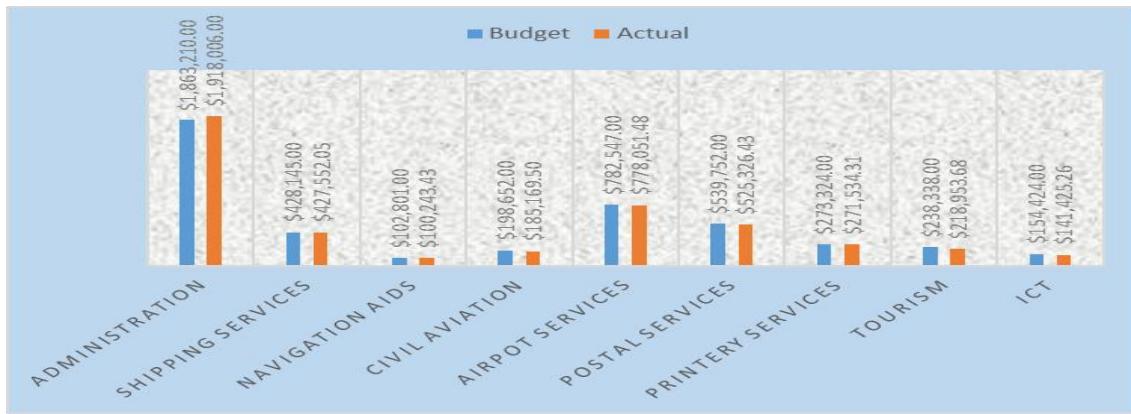


Due to the incorrect figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit believed that MICTTD should report a saving of \$14k but not \$16k as stated in Management report. As obviously shown above, with a more realistic and significant increase in its budget level given in 2017 by \$1,453m (2016 \$3,149m less 2017 \$4,581) it appears that the Ministry was able to carry out its functions within the approved budget thus resulting in reporting a saving of \$14k compared to an overspending incurred in 2016 by \$5k. Therefore, management should be commended for being able to spend within its budget allocation.

15.3.2.3 2013 MCTTD EXPENDITURE AGAINST BUDGET BY DIVISIONS

Divisions	Budget	Actual	(Over)/Under
Administration	\$1,863,210.00	\$1,918,006.00	-\$54,796.00
Shipping Services	\$428,145.00	\$427,552.05	\$592.95
Navigation Aids	\$102,801.00	\$100,243.43	\$2,557.57
Civil Aviation	\$198,652.00	\$185,169.50	\$13,482.50
Airpot Services	\$782,547.00	\$778,051.48	\$4,495.52
Postal Services	\$539,752.00	\$525,326.43	\$14,425.57
Printery Services	\$273,324.00	\$271,534.31	\$1,789.69
Tourism	\$238,338.00	\$218,953.68	\$19,384.32
ICT	\$154,424.00	\$141,425.26	\$12,998.74
Ministry Total	\$4,581,193.00	\$4,566,262.14	\$14,930.86

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



It clearly stated from the graph and table above that all divisions had managed to spend within approved estimate except for Administration is the only division that surpassed budget estimate by \$57k. The rest of the divisions should be commended and encouraged to maintain level of collections over the future.

Management Response:

The management confirms that the finding is correct. However, reconciliation is now on a monthly basis, hence this will be improved in 2018

15.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS (SHIPPING SERVICES-E24020000245-\$1,143.00, CIVIL AVIATION- E24040000217-\$250.00, E24040000218-\$600) WITH TOTAL OF \$1993.00.

Findings and Analysis:

The audit checks and confirmed after verifying transfer between output shown in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero but not what was reflected under each output. Therefore, the management report has been overstated by \$1993 and this was caused by the failure of posting in the system (system error) resulting from the employees negligent in entering into the system.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E24020000245	Uniforms	\$1,143.00			\$1,143.00
E24040000217	Training	\$250.00			\$250.00
E24040000218	Local Accom & Allow ance	\$600.00			\$600.00
Total					\$1,993.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliability of the management report prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MICTTD and MFED.

Recommendation:

- | |
|---|
| <ul style="list-style-type: none">Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report. |
|---|

Management response:

- The management confirms that the finding is correct. However, reconciliation is now on a monthly basis, hence this will be improved in 2018.

15.3.4 DOUBLE ENRY POSTING

The audit checks and noted a double entry posted in the General Ledger under two different output as per detailed in the table below. The audit confirms after verifying the GL that there was no contra-account that will offset in the General ledger neither JV to adjust the double posting. This is obviously indicating lack of frequent reconciliation between MFED and MICTTD. In fact, this is a failure of inputting data into the system by responsible officer(MFED) and also this issue should already have been adjusted during the reconciliation stage before producing management report.

E24020000241 Stationery & Supplies		
219	hqpv2514/2 mcttd0185	\$360.00
219	hqpv2514/2 mcttd0185	\$346.79
E24010000241 Stationery & Supplies		
1701	hqpv2722/1 mcttd0117	\$165.00
1701	hqpv2722/1 mcttd0117	\$165.00

Implication:

Double posting is a sign of negligent and failure to performed regular reconciliation.

Recommendation:

- | |
|--|
| <ul style="list-style-type: none">In order to avoid double posting of PV in future times management has to ensure that valid monthly reconciliation should be conducted regularly by its responsible officers. |
|--|

Management response:

- The management admit and confirm that the finding is correct. However, reconciliation is now on a monthly basis, hence this will be improved in 2018

15.3.5 CHARGED WRONG ALLOCATION

Finding and Analysis:

The audit had randomly selected payment from the General Ledger to check and verify the accuracy of the posting. The audit could not have satisfied with the accuracy of the posting when the audit detects that certain payments were deemed charged the wrong output/allocation i.e. electricity and gas. Further detail of incorrect posting are as follows in the table note below:

EZ4020000232	Electricity and gas	Debit	Credit
I6408	hqpv2498/1 mcttd011/17 tatera	\$675.00	
I338	hqpv2569/1 mcttd0089/17 kssl	\$322.10	
I1442	hqpv3149/2 mcttd0242/17 taotin	\$120.00	
I339	hqpv2205/2 mcttd0131/17 kssl	\$1,117.00	
I410	hqpv2823/3 mcttd0332/17 kssl	\$427.80	
I423	hqpv2698/4 mcttd0383/17 kssl	\$380.90	
I441	hqpv2520/7 mcttd0664/17 kssl	\$1,137.00	
I441	hqpv2520/7 mcttd0664/17 kssl		\$1,137.00

Implication:

Charging the wrong allocation would cause unrealistic figure disclosed under various outputs thus distort the accuracy of the financial report.

Disclosing of figures that are not reconciled yet would of course cast significant uncertainty generally on the Reliability and Accuracy of the Financial Report provided.

Un-reconciled figures would definitely provide management unreliable figures and would be distortionary to budget formulation.

Recommendation:

- ✓ Management should ensure to charge a proper and correct allocation according to the nature of spending to avoid misallocation of funds.
- ✓ Management must ensure to conduct and performed regular reconciliation to avoid misallocation.
- ✓ Prior authorizing and approving payments accountable and responsible officers should thoroughly review the nature of the payments to ensure the correct coding is being charged.

Management response:

- The management confirm the audit finding incorrect given that the correct allocation were charged accordingly. (The copy of mentioned PVs has been obtained)

15.3.6 INCORRECT CREDIT ENTRY DETECTED IN THE GENERAL LEDGER

Finding and Analysis:

The audit observed during the audit check that one of the payment noted in the table below had incorrectly credit in the General ledger under Stationery & Supplies output. In nature, the payment should be debited in the GL. The audit extends further testing through the GL and confirmed there is no mis-posting that should be offset (credit) as what appeared in the General ledger (highlight in yellow). This is the common failure that caused when entering/posting into the system by MFED accounting division. It appears that lack of reconciliation is another contribution factors to the issue and it becoming problematic.

E24020000241	Stationery & Supplies	Debit	Credit
hqpv2296/2 mcttd0121/17 koes		\$187.40	
hqpv2296/2 mcttd0121/17 koes			\$187.40
hqpv2296/2 mcttd0121/17 koes			\$66.29

Implication:

- Incorrect entry in the General Ledger could cause unrealistic figures disclosed in the management report and would mis-inform management when considering budget level for future years.
- Failure to perform regular reconciliation on timely basis triggered mis-posting undetected.

Recommendation:

- ✓ Management is recommended to conduct proper and regular reconciliation on timely basis with records kept by MFED to avoid incorrect entry and to take corrective action when deviations are noted before submitting management report for audit scrutiny.

Management response:

- The management confirm the audit finding correct. However, reconciliation is now on a monthly basis, hence this will be improved in 2018

15.3.7 KPF CONTRIBUTION VARIANCE DETECTED

Finding and Analysis:

The following variances noted in the table below derived after comparing the management report with the audit figure based on the calculation of salary plus temporary multiply by 7.5% to determine the accuracy of the amount reflected in the actual figure display in the management report under KPF contribution. As noted, the discrepancies indicate a lack of reconciliation.

Code	Accounts	Management report	Salaries+Temporary *7.5%	Variance	Notes
E24010000201	KPF	\$16,365.69	\$16,334.42	\$31.27	Overstated
E24020000201	KPF	\$12,641.01	\$12,880.75	-\$239.74	Understated
E24030000201	KPF	\$2,091.92	\$2,033.01	\$58.91	Overstated
E24040000201	KPF	\$5,127.93	\$5,289.17	-\$161.24	Understated
E24050000201	KPF	\$27,299.34	\$26,951.40	\$347.94	Overstated
E24060000201	KPF	\$14,839.67	\$14,530.56	\$309.11	Overstated
E24080000201	KPF	\$9,824.29	\$10,134.50	-\$310.21	Understated
E24090000201	KPF	\$6,526.61	\$6,526.14	\$0.47	Overstated
E24100000201	KPF	\$2,787.34	\$3,025.38	-\$238.04	Understated
		\$97,503.80	\$97,705.33	-\$201.53	Understated

Implications:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.
- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

- The management confirm the audit finding correct. However, reconciliation is now on a monthly basis, hence this will be improved in 2018

16. MINISTRY OF FINANCE AND ECONOMIC DEVELOPMENT

16.1.AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Finance and Economic Development** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 16.3 below

16.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for Ministry of Finance and Economic Development performance in the fiscal year 2015 and 2016

Issues	Solved/Addressed	Status of the issue in the 2017 audit
<ul style="list-style-type: none">• Arrears of revenue for 2015 and then balance being brought forward to 2016• Misallocation of JV 1273 posted into C2502-08.• Variances detected when comparing Pay costing and Management report 2015• Drivers fail to provide log book.• Outstanding telephone bills (2014) paid in 2015 and 2016• Posting of PV 283/15 \$3966.40 (2015) and PV 196/16 (2016) did not match with GL. And• Supporting invoice 180716b \$2,219.22 (2016) with invoice 1275 not attached to PV 80/15 and 558/16• Last page of Invoice#12755 not attached to PV 80/15.• Invoice #135390 of \$813.70 was different from the invoice attached as supporting documents (2015)• Unsupported payment 336/16 \$26,907.30 (2016)• Sale Cheque \$74,446.17 (2016)• Unaccounted cheque 231652 and 228349 in the cash book and GL (2016)	<ul style="list-style-type: none">• Not solved• Not solved	<ul style="list-style-type: none">• No improvement in the collection of debit note.• No JV to rectify misallocation.• Variances still detected• Log book provided but not completely updated• Still outstanding payment from 2014 and 2015 paid in 2016• Variances still detected in the PV when posting to GL• Still missing from PV 80/15 and 558/16• Still no actions taken to resolve.• database/Access still not fully updated• still not supported• still outstanding• still not accounted

16.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

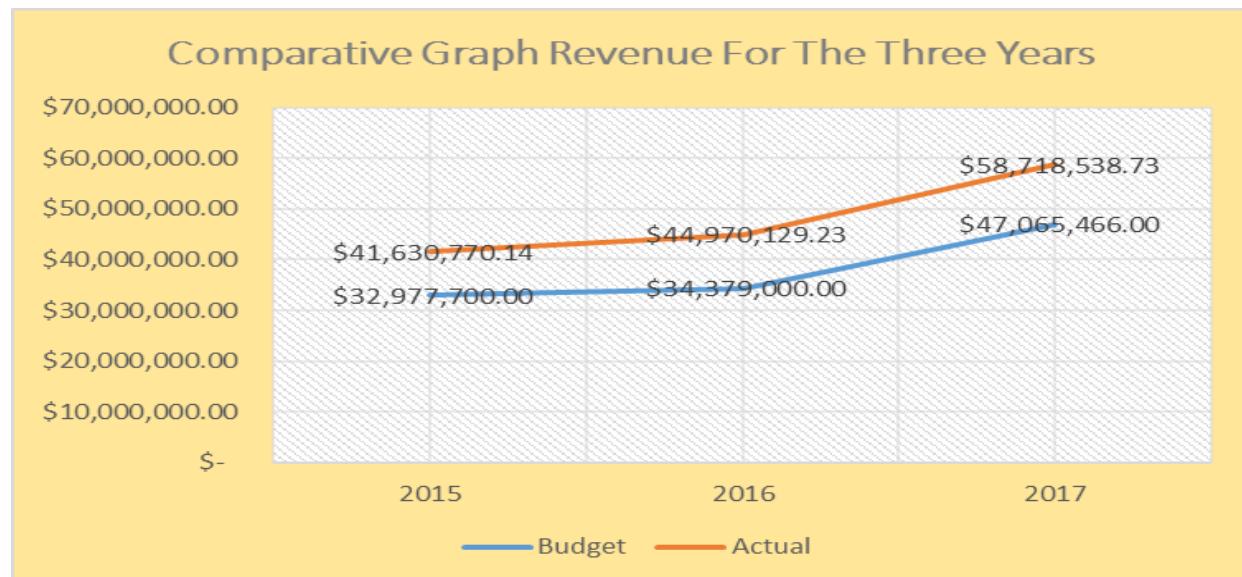
16.3.1 REVENUE (BUDGET)

Findings and Analysis:

16.3.1.1 Budget revenue summary against actual collection 2015-2017

Description	2015	2016	2017
Budget	\$32,977,700.00	\$ 34,379,000.00	\$ 47,065,466.00
Actual	\$41,630,770.14	\$ 44,970,129.23	\$ 58,718,538.73
(Over)/Under	\$ (8,653,070.14)	\$ (10,591,129.23)	\$ (11,653,072.73)

16.3.1.2 MFEP Revenue Estimate Comparative Line graph against actual

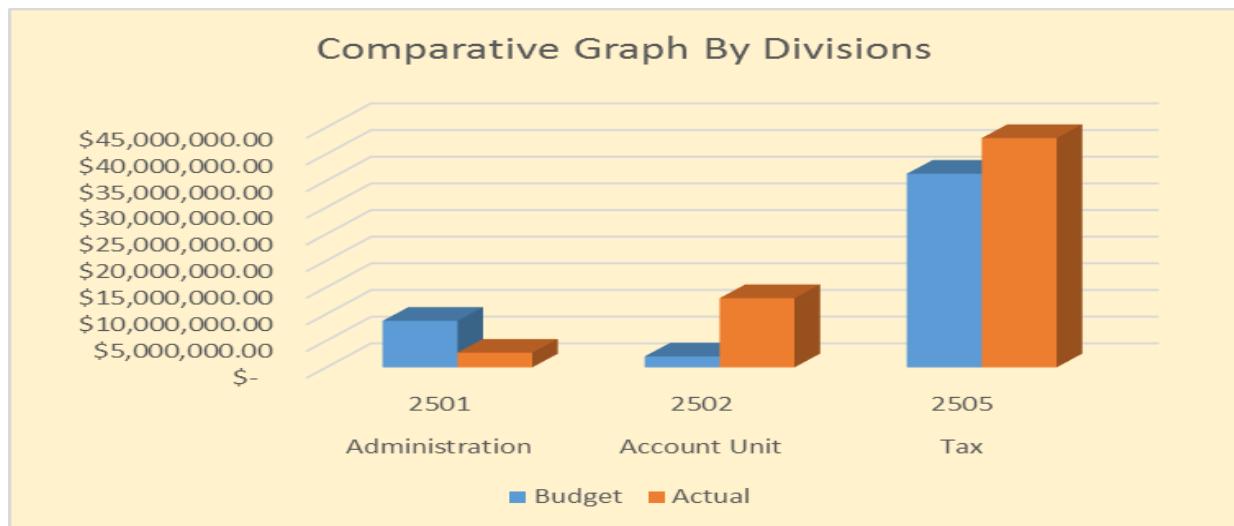


The above table and graph highlight remarkable performance by the Ministry indicating that over the past three consecutive years MFED had continuously managed to collect above its revenue estimate, thus resulting in an excess collection of \$11m for 2017, an increase of \$1.1m for 2016 (2016 \$10.5m-2017 \$11.6m). Therefore, the Ministry should be applauded for such notable achievement. For future years the Ministry should ensure its budget level is aligned with the revenue its divisions expect to collect.

16.3.1.3 MFED revenue against budget by divisions

Description	Administration 2501	Account Unit 2502	Tax 2505
Budget	\$ 8,715,466.00	\$ 2,050,000.00	\$ 36,300,000.00
Actual	\$ 2,754,870.37	\$ 12,968,564.50	\$ 42,995,103.86
(Over)/Under	\$ 5,960,595.63	\$(10,918,564.50)	\$(6,695,103.86)

16.3.1.4 Comparative Bar Graph of revenue against actual collection per division



The above table and graph depicted all divisions of the Ministry had collected more than their respective revenue budgets. It is also pleasing to note that the bulk of revenue collection stemmed from Account division which surpassed its revenue estimate by \$10.9m coupled with Tax surpassing also its revenue estimates by \$6.6m respectively. Therefore, management of these respective revenue centers should be commended for their remarkable performance.

Recommendation:

- ✓ Management must ensure that revenue collection targets by Divisions are met. Divisions that have failed to meet the targeted revenue must provide rationales for not being able to meet the targeted revenue

Management response:

The Ministry understands that revenue estimates and the actual collected for a year can differ to factors such as willingness to pay of taxpayers and other unforeseen circumstances. However, MFED agrees with the comment and will work to ensure accuracy of revenue estimates that are well aligned with activities of the different divisions.

16.3.1.5 ARREARS OF REVENUE

Findings and Analysis:

Tax Arrears of revenue

- Same issue detected in 2016 was repeated in 2017. The total tax arrears brought forward from previous years to date was \$29.5m as per aging debtors listing which is linked to the database/system. The audit confirmed that the total outstanding arrears is an aggregate of all assessed taxes been carried forward from past to the current year. This proves that the Tax had failed to enforce follow up actions to speed up the collection and recovery process for such due revenue.
- Due to the confidentiality provisions of the Income Tax Act 1990, as per discussions between Tax and Audit officials, the list that would confirm the amount owed by taxpayers concerned was not provided for the reason as stated earlier, i.e records are privileged for tax purposes only and should not be disclosed.

Details	Tax	Penalty	Penal Tax	Owed	Paid	Due
Income Tax	21,439,848.99	1,400,690.12	7,905.72	22,848,444.83	7,727,608.92	15,120,835.91
PAYE Reconciliation	583,916.80	370,285.95	0.00	954,202.75	4,572.21	949,630.54
PAYE	3,419,417.76	834,010.80	0.00	4,253,428.56	2,484,917.00	1,768,511.56
Provisional Tax	298.30	1,188.56	0.00	1,486.86	(3.00)	1,489.86
Value Added Tax (VAT)	10,458,812.84	3,814,842.75	3,551.22	14,277,206.81	2,942,485.71	11,334,721.10
Withholding Tax - Irregular	6,409.96	2,557.92	0.00	8,967.88	694.95	8,272.93
Withholding Tax - monthly	365,384.58	117,358.33	0.00	482,742.91	159,296.84	323,446.07
Withholding Tax - Reconciliation	4,034.47	5,257.99	0.00	9,292.46	0.00	9,292.46
Total Outstanding as at 31st December 2017	36,278,123.70	6,546,192.42	11,456.94	42,835,773.06	13,319,572.63	29,516,200.43

Implication:

- Failure to recover the said amount from concerned agencies would result in public fund losses.
- Failure to provide list/summary breakdown could cause hardship to validate the accuracy for the outstanding tax arrears for each year.

Recommendation:

- ✓ MFED through its Tax division should provide explanations on this matter as to why such agencies had never made any attempt in paying off their dues to date.
- ✓ Immediate remedial recovery actions on the above dues should be activated by Tax Divisions accordingly.
- ✓ Tax division should ensure it has records of total number of taxpayers by type of tax so to advise on the numbers of those complying and those not with amounts involved.
- ✓ Tax division must ensure to provide details/breakdown of outstanding tax arrears for audit scrutiny.

Management response:

- KTD (Kiribati Tax Division) confirms that Agencies/Taxpayers had made good attempt in paying overall total of 31% of their tax dues in 2017. Most taxpayers disputed defaulted assessments issued upon them due to non-lodging of financial accounts while some disputed adjustments being added back to net profits. In part XV, section 101 of the Income Tax Act taxpayers can appeal or dispute an assessment which proves to cause prolong in processing revised assessments according to their appeals.
- With the assistance of PFTAC Technical Assistance, KTD is now considering possible categories for developing Uncollectable Debt and Write off Criteria. The outstanding debt inventory needs to be prioritized for future case action. This would better enable the environment for the highest risk cases to both revenue and reputation to be under timely action and review. Understanding the real collectable debt risk will enable better resource management decision making also more accurately inform government expectations for arrears revenue collections.
- Revenue Management System (RMS), Tax System can provide Debt Reports showing total number of non- compliance and compliance taxpayers with the values anytime as requested.

16.3.2 EXPENDITURE (BUDGET)**Findings and Analysis:****16.3.2.1 MFED Comparative Expenditure against Budget 2015-2017**

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$6,438,994.00	\$3,199,805.00	\$2,715,046.00	\$2,715,046.00	
Actual	\$5,864,200.36	\$3,261,516.43	\$2,702,767.55	\$2,702,767.55	
Variance Under/(Over)	\$574,793.64	(-\$61,711.43)	\$13,778.45	\$12,278.45	\$1,500.00

The audit checks and confirm that the total variance shown on the management report of \$3,778.45 is incorrect. After thorough calculation the audit note that the accurate figure that must be reflected after deduction should be \$12,278.45(\$2,715,046 less \$2,702,767.55) but not \$13,778.45. Therefore, the error noted indicate that management report has been overstated by \$1,500.

Implications

Error detected indicates carelessness leading to misrepresentation of Government Financial Account

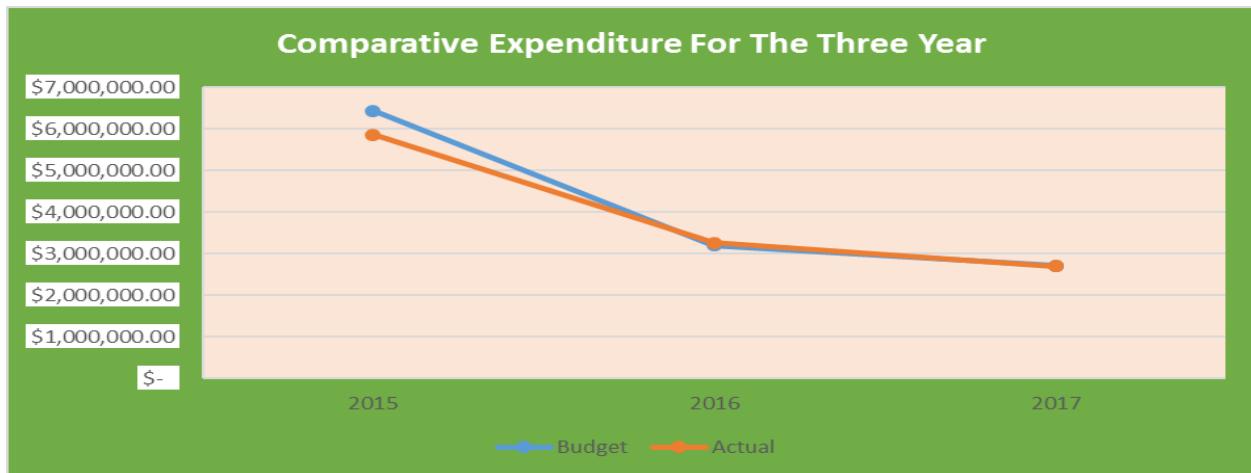
Recommendation:

Mechanism must be internally placed for verification of account before being finalized, along with a system that will minimize the cause of misrepresentation of Financial Reports by Accounting Officer

Management Response

The Ministry agrees with the comment and is working to correct its formula for calculating total variance and will provide the revised management report to KAO.

16.3.2.2 MFED Comparative budget expenditure Line graph against Actual

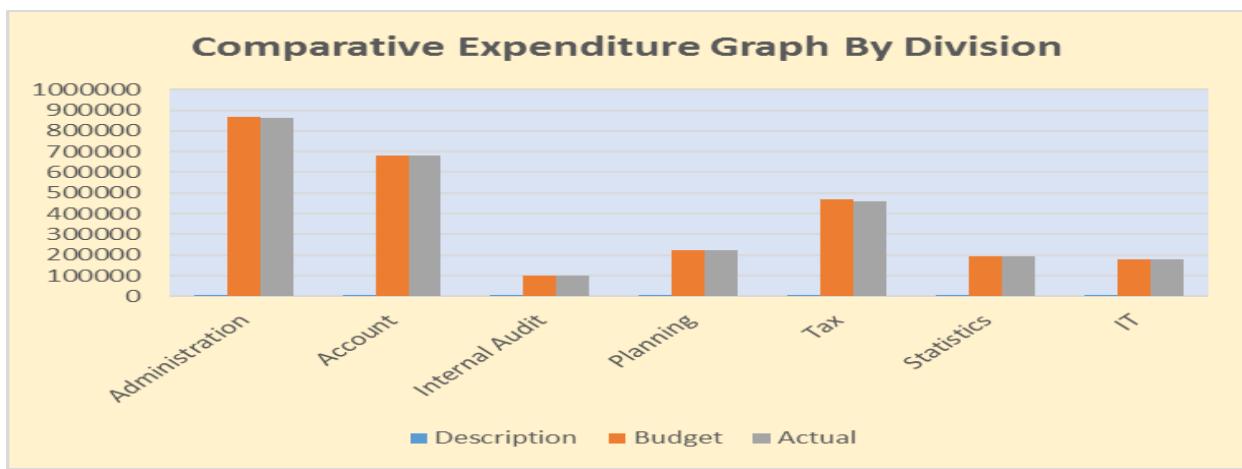


As a result of an inaccurate figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit assures that MFED should report a saving of \$12k but not \$13k(Management report). The table and graph above depicted a dramatic decrease in the estimate budget by \$484k (2016 \$3.19m-\$2.7m) from 2016 while at the same time MFED's actual level of spending had also dramatically dropped by \$500k (2016 \$3.26m-2017 \$2.70m). Therefore, the Ministry should be applauded for its effort in reducing its actual spending by such a huge amount.

16.3.2.3 MFED Comparative Expenditure Table by Divisions

Description	Administration 2501	Account 2502	Internal Audit 2503	Planning 2504	Tax 2505	Statistics 2507	IT 2508
Budget	\$ 868,057.00	\$ 682,551.00	\$ 99,096.00	\$ 222,477.00	\$ 467,541.00	\$ 196,000.00	\$ 179,324.00
Actual	\$ 864,669.12	\$ 682,543.00	\$ 98,847.29	\$ 221,564.03	\$ 461,428.94	\$ 194,866.58	\$ 178,847.70
(Over)/Under	\$ 3,387.88	\$ 8.00	\$ 248.71	\$ 912.97	\$ 6,112.06	\$ 1,133.42	\$ 476.30

16.3.2.4 MFED Comparative Expenditure Graph by Divisions



The above graph displayed the level of expenditure by Division for the year ended 2017. As clearly observed from above all divisions had managed to operate within their budget respectively.

Recommendation:

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

Management Response:

Not provided by Management

16.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS UNDER ADMINISTRATION(E25010000233-\$1,500)

Findings and Analysis:

The audit confirmed after verifying transfer between output noted in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero balance but not as reflected under (Administration) shown in the table below. Therefore, the management report has been overstated by \$1,500 and this could lead to the failure of posting in the system as result of employees negligent in entering into the system. The other possibility is the lack of regular review and poor reconciliation by MFED.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E25010000233	Water	\$1,500.00			\$1,500.00
Total					\$1,500.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED. Variance detected raised uncertainty regardless of lack of reconciliation by MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management Response

MFED entirely agrees with this comment and notes that this issue will be addressed by correcting the formula currently used to calculate the total variance. The correct version will be provided to KAO.

16.3.4 OUTSTANDING IMPREST

Finding and Analysis:

It was noted during the follow up that the total outstanding imprest of \$56k for MFEP 2016 had not yet been settled and the list for 2017 was unable to provide it.

Implication:

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

Recommendation:

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

Management response:

Based on our records, the total outstanding imprest for 2016 is \$8,124.70 and far from the claimed \$56K. Also, the Ministry sincerely apologizes for the late submission but it is now able to provide the list for 2017. Please refer to the tables in the attached files.

17. MINISTRY OF WOMEN, YOUTH AND SOCIAL AFFAIRS

17.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Women, Youth and Social Affairs** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 17.3 below

17.2 STATUS OF PRIOR MANAGEMENT LETTER ITEM

The following issues were noted as the causes of the qualified audit opinion for MWYSA in fiscal year 2016 as follows:

Issues	Solved/Addressed	Status of the issues in the 2017 audit
Transfer of Asset Two (2) year leave entitlement policy. Logbook	Solved/Addressed Not Solved Addressed	Action has been implemented No improvement Improvement in monitoring logbook Improved recovery Improved in the system
Outstanding imprest Mis-posting	Solved Solved	Improved recovery Improved in the system

17.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

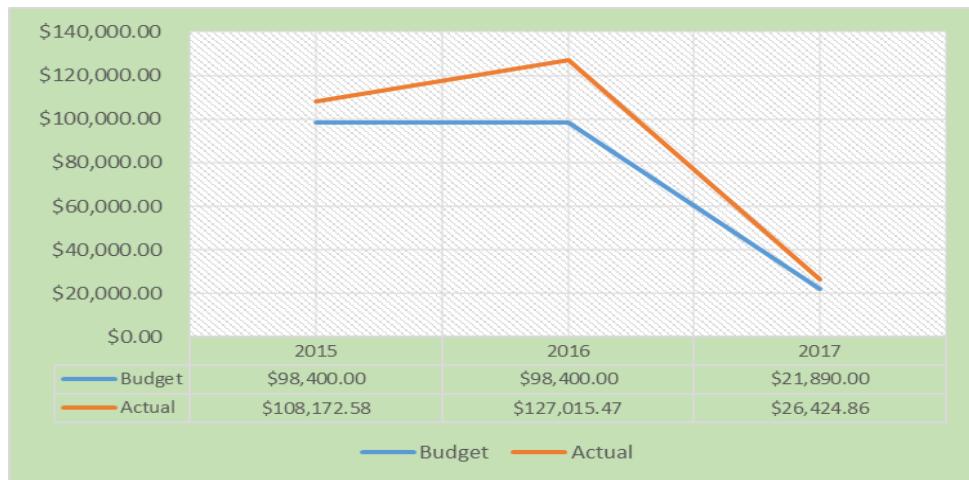
17.3.1 REVENUE (BUDGET)

Finding and Analysis:

17.3.1.1 MWYSA REVENUE SUMMARY COLLECTION

Year	2015	2016	2017
Budget	\$98,400.00	\$98,400.00	\$21,890.00
Actual	\$108,172.58	\$127,015.47	\$26,424.86
Variance Under/(Over)	(\$9,772.58)	(\$28,615.47)	(\$4,534.86)

17.3.1.2 MWYSA LINE GRAPH OF BUDGET REVENUE AGAINST ACTUAL

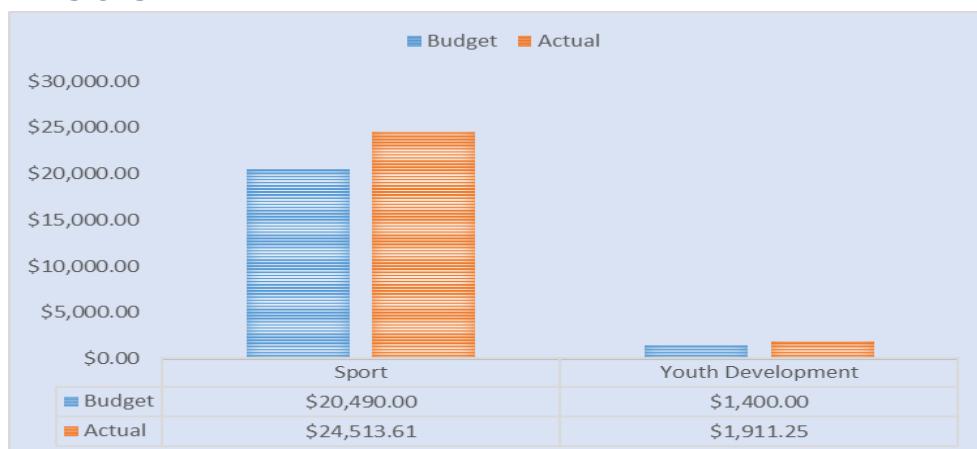


A dramatic drop in the budget estimate in 2017 for MWYSA which also similar to the decline in the actual revenue collected. The reason for drop in the revenue collection is caused by the shift of the Civil registration to the Ministry of Justice as noted in the management report thus contribute to the decline in the actual revenue collection. Overall, given a drop in the budget estimate, it is pleasing to note that Ministry still surpassed revenue budget by \$4k. Therefore, the Ministry should be commended again for maintaining such tremendous achievement.

17.3.1.3 MWYSA REVENUES BUDGET AGAINST ACTUAL BY DIVISIONS

Divisions	Sport	Youth Development	Total
Budget	\$20,490.00	\$1,400.00	\$21,890.00
Actual	\$24,513.61	\$1,911.25	\$26,424.86
Variance (Over)/Under	-\$4,023.61	-\$511.25	-\$4,534.86

17.3.1.4 MWYSA COMPARATIVE BAR GRAPH OF REVENUE BUDGET AGAINST ACTUAL BY DIVISIONS



As demonstrated above, only 2 (Sports & Youth) from the 6 divisions under MWSYA that generated revenue and far exceeded its revenue estimate budget by \$4k.

Recommendation

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

Management should ensure its future budgets are aligned with the activities its divisions will pursue.

Management response:

The management has accepted and agreed to all the recommendations.

17.3.2 EXPENDITURE (BUDGET)

Finding and Analysis:

17.3.2.1 MWYSA EXPENDITURE SUMMARY 2017

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$1,524,060.00	\$1,709,198.00	\$1,516,074.00	\$1,516,074.00	
Actual	\$1,531,335.09	\$1,676,533.54	\$1,515,671.95	\$1,515,671.95	
Variance Under/(Over)	(\$7,275.09)	\$32,664.46	\$7,592.05	\$402.05	\$7,190.00

The audit noted that the total variance shown on the management report of \$7,592.05 is incorrect. The audit confirmed after calculating the overall total revised budget less actual and found out that the correct figure that must be reflected after deduction should be \$402.05 (\$1,516,074-\$1,515,671.95) and not \$7,592.05. Therefore, the error noted indicate that management report has been overstated by \$7,190.

17.3.2.2 MWYSA LINE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL 2017



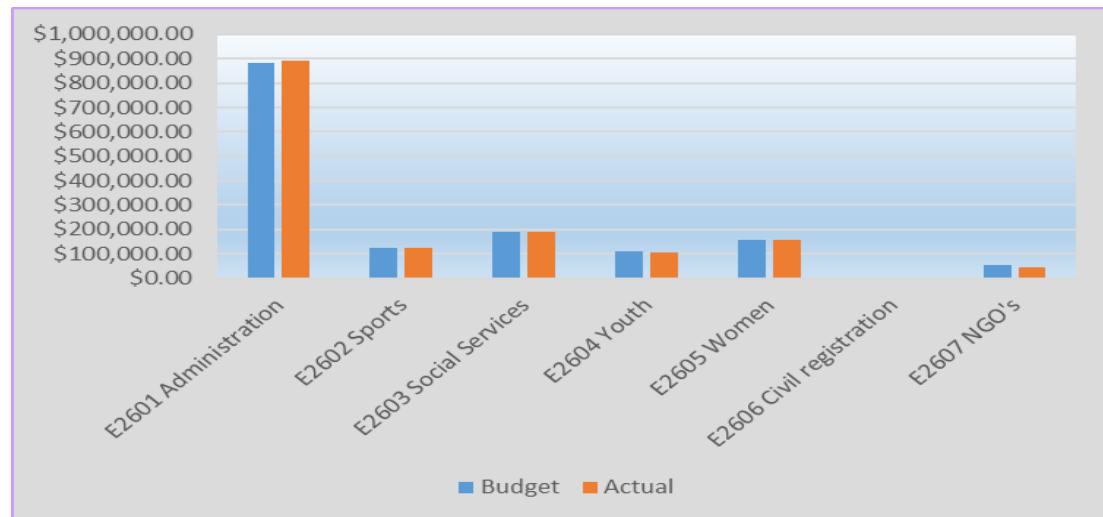
Due to the system error which resulted in an incorrect figure appearing in the management report as an overall sound position for the Ministry as per highlighted 3.2.1. The audit configures that MWYSA should report a saving of \$402 but not \$7k as shown on the Management report).

As highlighted above, in its second (2) year of operation the MWYSA had successfully managed its level of spending within its allocated budget and thus had incurred a net saving of \$402. This is an indication of remarkable performance to operate within approved estimate and therefore management should be commended for exerting more control over its spending.

17.3.2.3 MWYSA EXPENDITURE AGAINST ACTUAL BY DIVISIONS

Divisions	Budget	Actual	Variance (Over)/Under
E2601 Administration	\$880,987.00	\$892,660.60	-\$11,673.60
E2602 Sports	\$125,540.00	\$124,409.74	\$1,130.26
E2603 Social Services	\$189,047.00	\$189,299.63	-\$252.63
E2604 Youth	\$108,948.00	\$107,734.10	\$1,213.90
E2605 Women	\$159,165.00	\$156,061.37	\$3,103.63
E2606 Civil registration			\$0.00
E2607 NGO's	\$52,387.00	\$45,506.51	\$6,880.49
Total	\$1,516,074.00	\$1,515,671.95	\$402.05

17.3.2.4 COMPARATIVE GRAPH BUDGET EXPENDITURE AGAINST ACTUAL BY DIVISIONS



Two (2) divisions (Administration and Social Services) out of total six divisions had failed to meet revenue targets. The remaining four (4) divisions managed to operate within approved estimate thus all contributed to the overall net saving of \$402. Therefore, management must be highly praised for their efforts in monitoring their level of spending.

Recommendation:

Management should encourage each divisional Head to maintain the momentum and progress in future years.

Management response:

The management has agreed and accepted to all Recommendation. Noted well.

17.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED DIVISIONS (ADMINISTRATION & SPORTS) WITH TOTAL AMOUNT \$7190**Findings and Analysis:**

The audit checks and confirmed after verifying transfer between output shown in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero but not what is reflected under each output. Therefore, the management report has been overstated by \$7190 and this could lead to the failure of posting in the system (system error) resulting from the employees negligent in entering into the system.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
EZ6010000225	Relocation	\$3,000.00			\$3,000.00
EZ6020000203	Housing assistance	\$4,190.00			\$4,190.00
Total					\$7,190.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MWYSA and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

Management strongly support and accepted all comments. Currently, we did a monthly reconciliation with MFED to avoid future problems.

17.3.4 KIRIBATI PROVIDENT FUND CONTRIBUTION (KPF)

Findings and Analysis:

After performing the audit analytical review on KPF contribution, it was noted that there were over and understatement of employee's contributions as indicated in the table hereunder:

Code	Accounts	Management report	Salaries+Temporary *7.5%	Variance(A-C)	Notes
E26010000201	KPF	\$24,920.30	\$22,988.80	\$1,931.50	Overstated
E26020000201	KPF	\$2,639.85	\$2,691.03	-\$51.18	Undestated
E26030000201	KPF	\$8,008.51	\$7,146.80	\$861.71	Overstated
E26040000201	KPF	\$3,882.53	\$3,655.80	\$226.73	Overstated
E26050000201	KPF	\$4,369.54	\$5,845.14	-\$1,475.60	Undestated
E26070000201	KPF	1750.46	1784.13	-\$33.67	Undestated
		\$45,571.19	\$44,111.70	\$1,459.49	

The table above shows total amount of KPF contribution for each division. As evidenced three divisions (Administration, Social Services and Youth) had overstated some employees' contributions as per the audit figure shown above. The remaining divisions fall below the amount reflected in the management report (table above refers). The above proves lack of reconciliation by the Ministry with records held by MFED. Therefore, proper explanations are required on the above discrepancies from MWYSA.

Implications:

- KPF contributions are statutory payments and any overstatement or understatement will have an adverse effect on the overall total for the Ministry.
- The overspending or understatement of KPF contributions would affect the employees' benefit if their KPF is lower than what it should be or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

Management must ensure to perform its proper review and regular reconciliation with MFED records to avoid discrepancies at the end of each fiscal year.

Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

Management support and accepted all comments and ensure to perform a proper reconciliation with MFED to avoid future differences

17.3.5 LEAVE BALANCES (TWO YEAR LEAVE POLICY INVOLVEMENT)

Findings and Analysis:

After the audit check the leave balance for each staff concerning MWYSA it was noted that MWYSA had failed to comply with a new policy on leave balances (2 yrs leave entitlement policy) as some of its officers with their respective leave entitlements were noted to have accumulated their excessive leave balances for more than 2 years.

Post Title	Entitlement	Leave balance	Apply 2 Year Policy(Correct balance)
SAS	30 days	66	50
SNGO	30 days	152	62
ADSWO	22 days	148	66

Implication:

The intention of having Cabinet Decision Minute No. 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund therefore failure to implement such decision is a complete violation of Cabinet Decision.

Recommendations:

- MWSYA must strictly adhere to and implement the Cabinet Decision Minute No. 77/10 to all staff so only 2 years leave entitlement is accumulated.
- MWYSA should arrange recovery of excessive negative leave balances (overstayed) as clearly stipulated under Section D 9 (a & b) of NCS from staff that have negative balances standing to their credit. The recovery should be made by reducing from their gross salary the equivalent hours for number of days overstayed until such overstayed leave had been fully recovered
- MWSYA should have a leave roster maintained and updated frequently as a means of controlling and monitoring leaves taken and ensuring leave balances remaining are within acceptable range.

Management response:

The management support the recommendations and agreed that the staff with more than two years remaining balance will be dealt with as per the Cabinet decision Minute, the management will deal with the responsible officers accordingly.

The register is already in place, controlled and updated by Registry staff(available- e copy only)

17.3.6 OUTSTANDING IMPREST ISSUES

Finding and Analysis:

The independent check confirmed after the Ministry (MWYSA) reconcile with the MFED listing and agree that there's no remaining outstanding imprest for 2017. In fact, imprest holders had already been clear. However, although the audit cannot satisfy with the records held by the MFED as why some staff still had their outstanding reflected in the listing provided by MFED. This is a failure of the imprest division of not properly performing regular reconciliation and updating records once retirement had been made by the Ministry. Further detail regarding names(selection) can be provided when requested.

Implications:

- The outstanding dues reflected above, when adding with other Ministries outstanding Imprests, would have adverse effect on the Gov't cash flow if there are amounts due back to government but were not paid.
- Disagreement in the outstanding imprest records between the concerned Ministry and MFED could distort the integrity of the management report produced by MFED.

Recommendations:

- Management should have invented new ways of avoiding such problem in order to improve current system of monitoring imprest holder's.

Management response:

Management strongly support and accepted all comments and ensure that records are updated for future record. Currently, a register and a database system is in place which helps to identify which trip has not been retired from staff.

18. MINISTRY OF INFRASTRUCTURE AND SUSTAINABLE ENERGY

18.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Infrastructure and Sustainable Energy** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 18.3 below

18.2 STATUS OF PRIOR MANAGEMENT LETTER ITEMS

The issues appended below were noted as the causes of the audit opinion for the MISEBoard performance in the fiscal year 2015 to 2016 as follows.

- i. Fraudulent case in respect of one officer (store maid) before end 2018

The management through the Senior Assistant Secretary is working on the matter and kindly request that he would complete the final report for this officer before end of this year , 2018. However, the Audit Office could not yet confirm the submission for this case hence there is no response from MISE till to date regarding of this issue.

18.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

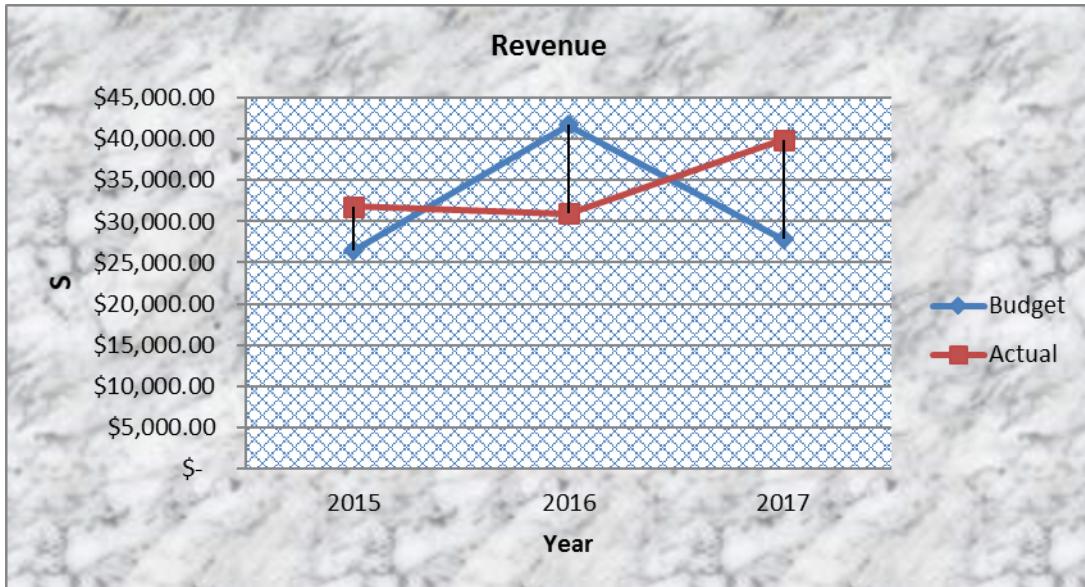
18.3.1 CONTROL OVER REVENUES

Findings and analysis:

18.3.1.1 Mise Budget Summary Against Actual For Years 2015-2017

Year	2015	2016	2017
Budget	\$26,430.00	\$41,680.00	\$27,790.00
Actual	\$31,790.00	\$30,965.00	\$39,877.78
Variance Under/(Over)	(\$5,360.00)	\$10,715.00	(\$12,087.78)

18.3.1.2 Comparative Revenue Against Budget For Years 2015 To 2017

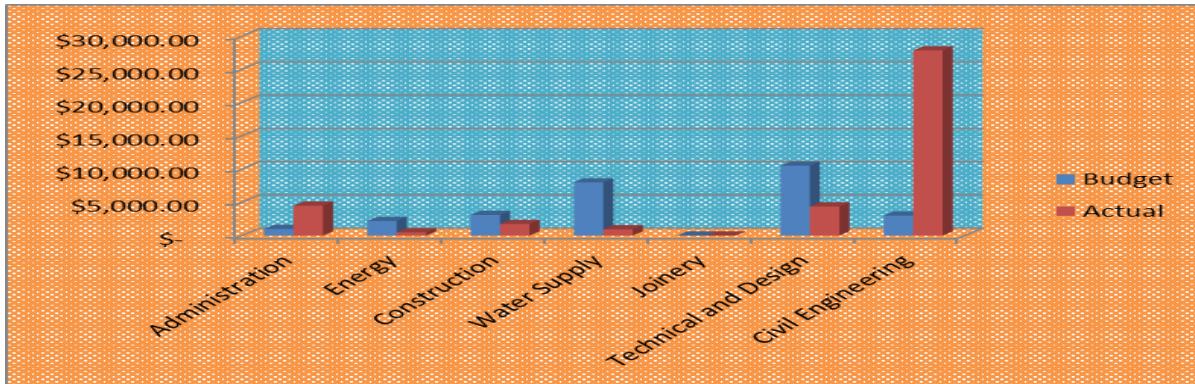


Over the past three years (2015-2017) the level of approve budget estimates fluctuates. Even though the approved budget estimate in 2017 was decline by \$14k (\$41,680 2016 less \$39,877 2017) the Ministry had shows remarkable achievement and performance by the Minsitry exceeding revenue budget estimate by \$12k compared to shortfall experienced in 2016 of \$10k.

18.3.1.3 Mise Revenues Against Budget By Divisions 2017

Code	Division	Revised Budget	Actual	Variance (Over)
C2701	Administration	\$1,000.00	\$4,489.00	-\$3,489.70
C2702	Energy	\$2,190.00	\$479.00	\$1,711.00
C2705	Construction	\$3,100.00	\$1,745.00	\$1,354.00
C2706	Water Supply	\$8,000.00	\$938.50	\$7,061.50
C2707	Joinery	-	-	-
C2708	Technical & Design	\$10,500.00	\$4,376.75	\$6,123.25
C2709	Civil Engineering	\$3,000.00	\$27,848.03	-\$24,848.03
TOTAL		\$27,790.00	\$39,877.78	-\$12,087.78

18.3.1.4 Comparative Revenues Against Budget By Divisions 2017



Of the six divisions that generate revenue for the Ministry; four divisions exceeded their revenue budget estimate such as Administration by over \$3k, Energy \$1k followed by Construction \$1k and Civil Engineering with an over collection of over \$27k. The remaining two divisions were unable to meet their revenue targets.

Implications:

Failure to meet their approved revenue budget estimate could weaken the integrity of management in producing realistic figure in preparation of their budgets which could also impact on generating less inflow(revenue) to the government cashflow.

Recommendations:

- Management should ensure each divisional Head is responsible for managing and meeting their revenue budget.
- Management should regularly monitor the collection by divisions and ensure proper and regular reconciliation of records is conducted between division Head and Accountant.

Management response:

Estimate budget are estimated mount to be collected as revenues for the year. Sometimes the collections would exceed the estimate amount or under collected for the year. MISE regret to say that some of its revenue output were not meeting the targeted amount set which might caused by the following reasons:

- i. He estimates amount is excessive and the amount needs to be reduced in order to come up with more realistic targeted amount.
- ii. Some projects that were supposed to happen in the year were not happened and anticipated amount forecasted could not met which is beyond our reach. The

following are some background information for further clarifications on the under collection.

- C2702-Petroleum Storage License

All Petroleum Storage License fees collected both on the outer island and in south Tarawa were all deposited in this output at the rate of \$4. The estimate amount is very excessive which made the output not able to meet its targeted amount and therefore the estimated amount is now being reduced to \$1000 this year.

The under collection amount was based on the facts that the expected project that supposed to happen in the year where somehow were not happen which caused the under collection in the revenue. The concerned division is now working closely on the project for the year so that this year's budget is met.

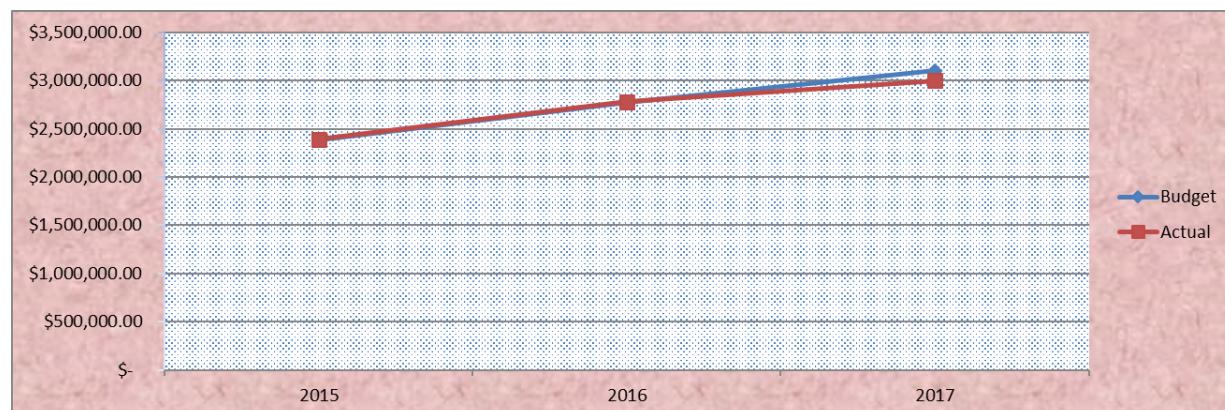
18.3.2 CONTROL OVER EXPENDITURE

18.3.2.1 Mise Budget Summary Against Actual Expenditure For Years 2015-2017

Year	2015	2016	2017	Audit Figure	Variance
Budget	\$2,386,335.00	\$2,776,563.00	\$3,102,125.00	\$3,102,125.00	
Actual	\$2,390,738.79	\$2,779,871.37	\$2,996,114.97	\$2,996,114.97	
Variance Under/(Over)	(\$4,403.79)	(\$3,308.37)	\$106,010.03	\$101,610.03	\$4,400.00

The audit noted that the total variance shown on the management report of \$106,010.03 is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$101,610.03 (\$3,102,125 - \$2,996,114.97) and not \$106,010.03. Therefore, the error noted indicate that management report has been overstated by \$4,400.

18.3.2.2 Mise Comparative Expenditure Graph Against Budget For Years 2015-17



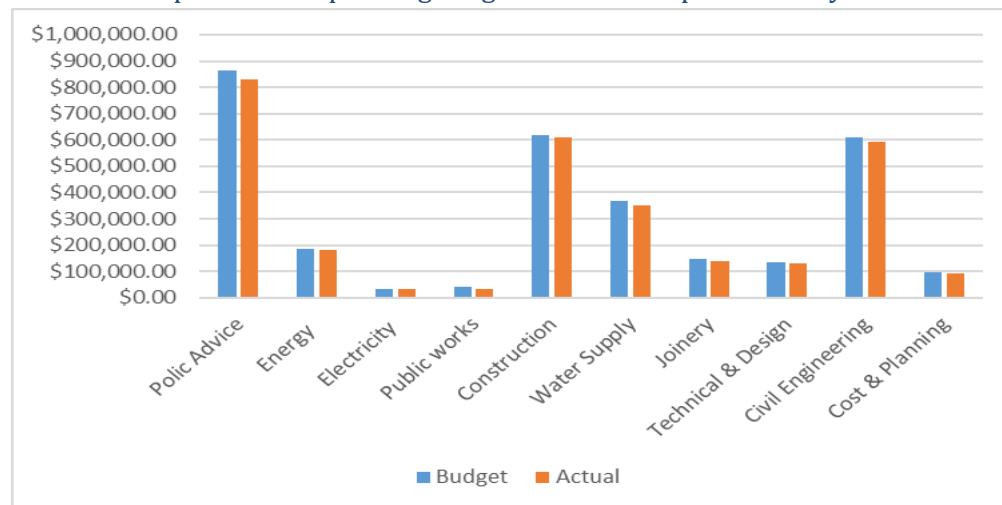
Due to the incorrect figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit belief that MISE should report a saving of \$101k but not \$106k shown on the Management report. As indicated in the above graph, MISE had shown another great milestones achievement for the Ministry since 2015 to 2016. It is remarkably to note that Ministry has earned a vast saving of \$101k in 2017.

Despite a huge saving, the audit had minor concerned in the sense that Ministry might not fully utilized funds to cater for activities hence the reason for saving noted in the table and graph above.

18.3.2.3 Mise Budget Summary Against Actual Expenditure By Divisions 2017

Description	Polic Advice	Energy	Electricity	Public works	Construction	Water Supply	Joinery	Technical & Design	Civil Engineering	Cost & Planning	Total
Budget	\$861,973.00	\$186,321.00	\$35,194.00	\$40,044.00	\$618,948.00	\$366,838.00	\$148,870.00	\$133,283.00	\$609,199.00	\$97,055.00	\$3,097,725.00
Actual	\$828,131.84	\$183,513.61	\$32,968.85	\$33,024.71	\$611,697.09	\$350,450.39	\$137,347.45	\$130,643.58	\$593,733.03	\$94,604.42	\$2,996,114.97
Variance (Over)Under	\$33,841.16	\$2,807.39	\$2,225.15	\$7,019.28	\$7,250.91	\$16,387.61	\$11,522.55	\$2,639.42	\$15,485.97	\$2,450.58	\$10,610.03

18.3.2.4 Comparative Graph Budget Against Actual Expenditure By Divisions 2017



It is pleasing to note that the 10 listed divisions under MISE were manage to operate their respective activities within their budget allocation as approved by Parliament and should therefore be applauded for such achievement.

18.3.3 Recurrent vote data base

18.3.3.1 Vote Database Records

Finding and Analysis

The audit discovered that the recurrent vote database record was unable to be audited due with a corrupted into the database system as per explanation given by Senior Accountant.

Implication:

Failure in maintaining and updating of their system it would make reconciliation difficult and a breach of FR11.

Recommendation:

In conforming with FR 11 chapter 8 and paragraghp 168-169 management must maintain and regularly update it vote book and to have a pack up system to avoid of such problems.

Management response:

The management through the Account Division agree with the Audit recommendations and this was noted well and to ensure tht back up record were also put in place to avoid repetitive of such mistakes.

18.3.3.2 Transfer Database Records

Finding and Analysis:

The audit discovered that the database of transfer record was deemed not updated hence there were overspent occurred during the auditing. The table below is a transfer database record for MISE that was provided by MFED:

ID	Ministry	TransferDate	TransferNo	TransferFrom	TransferTo	TransferAmount
1032	MPWU	16-Jan-17	001/17	E27010000285	E27010000227	\$ 50,000.00
1209	MPWU	20-Jun-17	003/17	E27090000285	E27090000216	\$ 12,000.00
1626	MPWU	19-Jul-17	004/17	E27070000218	E27070000243	\$ 4,000.00
1625	MPWU	21-Jul-17	005/17	E27050000285	E27050000231	\$ 4,000.00
1459	MPWU	13-Sep-17	006/17	E27050000285	E27050000231	\$ 6,000.00
1996	MPWU	13-Sep-17	007/17	E27060000243	E27060000227	\$ 1,200.00
2298	MPWU	01-Sep-17	007/17	E27030000240	E27030000250	\$ 300.00
1894	MISE	22-Sep-17	008/17	E27050000216	E27050000231	\$ 1,810.00
2076	MISE	22-Sep-17	008/17	E27010000226	E27010000231	\$ 1,000.00
2127	MISE	22-Sep-17	008/17	E27060000240	E27050000231	\$ 800.00
2132	MISE	22-Sep-17	008/17	E27010000218	E27010000231	\$ 755.00
2231	MISE	22-Sep-17	008/17	E27050000240	E27050000231	\$ 500.00
2299	MISE	22-Sep-17	008/17	E27050000217	E27050000231	\$ 300.00
2014	MISE	05-Oct-17	009/17	E27050000216	E27050000250	\$ 1,050.00
1944	MISE	09-Nov-17	010/17	E27040000208	E27040000227	\$ 1,500.00
2165	MISE	05-Oct-17	010/17	E27060000241	E27060000231	\$ 610.00
1312	MISE	23-Nov-17	011/17	E27070000202	E27070000243	\$ 10,000.00
1170	MISE	29-Nov-17	012/17	E27040000202	E27040000243	\$ 15,000.00
1309	MISE	29-Nov-17	012/17	E27050000202	E27050000250	\$ 10,000.00
1310	MISE	29-Nov-17	012/17	E27050000202	E27050000241	\$ 10,000.00
1308	MISE	08-Dec-17	013/17	E27020000202	E27020000227	\$ 10,000.00
1139	MISE	19-Dec-17	014/17	E27010000202	E27010000243	\$ 17,954.00
1311	MISE	19-Dec-17	014/17	E27050000208	E27050000232	\$ 10,000.00
1552	MISE	19-Dec-17	014/17	E27060000202	E27060000216	\$ 5,000.00
1714	MISE	19-Dec-17	014/17	E27060000202	E27060000227	\$ 3,000.00
1715	MISE	19-Dec-17	014/17	E27100000202	E27100000243	\$ 3,000.00
1857	MISE	19-Dec-17	014/17	E27020000202	E27020000227	\$ 2,000.00
1555	MISE	22-Dec-17	015/17	E27090000208	E27090000227	\$ 5,000.00
1624	MISE	22-Dec-17	015/17	E27020000204	E27020000227	\$ 4,000.00
1903	MISE	22-Dec-17	015/17	E27020000208	E27020000227	\$ 1,719.00
1553	MISE	28-Dec-17	016/17	E27060000208	E27060000243	\$ 5,000.00
1554	MISE	28-Dec-17	016/17	E27070000208	E27070000250	\$ 5,000.00
1964	MISE	28-Dec-17	016/17	E27020000218	E27020000250	\$ 1,400.00
2230	MISE	28-Dec-17	016/17	E27010000208	E27010000239	\$ 500.00
1385	MISE	29-Dec-17	017/17	E27080000203	E27080000285	\$ 7,374.00
1945	MISE	29-Dec-17	017/17	E27080000217	E27080000285	\$ 1,500.00
2077	MISE	29-Dec-17	017/17	E27080000218	E27080000285	\$ 1,000.00
2402	MISE	30-Dec-17	18/17	E27050000208	E27050000231	\$ 395.00
2403	MISE	30-Dec-17	18/17	E27010000202	E27010000205	\$ 29,869.00
2404	MISE	30-Dec-17	18/17	E27010000200	E27010000215	\$ 619.00
2405	MISE	30-Dec-17	18/17	E27010000202	E27010000216	\$ 4,040.00
2406	MISE	30-Dec-17	18/17	E27010000208	E27010000231	\$ 1,450.00
2407	MISE	30-Dec-17	18/17	E27010000204	E27010000206	\$ 29,644.00
2408	MISE	30-Dec-17	18/17	E27010000240	E27010000206	\$ 216.00
2409	MISE	30-Dec-17	18/17	E27020000202	E27020000206	\$ 9,060.00
2410	MISE	30-Dec-17	18/17	E27040000240	E27040000243	\$ 11,735.00
2411	MISE	30-Dec-17	18/17	E27050000202	E27050000204	\$ 5,110.00
2412	MISE	30-Dec-17	18/17	E27050000202	E27050000205	\$ 23,435.00
2413	MISE	30-Dec-17	18/17	E27050000202	E27050000285	\$ 5,479.00
2414	MISE	30-Dec-17	18/17	E27010000202	E27010000203	\$ 129.00
2415	MISE	30-Dec-17	18/17	E27050000208	E27050000215	\$ 913.00
2416	MISE	30-Dec-17	18/17	E27100000202	E27100000206	\$ 21,000.00
2417	MISE	30-Dec-17	18/17	E27060000204	E27060000218	\$ 2,452.00
2418	MISE	30-Dec-17	18/17	E27060000217	E27060000250	\$ 145.00
2419	MISE	30-Dec-17	18/17	E27070000202	E27070000216	\$ 1,449.00
2420	MISE	30-Dec-17	18/17	E27070000202	E27070000250	\$ 17,500.00
2421	MISE	30-Dec-17	18/17	E27080000202	E27080000216	\$ 2,350.00
2422	MISE	30-Dec-17	18/17	E27080000202	E27080000285	\$ 34,590.00
2423	MISE	30-Dec-17	18/17	E27090000202	E27090000205	\$ 6,000.00
2424	MISE	30-Dec-17	18/17	E27090000203	E27090000205	\$ 970.00
2425	MISE	30-Dec-17	18/17	E27090000203	E27090000206	\$ 6,500.00
2426	MISE	30-Dec-17	18/17	E27090000208	E27090000206	\$ 2,700.00
2427	MISE	30-Dec-17	18/17	E27090000215	E27090000232	\$ 4,720.00
2428	MISE	30-Dec-17	18/17	E27050000202	E27050000206	\$ 5,675.00
2385	MISE	30-Dec-17	19/17	E27100000208	E27100000206	\$ 3,000.00
2386	MISE	30-Dec-17	19/17	E27080000202	E27080000206	\$ 14,305.00
2387	MISE	30-Dec-17	19/17	E27100000244	E27100000206	\$ 300.00
2388	MISE	30-Dec-17	19/17	E27100000232	E27100000206	\$ 630.00
2389	MISE	30-Dec-17	19/17	E27100000218	E27100000206	\$ 100.00
2390	MISE	30-Dec-17	19/17	E27100000217	E27100000206	\$ 100.00
2391	MISE	30-Dec-17	19/17	E27090000241	E27090000204	\$ 3,665.00
2392	MISE	30-Dec-17	19/17	E27100000215	E27100000206	\$ 500.00
2393	MISE	30-Dec-17	19/17	E27070000251	E27070000206	\$ 1,000.00
2394	MISE	30-Dec-17	19/17	E27100000205	E27100000206	\$ 359.00
2395	MISE	30-Dec-17	19/17	E27100000204	E27100000206	\$ 832.00
2396	MISE	30-Dec-17	19/17	E27020000205	E27020000206	\$ 2,142.00
2397	MISE	30-Dec-17	19/17	E27020000216	E27020000206	\$ 1,523.00
2398	MISE	30-Dec-17	19/17	E27020000204	E27020000206	\$ 117.00
2399	MISE	30-Dec-17	19/17	E27020000203	E27020000203	\$ 547.00
2400	MISE	30-Dec-17	19/17	E27080000251	E27080000206	\$ 1,000.00
2401	MISE	30-Dec-17	19/17	E27100000216	E27100000206	\$ 112.00
2429	MISE	30-Dec-17	20/17	E27080000204	E27080000285	\$ 1,000.00
2430	MISE	30-Dec-17	20/17	E27010000245	E27010000250	\$ 750.00
2431	MISE	30-Dec-17	20/17	E27060000231	E27060000241	\$ 146.00
2432	MISE	30-Dec-17	20/17	E27080000285	E27080000204	\$ 926.00
2433	MISE	30-Dec-17	20/17	E27090000240	E27090000232	\$ 120.00

Grand Total \$ 475,591.00

Implication:

- If the transfer database was not updated there would have been transferred documents that not yet accounted during the processing of such transfer to cover up the overspent.

Recommendation:

- Management must ensure that transferred documents are well posted and kept updating in the database records.

Management response:

We believe that the Account officer maintained the transfer record in consequences order and in numbers which were kept in file but during the auditing it was noted that some copies were misplaced and could not be found. Account officer will ensure that complete copies of transfer document were in placed for Auditing purposes.

18.3.3.3 Transfer Database for Expediture And Payroll_MFED Database Records

Findings and Analysis:

In performing the audit evaluation of this transfer database records via management report which had been transferred in and out with a total of \$625,039 to cover up the overspent. However, the audit discovered the overall increases and decreases in the budget by \$625,039 and \$644,020.20 with an overall variance noted of \$45,220.00 and \$84,462.80 which have signified the overstatements and understatements budget as evaluated below:

Origin Budget (A)	Revised Budget \$'000 (B)	Actual Spending (C)	Variance (B-A)	Variance (C-B)	TRANSFER IN (D)	TRANSFER OUT (E)	Increase (A+D)	Decrease (A-E)	Variances (D+A)-B	Variances (E-A)-B
\$ 288,887.00	\$ 236,076.00	\$ 235,540.02	\$ (52,811.00)	\$ (535.98)	\$ 52,482.00	\$ 29,644.00	\$ 236,405.00	\$ 20,212.00	\$ 329.00	\$ -
\$ 49,856.00	\$ 20,212.00	\$ 20,211.99	\$ (29,644.00)	\$ (0.01)	\$ 29,869.00	\$ 29,860.00	\$ 43,373.00	\$ -	\$ -	\$ -
\$ 13,504.00	\$ 43,373.00	\$ 43,372.59	\$ 29,869.00	\$ (0.41)	\$ 29,869.00	\$ 29,860.00	\$ 35,860.00	\$ (200.00)	\$ -	\$ -
\$ 6,000.00	\$ 36,060.00	\$ 36,049.17	\$ 30,060.00	\$ (10.83)	\$ 29,860.00	\$ 1,950.00	\$ 49,050.00	\$ -	\$ -	\$ -
\$ 51,000.00	\$ 49,050.00	\$ 48,830.10	\$ (1,950.00)	\$ (219.90)	\$ 619.00	\$ 21,969.00	\$ 49,050.00	\$ (43,110.00)	\$ -	\$ -
\$ 21,350.00	\$ 65,079.00	\$ 65,078.69	\$ 43,729.00	\$ (0.31)	\$ 619.00	\$ 59,040.00	\$ 59,040.00	\$ -	\$ -	\$ -
\$ 55,000.00	\$ 59,040.00	\$ 59,039.92	\$ 4,040.00	\$ (0.08)	\$ 4,040.00	\$ 245.00	\$ 245.00	\$ -	\$ -	\$ -
\$ 1,000.00	\$ 245.00	\$ 245.00	\$ (755.00)	\$ -	\$ 755.00	\$ 2,000.00	\$ 2,000.00	\$ -	\$ 1,000.00	\$ -
\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ (1,000.00)	\$ 1,000.00	\$ 1,000.00	\$ 46,000.00	\$ -	\$ (51,000.00)	\$ -
\$ 47,000.00	\$ 97,000.00	\$ 95,695.85	\$ 50,000.00	\$ (1,304.15)	\$ 1,000.00	\$ 1,000.00	\$ 15,700.00	\$ 19,004.00	\$ (750.00)	\$ (40,750.00)
\$ 32,939.00	\$ 36,144.00	\$ 36,088.07	\$ 3,205.00	\$ (55.93)	\$ 3,205.00	\$ 36,144.00	\$ 8,500.00	\$ 8,500.00	\$ -	\$ -
\$ 8,000.00	\$ 8,500.00	\$ 8,016.51	\$ 500.00	\$ (483.49)	\$ 500.00	\$ 1,544.00	\$ 1,544.00	\$ -	\$ -	\$ -
\$ 1,760.00	\$ 1,544.00	\$ 1,543.80	\$ (216.00)	\$ (0.20)	\$ 216.00	\$ 1,000.00	\$ 1,000.00	\$ -	\$ -	\$ -
\$ 1,050.00	\$ 19,004.00	\$ 19,004.00	\$ 17,954.00	\$ -	\$ 17,954.00	\$ 19,004.00	\$ 19,004.00	\$ -	\$ -	\$ -
\$ -	\$ 40,000.00	\$ 8,641.85	\$ 40,000.00	\$ (31,358.15)	\$ 750.00	\$ 750.00	\$ 15,700.00	\$ 15,700.00	\$ -	\$ (61,250.00)
\$ 14,950.00	\$ 76,950.00	\$ 77,700.00	\$ 62,000.00	\$ 750.00	\$ 750.00	\$ 53,600.00	\$ 53,600.00	\$ -	\$ 49,000.00	\$ -
\$ 54,600.00	\$ 4,600.00	\$ 4,600.00	\$ (50,000.00)	\$ -	\$ 1,000.00	\$ 406,306.00	\$ 406,306.00	\$ (60,450.00)	\$ (42,421.00)	\$ -
\$ 647,896.00	\$ 793,877.00	\$ 759,657.56	\$ 145,981.00	\$ (34,219.44)	\$ 87,797.00	\$ 87,797.00	\$ 241,590.00	\$ 406,306.00	\$ (60,450.00)	\$ (42,421.00)
\$ 127,218.00	\$ 106,158.00	\$ 106,155.00	\$ (127,218.00)	\$ (3.00)	\$ 25,060.00	\$ 25,060.00	\$ 102,158.00	\$ -	\$ (4,000.00)	\$ -
\$ 10,296.00	\$ 9,749.00	\$ 9,749.00	\$ (10,296.00)	\$ -	\$ 547.00	\$ 547.00	\$ 9,749.00	\$ -	\$ -	\$ -
\$ 4,974.00	\$ 857.00	\$ 856.09	\$ (4,974.00)	\$ (0.91)	\$ 117.00	\$ 117.00	\$ 4,857.00	\$ -	\$ 4,000.00	\$ -
\$ 3,099.00	\$ 957.00	\$ 956.44	\$ (3,099.00)	\$ (0.56)	\$ 2,142.00	\$ 2,142.00	\$ 957.00	\$ -	\$ -	\$ -
\$ 1,000.00	\$ 14,389.00	\$ 14,275.00	\$ (1,000.00)	\$ (114.00)	\$ 13,389.00	\$ 14,389.00	\$ -	\$ -	\$ -	\$ -
\$ 18,000.00	\$ 16,281.00	\$ 16,280.85	\$ (18,000.00)	\$ (0.15)	\$ 1,719.00	\$ 1,719.00	\$ -	\$ -	\$ -	\$ -
\$ 1,224.00	\$ 1,224.00	\$ 1,193.20	\$ (1,224.00)	\$ (30.80)	\$ 1,523.00	\$ 1,523.00	\$ -	\$ -	\$ (299.00)	\$ (1,523.00)
\$ 2,160.00	\$ 760.00	\$ 760.00	\$ (2,160.00)	\$ -	\$ 1,400.00	\$ 1,400.00	\$ -	\$ -	\$ 760.00	\$ -
\$ 4,100.00	\$ 21,819.00	\$ 21,117.74	\$ (4,100.00)	\$ (701.26)	\$ 17,719.00	\$ 21,819.00	\$ -	\$ -	\$ -	\$ -
\$ 1,250.00	\$ 2,650.00	\$ 2,371.60	\$ (1,250.00)	\$ (278.40)	\$ 1,400.00	\$ 2,650.00	\$ -	\$ -	\$ -	\$ -
\$ 173,321.00	\$ 174,844.00	\$ 173,714.92	\$ (173,321.00)	\$ (1,129.08)	\$ 32,508.00	\$ 32,508.00	\$ 38,858.00	\$ 134,463.00	\$ -	\$ (1,523.00)
\$ 2,090.00	\$ 1,790.00	\$ 612.50	\$ (300.00)	\$ (1,177.50)	\$ 300.00	\$ 300.00	\$ 1,790.00	\$ -	\$ -	\$ -
\$ 13,954.00	\$ 14,254.00	\$ 13,706.75	\$ 300.00	\$ (547.25)	\$ 300.00	\$ 14,254.00	\$ 14,254.00	\$ -	\$ -	\$ -
\$ 16,044.00	\$ 16,044.00	\$ 14,319.25	\$ -	\$ (1,724.75)	\$ 300.00	\$ 300.00	\$ 1,790.00	\$ -	\$ -	\$ -
\$ 15,678.00	\$ 678.00	\$ -	\$ (15,000.00)	\$ (678.00)	\$ 15,000.00	\$ 15,000.00	\$ 678.00	\$ -	\$ -	\$ -
\$ 1,500.20	\$ -	\$ -	\$ (1,500.20)	\$ -	\$ 1,500.00	\$ 1,500.00	\$ 0.20	\$ -	\$ 0.20	\$ -
\$ 2,000.00	\$ 3,500.00	\$ 2,786.70	\$ 1,500.00	\$ (713.30)	\$ 1,500.00	\$ 3,500.00	\$ -	\$ -	\$ -	\$ (15,000.00)
\$ 400.00	\$ 3,665.00	\$ -	\$ 3,265.00	\$ (3,665.00)	\$ 11,735.00	\$ 11,735.00	\$ -	\$ -	\$ -	\$ -
\$ 850.00	\$ 12,585.00	\$ 12,580.10	\$ 11,735.00	\$ (4.90)	\$ 26,735.00	\$ 27,585.00	\$ 15,000.00	\$ -	\$ -	\$ -
\$ 20,428.20	\$ 20,428.00	\$ 15,366.80	\$ (0.20)	\$ (5,061.20)	\$ 28,235.00	\$ 28,235.00	\$ 31,085.00	\$ (10,656.80)	\$ 15,000.00	\$ (14,999.80)
\$ 383,916.00	\$ 324,217.00	\$ 324,216.55	\$ (59,699.00)	\$ (0.45)	\$ 59,699.00	\$ 59,699.00	\$ 324,217.00	\$ -	\$ -	\$ -
\$ 5,213.00	\$ 10,323.00	\$ 10,313.02	\$ 5,110.00	\$ (9.98)	\$ 5,110.00	\$ 10,323.00	\$ -	\$ -	\$ -	\$ -
\$ 17,080.00	\$ 40,515.00	\$ 40,511.76	\$ 23,435.00	\$ (3.24)	\$ 23,435.00	\$ 40,515.00	\$ -	\$ -	\$ -	\$ -
\$ 3,000.00	\$ 8,675.00	\$ 8,674.60	\$ 5,675.00	\$ (0.40)	\$ 5,675.00	\$ 8,675.00	\$ -	\$ -	\$ -	\$ -
\$ 85,500.00	\$ 71,192.00	\$ 70,788.40	\$ (14,308.00)	\$ (403.60)	\$ 11,308.00	\$ 74,192.00	\$ 3,000.00	\$ -	\$ -	\$ -
\$ 10,530.00	\$ 11,443.00	\$ 11,442.63	\$ 913.00	\$ (0.37)	\$ 913.00	\$ 11,443.00	\$ -	\$ -	\$ -	\$ -
\$ 3,540.00	\$ 680.00	\$ 680.00	\$ (2,860.00)	\$ -	\$ 2,860.00	\$ 680.00	\$ -	\$ -	\$ -	\$ -
\$ 300.00	\$ -	\$ -	\$ (300.00)	\$ -	\$ 300.00	\$ 300.00	\$ -	\$ -	\$ -	\$ -
\$ 600.00	\$ 13,605.00	\$ 13,603.30	\$ 13,005.00	\$ (1.70)	\$ 13,005.00	\$ 13,605.00	\$ -	\$ -	\$ -	\$ -
\$ 12,100.00	\$ 22,100.00	\$ 22,072.80	\$ 10,000.00	\$ (27.20)	\$ 10,000.00	\$ 22,100.00	\$ -	\$ -	\$ -	\$ -
\$ 1,700.00	\$ 1,200.00	\$ 1,148.63	\$ (500.00)	\$ (51.37)	\$ 500.00	\$ 1,200.00	\$ -	\$ -	\$ -	\$ -
\$ 1,500.00	\$ 11,500.00	\$ 9,519.54	\$ 10,000.00	\$ (1,980.46)	\$ 10,000.00	\$ 11,500.00	\$ -	\$ -	\$ -	\$ -
\$ 4,150.00	\$ 15,200.00	\$ 14,217.50	\$ 11,050.00	\$ (982.50)	\$ 11,050.00	\$ 15,200.00	\$ -	\$ -	\$ -	\$ -
\$ 54,000.00	\$ 49,479.00	\$ 49,479.00	\$ (4,521.00)	\$ -	\$ 5,479.00	\$ 10,000.00	\$ 44,000.00	\$ 5,479.00	\$ (5,479.00)	\$ (5,479.00)
\$ 74,050.00	\$ 113,084.00	\$ 110,040.77	\$ (36,435.00)	\$ (1,477.57)	\$ 84,667.00	\$ 84,667.00	\$ 117,363.00	\$ 45,200.00	\$ 5,479.00	\$ (2,479.00)
\$ 257,783.00	\$ 249,783.00	\$ 245,122.40	\$ (8,000.00)	\$ (4,660.60)	\$ 8,000.00	\$ 8,000.00	\$ 249,783.00	\$ -	\$ -	\$ -
\$ 650.00	\$ 4,048.00	\$ 1,013.46	\$ 3,989.00	\$ (3,034.54)	\$ 2,452.00	\$ 2,452.00	\$ 1,802.00	\$ (5,850.00)	\$ -	\$ -
\$ 52,500.00	\$ 47,500.00	\$ 46,490.38	\$ (5,000.00)	\$ (1,009.62)	\$ 5,000.00	\$ 47,500.00	\$ -	\$ -	\$ -	\$ -
\$ 2,100.00	\$ 7,100.00	\$ 6,253.85	\$ 5,000.00	\$ (846.15)	\$ 5,000.00	\$ 7,100.00	\$ -	\$ -	\$ -	\$ -
\$ 400.00	\$ 255.00	\$ 155.30	\$ (145.00)	\$ (99.70)	\$ 145.00	\$ 255.00	\$ -	\$ -	\$ -	\$ -
\$ 4,095.00	\$ 6,547.00	\$ 6,546.77	\$ 2,452.00	\$ (0.23)	\$ 2,452.00	\$ 6,547.00	\$ -	\$ -	\$ -	\$ -
\$ 300.00	\$ 4,500.00	\$ 3,589.53	\$ 4,200.00	\$ (910.47)	\$ 4,200.00	\$ 4,500.00	\$ -	\$ -	\$ -	\$ -
\$ 200.00	\$ 1,610.00	\$ 56.00	\$ 1,410.00	\$ (1,554.00)	\$ 1,410.00	\$ 146.00	\$ 1,610.00	\$ 1,464.00	\$ -	\$ (146.00)
\$ 800.00	\$ -	\$ -	\$ (800.00)	\$ -	\$ 800.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,576.00	\$ 1,766.00	\$ 1,911.87	\$ (1,810.00)	\$ 145.87	\$ 1,810.00	\$ 8,196.00	\$ 1,766.00	\$ -	\$ -	\$ -
\$ 3,050.00	\$ 8,050.00	\$ 8,046.03	\$ 5,000.00	\$ (3.97)	\$ 5,146.00	\$ 8,196.00	\$ -	\$ -	\$ 146.00	\$ -
\$ 2,850.00	\$ 2,995.00	\$ 2,993.63	\$ 145.00	\$ (1.37)	\$ 145.00	\$ 2,995.00	\$ 145.00	\$ -	\$ -	\$ -
\$ 10,776.00	\$ 18,921.00	\$ 16,597.06	\$ 5,850.00	\$ (11,974.78)	\$ 18,353.00	\$ 18,353.00	\$ 17,301.00	\$ 3,230.00	\$ 291.00	\$ (5,996.00)
\$ 92,612.00	\$ 61,963.00	\$ 61,596.20	\$ (30,649.00)	\$ (366.80)	\$ 28,949.00	\$ 28,949.00	\$ 63,663.00	\$ -	\$ 1,700.00	\$ -
\$ 1,500.00	\$ 4,200.00	\$ 1,571.80	\$ 2,700.00	\$ (2,628.20)	\$ 1,000.00	\$ 2,500.00	\$ 1,700.00	\$ -	\$ -	\$ -
\$ 12,000.00	\$ 7,000.00	\$ 6,750.00	\$ (5,000.00)	\$ (250.00)	\$ 5,000.00	\$ 7,000.00	\$ -	\$ -	\$ -	\$ -
\$ 2,415.00	\$ 3,864.00	\$ 3,864.00	\$ 1,449.00	\$ -	\$ 1,449.00	\$ 3,864.00	\$ -	\$ -	\$ -	\$ -
\$ 6,600.00	\$ 2,600.00	\$ 725.00	\$ (4,000.00)	\$ (1,875.00)	\$ 4,000.00	\$ 2,600.00	\$ -	\$ -	\$ -	\$ -
\$ 18,000.00	\$ 32,000.00	\$ 31,690.96	\$ 14,000.00	\$ (309.04)	\$ 14,000.00	\$ 32,000.00	\$ -	\$ -	\$ -	\$ -
\$ 500.00	\$ 23,000.00	\$ 21,690.96	\$ 22,500.00	\$ (1,309.04)	\$ 22,500.00	\$ 23,000.00	\$ -	\$ -	\$ -	\$ -
\$ 1,000.00	\$ -	\$ -	\$ (1,000.00)	\$ -	\$ 1,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 28,515.00	\$ 61,464.00	\$ 57,970.92	\$ -	\$ (6,738.08)	\$ 38,949.00	\$ 38,949.00	\$ 58,864.00	\$ 2,600.00	\$ (1,700.00)	\$ 1,700.00
\$ 63,362.00	\$ 12,117.00	\$ 12,116.50	\$ (51,245.00)	\$ (0.50)	\$ 51,245.00	\$ 12,117.00	\$ -	\$ -	\$ -	\$ -
\$ 10,000.00	\$ 2,626.00	\$ 2,626.00	\$ (7,374.00)	\$ -	\$ 7,374.00	\$ 2,626.00	\$ -	\$ -	\$ -	\$ -
\$ 2,800.00	\$ 800.00	\$ 1,725.63	\$ (2,000.00)	\$ 925.63	\$ 926.00	\$ 1,000.00	\$ 3,726.00	\$ 2,726.00	\$ 4,526.00	\$ 1,926.00
\$ 1,500.00	\$ 16,805.00	\$ 16,707.70	\$ 15,305.00	\$ (97.30)	\$ 15,305.00	\$ 16,805.00	\$ -	\$ -	\$ -	\$ -
\$ 5,350.00	\$ 7,700.00	\$ 7,696.30	\$ 2,350.00	\$ (3.70)	\$ 2,350.00	\$ 7,700.00	\$ -	\$ -	\$ -	\$ -
\$ 1,800.00	\$ 300.00	\$ -	\$ (1,500.00)	\$ (300.00)	\$ 1,500.00	\$ 300.00	\$ -	\$ -	\$ -	\$ -
\$ 1,000.00	\$ -	\$ -	\$ (1,000.00)	\$ -	\$ 1,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,500.00	\$ 2,500.00	\$ 2,479.89	\$ -	\$ (20.11)	\$ 2,479.89	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,400.00	\$ 60,864.00	\$ 59,771.12</								

After performing a thorough evaluation and review of the management report via the transferred figures the following anomalies noted for management response:

- The increases and decreases in the budget noted would be signified the changes in the budget balances and this changes should agree with the revised budget figures.
- iii. Refer to the changes of individual output provisions as per allocation in related to the increases and decreases column (Original Budget minus/add with the approved transferred figures is equal to the changes in the budget) whereas this changes should be reflected into the revised budget. This changes should also agree with revised budget figure as per indicated at the above analysis table.
- The variances noted for individual output provisions as per allocation have signified also the understatements and overstatements as reflected in the revised budget disclosed in the management report.
- iv. However, refer to the variances column and note the revised budget minus with the changes in the budget column (increases/decreases) and the variances should become zero. If there is a variance there must be an error in the management report or the transfer/virement/supplementary database was not updated

Implication:

- The variances had signified the error in the management report or the transferred/virement/supplementary database was not updated.
- The variances had signified the poor performance for the MFED and MISE account unit in failing to review and to reconcile their records.

Recommendation:

- Management should maintain and to provide transfer and virements upon request for auditing purposes and for their future references.
- Management should ensure that transfer records are transferred completely and collectedly recorded in the database records.
- Management should response to the noted variances detected and made submissions according to the variances noted to amend their records with MFED.

Management response:

Attachment to this report for further clarifications;

TRANSFER	TRANSFERS					
(D)	(E)					
\$ 177,00	\$ 33,811.00	\$ 236,276.00	\$ 200.00	it looks like the unposted transfer, to be confirmed		
\$ 29,644.00	\$ 29,644.00	\$ 20,212.00	\$ -			
\$ 79,849.00	\$ 43,373.00	\$ -	\$ -			
\$ 29,860.00	\$ 35,800.00	\$ (200.00)	\$ -	at books like:		
\$ 3,400.00	\$ 47,600.00	\$ -	\$ (1,450.00)	not		
\$ 619.00	\$ 21,982.00	\$ (43,110.00)	\$ -	Approved supplementary		
\$ 4,040.00	\$ 25,000.00	\$ -	\$ -			
\$ 755.00	\$ 245.00	\$ -	\$ -			
		\$ -	\$ -	According to		
		\$ -	\$ -	211, as unposted by		
		\$ -	\$ -	posting to the		
		\$ -	\$ -	11311-217110		
\$ 3,205.00	\$ 36,144.00	\$ -	\$ -			
\$ 1,950.00	\$ 9,850.00	\$ 1,400.00	\$ -			
\$ 216.00	\$ 1,444.00	\$ -	\$ -			
\$ 17,954.00	\$ 19,004.00	\$ -	\$ -			
\$ 750.00	\$ 1750.00	\$ (40,710.00)	\$ -	Approved supplementary \$40,000, unposted transfer \$750		
\$ 750.00	\$ 12,700.00	\$ (13,210.00)	\$ -	Approved supplementary \$60,500, unposted transfer \$750		
\$ 50,000.00	\$ 4,600.00	\$ -	\$ -	The total annual transferred out was \$50,000 as per branch 001/13		
		\$ 247,640.00	\$ (156,277.00)	\$ (60,000.00)	\$ (12,000.00)	
		\$ 21,000.00	\$ 106,150.00	\$ -	total amount	
		\$ 547.00	\$ 9,749.00	\$ -	difference of #500 was from 2702-314	
		\$ -	\$ -	Total amount transferred		
		\$ -	\$ -	Not contra entry		
\$ 2,142.00	\$ 932.00	\$ -	\$ -			
\$ 13,389.00	\$ 14,389.00	\$ -	\$ -			
\$ 1,719.00	\$ 16,781.00	\$ -	\$ -			
\$ 3,525.00	\$ 1,200.00	\$ (299.00)	\$ -			
\$ 3,400.00	\$ 768.00	\$ -	\$ -			
\$ 17,719.00	\$ 21,819.00	\$ -	\$ -			
\$ 1,400.00	\$ 2,410.00	\$ -	\$ -			
\$ 37,500.00	\$ 12,000.00	\$ -	\$ -			
\$ 300.00	\$ -	\$ -	\$ -			
\$ 100.00	\$ 1,000.00	\$ 18,214.00	\$ 1,190.00	\$ -		
\$ 15,000.00	\$ 478.00	\$ -	\$ -			
\$ 2,100.00	\$ 0.00	\$ -	\$ 0.00			
\$ 1,500.00	\$ 3,500.00	\$ -	\$ -			
\$ 11,735.00	\$ 11,335.00	\$ (11,335.00)	\$ 15,000.00	\$ (15,000.00)		
\$ 26,359.00	\$ 27,945.00	\$ -	\$ 15,000.00	\$ (14,999.40)		
\$ 28,233.00	\$ 28,235.00	\$ 11,051.00	\$ (110,616.00)	\$ 15,000.00	\$ (14,999.40)	
\$ 58,499.00	\$ 224,217.00	\$ -	\$ -			
\$ 10,000.00	\$ 10,273.00	\$ -	\$ -			
- 23,435.00	\$ 40,515.00	\$ -	\$ -			
\$ 5,675.00	\$ 8,675.00	\$ -	\$ -			
\$ 11,708.00	\$ 24,192.00	\$ -	\$ -			
\$ 913.00	\$ 11,843.00	\$ -	\$ -			
\$ 2,860.00	\$ 689.00	\$ -	\$ -			
\$ 300.00	\$ -	\$ -	\$ -			
\$ 13,065.00	\$ 13,495.00	\$ -	\$ -			
\$ 10,000.00	\$ 22,120.00	\$ -	\$ -			
\$ 500.00	\$ 1,700.00	\$ -	\$ -			
\$ 10,000.00	\$ 15,500.00	\$ -	\$ -			
\$ 1,479.00	\$ 10,000.00	\$ 44,000.00	\$ 5,429.00	\$ (5,429.00)		
\$ 44,612.00	\$ 43,572.00	\$ 181,310.00	\$ 454,183.00	\$ 5,479.00	\$ (2,479.00)	
\$ 8,000.00	\$ 249,783.00	\$ -	\$ -			
\$ 2,452.00	\$ 1,962.00	\$ -	\$ -			
\$ 4,100.00	\$ 4,500.00	\$ -	\$ -			
\$ 1,410.00	\$ 146.00	\$ 4,150.00	\$ 1,464.00	\$ -		
\$ 800.00	\$ -	\$ -	\$ -			
\$ 1,810.00	\$ -	\$ 1,766.00	\$ -			
\$ 5,146.00	\$ 8,139.00	\$ -	\$ 186.00			
\$ 145.00	\$ 2,895.00	\$ -	\$ 245.00			
\$ 1,113.00	\$ 18,153.00	\$ 10,916.00	\$ 291.00			
\$ 28,949.00	\$ -	\$ 28,966.00	\$ -			
\$ 1,500.00	\$ 2,500.00	\$ -	\$ -			
\$ 1,449.00	\$ 3,844.00	\$ -	\$ -			
\$ 14,000.00	\$ 4,000.00	\$ -	\$ 2,600.00			
\$ 23,500.00	\$ 32,000.00	\$ -	\$ -			
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18.3.4 PAYROLL

18.3.4.1 Salary

Finding and Analysis

After performing a thorough review of payroll the following anomalies were noted and are highlighted for management to consider;

- i. A variance noted of \$54,058.71, which equivalent to one payday omitted from the management report for which the variance signifies understatement in total payroll expense disclosed in the management report. Total per management report \$1,298,478.77 less \$1,352,537.48 total extracted from pay costing reports as indicated in the table below:

Total Gross Salaries per Account (MR)	1,298,478.77
Total Gross Salaries per Pay Costing	1,352,537.48
Variance	-\$ 54,058.71

- ii. We were unable to verify payments of salaries for our selected employees to sure that payments of salaries were in line to their appointment or not. As noted, and this will be conveyed as audit request, that there was no action committed by the registry division in providing us with appointment letters for our selected sample to test.
- iii. We were unable to authenticate payment of charge allowance value at \$3,769.70 in total (refer selected samples) as the PFs for these selected employees were not provided during the course of action. The audit noted that only one PF produced, but we were not able to verify the amount paid of \$1,211.52 to the concerned officer without a letter kept available in his PF to support payment of his charge allowance as shown below:

Date	Employees	Employment entitlement	Effective date(per letter)	Pay per Employments
30/08/2017	Areke Alexander Tiareti	Sanitation Enginer, L6	01/07/17-31/08/17	655.00
30/08/2017	Antonio Maeke Tekou	Architect, L6	01/07/17-31/08/17	655.00
30/08/2017	Taobina Batiata	Hydro Geologist, L9	01/07/17-31/08/17	655.00
30/08/2017	Tebong Reiati	Draughtsman, L10(4)	01/07/17-31/08/17	421.00
30/08/2017	Toromon Titaake	Draughtsman, L15 (2)	01/07/17-31/08/17	353.60
30/08/2017	Kaiea Burentarawa Tekautu	Draughtsman, L15 (2)	01/07/17-31/08/17	358.00
30/08/2017	Scott Taira	Mechanical tradesman, L17(1)	01/07/17-31/08/17	282.10
30/08/2017	Neneia Tekiang	Mechanical leading hand, L13(2)	01/07/17-31/08/17	390.00
TOTAL				\$ 3,769.70

- iv. One officer has been found paying high above recommended salary as per stated in a signed temporary appointment letter hence, clarification sought. Note that this officer was relieving one registry clerk while the Incumbent continued taking her annual leave. Refer table below.

Reliever	Post & Salary scale	Post holder	Duration	Salary scale	Current paid	Different
Katetebwa Ruetate	Registry clerk (L15-1)	Jeselyne Mote	27/2/17-3/3/17	244.00	488.00	(244.00)

Implications:

A variance noted between the pay costing and management is a good indicator of having produced an incomplete management report on actual payroll spending and in return will lead to mismanagement decision when future payroll budget made.

Uncommitted to provide supporting to salaries i.e. appointment & charge allowance letter is a breach action against certain conditions of the national financial regulation and in this regard absence of such required documents could raise doubt whether the payments of salaries were proper or even not.

Processing of wrong payment of salary high above the normal scale is an indicator of misappropriations of public fund.

Recommendation:

- The responsible division (accounting officers) has to review the variance noted and if not agreed then has to provide justifiable explanation in order to settle the issue as raised.
- Responsible officers (Registry division) are kindly request to show self-commitments in responding to the audit needs particularly in providing the audit with the requested supporting documents on a timely basis as they are obliged to do so under certain conditions of the national financial regulation, otherwise unsupported payments will be regarded as unauthorised payments.
- The responsible divisions (account & registry) have to review & check the overpayment noted and to provide the audit office with evidences justifiable in settlement of the audit findings noted above, otherwise recovery action would be immediately implemented.

Management response:

The management through the Account Division agreed with the recommendations made by the Audit office and this has been noted for future references.

18.3.5 PROCUREMENT ACT

18.3.5.1 A Follow Up Of The Excessive And Over Payment Of \$21,540 for 2016- MANEIKO TRAVEL AGENCY

Finding and Analysis:

On the 9th October 2018 the audit officer had been doing a follow up of the 2016 overpayment to Maneiko with MISE Senior Accountant and on the 18th October 2018 I received the response vial my email from Senior Accountant with regret. However, Maneiko refused to refund the overpayment of

Hon. Minister and his team air tickets amounted to \$21,540.00 based on Maneiko's responses as followed:

- All monies paid to Maneiko were all paid to the respective airlines in exchange for tickets. So please be advised agencies do not hold airfare funds when tickets have been purchased.
- the ticket's lifespan is only one year and can only be used or refunded which means the tickets were invalid and
- Maneiko cannot be of assistance.

Therefore, the Agency had ignored its prior notification letter, dated on 5th January 2017 which have received by Permanent Secretary, via his email on the same date prior procurement meeting. This letter was a confirmation of refunds for issued tickets for Hon. Minister and his team as followed:

- This is to confirm that the air tickets we have issued in respect the following people will be refunded after receipted of funds for such tickets:
 - i. Hon.Waysang Kum Kee (business sir tickets on Fiji Airways and Air New Zealand Flight)
 - ii. Mrs Terere Tabwai (Fiji Airways, Etihad and Air New Zealand air tickets)
 - iii. Mrs Bereteiti Kakiabwebwe (Fiji Airways, Etihad and Air New Zealand air tickets)

However, the audit was of view there must be an involvement of staff with Maneiko travel agency based on the following:

- The Chairperson and Senior Accountant were being aware on 05/01/2016 that Hon. Minister and his spouse plus EA were not going to attend the IRENA prior their meeting which meant the payment was not yet processed but await for Procurement Committee meeting on 06/01/2018 for approval and endorsement.
- The Secretary was also aware of this over payment of \$21,540 but he did not reject the payment when he obviously noticed that Hon. Minister's team were not going to attend the IRENA sixth session based on the following:
 - i. The Secretary was receiving a letter of notification dated on 5/01/2016 from Maneiko Travel Agency for confirming the refunds hence the submission of a tender summary and recommendation from the Secretary to Chairperson was also dated on the same date, 5/01/2016. This letter was received by the Secretary one day prior the procurement committee meeting that would be commenced and held on 06/01/2016.
 - ii. The Secretary was abusing his power for submitting Maneiko's notification letter to the Procurement Committee Members in directing them to approve and endorse the payment of \$43, 177.00. That is why the procurement committee was approving and endorsing the payment of \$43,177.00 based on the notification letter that was given and submitted by the Secretary on behalf of Maneiko Travel Agency. However, the Secretary should reject this notification at the first place when he had confirmed it that

the payment was involved an overpayment of \$21,540.00 to Maneiko. This could be indicated the intention of the Secretary in involving to support the processing of this overpayment and the intent to violate the FR 2011 sec 10.23. "...the overpayment shall be treated as a cash loss and dealt with in accordance with applicable regulations concerning cash losses..."

- Another issue that the audit revealed was the alteration of the PV details from Hon. Minister to Secretary which the payment was actually paid only for Secretary and his team. However. the whole cost of \$43, 177 was for Hon. Minister and his team instead of \$21, 637.00 which have to be supposed and paid to Maneiko for the air tickets costs of the Secretary and his team. The attachment supported to this payment voucher was not relevant due to the alteration details of this attachment (tender summary and recommendations). This act was a violation of FR 11 10.23, 16.8 (2) and Procurement Act 2002.
- Additionally, the alteration of the tender summary and recommendation details discovered from Hon. Minister to Secretary as indicated in the requirement column. Therefore, the process was not complying with government policy, the tender summary and documentations attached to support the process payment for PV 14/27 \$43,177 were not relevant due to the alteration of such details and this could indicate that Secretary and Procurement Committee have intended to commit and to violate FR 11 Sec. 3.3, 3.7 (f), Sec 16.8 (2), Sec 10.23 and Procurement Act 2002.
- The iteneraries descriptions for departure was on the 7th January 2017, 01100 am which have clearly indicated and determined the time rap between the payments for confirmation of such seats for Hon. Minister and his team when it brought to notice that the payment voucher was also processed and authorized on 6th Janaury 2017 one day prior the departure. Therefore, the processing and authorizing the payments for the confirmation of Hon. Minister and his team seat was inadequate and improper hence the overpayment of \$21,540 involved was fully utilized by this agency.

Therefore the overpayment of \$21,540, a urge amount shall be treated as a cash losse for public funds and dealt with in accordance with applicable regulations concerning cash losses.

In light of the above one concern that could be raised was the disclosure of information when it was realized that the agent (Maneiko) Travel submitted its letter to the Secretary one (1) prior the procurement committee meeting and the committee members were given a wrong direction by approving and end endorsing the payment of\$43,177 as per the procurement minutes. Full details of payments is provided in the table hereunder:

PV No.	Details	Amount
14/27	Being settlement of Secretary air ticket with his team to Abu_Drabi as per supporting documents.	\$ 43,177.00
Total Payment		\$ 43,177.00
Less: Excess payment for: Hon. Minister and his spouse plus EA		\$ 21,540.00
The Amount Should Be Paid To Maneiko Travel		\$ 21,637.00

Excessive and over payment of \$21,540.00 reflected the above signposted the failure of the Secretary to reject the payment in the first place and also the failure of the committee in approving the unaltered amount. The amount could not reimburse hence the travel agency was refused and could not offer assistance to refund this overpayment. Refer to letter appendix.

Implications:

- For being involved ignoring of their duties as specified under FR 2011 iii Duties and Responsibilities of Public Officer 3.3 and 3.7 (f) duties would not properly supervised and public funds are going to be wasted.
- For being involved ignoring of FR 2011 (10.23) its signified the intention to process the overpayment to the Agency whilst sec. 10.23 of the FR 2011 was clearly indicating that overpayment shall be treated as a cash losses to public funds which means officials involved were liable to this losses.
- The alteration details of PV 14/27 and summary tender and recommendation without certifying such changes would signify the fraudulent actions being made which could lead to the losses of the public funds and indicate the intention of officials to violate of relevant provisions of FR 11 Sec. 16.8 (2) and Procurement Act 2002.
- The failure by approving the above significant payment would undermine the capabilities of those senior officials that involved and present at the procurement meeting.
- 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.
- The failure to follow the provisions of the Procurement Act 2002 could create high risk of overspending and misappropriation of public funds.

Recommendations:

- Management should ensure its officials are fully conversant and comply with the provision of financial government policies, laws and Regulations including Procurement Act 2002.
- Management must ensure to deal with proper actions and penalties that to be imposed unto staff concerned due with ignoring and neglecting of the procurement acts 2002 and FR 2011 Sec. 3.3, 3.7 (f), 16.8 (2) and 10.23.

Management response:

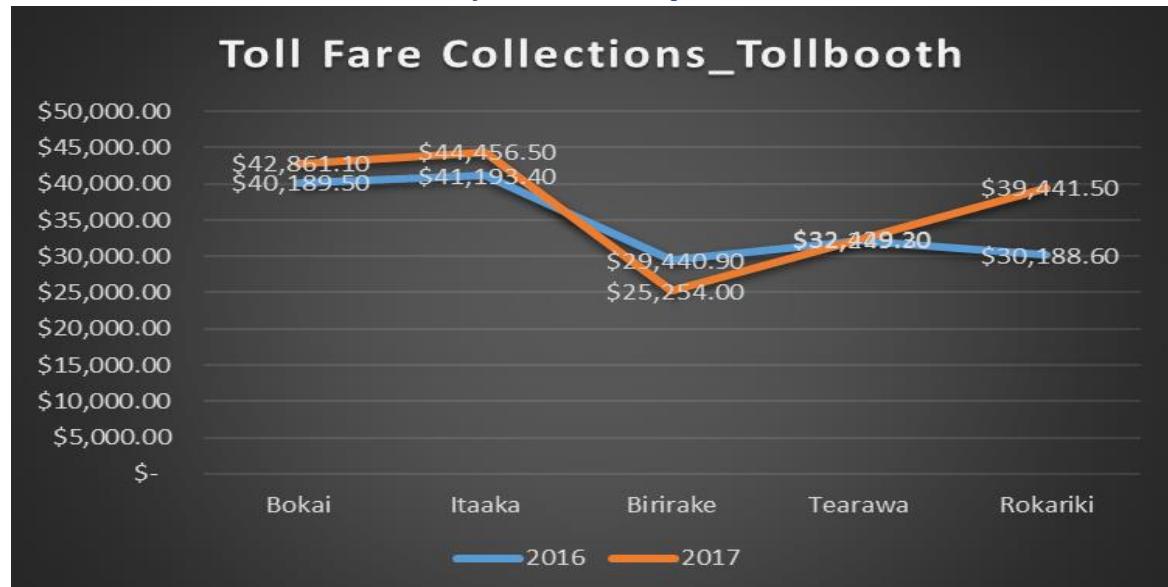
The management kindly request if more time is given on this long issue s they need to meet with the concerned officials involved in this matter before Audit findings could be accepted. Will be ready probably before end of this year 2018.

18.3.6 DAI NIPPON TOLL FARE (F007000067A)

18.3.6.1 Mise Toll Fare Budget Summary Cash Collection For Individual For Years 2016-2017

Toll Fare Collector	2016	2017
Bokai	\$ 40,189.50	\$ 42,861.10
Itaaka	\$ 41,193.40	\$ 44,456.50
Birirake	\$ 29,440.90	\$ 25,254.00
Tearawa	\$ 32,249.30	\$ 32,429.20
Rokariki	\$ 30,188.60	\$ 39,441.50

18.3.6.2 Mise Toll Fare Cash Summary Collection Graph For Years 2016-2017



As observed from the table above indicated the cash summary collections from Dai Nippon Tollbooth had showed some improvement in related only to the total overall collections as per indicated. However, there were times that daily cash receipted collections at the tollbooth was around \$0.50 to \$20.00 which have signified the lack of cash collections expected per shift as scheduled. Referred to 3.8.3

18.3.6.3 Lack Of Toll Fare Daily Cash Receipted Collections At Dai Nippon Tollbooth

When the audit conducted its walkthrough testing for individual daily cash receipted collections on the 2016 and 2017 cash books, the audit discovered a lack of control over such collections for each of individual tollbooth collectors. This lack of control was due with the unexpected total toll fare receipted

figure collections of \$0.50 to \$30 for per shift as the rate per day for saloon \$0.20, D/Cap \$0.40, truck and mini bus \$0.60 and truck (3 tone) \$0.80. However, the audit noted that toll fare received and paid in at cashier's office MISE was not actually indicating the correctness expected figure that would be collected and receipted. Therefore the table below was indicating the lack and poor control over the individual of tollbooth fare collectors in collecting of vehicles toll fares and the involvement of the cashier for receipting and posting of such collections

YEAR: 2016						YEAR: 2017					
CODE	Received From	RR No	Date	FormAno	Cash	CODE	Received From	RR No	Date	FormAno	Cash
F0070000067A	Birirake	236056	04-Jan-16	001/16/27	\$ 23.80	F0070000067A	Birirake	3995474	11-Aug-17	065/17/27	\$ 24.10
F0070000067A	Birirake	236061	10-Jan-16	001/16/27	\$ 3.00	F0070000067A	Birirake	3995474	25-Jul-17	073/17/27	\$ 2.00
F0070000067A	Birirake	236069	29-Apr-16	027/16/27	\$ 20.90	F0070000067A	Birirake	3995781	20-Oct-17	088/17/27	\$ 22.00
F0070000067A	Birirake	275645	07-May-16	029/16/27	\$ 1.80	F0070000067A	Birirake	433894	24-Nov-17	096/17/27	\$ 20.00
F0070000067A	Birirake	275657	09-May-16	029/16/27	\$ 26.00	F0070000067A	Birirake	433989	19-Dec-17	101/17/27	\$ 21.20
F0070000067A	Birirake	303489	03-Aug-16	053/16/27	\$ 20.00	F0070000067A	Birirake	446214	28-Dec-17	103/17/27	\$ 22.60
F0070000067A	Birirake	311365	30-Sep-16	068/16/27	\$ 28.10	Sub Total		\$ 136.90			
F0070000067A	Birirake	320312	31-Oct-16	076/16/27	\$ 20.00	F0070000067A	Itaaka	399537	27-Aug-17	071/17/27	\$ 20.40
F0070000067A	Birirake	320343	07-Nov-16	078/16/27	\$ 20.00	F0070000067A	Itaaka	399563	27-Sep-17	080/17/27	\$ 26.70
F0070000067A	Birirake	320390	15-Nov-16	081/16/27	\$ 20.00	Sub Total		\$ 47.10			
F0070000067A	Birirake	328233	24-Nov-16	063/16/27	\$ 10.10	F0070000067A	Rokariki	345158	27-Jan-17	009/17/27	\$ 20.90
F0070000067A	Birirake	328247	25-Nov-16	084/16/27	\$ 10.00	F0070000067A	Rokariki	355704	26-Feb-17	017/17/27	\$ 20.60
F0070000067A	Birirake	328247	29-Nov-16	085/16/27	\$ 20.00	F0070000067A	Rokariki	368419	23-Mar-17	026/17/27	\$ 25.70
F0070000067A	Birirake	328264	29-Nov-16	085/16/27	\$ 20.00	F0070000067A	Rokariki	3995287	01-Jul-17	053/17/27	\$ 27.10
F0070000067A	Birirake	328265	29-Nov-16	085/16/27	\$ 20.00	F0070000067A	Rokariki	3995411	01-Jul-17	053/17/27	\$ 14.00
F0070000067A	Birirake	328278	01-Dec-16	086/16/27	\$ 20.00	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Birirake	328283	01-Dec-16	086/16/27	\$ 20.00	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 22.20
F0070000067A	Birirake	328304	05-Dec-16	086/16/27	\$ 20.00	F0070000067A	Rokariki	433874	20-Nov-17	094/17/27	\$ 20.80
F0070000067A	Birirake	328319	07-Dec-16	087/16/27	\$ 20.00	F0070000067A	Rokariki	433906	27-Nov-17	096/17/27	\$ 19.60
Sub Total		\$ 366.10		F0070000067A		Rokariki		446222		28-Dec-17	
								103/17/27		\$ 25.90	
F0070000067A	Bokai	236060	05-Jan-16	001/16/27	\$ 23.60	F0070000067A	Rokariki Bwereli	3995493	15-Aug-17	066/17/27	\$ 23.70
F0070000067A	Bokai	236102	12-Jan-16	003/16/27	\$ 23.80	F0070000067A	Rokariki	355660	16-Feb-17	015/17/27	\$ 24.00
F0070000067A	Bokai	236167	25-Jan-16	005/16/27	\$ 25.20	Sub Total		\$ 260.10			
F0070000067A	Bokai	266743	15-Apr-16	023/16/27	\$ 13.00	F0070000067A	Terawa	395735	17-Oct-17	084/17/27	\$ 29.60
F0070000067A	Bokai	275741	25-May-16	034/16/27	\$ 4.40	F0070000067A	Terawa	433954	09-Dec-17	099/17/27	\$ 22.70
F0070000067A	Bokai	290655	17-Jun-16	040/16/27	\$ 13.40	Sub Total		\$ 52.30			
Sub Total		\$ 247.80									
F0070000067A	Itaaka	236064	06-Jan-16	002/16/27	\$ 28.30	F0070000067A	Rokariki	3995493	15-Aug-17	066/17/27	\$ 23.70
F0070000067A	Itaaka	2666443	24-Mar-16	017/16/27	\$ 28.10						
F0070000067A	Itaaka	275635	10-May-16	027/16/27	\$ 10.00	F0070000067A	Rokariki	3995411	01-Jul-17	053/17/27	\$ 14.00
F0070000067A	Itaaka	328292	16-May-16	031/16/27	\$ 4.40	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Itaaka	290613	05-Jun-16	038/16/27	\$ 28.60						
F0070000067A	Itaaka	311332	18-Sep-16	067/16/27	\$ 15.30	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 22.20
F0070000067A	Itaaka	320311	31-Oct-16	076/16/27	\$ 16.10	F0070000067A	Rokariki	433874	20-Nov-17	094/17/27	\$ 20.80
F0070000067A	Itaaka	320365	10-Nov-16	079/16/27	\$ 20.00	F0070000067A	Rokariki	446222	28-Dec-17	103/17/27	\$ 25.90
F0070000067A	Itaaka	320384	14-Nov-16	080/16/27	\$ 22.60						
F0070000067A	Itaaka	320394	15-Nov-16	082/16/27	\$ 13.00	F0070000067A	Rokariki	3995493	15-Aug-17	066/17/27	\$ 23.70
F0070000067A	Itaaka	328296	16-Nov-16	084/16/27	\$ 20.00						
F0070000067A	Itaaka	328298	21-Nov-16	082/16/27	\$ 20.00	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Itaaka	328249	25-Nov-16	084/16/27	\$ 23.40						
F0070000067A	Itaaka	328258	28-Nov-16	084/16/27	\$ 20.00	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 22.20
F0070000067A	Itaaka	328273	30-Nov-16	085/16/27	\$ 12.40	F0070000067A	Rokariki	433874	20-Nov-17	094/17/27	\$ 20.80
F0070000067A	Itaaka	328281	01-Dec-16	086/16/27	\$ 20.00						
F0070000067A	Itaaka	328289	03-Dec-16	086/16/27	\$ 20.00	F0070000067A	Rokariki	3995411	01-Jul-17	053/17/27	\$ 22.20
F0070000067A	Itaaka	328290	06-Dec-16	086/16/27	\$ 20.30						
F0070000067A	Itaaka	328299	09-Dec-16	086/16/27	\$ 20.30	F0070000067A	Rokariki	433874	20-Nov-17	094/17/27	\$ 20.80
F0070000067A	Itaaka	328311	06-Dec-16	087/16/27	\$ 20.00						
F0070000067A	Itaaka	320317	01-Nov-16	077/16/27	\$ 20.00						
Sub Total		\$ 420.40									
F0070000067A	Kabeiba	266604	15-Mar-16	015/16/27	\$ 28.60						
F0070000067A	Kabeiba	266707	08-Apr-16	021/16/27	\$ 0.50						
Sub Total		\$ 29.10									
F0070000067A	Rokariki	236052	03-Jan-16	001/16/27	\$ 12.20	F0070000067A	Rokariki	3995411	01-Jul-17	053/17/27	\$ 22.70
F0070000067A	Rokariki	236071	07-Jan-16	003/16/27	\$ 26.00						
F0070000067A	Rokariki	236104	12-Jan-16	003/16/27	\$ 20.00	F0070000067A	Rokariki	3995411	01-Jul-17	053/17/27	\$ 14.00
F0070000067A	Rokariki	236136	18-Jan-16	004/16/27	\$ 14.20						
F0070000067A	Rokariki	266663	29-Mar-16	018/16/27	\$ 20.10	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Rokariki	275604	28-Apr-16	027/16/27	\$ 21.20						
F0070000067A	Rokariki	275653	08-May-16	029/16/27	\$ 26.20	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 25.00
F0070000067A	Rokariki	275675	13-May-16	031/16/27	\$ 6.30						
F0070000067A	Rokariki	275723	23-May-16	034/16/27	\$ 21.70	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Rokariki	280155	17-Jun-16	040/16/27	\$ 20.00						
F0070000067A	Rokariki	290675	22-Jun-16	043/16/27	\$ 27.30	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 24.40
F0070000067A	Rokariki	303562	16-Aug-16	057/16/27	\$ 24.60						
F0070000067A	Rokariki	311327	16-Sep-16	067/16/27	\$ 5.10	F0070000067A	Rokariki	433874	20-Nov-17	094/17/27	\$ 16.60
F0070000067A	Rokariki	311383	04-Oct-16	069/16/27	\$ 20.00						
F0070000067A	Rokariki	320203	09-Oct-16	071/16/27	\$ 22.00	F0070000067A	Rokariki	446222	28-Dec-17	103/17/27	\$ 20.00
F0070000067A	Rokariki	320247	18-Oct-16	073/16/27	\$ 20.00						
F0070000067A	Rokariki	320254	18-Oct-16	074/16/27	\$ 20.00	F0070000067A	Rokariki	3995405	26-Jul-17	059/17/27	\$ 24.40
F0070000067A	Rokariki	320275	24-Oct-16	074/16/27	\$ 20.60						
F0070000067A	Rokariki	320306	30-Oct-16	076/16/27	\$ 24.30	F0070000067A	Rokariki	3995409	27-Jul-17	060/17/27	\$ 22.20
F0070000067A	Rokariki	320353	08-Nov-16	079/16/27	\$ 25.10						
F0070000067A	Rokariki	320361	09-Nov-16	079/16/27	\$ 10.00	F0070000067A	Rokariki	433874	20-Nov-17	094/	

Implication:

- For being not honest and failing to report the unexpected toll fare cash collection would lead to the misusing of that funds.
- Failure to have a regular review on daily toll fare cash receipted collections with cashier cash book records would open opportunities to conceal frauds

Recommendation:

- Management through its Account Section shall ensure to have proper and regular review in order to promptly detect the discrepancies in the toll fare cash collection via the cashier cash book records.

Management response:

We have confirmed and agree with the Audit office findings regarding 0.50 and \$20 receipts in the year 2016. For your information and brief information the toll fare collectors were issued with the amount of \$20 as their petty cash (float) and as confirmed from receipts the amount received was for such reasons and as 0.50 amount this was not very clear as it just noted as the collection or might be the shortages amount in their collection which was just been receipted later but this was not confirmed correct. But this needs further confirmation.

In addition the management is agreeing to your findings and is now working on its new strategies to improve the toll fare collections as a way of moving forward and one has been agreed during the meeting was benchmark will be set on how much they need to collect say by per shift by week or by monthly. This would need further work; someone would probably do the tallying on the number of vehicles to give some ideas on how much would be set as their targeted amount.

18.3.6.4 The Roster For Tollbooth 2017**Finding and Analysis:**

The audit could not extend further testing for individual tollbooth collectors' performance due to non-maintaining of the roster for tollbooth 2017.

Implication:

- Failure in maintaining the roster for tollbooth the audit would make difficult to identify the individual officer daily shift as scheduled and failure to record and report the absences of the staff who never turned up during his shift as scheduled.

Recommendation:

- Management should ensure to maintain the roster for tollbooth collectors in order to capture the officer who never turned up and have a poor attendance where penalties will be imposed onto that staff.

Management response:

The management agreed to the Audit office findings that the roster has not been put in place for the past years for the year 2016 but it was in March this year that the roster was in placed and could be seen upon request. Also a diary registry has been put up in their work place to record the in and out of toll collectors as a way of monitoring and improving the tollbooth collector's collection.

18.3.6.5 The Shortages And Surpluses Of Revenues Plus Unaccounted Of Revenue Collection

Findings and Analysis:

In performing the audit testing through MISE cash book form As records against

MFED GL it brought to notice that there were form As which have discovered the total shortages of \$2,577.80 and \$509.50, total surpluses of \$13,265.30 and total of unaccounted form As into MFED GL \$22,442.20 for the year for 2016 and 2017 as followed:

Year: 2016						Year: 2017					
Form A No.	MISE Form A Cash Book Balance	MFED GL F007000067A	(shortages)/surpluses	Form A No.	MISE Form A Cash Book Balance	MFED GL F007000067	(shortages)/surpluses	Form A No.	MISE Form A Cash Book Balance	MFED GL F007000067	(shortages)/surpluses
01/16	\$ 1,767.40	\$ 1,767.40	-	01/17	\$ 610.70	\$ 610.70	-	01/17	\$ 2,473.90	\$ 2,473.90	-
02/16	\$ 3,676.20	\$ 4,364.70	\$ 688.50	02/17	\$ 3,701.30	\$ 3,852.50	\$ 151.20	02/17	\$ 1,670.30	\$ 1,670.30	-
03/16	\$ 4,062.00	\$ 830.00	\$ (3,232.00)	03/17	\$ 2,330.10	\$ 2,178.90	\$ (151.20)	03/17	\$ 3,024.10	\$ 3,024.10	-
04/17	\$ 2,645.90	\$ 2,645.90	-	04/17	\$ 2,067.30	\$ 2,067.30	-	04/17	\$ 2,271.70	\$ 2,632.70	\$ 361.00
05/16	\$ 2,107.70	\$ 2,107.70	-	05/17	\$ 1,766.00	\$ 1,766.00	-	05/17	\$ 2,473.90	\$ 2,473.90	-
06/16	\$ 3,067.50	\$ 3,067.50	-	06/17	\$ 1,670.30	\$ 1,670.30	-	06/17	\$ 2,473.90	\$ 2,473.90	-
07/16	\$ 2,878.20	\$ -	\$ (2,878.20)	07/17	\$ 1,670.30	\$ 1,670.30	-	07/17	\$ 2,473.90	\$ 2,473.90	-
08/16	\$ 3,504.20	\$ -	\$ (3,504.20)	08/17	\$ 2,067.30	\$ 2,067.30	-	08/17	\$ 3,024.10	\$ 3,024.10	-
09/16	\$ 3,489.50	\$ -	\$ (3,489.50)	09/17	\$ 1,670.30	\$ 1,670.30	-	09/17	\$ 2,473.90	\$ 2,473.90	-
10/16	\$ 3,051.40	\$ -	\$ (3,051.40)	10/17	\$ 1,670.30	\$ 1,670.30	-	10/17	\$ 2,473.90	\$ 2,473.90	-
01/16	\$ 1,097.50	\$ 1,097.50	-	01/17	\$ 2,444.20	\$ 2,444.20	-	01/17	\$ 2,444.20	\$ 2,444.20	-
01/17	\$ 3,267.80	\$ 3,267.80	-	01/17	\$ 1,979.40	\$ 1,979.40	-	01/17	\$ 1,979.40	\$ 1,979.40	-
01/16	\$ 97.20	\$ 2,577.80	\$ 2,480.60	01/17	\$ 2,255.10	\$ 2,255.10	-	01/17	\$ 1,757.70	\$ 1,670.30	\$ (87.40)
01/16	\$ 4,111.80	\$ 4,111.80	-	01/17	\$ 2,192.20	\$ 2,192.20	-	01/17	\$ 1,877.50	\$ 1,861.50	\$ (16.00)
01/16	\$ 980.70	\$ 980.70	-	01/17	\$ 2,248.80	\$ 2,248.80	-	01/17	\$ 2,186.80	\$ 2,186.80	-
01/17	\$ 1,800.80	\$ 1,800.80	\$ (0.80)	01/17	\$ 596.80	\$ 596.80	-	01/17	\$ 1,715.80	\$ 1,715.80	-
01/16	\$ 1,323.90	\$ 1,323.90	-	01/17	\$ 2,259.80	\$ 2,259.80	-	01/17	\$ 1,967.60	\$ 1,967.60	-
02/16	\$ 2,104.90	\$ -	\$ (2,104.90)	01/17	\$ 3,415.90	\$ 3,415.90	-	01/17	\$ 2,088.80	\$ 2,088.80	-
01/16	\$ 1,837.70	\$ 1,837.70	-	01/17	\$ 1,605.10	\$ 1,605.10	-	01/17	\$ 2,034.80	\$ 2,034.80	-
02/16	\$ 1,492.10	\$ 1,492.10	-	01/17	\$ 1,708.60	\$ 1,708.60	-	01/17	\$ 1,192.80	\$ 2,740.60	\$ 1,547.80
02/16	\$ 2,972.80	\$ 2,972.80	-	01/17	\$ 887.60	\$ 887.60	-	01/17	\$ 2,105.10	\$ 2,105.10	-
02/16	\$ 1,783.20	\$ 1,783.20	\$ 0.50	01/17	\$ 3,229.50	\$ 3,229.50	-	01/17	\$ 1,137.60	\$ 1,137.60	-
02/16	\$ 1,565.30	\$ 1,565.30	-	01/17	\$ 1,331.80	\$ 2,331.80	\$ -	01/17	\$ 1,304.00	\$ 1,304.00	-
02/16	\$ 1,641.50	\$ 1,641.50	-	01/17	\$ 1,738.80	\$ 1,738.80	-	01/17	\$ 1,848.70	\$ 1,848.70	\$ 20.00
02/16	\$ 2,081.00	\$ 2,081.00	-	01/17	\$ 2,880.00	\$ 2,880.00	-	01/17	\$ 1,580.70	\$ 1,580.70	\$ (2,880.00)
02/16	\$ 1,833.40	\$ 1,833.40	-	01/17	\$ 2,096.40	\$ 2,096.40	-	01/17	\$ 1,648.80	\$ 1,648.80	-
03/16	\$ 2,099.90	\$ 2,099.90	-	01/17	\$ 2,436.40	\$ 2,436.40	-	01/17	\$ 1,215.90	\$ 1,215.90	-
03/16	\$ 1,550.10	\$ 1,550.10	-	01/17	\$ 2,250.50	\$ 2,250.50	-	01/17	\$ 1,547.80	\$ 1,547.80	-
03/16	\$ 1,844.10	\$ 1,844.10	-	01/17	\$ 1,547.80	\$ 1,547.80	-	01/17	\$ 1,897.60	\$ 1,897.60	-
03/16	\$ 1,630.70	\$ 1,630.70	-	01/17	\$ 1,344.10	\$ 3,144.10	\$ -	01/17	\$ 1,215.90	\$ 2,187.90	\$ (1,478.70)
03/16	\$ 2,753.90	\$ -	\$ (2,753.90)	01/17	\$ 1,478.70	\$ 1,478.70	-	01/17	\$ 1,304.00	\$ 1,304.00	-
03/16	\$ 2,249.10	\$ 2,249.10	-	01/17	\$ 3,078.80	\$ 3,078.80	-	01/17	\$ 1,982.40	\$ 1,982.40	-
03/16	\$ 3,651.10	\$ 3,651.10	-	01/17	\$ 2,749.70	\$ 2,917.80	\$ 168.10	01/17	\$ 4,079.20	\$ 4,079.20	-
03/16	\$ 3,219.50	\$ 3,219.50	\$ (1.50)	01/17	\$ 1,261.20	\$ 1,261.20	-	01/17	\$ 606.80	\$ 606.80	-
04/16	\$ 8,697.70	\$ 17,395.40	\$ 8,697.70	01/17	\$ 1,419.80	\$ 1,419.80	-	01/17	\$ 1,769.50	\$ 1,769.50	-
04/16	\$ 2,376.70	\$ 2,376.70	-	01/17	\$ 2,562.00	\$ 2,562.00	-	01/17	\$ 596.70	\$ 596.70	-
04/16	\$ 1,786.00	\$ 1,786.00	-	01/17	\$ 1,897.60	\$ 1,897.60	-	01/17	\$ 1,215.90	\$ 1,215.90	-
04/16	\$ 3,401.00	\$ 3,401.00	-	01/17	\$ 3,012.00	\$ 3,012.00	-	01/17	\$ 656.20	\$ 656.20	-
04/16	\$ 513.10	\$ 513.10	-	01/17	\$ 550.50	\$ 550.50	-	01/17	\$ 1,261.20	\$ 1,261.20	-
04/16	\$ 1,511.20	\$ 1,511.20	-	01/17	\$ 1,245.20	\$ 1,245.20	-	01/17	\$ 606.80	\$ 606.80	-
04/16	\$ 1,716.90	\$ 1,716.90	-	01/17	\$ 1,691.40	\$ 1,691.40	-	01/17	\$ 1,419.80	\$ 1,419.80	-
04/16	\$ 2,193.60	\$ 2,193.60	-	01/17	\$ 1,769.50	\$ 1,769.50	-	01/17	\$ 1,091.00	\$ 1,091.00	-
04/16	\$ 3,121.20	\$ 3,121.20	-	01/17	\$ 3,515.60	\$ 3,515.60	-	01/17	\$ 1,621.70	\$ 1,621.70	-
04/16	\$ 3,335.00	\$ 3,335.00	-	01/17	\$ 4,366.00	\$ 4,366.00	\$ (30.00)	01/17	\$ 3,806.20	\$ 3,806.20	\$ (10.00)
05/16	\$ 3,222.60	\$ 4,322.60	\$ 1,100.00	01/17	\$ 3,626.40	\$ 3,626.40	-	01/17	\$ 1,282.90	\$ 1,282.90	-
05/16	\$ 1,913.20	\$ 1,913.20	-	01/17	\$ 959.50	\$ 959.50	-	01/17	\$ 2,862.60	\$ 2,862.60	\$ (959.50)
05/16	\$ 1,248.20	\$ 1,248.20	-	01/17	\$ 6,005.20	\$ 6,005.20	-	01/17	\$ 714.30	\$ 714.30	-
05/16	\$ 1,911.40	\$ 1,911.40	-	01/17	\$ 4,357.80	\$ 4,357.80	-	01/17	\$ 889.40	\$ 889.40	-
05/16	\$ 1,893.10	\$ 1,893.10	-	01/17	\$ 1,933.80	\$ 1,933.80	-	01/17	\$ 1,015.00	\$ 1,015.00	-
05/16	\$ 2,929.40	\$ 2,929.40	-	01/17	\$ 1,350.90	\$ 1,350.90	-	01/17	\$ 1,089.10	\$ 1,089.10	-
05/16	\$ 2,000.20	\$ 2,000.20	-	01/17	\$ 2,256.20	\$ 2,256.20	\$ 15.00	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,348.50	\$ 2,348.50	-	01/17	\$ 1,621.70	\$ 1,621.70	-	01/17	\$ 1,895.60	\$ 1,895.60	-
05/16	\$ 2,241.40	\$ 2,241.40	-	01/17	\$ 920.90	\$ 920.90	-	01/17	\$ 714.30	\$ 714.30	-
05/16	\$ 1,680.10	\$ 1,680.10	-	01/17	\$ 4,357.80	\$ 4,357.80	-	01/17	\$ 889.40	\$ 889.40	-
05/16	\$ 2,183.40	\$ 2,183.40	-	01/17	\$ 1,724.80	\$ 1,724.80	-	01/17	\$ 1,072.70	\$ 1,072.70	-
05/16	\$ 1,348.90	\$ 1,348.90	-	01/17	\$ 810.30	\$ 810.30	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,994.90	\$ 2,994.90	-	01/17	\$ 3,626.10	\$ 3,626.10	-	01/17	\$ 1,895.60	\$ 1,895.60	-
05/16	\$ 1,607.60	\$ -	\$ (1,607.60)	01/17	\$ 2,226.10	\$ 2,226.10	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,014.10	\$ 2,014.10	-	01/17	\$ 1,621.70	\$ 1,621.70	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,659.20	\$ 2,659.20	-	01/17	\$ 920.90	\$ 920.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 1,333.10	\$ 1,333.10	-	01/17	\$ 4,357.80	\$ 4,357.80	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 3,616.00	\$ 3,616.00	-	01/17	\$ 1,015.00	\$ 1,015.00	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,070.20	\$ 2,068.70	\$ (1.50)	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,150.60	\$ 2,150.60	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 1,984.50	\$ 1,983.00	\$ (1.50)	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,902.00	\$ 2,902.00	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,213.80	\$ 2,213.80	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,024.40	\$ 2,024.40	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 1,707.60	\$ -	\$ (1.60)	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,286.20	\$ 2,286.20	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,386.10	\$ 2,386.10	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,033.90	\$ 2,033.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 1,874.50	\$ 1,874.50	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,148.40	\$ 2,148.40	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 1,703.80	\$ 1,703.80	-	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$ 2,151.00	\$ -	\$ (1.50)	01/17	\$ 1,215.90	\$ 1,215.90	-	01/17	\$ 1,215.90	\$ 1,215.90	-
05/16	\$										

After performing the walkthrough testing of revenue collections the following anomalies were noted and highlighted for management response:

- The shortages and the surpluses which have been detected as per cash book form As.
- The unaccounted of cash book form As which have been not yet accounted into the MFED GL.
- MISE account did not have a proper and regularly review and reconciliation in order to keep tracking of such discrepancies.

Therefore, management was requested to give explanations regarding of this matter, if not the total shortages and total of unaccounted form As shall be treated as a cash losses and the amount involved should be recovered by responsible officers and penalties should be applied onto staff involved.

Implication:

- Failure in reviewing the cashier's cash book and form As could cause the risk of missuing the funds and exposing to fraud.
- Failure in posting of form As would create suspicious and doubt whether the amount stated was actually deposited or not.
- There is a possibility that there is a loss of revenue which could lead to the outflow of the government public funds.

Recommendation:

- Management should ensure that all relevant accounting records must be monitored and stored in a safe place and kept under the custody of Senior Accountant.
- Proper and regularly reconciliation should be performed in order to promptly detect and make corrections when wrong posting are been identified, if any.
- Shortages and unaccounted of cash book form As' shall be treated as cash losses whereas Management must take an immediate and urgent action who held accountable for such losses.

Management response:

We have gone through our records and there are some findings tha we managed to get as in as attachment 2:

Year: 2016		Form A		MIFED - GL		(shortages)/surplus		Miss Findings		Year: 2017		Form A		MIFED - GL		(shortages)/surplus		Miss Findings						
No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance	No.	Cash Book Balance							
01/16	\$ 1,767.40	01/17	\$ 610.70	-	-	-	-	-	-	02/17	\$ 3,701.30	02/17	\$ 3,852.50	02/17	\$ 151.20	-	-	-						
02/16	\$ 3,676.20	02/16	\$ 4,364.70	02/16	\$ 688.50	02/16	\$ -	The amount posted was short by \$154.00 where in fact the amount is \$151.20 according to our record. The amount again shows that the Form A shows \$151.20 with the difference in amount of 493.10 which has been noted yet posted.	03/17	\$ 3,350.10	03/17	\$ 2,175.90	03/17	\$ (151.20)	03/17	\$ -	contra entry.	03/17	\$ 2,069.30	03/17	\$ 2,067.90	03/17	-	amount matched when confirmed.
03/16	\$ 3,054.30	03/16	\$ 2,543.10	03/16	\$ (491.10)	03/16	\$ -	confirmed not yet posted.	04/17	\$ 2,374.70	04/17	\$ 2,374.70	04/17	\$ -	04/17	\$ 1,766.00	04/17	\$ 1,766.00	04/17	-	misposting amount. Should be posted under form A no. 03/17			
04/16	\$ 2,625.50	04/16	\$ 2,625.50	04/16	\$ -	04/16	\$ -	okay, typing error, confirmed amount matched with Finance.	05/17	\$ 3,024.10	05/17	\$ 3,024.10	05/17	\$ -	05/17	\$ 2,473.90	05/17	\$ 2,473.90	05/17	-	okay, amount matched when confirmed.			
05/16	\$ 2,107.70	05/16	\$ 2,077.70	05/16	\$ -	05/16	\$ -	okay, amount matched with GL.	06/17	\$ 3,024.10	06/17	\$ 3,024.10	06/17	\$ -	06/17	\$ 2,444.20	06/17	\$ 2,444.20	06/17	-	okay, amount matched when confirmed.			
06/16	\$ 3,007.50	06/16	\$ 3,007.50	06/16	\$ -	06/16	\$ -	okay, confirmed not yet posted.	07/17	\$ 1,979.40	07/17	\$ 1,979.40	07/17	\$ -	07/17	\$ 1,979.40	07/17	\$ 1,979.40	07/17	-	okay, amount matched when confirmed.			
07/16	\$ 3,489.50	07/16	\$ 3,489.50	07/16	\$ -	07/16	\$ -	okay, confirmed not yet posted.	08/17	\$ 1,787.70	08/17	\$ 1,787.70	08/17	\$ -	08/17	\$ 1,787.70	08/17	\$ 1,787.70	08/17	-	okay, confirmed matched.			
08/16	\$ 1,097.50	08/16	\$ 1,097.50	08/16	\$ -	08/16	\$ -	okay, confirmed not yet posted.	09/17	\$ 2,192.20	09/17	\$ 2,192.20	09/17	\$ -	09/17	\$ -	09/17	\$ -	09/17	-	okay, confirmed matched.			
09/16	\$ 3,267.80	09/16	\$ 3,267.80	09/16	\$ -	09/16	\$ -	okay, confirmed not yet posted.	10/17	\$ 1,800.00	10/17	\$ 1,800.00	10/17	\$ -	10/17	\$ -	10/17	\$ -	10/17	-	okay, confirmed matched.			
10/16	\$ 4,111.80	10/16	\$ 4,111.80	10/16	\$ -	10/16	\$ -	okay, confirmed not yet posted.	11/17	\$ 1,861.50	11/17	\$ 1,861.50	11/17	\$ -	11/17	\$ -	11/17	\$ -	11/17	-	okay, confirmed matched.			
11/16	\$ 950.70	11/16	\$ 950.70	11/16	\$ -	11/16	\$ -	okay, confirmed not yet posted.	12/17	\$ 2,348.80	12/17	\$ 2,348.80	12/17	\$ -	12/17	\$ -	12/17	\$ -	12/17	-	okay, confirmed matched.			
01/17	\$ 1,800.00	01/17	\$ 1,800.00	01/17	\$ -	01/17	\$ -	okay, confirmed not yet posted.	02/17	\$ 2,156.80	02/17	\$ 2,156.80	02/17	\$ -	02/17	\$ -	02/17	\$ -	02/17	-	okay, confirmed matched.			
02/16	\$ 1,323.00	02/16	\$ 1,323.00	02/16	\$ -	02/16	\$ -	okay, confirmed not yet posted.	03/17	\$ 2,259.80	03/17	\$ 2,259.80	03/17	\$ -	03/17	\$ -	03/17	\$ -	03/17	-	okay, confirmed matched.			
03/16	\$ 2,104.90	03/16	\$ 2,104.90	03/16	\$ -	03/16	\$ -	okay, confirmed not yet posted.	04/17	\$ 1,715.80	04/17	\$ 1,715.80	04/17	\$ -	04/17	\$ -	04/17	\$ -	04/17	-	okay, confirmed matched.			
04/16	\$ 1,492.10	04/16	\$ 1,492.10	04/16	\$ -	04/16	\$ -	okay, confirmed not yet posted.	05/17	\$ 1,967.60	05/17	\$ 1,967.60	05/17	\$ -	05/17	\$ -	05/17	\$ -	05/17	-	okay, confirmed matched.			
05/16	\$ 1,641.50	05/16	\$ 1,641.50	05/16	\$ -	05/16	\$ -	okay, confirmed not yet posted.	06/17	\$ 2,208.80	06/17	\$ 2,208.80	06/17	\$ -	06/17	\$ -	06/17	\$ -	06/17	-	okay, confirmed matched.			
06/16	\$ 2,034.60	06/16	\$ 2,034.60	06/16	\$ -	06/16	\$ -	okay, confirmed not yet posted.	07/17	\$ 1,738.80	07/17	\$ 1,738.80	07/17	\$ -	07/17	\$ -	07/17	\$ -	07/17	-	okay, confirmed matched.			
07/16	\$ 1,677.60	07/16	\$ 1,677.60	07/16	\$ 0.30	07/16	\$ -	okay, confirmed not yet posted.	08/17	\$ 2,024.80	08/17	\$ 2,024.80	08/17	\$ -	08/17	\$ -	08/17	\$ -	08/17	-	okay, confirmed matched.			
08/16	\$ 3,189.90	08/16	\$ 3,189.90	08/16	\$ -	08/16	\$ -	okay, confirmed not yet posted.	09/17	\$ 1,798.60	09/17	\$ 1,798.60	09/17	\$ -	09/17	\$ -	09/17	\$ -	09/17	-	okay, confirmed matched record.			
09/16	\$ 1,492.10	09/16	\$ 1,492.10	09/16	\$ -	09/16	\$ -	okay, confirmed not yet posted.	10/17	\$ 1,861.50	10/17	\$ 1,861.50	10/17	\$ -	10/17	\$ -	10/17	\$ -	10/17	-	okay, confirmed matched.			
10/16	\$ 1,097.50	10/16	\$ 1,097.50	10/16	\$ -	10/16	\$ -	okay, confirmed not yet posted.	11/17	\$ 2,348.80	11/17	\$ 2,348.80	11/17	\$ -	11/17	\$ -	11/17	\$ -	11/17	-	okay, confirmed matched.			
11/16	\$ 3,218.00	11/16	\$ 3,218.00	11/16	\$ -	11/16	\$ -	okay, confirmed not yet posted.	12/17	\$ 1,880.00	12/17	\$ 1,880.00	12/17	\$ -	12/17	\$ -	12/17	\$ -	12/17	-	okay, confirmed not posted.			
12/16	\$ 3,218.00	12/16	\$ 3,218.00	12/16	\$ -	12/16	\$ -	okay, confirmed not yet posted.	01/17	\$ 2,156.80	01/17	\$ 2,156.80	01/17	\$ -	01/17	\$ -	01/17	\$ -	01/17	-	okay, confirmed not posted.			
01/17	\$ 3,218.00	01/17	\$ 3,218.00	01/17	\$ -	01/17	\$ -	okay, confirmed not yet posted.	02/17	\$ 2,156.80	02/17	\$ 2,156.80	02/17	\$ -	02/17	\$ -	02/17	\$ -	02/17	-	okay, confirmed not posted.			
02/16	\$ 3,218.00	02/16	\$ 3,218.00	02/16	\$ -	02/16	\$ -	okay, confirmed not yet posted.	03/17	\$ 2,156.80	03/17	\$ 2,156.80	03/17	\$ -	03/17	\$ -	03/17	\$ -	03/17	-	okay, confirmed not posted.			
03/16	\$ 3,218.00	03/16	\$ 3,218.00	03/16	\$ -	03/16	\$ -	okay, confirmed not yet posted.	04/17	\$ 2,156.80	04/17	\$ 2,156.80	04/17	\$ -	04/17	\$ -	04/17	\$ -	04/17	-	okay, confirmed not posted.			
04/16	\$ 3,218.00	04/16	\$ 3,218.00	04/16	\$ -	04/16	\$ -	okay, confirmed not yet posted.	05/17	\$ 2,156.80	05/17	\$ 2,156.80	05/17	\$ -	05/17	\$ -	05/17	\$ -	05/17	-	okay, confirmed not posted.			
05/16	\$ 3,218.00	05/16	\$ 3,218.00	05/16	\$ -	05/16	\$ -	okay, confirmed not yet posted.	06/17	\$ 2,156.80	06/17	\$ 2,156.80	06/17	\$ -	06/17	\$ -	06/17	\$ -	06/17	-	okay, confirmed not posted.			
06/16	\$ 3,218.00	06/16	\$ 3,218.00	06/16	\$ -	06/16	\$ -	okay, confirmed not yet posted.	07/17	\$ 2,156.80	07/17	\$ 2,156.80	07/17	\$ -	07/17	\$ -	07/17	\$ -	07/17	-	okay, confirmed not posted.			
07/16	\$ 3,218.00	07/16	\$ 3,218.00	07/16	\$ -	07/16	\$ -	okay, confirmed not yet posted.	08/17	\$ 2,156.80	08/17	\$ 2,156.80	08/17	\$ -	08/17	\$ -	08/17	\$ -	08/17	-	okay, confirmed not posted.			
08/16	\$ 3,218.00	08/16	\$ 3,218.00	08/16	\$ -	08/16	\$ -	okay, confirmed not yet posted.	09/17	\$ 2,156.80	09/17	\$ 2,156.80	09/17	\$ -	09/17	\$ -	09/17	\$ -	09/17	-	okay, confirmed not posted.			
09/16	\$ 3,218.00	09/16	\$ 3,218.00	09/16	\$ -	09/16	\$ -	okay, confirmed not yet posted.	10/17	\$ 2,156.80	10/17	\$ 2,156.80	10/17	\$ -	10/17	\$ -	10/17	\$ -	10/17	-	okay, confirmed not posted.			
10/16	\$ 3,218.00	10/16	\$ 3,218.00	10/16	\$ -	10/16	\$ -	okay, confirmed not yet posted.	11/17	\$ 2,156.80	11/17	\$ 2,156.80	11/17	\$ -	11/17	\$ -	11/17	\$ -	11/17	-	okay, confirmed not posted.			
11/16	\$ 3,218.00	11/16	\$ 3,218.00	11/16	\$ -	11/16	\$ -	okay, confirmed not yet posted.	12/17	\$ 2,156.80	12/17	\$ 2,156.80	12/17	\$ -	12/17	\$ -	12/17	\$ -	12/17	-	okay, confirmed not posted.			
12/16	\$ 3,218.00	12/16	\$ 3,218.00	12/16	\$ -	12/16	\$ -	okay, confirmed not yet posted.	01/17	\$ 2,156.80	01/17	\$ 2,156.80	01/17	\$ -	01/17	\$ -	01/17	\$ -	01/17	-	okay, confirmed not posted.			
01/17	\$ 2,156.80	01/17	\$ 2,156.80	01/17	\$ -	01/17	\$ -	okay, confirmed not yet posted.	02/17	\$ 2,156.80	02/17	\$ 2,156.80	02/17	\$ -	02/17	\$ -	02/17	\$ -	02/17	-	okay, confirmed not posted.			
02/16	\$ 2,156.80	02/16	\$ 2,156.80	02/16	\$ -	02/16	\$ -	okay, confirmed not yet posted.	03/17	\$ 2,156.80	03/17	\$ 2,156.80	03/17	\$ -	03/17	\$ -	03/17	\$ -	03/17	-	okay, confirmed not posted.			
03/16	\$ 2,156.80	03/16	\$ 2,156.80	03/16	\$ -	03/16	\$ -	okay, confirmed not yet posted.	04/17	\$ 2,156.80	04/17	\$ 2,156.80	04/17	\$ -	04/17	\$ -	04/17	\$ -	04/17	-	okay, confirmed not posted.			
04/16	\$ 2,156.80	04/16	\$ 2,156.80	04/16	\$ -	04/16	\$ -	okay, confirmed not yet posted.	05/17	\$ 2,156.80	05/17	\$ 2,156.80	05/17	\$ -	05/17	\$ -	05/17	\$ -	05/17	-	okay, confirmed not posted.			
05/16	\$ 2,156.80	05/16	\$ 2,156.80	05/16	\$ -	05/16	\$ -	okay, confirmed not yet posted.	06/17	\$ 2,156.80	06/17	\$ 2,156.80	06/17	\$ -	06/17	\$ -	06/17	\$ -	06/17	-	okay, confirmed not posted.			
06/16	\$ 2,156.80	06/16	\$ 2,156.80	06/16	\$ -	06/16	\$ -	okay, confirmed not yet posted.	07/17	\$ 2,156.80	07/17	\$ 2,156.80	07/17	\$ -	07/17	\$ -	07/17	\$ -	07/17	-	okay, confirmed not posted.			
07/16	\$ 2,156.80	07/16	\$ 2,156.80	07/16	\$ -	07/16	\$ -	okay, confirmed not yet posted.	08/17	\$ 2,156.80	08/17	\$ 2,156.80	08/17	\$ -	08/17	\$ -	08/17	\$ -	08/17	-	okay, confirmed not posted.			
08/16	\$ 2,156.80	08/16	\$ 2,156.80	08/16	\$ -	08/16	\$ -	okay, confirmed not yet posted.	09/17	\$ 2,156.80	09/17	\$ 2,156.80	09/17	\$ -	09/17	\$ -	09/17	\$ -	09/17	-	okay, confirmed not posted.			
09/16	\$ 2,156.80	09/16	\$ 2,156.80	09/16	\$ -	09/16	\$ -	okay, confirmed not yet posted.	10/17	\$ 2,156.80	10/17	\$ 2,156.80	10/17	\$ -	10/17	\$ -	10/17	\$ -	10/17	-	okay, confirmed not posted.			
10/16	\$ 2,156.80	10/16	\$ 2,156.80	10/16	\$ -	10/16	\$ -	okay, confirmed not yet posted.	11/17	\$ 2,156.80	11/17	\$ 2,156.80	11/17	\$ -	11/17	\$ -	11/17	\$ -	11/17	-	okay, confirmed not posted.			
11/16	\$ 2,156.80	11/16	\$ 2,156.80	11/16	\$ -	11/16	\$ -	okay, confirmed not yet posted.	12/17	\$ 2,156.80	12/17	\$ 2,156.80	12/17	\$ -	12/17	\$ -	12/17	\$ -	12/17	-	okay, confirmed not posted.			
12/16	\$ 2,156.80	12/16	\$ 2,156.80	12/16	\$ -	12/16	\$ -	okay, confirmed not yet posted.	01/17	\$ 2,156.80	01/17	\$ 2,156.80	01/17	\$ -	01/17	\$ -	01/17	\$ -	01/17	-	okay, confirmed not posted.			
01/17	\$ 2,156.80	01/17	\$ 2,156.80	01/17	\$ -	01/17	\$ -	okay, confirmed not yet posted.	02/17	\$ 2,156.80	02/17</													

Therefore, the management report has been overstated by \$4400 and this could lead to the failure of posting in the system (system error) as result of employees insensitive in entering into the system.

Output	Original Budget	Revised Budget	Actual	Variance
E27010000226	\$1,000.00			\$1,000.00
E27090000221	\$1,000.00			\$1,000.00
E27090000245	\$1,000.00			\$1,000.00
E27090000246	\$1,000.00			\$1,000.00
E27010000218	\$100.00			\$100.00
E27010000244	\$300.00			\$300.00
Total				\$4,400.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MISE and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

The management confirmed that there were transferred made for the year and has been detected by the Audit Office, the amount were posted in the GL accordingly. The Ministry noted with concern that such mistakes should have had been detected from te first place which was somehow not seen at the first time. Such mistakes is now noted well to be not repeated again in te near future.

19. MINISTRY OF EMPLOYMENT AND HUMAN RESOURCES

19.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Employment and Human Resources** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 19.3 below

19.2 STATUS OF PRIOR MANAGEMENT LETTER

The following issues were noted as the causes of the audit opinion for the Ministry of Employment & Human Resources performance in the financial year 2016 as follows.

Issues	Solved/Addressed	Status of the Issue in 2017 Audit
Misallocation of Revenue	Solved/Addressed	Improved in the recording of the system
Omitted Form A01/16	Solved/Addressed	Improved in the recording of the system
Outstanding imprest	Not Solved/Addressed	No improvement in the system
Two year leave policy entitlement	Not Solved/Addressed	Remained as an issue
Weakenesses in control log book	Solved/Addressed	Improvement

19.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

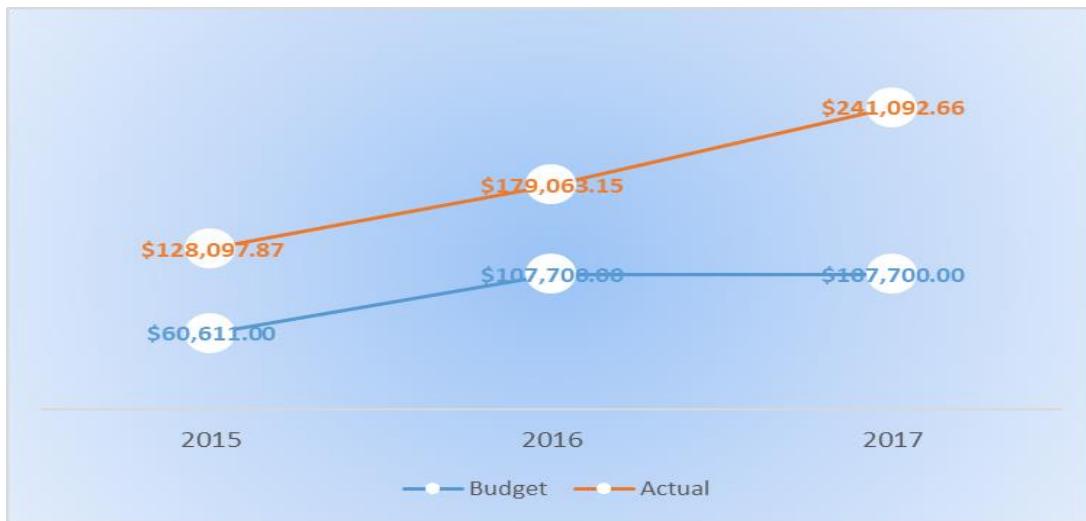
19.3.1 REVENUE BUDGET

Finding and Analysis:

19.3.1.1 MEHR REVENUE SUMMARY COLLECTN:

Year	2015	2016	2017
Budget	\$60,611.00	\$107,700.00	\$107,700.00
Actual	\$128,097.87	\$179,063.15	\$241,092.66
Variance Under/(Over)	(\$67,486.87)	(\$71,363.15)	(\$133,392.66)

19.3.1.2 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL



It is pleasing to note that in 2017 MEHR has earned colossal actual collections of \$241k an increase \$62k (2016 \$179k less 2017 \$241k) the result of which determine an excess collection of \$133k. Therefore, management should be commended for such notable improvement.

19.3.1.3 MEHR REVENUES AGAINST BUDGET BY DIVISIONS

Description	Labor & Employment	KIT	MTC	Total
Budget	\$4,000.00	\$33,000.00	\$70,700.00	\$107,700.00
Actual	\$2,513.00	\$89,568.26	\$149,011.40	\$241,092.66
Variance (Over)/Under	\$1,487.00	-\$56,568.26	-\$78,311.40	-\$133,392.66

19.3.1.4 COMPARATIVE GRAPH OF BUDGET REVENUE AGAINST ACTUAL PER DIVISIONS



Two of the MEHR divisions(KIT and MTC) had continuously showed major improvement reporting an excess collection of \$ 89k and \$149k respectively. However, the only division that had failed to meet its

revenue target was labor and employment division and therefore management should encourage this division to improve its collections in the subsequent year.

Recommendation:

The divisional head for Labor and Employment division should ensure to provide more realistic budget level and aligned with the activities its division will collect in future years.

Management response:

Labour Division predict to collect AUD\$4,000.00 i.e from Trade Union registration Fees \$1,500.00 and Employment Services Fees \$2,500.00. The actual fact that this division didn't meet its target for 2017 was for Trade Union Registration Fees. This is a long pending request from the MEHR to MFED to delete Trade Union Registration Fees from the ministry revenue collection in reason that there's no collection of fees that species in the regulation for Trade Unions.

Please refer to attach memo from the officer deals with work relations

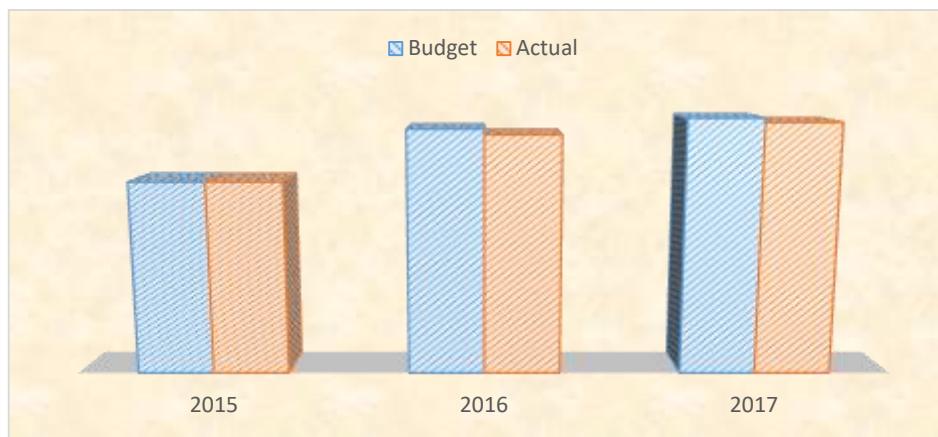
19.3.2 EXPENDITURE BUDGET

Findings and Analysis:

19.3.2.1 MEHR EXPENDITURE SUMMARY

Year	2015	2016	2017
Budget	\$3,684,455.00	\$4,665,254.00	\$4,865,754.00
Actual	\$3,684,938.46	\$4,561,746.06	\$4,787,450.59
Variance Under/(Over)	(\$483.46)	\$103,507.94	\$78,303.41

19.3.2.2 COMPARATIVE GRAPH OF BUDGET EXPENDITURE AGAINST ACTUAL

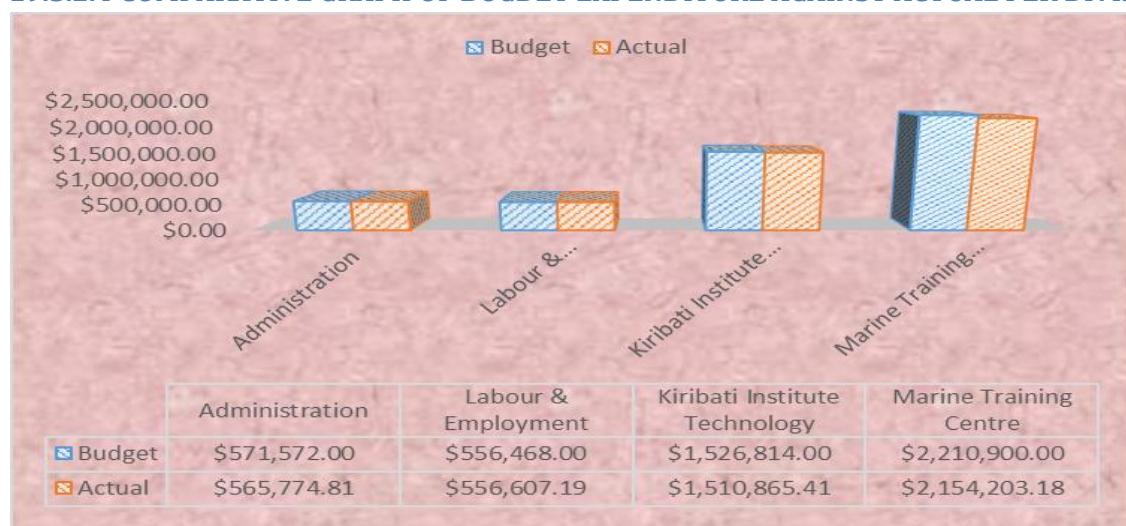


Another major achievement for the Ministry second year of operation for having control within level of its approved budget which result in tremendous saving of \$78k. Hence management should be commended for such major improvement.

19.3.2.3 MEHR EXPENDITURE BUDGET AGAINST ACTUAL BY DIVISIONS

Code	Division	Budget	Actual	(Over)/Under
E2801	Administration	\$571,572.00	\$565,774.81	\$5,797.19
E2802	Labour & Employment	\$556,468.00	\$556,607.19	-\$139.19
E2803	Kiribati Institute Technology	\$1,526,814.00	\$1,510,865.41	\$15,948.59
E2804	Marine Training Centre	\$2,210,900.00	\$2,154,203.18	\$56,696.82
	Total	\$4,865,754.00	\$4,787,450.59	\$78,303.41

19.3.2.4 COMPARATIVE GRAPH OF BUGDET EXPENDITURE AGAINST ACTUAL PER DIVISIONS



As could be witnessed from the above table/graph three divisions out of total four total divisions under MLHRD reported net savings which signified the major improvement by each divisional heads in controlling and monitoring their activities within their allocated budget in the year 2017. While Labor and Enforcement is the only division surpassed budget estimate.

Recommendation:

The Management should continuously maintain such remarkable performance on its financial operation in future years.

Management response:

As for sure Labour Division works according to its allocated budget but I reckon that this overspent may cause in conjunction to the final adjustment of 2017 account, thus oversight can occurred that resulted in the overspent of this division approved budget for 2017.

19.3.3 DOUBLE ENTRY POSTING

Finding and Analysis:

The audit had run through a testing of the General ledger to ensure that all postings are

correctly allocated and charged proper code. The result of the testing had identified some of the payment reference in the table below were found posted twice in the General ledger as can be noted in the Ministry Payment voucher reference. The audit confirms after verifying the GL that there was no contra-account that will offset in the General ledger neither JV to adjust the double posting such as noted in the table below.

E28010000241 Stationery & Supplies		
S2084915	hqpv1017/06 mlhrd299/17 Hot To	\$901.08
S2084915	hqpv1017/06 mlhrd299/17 Hot To	\$50.00
E28010000231 Telecomms		
13014867	hqpv2621/7 mlhrd378/17 athkl	\$1,500.00
13014867...	hqpv2168/8a mlhrd378/17 athkl	\$1,500.00

Implication:

Double posting is a sign of careless and slack in performing regular reconciliation.

Recommendation:

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

Management Response:

(1)E28010000241 Stationery & Supplies

Pv299/17 payable to Hot Toner was an overseas payment i.e \$901.08 was the actual charge from the supplier and \$50.00 was a bank charge, hence, to enter on a database we have to separately enter using same Pv number and allocation.

(2)E28010000231 Telecom: Head quarter Pv26217/7mlhrd Pv378/17 payment to ATHKL is payment for internet charge for June 2017. The double payment that appear on the MFEP gl happened for misplace of the original copy at the first place in the cash office. Reason for reprinting the copy of that same pv was to avoid disconnecting of internet cause the charge already lapse the due date for payment.

Moreover, there's a note written (SA's note) on that copy says that if the original pv later found in the cash office it must be cancel. For your information ATHKL did not raised Internet charge for the month of September to offset the double payment they received.

We regret for this and we are more cautious this year not to let this happen again.

19.3.4 OUTSTANDING IMPREST ISSUES

Findings and analysis:

The audit checks and confirmed after comparing the Ministry (MEHR records) against with the MFED listing and note that the outstanding imprest for each staff appended in the table below were not agree. The MEHR database records show a total imprest of \$41k while the MFED listing report a total imprest

of \$16k. The variance of \$25k emphasize lack of frequent reconciliation between the MEHR?? and MFED. This is the common mistake across the line Ministries as the audit cannot satisfy with the records held by the MFED as why some staff still had their outstanding reflected in the listing provided by MFED even though some staff still travel. This is a failure of the imprest division of not properly performing regular reconciliation and updating records once retirement had been made by the Ministry. Further detail regarding names(selection) can be provided when requested.

Date	Names	Imprest #	Ministry record per system	MFED listing	Variance
16/1/17	Officer 1	001/17	\$15,079.07	\$7,119.53	\$7,959.54
16/1/17	Officer 2	004/17	\$10,492.71	\$8,699.89	\$1,792.82
16/1/17	Officer 3	005/17	\$7,899.70	\$35.95	\$7,863.75
17/5/17	Officer 4	002/17	\$7,899.70	\$319.96	\$7,579.74
			\$41,371.18	\$16,175.33	\$25,195.85

Implication:

Timely retirement of Imprest is in compliance with Financial Regulation 2011 requirement and would contribute to the strengthening of government cash flow.

Recommendations:

- Management must ensure that all Imprests withdrawn are retired after 10 working days from the date the officer return from official trip.
- Management must ensure that those with outstanding Imprests are not issued any when next travel until they had all cleared their Imprests or had entered into an agreement for recovery.

Management response:

Regarding the outstanding of Imprest we already submitted traveling claims to Finance from staff upon their return and some travel claims for 2017 submitted at end of the year appeared on 2018 gl.

For those who were still have outstanding imprest will not get any imprest for their next travel this is a policy that has been circulated from Finance.

Still we are continuing working with MFEP so we can agree on outstanding of Imprest figures for concerned staff.

19.3.5 LEAVE BALANCES-2 YEARS ENTITLEMENT POLICY

Findings and analysis:

The audit notes from the overall testing and conclude that the following leave balances had been accumulated for the period of more than two years as in the table below.

PF Nos	L/balances 2017
2012004	83
2014002	72
2005298	108
2000014	100
98153	110
2001017	175
2003112	104
7750	81
92060	88
93146	117
2010102	71

Based on the above anomaly noted it is evident that the SRO of this concerned ministry (i.e. MLHRD) had failed to comply and implement the cabinet decision regarding the two years' entitlement policy. Hence explanation from management is herewith sought.

Implication:

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

Recommendations:

- ✓ Therefore, it is recommended that management should ensure to maintain, update and regularly review its leave roster for staff annual leaves.
- ✓ Also, management shall ensure to enforce and implement the Cabinet Decision Minute No. 77/10.

Management response:

OM will be emailed you the status of leave balances

19.3.6 BUS TICKET

Finding and Analysis:

The audit could not extend further auditing on the bus ticket due to the bus ticket register for MTC and KIT was not available during the audit. In this instances, the audit could not verify the movement of ticket been issued out on a particular day which is difficult from the audit perspective to match number of ticket against the records.

Implication:

Failure to maintained bus ticket register could result in the misuse of bus ticket for personal use. Failure to maintained bus ticket register could indicate a sign of fraud.

Recommendation:

- ✓ Management must ensure to have register ready and available during the auditing.
- ✓ Register must be updated an record movement of ticket once ticket been issued out.

Management response:

Bus Tickets register for KIT will be delivered by hand to your Office today and for MTC register, I regret to say that the responsible officer was passed away at the beginning of this year 2018, so, we still can't find a trace of a register book but we find a copy of register saved in the computer, thus, I assume that there must be a register book that attached these list kept somewhere.

I apologize for the missing of register but we will be more prompt to check for all registers and keep them in a safe place this year 2018 that more convenient for auditor purpose.

19.3.7 KPF CONTRIBUTION VARIANCES

The following variances noted below derived from comparing the actual KPF contribution in management report and the audit calculation based on salary plus temporary multiply by 7.5% to determine the accuracy of the amount reflected in the actual figure display in the management report under KPF contribution. As noted, the discrepancies indicate a lack of reconciliation.

Code	Accounts	Management report	Salaries+Temporary *7.5%	Variance	Notes
E28010000201	KPF	\$9,937.51	\$11,006.04	-\$1,068.53	Understated
E28020000201	KPF	\$13,256.54	\$13,552.28	-\$295.74	Understated
E28030000201	KPF	\$37,384.14	\$37,592.73	-\$208.59	Understated
E28040000201	KPF	\$47,254.06	\$46,608.08	\$645.98	Overstated
		\$107,832.25	\$108,759.13	-\$926.88	Understated

Implication:

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

The overspending or understatement of KPF contribution would affect the employees' benefit if their KPF is lower than original or plough out funds from Government in instances where KPF payment for some employees are more than their actual dues.

Recommendation:

- ✓ Management must ensure to perform its review and regular reconciliation with MFED records to avoid discrepancies.

- ✓ Management should ensure KPF contributions for each staff is not overly or under stated as it should be calculated at the fixed rate of 7.5% on the gross salary.

Management response:

Salaries, temporary assistance were not match with respected KPF from Management Reports (i) Adjustment of salaries jv in and out from different output to and from other ministries without adjusting KPF in and out also can cause the unmatched between these two allocation salaries and KPF Contribution.

(ii) Transfer from salaries output (Personal Emolument) to operational budget for clearing of accounts 2017 living allocation for KPF Contribution untouched this is another cause for mismatched. For this issue, I apologies for such negligent and for this time we are careful when come to adjustment of salaries.

20. MINISTRY OF LINE AND PHOENIX ISLAND DEVELOPMENT

20.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Line and Phoenix Island Development** for the year ended 31 December 2017 "Except for" the effect of the matters as discussed in detail from 20.3 below

20.2 STATUS OF PRIOR MANAGEMENT LETTER

Appended below were the previous issues noted of which determined the Audit Opinion for Ministry of Linnix and Phoenix Island Development (MLPID) in the FY 2016:

Issues	Solve/Addressed	Status of the issue in the 2016 audit report.
<ul style="list-style-type: none">• Arrears of revenue for government houses, government rental premises, sale of electricity.• Short fall in the revenue collection for rental houses.• Accumulating of outstanding electricity bill.• Failure to perform Bank reconciliation.• Uncollected cheques, cancelled cheques and unrecorded cheques• Variances detected in the KPF contribution as a result of poor reconciliation.• Unofficial calls.• Contravene of Procurement.• Unsupported claim .• Overtime issues.• Handing Over from Former	Not solved/Addressed Not solved/Addressed Not solved/Addressed Addressed Addressed Not Solved Not solved Not Solved	Outstanding still noted in 2017 MLPID Account – Housing Revenue Collection Outstanding still noted in 2017 MLPID Account – Rental Revenue Collection Accumulation of outstanding bill from end of 2016 to 2017 still noted in MLPID Water Supply revenue records of customers' bill Reconciliation of No.5 Bank Account has been completed for the financial year 2017 and noted in 2017 Auditing Uncollected cheques is properly managed by Senior Accountant, however audit still noted cancelled cheques and unrecorded cheques in MLPID Cashbook Still no reconciliation performed Still noted in 2017 Auditing Still noted in 2017 Auditing Unsigned overtime docket still noted

SA to New (Current SA)	Not Solved	in 2017 Auditing
• Database and Votebook	Not Solved	Still noted in 2017 Auditing
• Outstanding imprest.	Not solved/Addressed	No update from MLPID Accounting Officer
• Local contribution to development fund.	Not Solved/Addressed	Still noted in 2017 Auditing
	Not solved	No update from MLPID Accounting Officer
	Not Solved	No update from MLPID Accounting Officer

20.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

20.3.1 Government No.5 Bank Reconciliation

Finding and Analysis:

- The preparation of the Bank Reconciliation for the Government No. 5 was first initiated in 2018. This is the first time that 2017 Bank Reconciliation report NO.5 for MLIPD was included in the Government 2017 annual account. The actual closing balance of the No.5 Bank Statement as at 31 December 2017 was \$300,557.13 which was not consistent with No. 5 bank balance as per annual account with a negative balance (**\$228,167.54**), thus raised uncertainty regarding the accuracy of the bank reconciliation prepared by the MFED.
- Further, the audit notes the No.5 PPI Un reconciled balance of \$2,341,042.05 which allocated under the sundry deposits.

Implication:

- An overdraft will have incurred more charges by the bank.
- Government cheques will be rejected by the bank.

Recommendation:

MFED must be considering reviewing and checking the bank reconciliation prepared to ensure the bank balance must be consistent with records.

Management response:

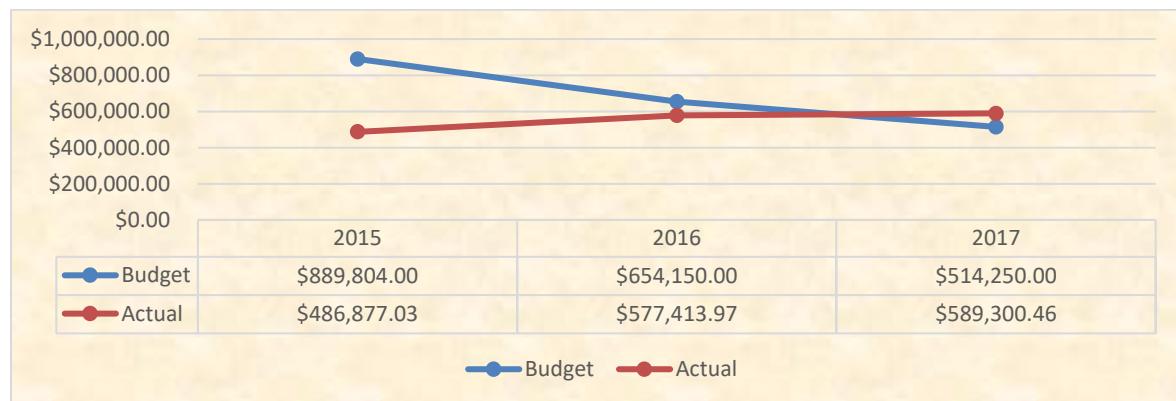
- The management agrees with the first comment from the Audit that the balance should be (\$228,167.54). This has result from the usual work that is always done by the account which is the cut off where all PVs and invoices collected and processed before the end of the accounting year. This is usually done by the Account just to fully utilized the funding for that current year to complete their current year activity.
- However, the management did not agree to the comment that there is negative balance in the bank that incurs the bank charges and fees to the Government Account. The management has made sure to try its best checking the bank statement every now and then just to avoid the issue of overdraft.
- The PPI result the un-reconciled balance because of the no cut off balance which this will be decided (by the Audit and Finance.)

20.3.2 Controls over Revenue

20.3.2.1 MLPID BUDGET SUMMARY AGAINST ACTUAL FOR YEARS 2015-2017

Year	2015	2016	2017
Budget	\$889,804.00	\$654,150.00	\$514,250.00
Actual	\$486,877.03	\$577,413.97	\$589,300.46
Variance Under/(Over)	\$402,926.97	\$76,736.03	(-\$75,050.48)

20.3.2.2 COMPARATIVE REVENUE AGAINST BUDGET FOR YEARS 2015 TO 2017

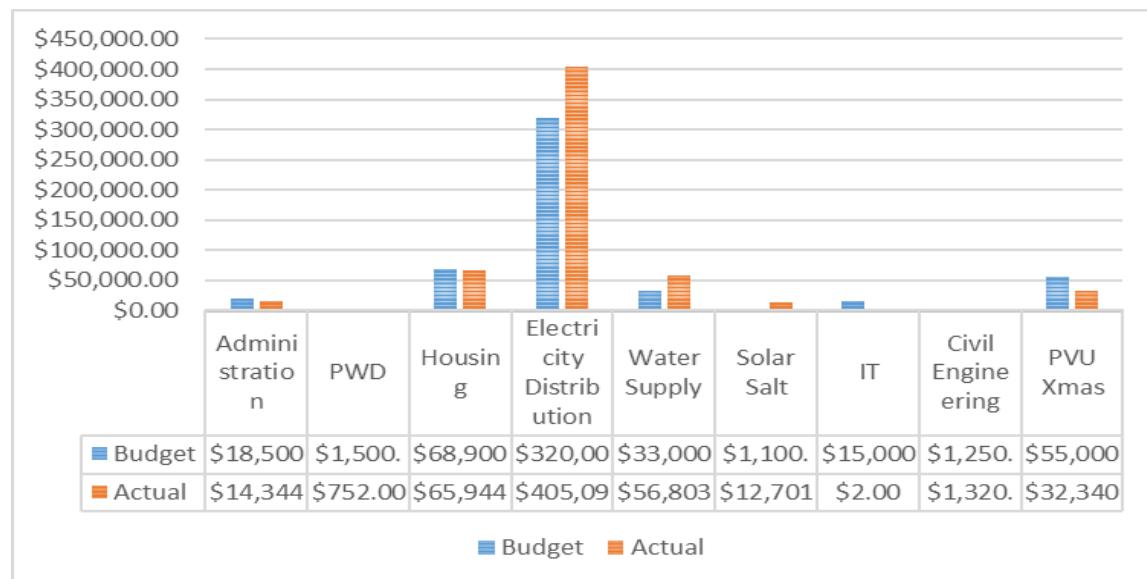


The table and graph above depict the trend between the budget estimate and actual revenue collected for the year 2015 – 2017. In the year 2015-2017, the revenue forecasted have significantly dropped to \$140k (2016 \$654 less 2017 \$514k). With a more realistic budget forecast and increase in actual revenue collection, it is pleasing to note that MLIPD for the first time over the past three years (2015-2017) had incurred saving of \$75k. Therefore, management must be highly commended for such remarkable performance and encouraged to maintain over the years ahead.

20.3.2.3 MLPID REVENUES AGAINST BUDGET BY DIVISIONS 2017

Descriptions	Administration	PWD	Housing	Electricity Distribution	Water Supply	Solar Salt	IT	Civil Engineering	PVU Xmas	Total
Budget	\$18,500.00	\$1,500.00	\$68,900.00	\$320,000.00	\$33,000.00	\$1,100.00	\$15,000.00	\$1,250.00	\$55,000.00	\$514,250.00
Actual	\$14,344.22	\$752.00	\$65,944.69	\$405,092.50	\$56,803.61	\$12,701.40	\$2.00	\$1,320.00	\$32,340.04	\$589,300.46
(over)/under	\$ 4,155.78	\$ 748.00	\$ 2,955.31	\$ (85,092.50)	\$ (23,803.61)	\$ (11,601.40)	\$ 14,998.00	\$ (70.00)	\$ 22,659.96	\$ (75,050.46)

20.3.2.4 Comparative Graph of 2017 MLPID Revenue Budgeted Estimates Against Actual by Divisions



The table above shows the trend of the actual revenue collection earned by Division within MLPID in the year 2017. Out of the 9 Revenue Generating Divisions of MLPID, 4 divisions (highlighted in the table in red) have managed to collect above the estimated revenue while the other 5 divisions failed to achieve estimated revenue budget. Management should be encouraged to provide a more realistic budget estimate on the collection of revenues in future years.

Implication:

Failure to collect an approved budget will affect the inflow of funds to Government and also will result in cash flow deficiency.

Recommendation:

Management must ensure to come up with a more realistic budget and to encourage all its revenue collecting divisions to exert more efforts in the collection of revenues

Management response:

The revenue collected depends on the use of the service. However, 2017, seems that Housing, there are o/s especially Government building that are not paying their rent claiming to compensate the expenditure on the maintenance and renovation they made using their own funding.

The IT services, is no longer provided to outsiders which leads to the “no collection of revenue from IT services.” While in 2017, the management noted that IT services is no longer required to provide services to outsiders, hence they remove IT budgeted revenue in 2018.

The Housing and Administration did not achieve their target based on their late of payment from tenants, so the budget is realistic.

HMM or PVU Xmas did not meet the achieve budget because it has a competitor in renting out machines that is KPA.

Overall, the Ministry has ensure that it meets the overall Revenue budget. However, the management will try to improve more next time

20.3.2.5 Weaknesses Over The Recording/Reporting of revenue**Findings and Analysis*****20.3.2.5.1 Rental of Government Premises_C2901-50*****Table 20.3.2.5.1a**

Descriptions	RENTAL PER MONTH	ANNUAL RENT	RENTAL FEE (2% of Annual Rent)	TOTAL RENT REVENUE	Rental Of Gov't Premises REVENUE (management report)	Outstanding Revenue
BKL	\$ 457.00	\$ 5,484.00	\$ 109.68	\$ 5,593.68		
DOJIN	\$ 182.00	\$ 2,184.00	\$ 43.68	\$ 2,227.68		
FAIR PRICE	\$ 409.00	\$ 4,908.00	\$ 98.16	\$ 5,006.16		
WHOLESALE NEAR CPPL	\$ 174.00	\$ 2,088.00	\$ 41.76	\$ 2,129.76		
SUB TOTAL	\$ 1,222.00	\$ 14,664.00	\$ 293.28	\$ 14,957.28	\$ -	\$ -
RETAIL						
TEKINAITI	\$ 329.00	\$ 3,948.00	\$ 78.96	\$ 4,026.96		
SUB TOTAL	\$ 329.00	\$ 3,948.00	\$ 78.96	\$ 4,026.96	\$ -	\$ -
OFFICE						
DBK	\$ 21.00	\$ 252.00	\$ 5.04	\$ 257.04		
KPF	\$ 40.00	\$ 480.00	\$ 9.60	\$ 489.60		
ATHKL	\$ 61.00	\$ 732.00	\$ 14.64	\$ 746.64		
BOK	\$ 150.00	\$ 1,800.00	\$ 36.00	\$ 1,836.00		
TAX	\$ 47.00	\$ 564.00	\$ 11.28	\$ 575.28		
POST OFFICE	\$ 47.00	\$ 564.00	\$ 11.28	\$ 575.28		
WESTERN UNION	\$ 77.53	\$ 930.36	\$ 18.61	\$ 948.97		
CUSTOM	\$ 47.00	\$ 564.00	\$ 11.28	\$ 575.28		
IMMIGRATION	\$ 47.00	\$ 564.00	\$ 11.28	\$ 575.28		
EDUCATION	\$ 47.00	\$ 564.00	\$ 11.28	\$ 575.28		
SUB TOTAL	\$ 584.53	\$ 7,014.36	\$ 140.29	\$ 7,154.65	\$ 14,344.22	\$ 11,794.67
GRAND TOTAL	\$ 2,135.53	\$ 25,626.36	\$ 512.53	\$ 26,138.89	\$ 14,344.22	\$ 11,794.67

As reflected in Table 3.2.5.1a, the forecasted revenue from Rental of MLPID Premises of \$26138.89 was derived from the number of tenants who have rented MLPID Premises times monthly rental rates and added to rental fee (2% of Annual Rental Payment). The audit noted a total of \$26138.89 that should be received from the payment of rental of MLPID Premises from tenants, however the Management report disclosed total revenue from Rental of Government Premises (C2901-50) of \$14344.22, thus, audit noted a total arrears/outstanding revenue from Rental of Government Premises Revenue (C2901-50) of \$11,794.67.

Implication

Accumulation of outstanding revenue of \$11794.67 would affect cash flow of Admin Division for the current Financial Year.

Recommendation

Management must strictly implement control over the payment of Housing Rents on a monthly basis whereby tenants who have failed to pay on the due date will be subject to

- additional payment of late fees
- non-renewal tenancy agreement

Management response:

Referring back to the PAC meeting for 2016 account, this was also discussed, and the Secretary proposed for the Government offices like Post Office, Tax, Custom, Immigration, and Education to remove their name from renting since it is the Government Offices, while still awaiting for these decision and recording their rent that make the record a big amount.

Tekinaiti a retail has paid an arrears of rent by the amount of almost \$2,000.00 which seems that there is a progress in the collection of Revenue.

We agree to the audit view that there is arrears of Revenue for Government Premises since some tenants did not want to pay the rent to offset their expenses they incur for maintenance and renovation of the premises they build.

Management will try to make a paper on this for those tenants who are considered a bad debts and doubtful debts.

20.3.2.5.2 Water_C2907-07

Table 20.3.2.5.2a

Outstanding Water Bill as at 31 Dec 2017	
Customer Category	Amount
Tabwakea Out	\$ 42,440.14
Ronton Out	\$ 72,880.40
Private Out	\$ 15,173.01
Total	\$ 130,493.55

Audit noted total outstanding revenue from Water Supply of \$130, 493.55 which is derived from the Water Division record of outstanding water bill as at 31 December 2017.

Implication

Accumulation of outstanding revenue of \$130,493.55 would affect cash flow of Water Division for the current Financial Year.

Recommendation

Management must strictly implement control over the payment of Water Bill on a monthly basis whereby customers who have failed to pay on the due date will be subject to

- additional payment of late fees/connection fees
- cutoff power supply for customer who had failed to pay water bill before it is due

Management response

The outstanding have been charged to their L100 for instance most of the government employees in Christmas Islands who have their outstanding have been charged for their electricity bill outstanding and now while they are leaving the island they still pay \$5.00 each payday for arrears of water. For the Commercial and SOE's and other tenants who leave the island or have been passed away, the management have work on cabinet paper to propose for cabinet approval to make decisions on these outstanding. The Unit itself deals with announcement for due payment and disconnect those who are not prompt with their payment. There is a fee of ten dollars (\$10.00) when reconnected again.

As always, the management will propose a cabinet paper requesting decision from cabinet for these outstanding.

20.3.2.5.3 Housing Revenue (C2904-51)

Table 20.3.2.5.3a

GRADE	Total No of Houses	Rental Rates	Annual Revenue	Housing Revenue (Mgmt)	Outstanding Revenue
A	2	\$ 42.93	\$ 2,232.36		
B	2	\$ 34.62	\$ 1,800.24		
MOD C	18	\$ 24.93	\$ 11,667.24		
OLD C	4	\$ 15.15	\$ 1,575.60		
D	58	\$ 11.54	\$ 17,402.32		
E	177	\$ 8.77	\$ 40,359.54		
F	18	\$ 4.15	\$ 1,942.20		
TOTAL	279		\$ 76,979.50	\$ 65,944.59	\$ (11,034.80)

As reflected in Table 20.3.2.5.3a, the forecasted revenue from Residential Housing Rents of \$26138.89 was derived from the number of houses (residential houses) that has been rented times monthly rental rates . The audit noted a total of annual payment \$76,979.50 that should be received from tenants, however the Management report disclosed a total revenue from Housing Rents (C2904-51) of \$65,94459, Thus, audit noted a total arrears/outstanding revenue from Housing Rents (C2904-51) of \$11,034.80.

Implication

Accumulation of outstanding revenue of \$11034.80 would affect cash flow of Housing Division for the current Financial Year.

Recommendation

Management must strictly implement control over the payment of Housing Rents on a monthly basis whereby tenants who have failed to pay on the due date will be subject to

- additional payment of late fees
- non-renewal tenancy agreement

Management response

For the Audit information, we are moving and taking action on those who have arrears of house rent, and this is settled through their salary deduction from Salary Finance, taking their E-Bill, W-Bill and House rent arrears instead of waiting for them to pay in front of the revenue cashier counter.

For those who are passed away or are not working and went away from Kiritimati, the management decided to write Cabinet letters on this considering them doubtful debts/doubtful debts.

20.3.2.5.4 Solar Salt _C2909-07: Export of Salt to Gourmet Chef Packers Asia Ltd

Findings and Analysis

Table 20.3.2.5.4a

Descriptions	MLPID Invoice No. 201701 (A)	Government No. 1 Bank Detail (B)	MLPID Revenue GL (C)	Underpayment of Revenue (A-B)	Unreported Revenue in GL (A-C)
Salt	15500	15370	7685	130	7815

Audit noted from the Invoice No. 201701 in Table 20.3.2.5.4a, a total revenue from Salt exported to Gourmet Chef Packers Asia Ltd of \$15500. After examining email correspondence of MLPID Accounting Officer with Gourmet Chef Packers Asia Ltd Accounting Officer on the transaction above, Audit noted that a payment of 50% of the total cost (as agreed in the email correspondence) was to be made to No.1 Bank Account prior shipment of the goods while the rest of the 50% payment shall be made upon receipt of goods by the supplier. However, Audit noted from Government No. 1 Bank Account a total direct credit from Gourmet Chef Packers Asia Ltd of \$ 15370 while the GL only disclosed under Solar Salt Revenue, the figure of \$7685. Thus Audit confirmed there is an underpayment of \$130 from Gourmet Chef Packers Asia Ltd and unreported revenue in GL of \$7815.

Implication

Unreported Revenue contributes to understating Government Revenue – C2909-07 which raised concerns over the misrepresentation of Government Financial Report 2017. Shortfall payment of Salt from the supplier has leads loss of public funds

Recommendations

Shortfall of \$130 must be charged on Accounting Officer of MLPID for his/her failure in ensuring that a payment from Gourmet Chef Packers Asia Ltd must be in full amount as Invoice 201701 stated pursuant to FR 4.32

Management response

The revenue stated as Unreported Revenue is recorded in 2018 since the payment was made at the end of the year Dec for the First Payment and the final payment on the following month which is referenced on the RV201802171.

20.3.2.5.5 Other Government Revenue

Findings and Analysis

After conducting a walk through test on Revenues from Other Government Ministries Agencies established in Kiritimati (MOJ – Customs, MFMRD – Fisheries, MELAD – Wildlife, MICTTD – Postal), Audit noted the following

1. Revenue collection was recorded manually in a Revenue Register on a daily basis by respective Government Ministries Agencies. Audit has treated this as weakness over the system used to record revenues by Agencies and Audit recommends that Computerized system should be used in the recording of revenues for a more reliable, effective and efficient system pursuant to FR2.3
2. MLPID Revenue Cash book 2017 maintained by MLPID Revenue Cashier has no records of Revenues collections from Other Government Ministry Agencies (Pay in receipt from other Government Ministries Agencies). Audit has confirmed from its discussion with MLPID Revenue Cashier that MLPID Accounting has still not aware it is the duty of the Revenue Cashier to record in MLPID Cashbook all revenue paid in by other Government Agencies pursuant to FR 4.5 (2)

Implications

- The associated risk of a manual revenue register book were:
 1. Difficulties to back up data from a Manual Register book
 2. Difficulties in analyzing massive transactions in a Register, alternative computerized system (Database) was more reliable and easily used in processing hundreds and thousands of data in real time seconds.
- Unrecorded revenue in MLPID Cashbook 2017 has made it difficult to conduct Bank Reconciliation.

Recommendation

It is the duty of the Accounting Officer of MLPID to ensure that Revenues are collected and reported in the financial incurring year. It is highly recommended that Senior Accounting Officer of MLPID must ensure proper accounting of all Government Revenues in MLPID Revenue Cash book for reconciliation purposes.

Management response

Even though the Revenues did not recorded on a database provided from Linnix Revenue Cashier, the revenue from those Ministries have recorded by OIC Revenue Finance and have posted it to the main Account.

If it is not posted to main account, the Bank reconciliation cannot be completed as it is now for 2017.

For the committee information, the Account has make a progress to this and has the computerized system recording all the Revenue in an excel yet using the access template.

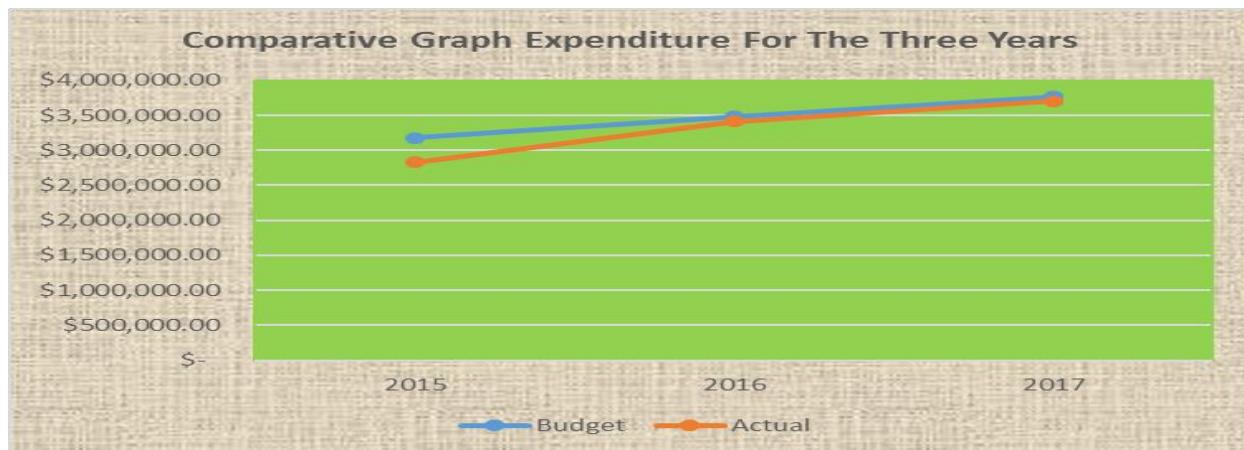
20.3.3 Control over Expenditure

20.3.3.1 Budget Expenditure Summary for 2015 to 2017

Description	2015	2016	2017	Audit Figure	Variance
Budget	\$3,175,031.00	\$3,480,378.00	\$3,769,542.00	\$3,769,542.00	
Actual	\$2,828,832.00	\$3,411,734.00	\$3,699,470.00	\$3,699,470.00	
Variance Under/(Over)	\$346,199.10	\$68,643.54	\$75,342.14	\$70,072.00	\$5,270.14

Based on the audit calculation, it was noted that the overall total variance shown on the management report of \$75,342 which normally known as a saving is incorrect. In actual fact the correct figure that must be reflected after deduction should be \$70,072. (\$3,769,542 less \$3,699,470) but not \$75,342.14. Therefore, the error noted indicate that management report has been overstated by \$5,270.

20.3.3.2 Budget Expenditure Summary for 2015 to 2017



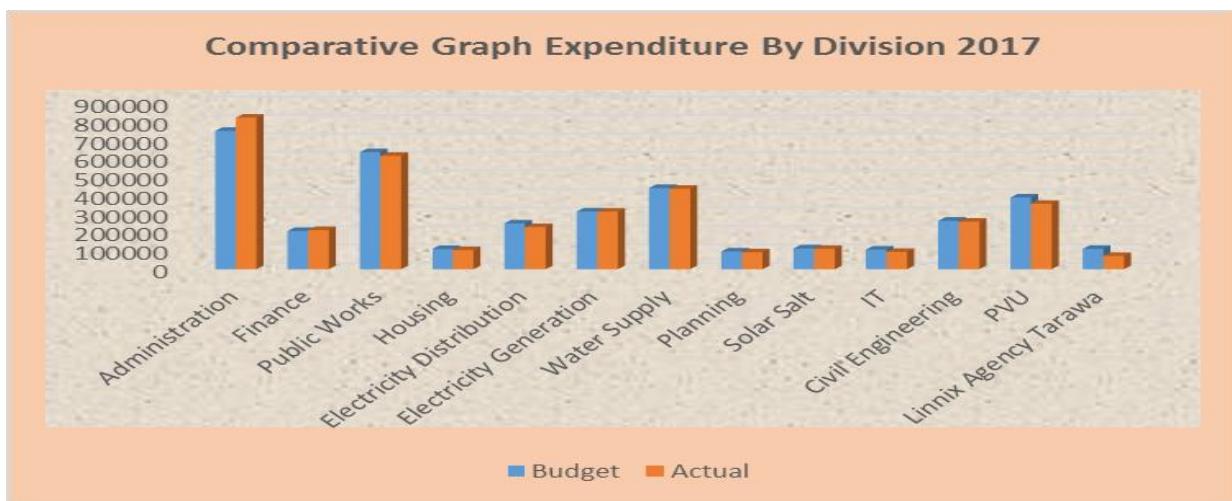
Due to the variance which result in an incorrect figure appeared in the management report as an overall sound position for the Ministry as per highlighted 3.3.1. The audit configue that MLPID should report a saving of \$70k but not \$75k as shown on the Management report).

As highlighted above, in its third (3) year of operation the MLPID had successfully managed its level of spending within its allocated budget and thus had incurred a net saving of \$70k. This is an indication of remarkable performance to operate within approved estimate and therefore management should be commended for exerting more control over its spending

20.3.3.3 Expenditure Table By Divisions 2017

Division	Budget	Actual	(Over)/Under
Administration	\$748,100.00	\$ 819,902.30	\$ (71,802.31)
Finance	\$206,540.00	\$ 211,772.50	\$ (5,232.54)
Public Works	\$633,178.00	\$ 612,994.40	\$ 20,183.63
Housing	\$108,840.00	\$ 103,741.20	\$ 5,098.83
Electricity Distribution	\$247,540.00	\$ 227,638.00	\$ 19,902.02
Electricity Generation	\$311,814.00	\$ 311,443.60	\$ 370.37
Water Supply	\$439,070.00	\$ 434,947.90	\$ 4,122.08
Planning	\$ 95,650.00	\$ 91,566.05	\$ 4,083.95
Solar Salt	\$112,560.00	\$ 110,154.60	\$ 2,405.37
IT	\$106,230.00	\$ 93,410.93	\$ 12,819.07
Civil Engineering	\$262,060.00	\$ 256,958.40	\$ 5,101.59
PVU	\$387,910.00	\$ 353,665.40	\$ 34,244.59
Linnix Agency Tarawa	\$110,050.00	\$ 71,274.51	\$ 38,775.49

20.3.3.4 Expenditure Graph By Divisions 2017



The above information portrays twelve divisions within MLPID. In actual fact, two (2) divisions (Administration and Finance) had operated above their approved expenditure budgets. The bulks of the excess spending stemmed from Administration with total over spending of \$71k and Finance with extra spending of \$5k (**further details of these over spending can be view in the appendices and management report 2017**). The remaining eleven (11) divisions had successfully managed their level of spending within approved budget estimate thus has contributed to the overall saving of \$70k.

20.3.3.5 Unsupported Overtime Claim

Findings and Analysis:

20.3.3.5.1 Unsupported Overtime Claims.

From Table 20.3.3.5.1a, audit noted the total expenditure incurred on Overtime as per PV number shown in the table of \$16,306.54 not supported with signed Overtime Docket. Hence, Audit was not able to confirm whether or not these expenditures were authorized.

Table 20.3.3.5.1a

UNSUPPORTED OVERTIME CLAIMS			
PV #	Allocation	Amount	Remarks
Lap 1263/17	E2901-205	\$ 1,465.54	
Lap 1263/17	E2907-205	\$ 1,002.51	overtime docket was not attached to support the claims.
94/01	E2906-205	\$10,422.55	
Lap 1154/17	E2906-205	\$ 3,389.44	overtime docket was not attached to support the claims.
Lap 453/17	E2912-205	\$ 26.50	
TOTAL PAYMENTS		\$16,306.54	

20.3.3.5.2 Overpayment for Overtime Claims

Table 20.3.3.5.2a

Name	Overtime Applied rate - MLPID Breakdown	Overtime Applied Rate - Audit	Overtime - MLPID Calculation	Overtime - Audit Calculation	Variance
Kiaeia	2.86	2.79	201.63	196.70	4.93
Kabubuke	2.86	2.79	301.37	294.00	7.37
Luapou	2.86	2.51	232.73	204.25	28.48
Kaemire	2.86	2.51	164.09	144.01	20.08
Buranate	2.86	2.51	201.63	176.95	24.68
Kirataruru	2.86	2.51	373.23	327.55	45.68
Tekita	2.86	2.79	95.45	93.12	2.33
Kaititaake	2.86	2.51	201.63	176.95	24.68
Marebu	2.86	2.51	232.73	204.25	28.48
Totals Overpayment/Under payment			\$2,004.49	\$1,817.78	\$186.71

Audit noted from PV 109/03 a total overpayment of \$186.71 as a result of calculation of Overtime using wrong overtime rates as depicted in Table 20.3.3.5.2a above.

Implication:

1. Unsupported claims have raised concern over misappropriation of funds
2. Charging wrong rates for overtime noted over have incurred overpayment made to the claimant.
- 3.

Recommendation:

Accounting Officer must be held liable for the unauthorized expenditure in 4.1.5.1 as per FR 9.4 “Any officer allowing or directing any disbursement without proper authority will be held personally responsible and in the event of any unauthorized payment being made the amount may be surcharged against him”.

Accounting Officer must be also liable for the overpayment of expenditure in 4.1.5.2 as per FR 10.23 “In the event of any overpayment being made in consequence of an erroneous entry on the voucher the certifying officer shall be held responsible and the amount incorrectly paid may be surcharged against him. Such overpayment shall be treated as a cash loss and dealt with in accordance with applicable regulations concerning cash losses. Similarly where expenditure is incurred which on reference to the Accountant General appears to him to be irregular or in error he may require it to be reported and dealt with as though it were a loss of public funds.”

Management response:

Checking the PV no. 109/02 in the Payment record. The PV payment is not overtime as stated in the audit report. It is the payment made for Kiritimati Urban Council for the renewal of driving license. If the Audit query could specify more of the PV detail then we could answer the audit query to their expectations.

Add to that, before the audit note this, the management (MLPID) always reported to the finance on the surcharged account officers who did the overpayment by miscalculating the overtime and no supporting attach as well. This is done in order to solve the mentioned issue.

20.3.3.6 Telecom

The audit checks and confirmed after the verification of transfer between MLPID Divisions output shown in Table 20.3.3.6a below that the revised budget balance reflected in the management report is blank meaning that the output code has been transferred to other Divisional Output, hence the blank balance reported under Revised Budget Column. However as the Revised budget is zero and without expenditure under ‘Actual Column’ Audit noted that the Variance that should be reported under “Variance Column” must be zero accordingly. Therefore, the management report has been overstated by a total of \$5,270.

Table 20.3.3.6a

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E29050000231	Telecoms	\$2,040.00			\$2,040.00
E29110000231	Telecoms	\$2,630.00			\$2,630.00
E29120000231	Telecoms	\$600.00			\$600.00
Total					\$5,270.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management prepared by MFED.

Variance detected raised uncertainty regardless of lack reconciliation between the MLPID and MFED.

Recommendation:

- ✓ Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

The telecom provisional budget is correct as shown in the management since the charges are for the internet and telephone bills. However, in 2017 budget there is an NPP approved which is total to 32,000 and this makes the budget more which is a one off budget that makes the provisional shown in the ledger not used up and at the end resulted in the underused balance of \$5,270.00

The committee should note, that in 2018 the budget of \$5,270 will be fully utilized again since our NPP has been removed since it is a one off proposal for internet upgrading.

20.3.3.7 Double Posting**Finding and Analysis:**

The audit had run through a testing of the General ledger to ensure that all postings are correctly allocated and charged proper code. The result of the testing had identified some of the payment reference in the table below were found posted twice in the General ledger as can be noted in the Ministry Payment voucher reference. The audit confirms after verifying the GL that there was no contra-account that will offset in the General ledger neither JV to adjust the double posting such as noted in the table below.

E29080000241	Stationery & Supplies	
1151875	Xmas:373/09(b):Lap 1468/17:Koi	\$133.00
1151875	Xmas:373/09(b):Lap 1468/17:Koi	\$133.00
E29070000215	Transport to work	
935986	Xms:430/02:lap514/17:FBRCV	\$6.00
935986	Xms:430/02:lap514/17:FBRCV	\$6.00
935986	Xms:430/02:lap514/17:FBRCV	\$6.00
E29010000215	Transport to work	
936182	Xms149/03:lap 0643/17:CCH	\$150.00
936182	Xms149/03:lap 0643/17:CCH	\$150.00

Implications:

Double posting is a sign of careless and slack in performing regular reconciliation.

Recommendation:

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

Management response:

The management MLPID notice that there were no transactions that posted or charged and expenditure code double time. Checking through the PV and the GL and it has finally shows that it is not a double posting.

The table stated in the audit report for the PV 373/09, 430/02, and 149/03, shows that it charges the expenditure code twice a time and three times in a PV because of the following reasons:

- The invoice is different but same supplier and amount.
- The invoice is in different dates but same supplier, however the transaction is entered twice to meet the cost since them half the amount on the two transactions in one PV.

20.3.3.8 Misallocation

Finding and Analysis:

The following payment reference in the table below were noted to be incorrectly charged the MLPID General ledger. Apparently, it should charge the Kiribati Audit Office provisions under General Ledger but not MLPID. This is the common failure that experience all across line Ministries caused from the system as an indication of poor reconciliation and lack of regular review by the MFED when producing the General Ledger.

E29130000231	Communications	
hqpv2667/3 knao026/17 athkl	\$400.00	
HQPV2162/4 KNAO034/17 ATHKL	\$112.50	
hqpv2247/4 knao035/17 athkl	\$174.00	
hqpv2618/4 knao039/17 athkl	\$405.00	
hqpv2608/5 knao058/17 athkl	\$520.00	

Implication:

Mis-posting of proper transaction could cause unrealistic figures disclosed in the management report and could affect the budget level for future years.

Failure to performed regular reconciliation (MLPID vs MFED) could result in the error charging Ministry output.

Recommendation:

- ✓ Management is recommended to conduct proper and regular reconciliation more frequently to avoid error in charging Ministry output.
- ✓ Management is encouraged to performed proper consultation(MLPID vs MFED) to be able to take corrective action when deviations are noted before releasing General Ledger.

Management response:

The management noted that this was the wrong posting from Finance. Since the output E29130000231 is the output for the Linnix Agency in Tarawa, the posting was not recorded under the Kiritimati Account cash book system, but from the Ministry of Finance. Hence, the management note that there is no poor reconciliation and lack of regular review since there is no wrong posting from MLPID Account in Kiritimati reconciled with the posting from Finance, since these transaction was made from Tarawa. So, it is the oversight from Linnix Agency Tarawa and Finance Tarawa on this.

20.3.3.9 Internal Travel

Findings and Analysis:

- After a thorough review of MLPID PV: lap1491/17 on the Travel Claim to attend 2017 2nd Parliament Meeting from 14/8/17 - 25/8/17, Audit noted the following issues:
 - Itinerary of claimants was not attached to verify total Travel claim.
 - Absence form is not attached to confirm that Travel was authorized on the specified date.
 - From the table 20.3.3.9a, audit analyzed MLPID Travel Plan to the number of days of Parliament Meeting for calculation of Travel Imprest in Table 20.3.3.9b.

Table 20.3.3.9a

Destination (A)	MLPID Travel Plan (B)	Date of Parliament Meeting (C)	Alternative Travel Plan – Audit (D).	No of Days-MLPID Travel Plan (E)	No. of Days - Parliament Meeting (F).	No of days– Alternative Travel Plan (Audit) (G)	Findings and Analysis (D – B)
Nadi	09/08/2017	N/A	09/08/2017	1	N/A	1	OK
Tarawa	10/8/17 - 3/9/17	14/8/17 - 25/8/17	10/8/17 - 27/8/17	25	14	18	7 days of staying in South following the closing of Parliament Meeting in 25/8/1714
Nadi	4/9/17 - 5/9/17	N/A	28/8/17 - 29/8/17	2	N/A	2	OK

Findings and Analysis from Table 20.3.3.9a

Audit noted the following:

1. The number of days shown in Column E as extracted from the date in Column B shows the period where the claimant initially included in its calculation breakdown for imprest. However, audit noted that Parliament Meeting was convened for 14days (inclusive of weekends) from 14/8/17 – 25/8/17 (shown in Column C) while audit noted from PV 1491/17 that no form of authority was issued and attached to certify that extra 7 days for additional stay in South Tarawa after the closing of Parliament Meeting in 25/8/17.
2. Audit noted that claimant should departed South Tarawa on 28/8/17 so the stopover period in Fiji should be from 28/8/17 – 29/8/17.

Table 20.3.3.9b

Destination	No. of days MLPID Travel Plan	No of days (Alternative audit option)	Calculation of Imprest -MLPID	Calculation of Imprest - Audit	Total Imprest- MLPID Calculation	Total Imprest Audit Calculati on	Overpayment/Und erpayment
Nadi	09/08/2017	09/08/2017	258 * 1 day	258 * 1day	387	387	OK
Tarawa	10/8/17 - 3/9/17	10/8/17 - 27/8/17	150 * 25	150 * 18 days	5625	4050	\$1575
Nadi	4/9/17 - 5/9/17	28/8/17 29/8/17	258 * 2 days	258 * 2 days	774	774	OK
Total					6786	5211	\$1575

Findings and Analysis from Table 20.3.3.9b

From the Analysis of breakdown between claimant's initial travel plan and Alternative Travel Plan (Audit), Audit noted the overpayment of \$1575 perdiem to the claimant provided no form of authority attached to the PV to verify that claimant should be remained in South Tarawa additional 7 days after the closing date of Parliament Meeting.

2. After a thorough review of MLPID PV: lap1863/17 on the Travel Claim to attend 3rd Parliament Meeting from 4/12/17 - 18/12/17, Audit noted the following issues:
 - Itinerary of claimants is not attached to verify the total breakdown of the travel claim
 - Absence form is not attached to confirm that Travel was authorized on the specified date in PV1863/17.
 - From the table 20.3.3.9c, audit analyzed MLPID Travel Plan and 2017 3rd Parliament Meeting Plan that support analysis of Imprest calculated by MLPID and Audit in Table 3.3.9d.

Table 20.3.3.9c

Destination (A)	MLPID Travel Plan (B)	Date of Parliament Meeting (C)	Alternative Travel Plan – Audit (D).	No of Days Applied - MLPID Travel Plan (E)	No. of Days - Parliament Meeting (F)	No of days applied – Alternative Travel Plan (Audit) (G)	Findings and Analysis (D – B)
Nadi	15/11/2017	N/A	29/11/2017	1	N/A	1	Claimant should depart Kiritimati on 29/11/17 14 days travelling prior to the commencement date of Parliament and departure should be extended to 24/12/17 as it was more cheaper
Tarawa	16/11/17 - 20/12/17	4/12/17 - 18/12/17	30/11/17 – 24/12/17	35	14	25	Claimant should departed South Tarawa on 25/12/17, hence stop over period in Fiji was from 25/12/17 – 26/12/17
Nadi	21/12/17 – 26/12/17	N/A	25/12/17 – 26/12/17	7	N/A	3	

Findings and Analysis from Table 20.3.3.9c

Audit noted the following:

1. The number of days shown in Column E as extracted from the date in Column B shows the period where the claimant initially included in its calculation breakdown for imprest. However, audit noted that Parliament Meeting was convened for 14days (inclusive of weekends) from 4/12/17 - 18/12/17 (shown in Column C) while audit noted from PV 1491/17 that no form of authority was issued and attached to certify travel being made on 15/11/17 to South Tarawa, which is 14 days to the date of when travel should be made, one week before the beginning of Parliament Meeting (the difference between Column B and Column C). Thus Audit noted that in the absence of authority form (absence form) certifying that claimant should depart Kiritimati on 15/11/17, Audit alternate travel plan where claimant should depart Kiritimati on 29/11/17 and remain in South Tarawa from 30/11/17 – 24/12/17.
2. Audit noted that when cost-saving approach was taken into consideration in travel planning, claimant should departed South Tarawa on 25/12/17 so the stopover period in Fiji should be from 25/12/17 – 26/12/17 rather than staying in Fiji from 21/12/17 – 26/12/17 for the cost of staying in South Tarawa is much more cheaper than the cost of staying in Fiji.

Table 20.3.3.9d

Destination (A)	No. of days MLPID Travel Plan (B)	No of days Alternative Travel Plan (Audit)(C).	Calculation of <u>Imprest</u> –MLPID (D)	Calculation of <u>Imprest</u> – Audit (E)	Total <u>Imprest</u>- MLPID Calculation (F)	Total <u>Imprest</u> Audit Calculation (G)	Overpayment/ Underpayment (F – G)
Nadi	15/11/2017	29/11/2017	258*1.5*1day	258*1.5*1day	387	387	OK
Tarawa	16/11/17 - 20/12/17	30/11/17 – 24/12/17	150*1.5*35days	150*1.5*25days	7875	5625	\$2250
Nadi	21/12/17 – 26/12/17	25/12/17 – 26/12/17	258*1.5*6days	258*1.5*2days	2322	774	1548
Total					\$10584	\$6399	\$3798

Findings and Analysis from Table 20.3.3.9d

From the Analysis of breakdown between claimant's initial travel plan and Alternative Travel Plan (Audit), Audit noted

- Overpayment of \$2250 per diem being given to claimant for the period of stay in South Tarawa.
- Overpayment of \$1548 for per diem given to the claimant for the period of staying in Nadi from 21/12/17 – 26/12/17.
- Total Overpayment of \$3798

Implication

Authorizing expenditures that are not consistent to travel plan have raised concerns on authorizing irrelevant expenditure leading to misappropriation of public funds.

Recommendation

Accounting Officer must be held liable for the unauthorized expenditure in 3.3.9 as per FR 9.4 "Any officer allowing or directing any disbursement without proper authority will be held personally responsible and in the event of any unauthorised payment being made the amount may be surcharged against him".

Accounting Officer must be also liable for the overpayment of expenditure in 4.1.5.2 as per FR 10.23 "In the event of any overpayment being made in consequence of an erroneous entry on the voucher the certifying officer shall be held responsible and the amount incorrectly paid may be surcharged against him. Such overpayment shall be treated as a cash loss and dealt with in accordance with applicable regulations concerning cash losses. Similarly where expenditure is incurred which on reference to the Accountant General appears to him to be irregular or in error he may require it to be reported and dealt with as though it were a loss of public funds."

Management response:

There is no wrong calculation for internal travel officers' imprests seen in the PV/imprest form. The overpayment that is stated in the Audit report is not the overpayment by the wrong calculation. The calculation is correct, but the overpayment is from the audit side of view. However, for the overpayment

that the audit stated which is 14 days earlier is during the parliament. And it is a must for the Minister to arrive 14 days before parliament to prepare for parliament. Please check with Maneaba ni Maungatabu Rules and Procedures for MPs date of arrival before Parliaments.

20.3.3.10 EXTERNAL TRAVEL

Findings and Analysis

1. After a thorough review of MLPID PV: lap 560/17 on the Travel Claim to attend 3rd Parliament Meeting on 5/12/16 – 20/12/16, Audit noted the following issues:

- Absence form is not attached to confirm that Travel was authorized on the specified date in PV 560/17
- From the table 20.3.3.10a, audit analyzed MLPID Travel Plan to the number of days of Parliament Meeting for calculation of Travel Imprest in Table 20.3.3.10b

Table 20.3.3.10a

Destination (A)	MLPID Travel Plan (B)	Date of Parliament Meeting (C)	Alternative Travel Plan – Audit (D).	No of Days - MLPID Travel Plan (E)	No. of Days - Parliament Meeting (F).	No of days – Alternative Travel Plan (Audit) (G)	Findings and Analysis (D – B)
Nadi	16/11/16	N/A	30/11/16	1	N/A	1	Claimant should departed Kiritimati on 30/11/16
Tarawa	17/11/16 – 22/12/16	5/12/16 – 20/12/16	1/12/16 – 25/12/16	36	16	25	14 days travelling prior to the commencement date of Parliament and departure should be extended to 25/12/16
Nadi	23/12/16 – 27/12/16	N/A	26/12/16 – 27/12/16	2	N/A	2	Claimant should departed South Tarawa on 26/12/17, hence stop over period in Fiji was from 26/12/17 – 27/12/17

Findings and Analysis from Table 20.3.3.10a

Audit noted the following:

- The number of days shown in Column E as extracted from the date in Column B shows the period where the claimant initially included in its calculation breakdown for imprest. However, audit noted that Parliament Meeting was convened for 16days (inclusive of weekends) from 5/12/16 - 20/12/16 (shown in Column C) while audit noted from PV 560/17 that no form of authority was issued and attached to certify travel being made on 16/11/16 to South Tarawa, which is 14 days to the date of when travel should be made, one week before the beginning of Parliament Meeting (the difference between Column B and Column C). Thus Audit noted that in the absence of authority form (absence form) certifying that claimant should depart Kiritimati on 15/11/17, Audit alternate travel plan where claimant should depart Kiritimati on 29/11/17 and remain in South Tarawa from 30/11/17 – 24/12/17.

- Audit noted that when cost-saving approach was taken into consideration in travel planning, claimant should departed South Tarawa on 25/12/17 so the stopover period in Fiji should be from 25/8/17 – 26/8/17 rather than staying in Fiji from 21/12/17 – 26/12/12 for the cost of staying in South Tarawa is much more cheaper than the cost of staying in Fiji.

Table 20.3.3.10b

Destination (A)	No. of days MLPID Travel Plan (B)	No of days Alternative Travel Plan (Audit)(C).	Calculation of <u>Imprest</u> –MLPID (D)	Calculation of <u>Imprest</u> – Audit (E)	Total <u>Imprest</u> - MLPID Calculation (F)	Total <u>Imprest</u> Audit Calculation (G)	Overpayment/ Underpayment (F – G)
Nadi	16/11/16	30/11/16	258*1.5*1day	258*1.5*1day	387	387	OK
Tarawa	17/11/16 – 22/12/16	1/12/16 – 25/12/16	150*1.5*36days	150*1.5*25days	8100	5625	\$2475
Nadi	23/12/16 – 27/12/16	26/12/16 – 27/12/16	258*1.5*5days	258*1.5*2days	1935	774	1161
					\$10584	\$6399	\$3636

Findings and Analysis from Table 20.3.3.10b

From the Analysis of breakdown between claimant's initial travel plan and Alternative Travel Plan (Audit), Audit noted

- Overpayment of \$2475 per diem being given to claimant for the period of stay in South Tarawa.
 - Overpayment of \$1161 for per diem given to the claimant for the period of staying in Nadi from 21/12/17 – 26/12/17.
 - Total Overpayment of \$3636.
2. After a thorough review of MLPID PV: Iap 1203/17 – Travel Claim to Training in Taiwan from 10/5/17 – 24/5/17, Audit noted the following issues:
- Itinerary attached only covered the travel dates summarized in the Table 20.3.3.10c which linked to the calculation analysis in Table 20.3.3.10d
 - Absence form is not attached to confirm that travel has been confirmed by Senior Responsible Office of MLPID.
 - Table 3.3.10d provided analysis on MLPID Calculation and Audit Calculation in respect of claimant travel claim as per PV 1203/17. Audit noted from its examination of PV 1203/17, the overpayment \$7279.38 to claimant in accordance to calculation breakdown detailed in Table 20.3.3.10d. Audit calculation of claimant Travel Claim is based on the supporting document attached to PV1203/17 that includes Itinerary and the signed PV of the claimant Imprest issued at Kiribati High Commission in Taiwan (Note that PV issued at Kiribati High Commission in Taiwan has no PV no), hence the only covered periods used in the Audit Calculation in Table 20.3.3.10d. Audit note the overall overpayment for the claimant's travel claim by \$7279.38.

Table 20.3.3.10c

Date	Flight from	Flight to
10/05/2017	Kiritimati	Nadi
13/05/2017	Nadi	Hong Kong
13/05/2017	Hong Kong	Taipei

Table 20.3.3.10d

Details	MLPID Calculation	Audit Calculation
Fiji	570.00	570.00
Taiwan: 13/5/17 - 18/5/17	1924.56	1283.04
Taiwan: 19/5/17 - 26/5/17		1811.65
Taiwan: 19/5/17 - 4/6/17	7699.51	
Tarawa: 24/6/17 - 28/6/17	600.00	
Tarawa: 03/07/2017	150.00	
	10944.07	3664.69
<u>Imprest Drawn</u>	4354.97	4354.97
<u>Underpayment/Overpayment</u>	6589.10	690.28
Total Overpayment		7279.38

Implication

Authorizing expenditures that are not consistent to travel plan and Itenerary have raised concerns on authorizing irrelevant expenditure leading to misappropriation of public funds.

Recommendation

Accounting Officer must be held liable for the unauthorized expenditure in 3.3.10 as per FR 9.4 “Any officer allowing or directing any disbursement without proper authority will be held personally responsible and in the event of any unauthorized payment being made the amount may be surcharged against him”.

Accounting Officer must be also liable for the overpayment of expenditure in 3.3.10 as per FR 10.23 “In the event of any overpayment being made in consequence of an erroneous entry on the voucher the certifying officer shall be held responsible and the amount incorrectly paid may be surcharged against him. Such overpayment shall be treated as a cash loss and dealt with in accordance with applicable regulations concerning cash losses. Similarly where expenditure is incurred which on reference to the Accountant General appears to him to be irregular or in error he may require it to be reported and dealt with as though it were a loss of public funds.”

Management response:

The overpayment that is shown is the same as above. This is the following reasons:

- The officer travelled to Taiwan for the trainings on Machines from Heavy Machineries and Mechanicals.

- During his trainings there, the LC Linnix was bought and about to leave there, where he did not return to Christmas Island but stays and in charge of the LC Linnix since he is a mechanics.
- The Landing Craft sails to Tarawa where it stayed in Tarawa for more than a week. The officer worked on a ship for 4 days and spend another night on the island after working where he claim another subsistence.

For the Committee information, the use of expenditure is consistent, since the imprest form and travelling claims for the officer is endorsed and signed by the Secretary that is the Senior Responsible officer. Hence, this shows that the travel is relevant and were planned and approved by the Accounting officer.

20.3.3.11 STORE LEDGER & PROCUREMENT

Findings and Analysis

Audit noted from Table 20.3.3.11a

1. Total payment of Non-Expendable items of \$67558.80 not recorded in the MLPID Store Ledger
2. A total payment of \$7271.97 from PV 165/1 not supported with Ministry Procurement Review Committee Minute pursuant to Procurement Act 2002 Section 3, 'Procurement of good and services of worth between \$5,000 to \$50,000'.
3. A total payment of \$21950 from PV 410/5 not supported with Ministry Procurement Review Committee Minute pursuant to Procurement Act 2002 Section 3, ' Procurement of good and services of worth between \$5,000 to \$50,000'.
4. A total payment of \$52312.50 from PV 218/01 not supported with Central Procurement Review Board Minute pursuant to Procurement Act 2002 Section 3 'Procurement of good and services of worth between \$5,000 to \$50,000'.

Table 20.3.3.11a

Date	Details	Pv#	Allocation	Amount	Procurement Minutes
18/01/17	3 " diesel engine	165/1	E2909-241	7271.97	PV not attached with Ministry Procurement Review Committee Minute
"	water pump unit Yanmar brand tax	165/2	E2909-242		
10/12/2017	2 brother mfc- 50ppm mono laser printercopy,colour scan & fax	208/10	E2910-243	4150.58	OK
18/8/17	2 padlock	255/08	E2902- 241	40.00	OK
	1 Entrance Lock			32.00	
"	75 padlocks			1350.00	
15/1/17	1 toyota RAv4 5 door - Pearl	218/01	E2903-243	18562.50	PV not attached with Central Procurement Review Board Minute
"	1 mazda Titan 2.95 ton Navy blue		E2904-243	33750.00	
19/5/2017	1 Sud so pump	350/05	E2907 - 243	750.00	OK
	2 Silicone			47.80	
	1 Water Pump			585.00	
23/3/17	Cost of 1 air condition	450/3		1500.00	OK
"	1 plate compactor w/water tank	30/4	E2911 - 241	8647.00	
"	2 speed pump sign	30/5	E2911 - 242		
"04/07/2017	1 water tank	371/05	E2912-241, E2912-243	2957.95	
24/05/2017	Executive table(minister)	410/5	E2901-241, E2902-243, E2903-243, E2904-243, E2905-243, E2906-241, E2907-243, E2908-241, E2909-241, E2910-241, E2911-243, E2912-291	4000.00	Not attached with Ministry Procurement Review Committee Minute
"	Executive table(secretary)			3500.00	
"	2 Executive chairs			500.00	
"	4 drawer cabinets			650.00	
"	1 Executive sofa sets			2500.00	
"	20 office chairs			1600.00	
"	6 Board room tables			1200.00	
"	15 board room chairs			2000.00	
"	Independence celebration			4500.00	
"	Vip lounge needs			2500.00	

Total			67558.80
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Implication:

Management failure in providing of such records would be create a doubt for misusing of office properties that were purchasing under Office Equipment and Furniture code.

The absence of Procurement Minute to support payment as raised in issues (2) – (4) undermines Procurement Act as a way of controlling payment for Non – Expendable Items.

Recommendation

The issue related to maintenance of Store Ledger has been raised in MLPID past audit reports that Audit concern about given that no improvement made by Management to actively addressed the issue, Audit has now, Audit has now strongly recommend that Accounting Officers must be penalized of his/her failure in addressing underlined issue on Store Ledger and Procurement.

Management response:

This has been noted as an issue for the past years. However the management has tried to make solutions for this and one of it is the Database which is invented last year.

For the committee information, the management tried to put an internal control on the store ledger and tries to comply with the procurement; however there are some sides that fail in doing it so.

The database that is used by the MLPID shows the record of the asset purchased.

Hence, it is clearly shows that there is a progress on storing the non-expendable items rather than the past years. Which this shows that there is a progress in controlling the asset of the Government.

However, for the Procurement, it is clearly shows that there is a procurement form and minutes attached to the PV mentioned in the Audit report.

Yet, the management acknowledged the note from Audit and will make more improvement for the next following years.

20.3.3.12 Leave Entitlement

Findings and Analysis:

Audit noted that accumulated calculation of the following Officer was not aligned with Cabinet's decision of two year leave policy.

Staff	Leave Balance 2017 (MLPID Figure)	Correct leave Balance 2017 (Audit Figure)
Ratita Beebe	132.50	87
Bwereti Tewareka	119	87

Implications:

The whole purpose of the Cabinet Decision Minute 77/10 on forfeited leave balances is to avoid unnecessary drain out of public fund. No adhering to this decision is a violation of Cabinet decision.

Recommendation:

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

Management response:

The management shows that there is no drain out of public funds derived from the Leave entitlement. For the committee information, the officer named Ratita Beebe is not the MLPID Staff. She works in the Ministry of Environment Lands and Agricultural Development. So her leave balance is not controlled from our Ministry and leave is not approved by the management MLPID.

For Mr Bwereti Tewareka, he already took his leave just to get rid of his balance and take a rest since the Secretary is just arrived after the long leave from the former Secretary. And his leave balance shown in the leave form is not 119 anymore; it is less than 50 days.

We acknowledge the Audit Office for reminding us on the balance entitlement and policy.

21. MINISTRY OF JUSTICE

21.1 AUDIT OPINION

A QUALIFIED AUDIT OPINION is issued for the **Ministry of Justice** for the year ended 31 December 2017
“Except for” the effect of the matters as discussed in detail from 21.3 below

21.2 STATUS OF PRIOR MANAGEMENT LETTERS

There is no prior management issue for MOJ since the Ministry was first establishment in 2017.

21.3 SIGNIFICANT MATTERS ARISING FROM THE AUDIT

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

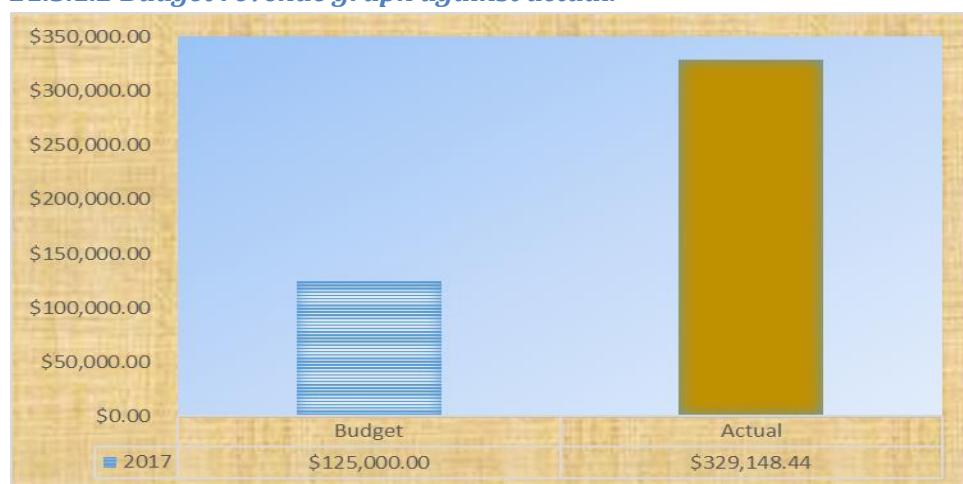
21.3.1 REVENUE (BUDGET)

Findings and analysis:

21.3.1.1 Revenue budget summary:

Year	2017
Budget	\$125,000.00
Actual	\$329,148.44
Variance Under/(Over)	(\$204,148.44)

21.3.1.2 Budget revenue graph against actual:



As alluded from the above table and graph, it is pleasing to note that MOJ for the first time in its year (2017) of operation had collect more than its approved estimate of \$125k which contribute to the overall actual excess

collection by over \$204k. Therefore, management must be embraced and commended for their remarkable performance and encouraged to maintain their efforts in the future years.

21.3.1.3 MOJ Revenues budget against actual by divisions.

	Customs	Civil Registration	OPL	Total
Budget	\$49,000.00	\$72,000.00	\$4,000.00	\$125,000
Actual	\$230,716.19	\$95,782.64	\$2,649.61	\$329,148.44
Variance (Over)/Under	(\$181,716.19)	(\$23,782.64)	\$1,350.39	\$204,148.44

21.3.1.4 MOJ revenue budget graph against actual by divisions



The above analysis indicates that only one (1) division (OPL) had failed to meet revenue budget estimate, However, the remaining two (2) divisions (Customs and Civil Registration) had surpassed approved estimate thus contribute to generate and boost up the overall collection for MOJ by \$204k.

Recommendation:

Management must ensure to provide a more realistic budget estimate and maintain collection over the future years in order to meet approved estimate.

Management response:

21.3.1.5 Revenue records and documents

Findings and Analysis:

The audit revealed the General Ledger for MOJ and discovered the following transaction as per detail in the table below which belief to be incorrectly posted under MOJ output with the total amount of \$57k. This simply means that the total actual revenue collection under MOJ (GL) of \$209k has been overstated by \$57k. In actual fact, the total revenue collection that should be reported under MOJ (GL E37020000111) would be \$152k (\$209k less \$57k). This confirmed to be the failure of the system error in detecting the accuracy of posting according to their appropriate output/code which also undermine the integrity of accounting divisions (MFED) to consult and reconcile with MOJ prior producing management report.

C37020000111	custom service fee	Amount	Incorrect code	Correct Code
XmasFA:20170335	vat	\$56,849.40	C37020000111	C25050000110(MFED)
XmasRV20170109	Acceptance fee	\$20.00	C37020000111	C37020000112(MOJ)
XmasRV20170128	Acceptance fee	\$22.00	"	"
XmasRV20170141	Acceptance fee	\$21.00	"	"
XmasRV20170149	Acceptance fee	\$12.00	"	"
XmasFA:20170322	Acceptance fee	\$21.00	"	"
XmasFA:20170329	Acceptance fee	\$31.00	"	"
XmasFA:20170335	Acceptance fee	\$49.00	"	"
XmasFA:20170340	Acceptance fee	\$42.00	"	"
XmasFA:20170343	Acceptance fee	\$22.00	"	"
XmsRV:20170407	Acceptance fee	\$40.00	"	"
XmsRV:20170423a	Acceptance fee	\$23.00	"	"
		\$57,152.40		

Implication:

Improper and Incorrect posting undermine the integrity and reliability of the management report produce by MFED.

Recommendation:

- Management must ensure an up to date reconciliation (monthly basis) to validate the accuracy if there are posting error made and make reversing entries when appropriate
- Understating and Overstating revenue can lead to misrepresentation of financial reports and undermine financial analysis on those revenue codes

Management response:

1. The misallocation of \$56, 6749.40 was due to a misunderstanding by our Customs officers in Kiritimati with regard to the coding system. They have now been advised on the correct coding.
- b) (3.1.3) \$2,000 of the Revenue Estimate/Budget for 2017 was for Sundry Revenue. No more collections were credited to the sundry revenue code in 2017 as all the OPL concentrated more on collecting Swearing fee. It can be seen in the 2019 budget that there is no more provision for the Sundry Revenue under OPL.

21.3.2 EXPENDITURE (BUDGET)

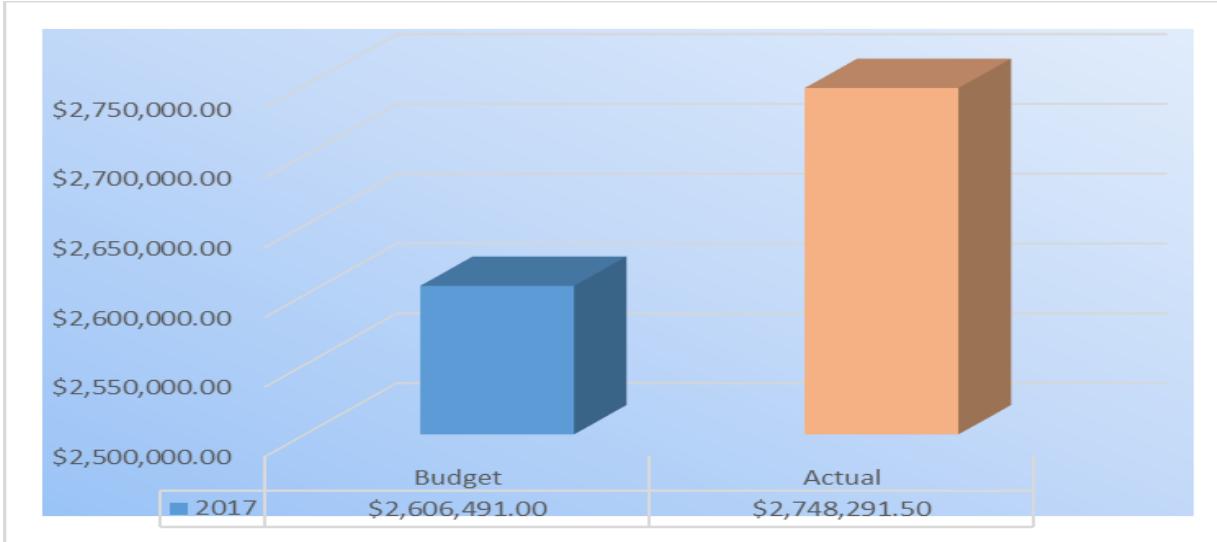
Finding and Analysis:

21.3.2.1 MOJ EXPENDITURE SUMMARY AGAINST BUDGET FOR 2017.

Year	2017(Mgt report)	Audit Figure Calculation	Variance
Budget	\$2,606,491.00	\$2,606,491.00	
Actual	\$2,748,291.50	\$2,748,291.50	
Variance Under/(Over)	(\$134,690.50)	(\$141,800.50)	\$7,110.00

According to the audit calculation, the audit confirms that the total variance shown on the management report of (\$134,690.50) is incorrect. After thorough review the audit note that the accurate figure that must be reflected after deduction should be (\$141,800.50) (\$2,606,491 less \$2,748,291.50) but not (\$134,690). Therefore, the error noted indicate that management report has been overstated by \$7k.

21.3.2.2 REVENUE BUDGET GRAPH AGAINST ACTUAL



As a result of an inaccurate figure disclosed in the overall position of the Ministry as per highlighted 3.2.1. The audit assures that MOJ should report a saving of (\$141,800) but not (\$134,690.50 as per Management report). As simply stated from the above table and graph, MOJ had surpassed approved budget the outcome of which report an excess spending of \$141k.

Recommendation:

Management must ensure to control and operate within means in order not to exceed budget expenditure.

Management must seek for additional funding through supplementary in order to cater for its activities during the fiscal year.

Management response:

MOJ's first budget as a new ministry is for the year 2017 and as such, it was quite hard to actually decide on the actual cost of providing its services to the public. We have high hopes that our budget for 2018 is more realistic.

21.3.2.3 MOJ BUDGET EXPENDITURE GRAPH AGAINST ACTUAL BY DIVISIONS

DIVISIONS	Admin	Custom	Prison	CRO	Human Righ	OPL	MOJ Xmas	Total
Budget (Revised)	\$516,264.00	\$547,924.00	\$739,530.00	\$178,672.00	\$57,394.00	\$554,698.00	\$12,009.00	\$2,606,491.00
Actual	\$591,607.40	\$591,716.60	\$840,027.91	\$177,006.24	\$24,157.23	\$523,776.12	\$0.00	\$2,748,291.50
Variance (over)/under	-\$75,343.40	-\$43,792.60	-\$100,497.91	\$1,665.76	\$33,236.77	\$30,921.88	\$12,009.00	-\$141,800.50

The bulk of the excess spending derived from Prison \$100k, Administration \$75k and Custom \$43k. The remaining division had managed to operate within budget estimate except for MOJ Xmas. The audit sought further explanation as why MOJ has an approved budget of \$12k but never utilized in 2017.

Management response:

The \$12,009 allocated to MOJ was actually utilised but wrongly allocated to the Prison HQ code E3703 – 202 instead of E3707 – 202.

It may be worth to note that the number of Prison staff stationed in Kiritimati is six (6) and therefore the approved Budget of \$12,009 is not sufficient to cover Salaries and KPF expenses for Kiritimati prison staff. Tabulated below is the actual amount needed for Kiritimati prison branch.

Xmas Prison Staffs					
Name	Annual Salary	Annual KPF	Annual L/grant	Total	
Teebora Fola	8,957.00	671.78	1,500.00	11,128.78	
Betaio Takabea	8,957.00	671.78	1,500.00	11,128.78	
Taakenibeia Itintamoa	7,672.60	575.45	1,500.00	9,748.05	
Ienibwebwe Tengata	8,957.00	671.78	1,500.00	11,128.78	
Tabuia Robuti	11,086.40	831.48	1,500.00	13,417.88	
Tekaibo Taoaba	8,720.40	654.03	1,500.00	10,874.43	
Total	54,350.40	4,076.28	9,000.00	67,426.68	

Monthly reconciliations are now carried out to ensure that there will be no more overspends.

21.3.3 INCORRECT TOTAL VARIANCE DETECTED UNDER MANAGEMENT REPORT DISCLOSED UNDER DIVISION AS PER DETAIL OUTPUT noted in the table below with an amount of \$7,110.00

Findings and Analysis:

The audit confirmed after verifying transfer between output noted in the table below and detected that the revised budget balance reflected in the management under variance should be zero and when deduct revised budget with actual expenditure then the correct figure that should be disclosed under variance in the management report should be also zero balance but not as reflected under each output shown in the table below. Therefore, the management report has been overstated by \$7,110 and this could lead to the failure of posting in the system as result of employees negligent in entering into the system. The other risk is the lack of regular review and poor reconciliation between MOJ and MFED.

Output	Code name	Original Budget	Revised Budget	Actual	Variance
E37020000226	Recruitment	\$500.00			\$500.00
E37020000233	Water	\$200.00			\$200.00
E37040000203	Housing Assistance	\$6,410.00			\$6,410.00
Total		\$7,110.00			\$7,110.00

Implication:

Variance detected in the management report raised doubt on the accuracy and reliable of the management report prepared by MFED. Variance detected raised uncertainty regardless of lack of reconciliation between the MOJ and MFED.

Recommendation:

Management must find ways of improving reconciliation to avoid future problems in the posting and entering of transactions which result in the variances detected in the management report.

Management response:

These variances – were caused as MFED's 2017 final management report is not correct, and I agree that frequent reconciliation between MFED and our records (MOJ's) should be done and maintained accordingly.

21.3.4 procurement**Finding and Analysis:**

Audit noted that a payment made on PV 038/17 for Office Equipment with total cost of \$11726.45 was not supported with Ministry Procurement Review Committee minute pursuant to Procurement Act 2002, Section 3

Implications

Failure to follow procedures will undermine the integrity and failure to comply with relevant section of the Procurement Act 2011.

Recommendation

Senior responsible officers must enforce Procurement Act 2011 procedures and ensure that all payments involving the limited amount prescribed in the Procurement Act 2011 should follow relevant procedures and guidelines.

Management response:

A copy of the original PV taken from MFED Treasury unit is attached for ease of reference. It can be seen from the attachments to the voucher that the payment was actually procured as evident from the procurement form signed by members of the procurement committee and a minute of the procurement meeting.

21.3.5 leave balance**Findings and Analysis**

Audit couldn't confirm and verify leave balance of MOJ Staffs since the responsible officer assigned to provide information relating to leave balance of staff was not able to provide such information. Therefore, the audit could not have confirmed the two year leave policy entitlement based accumulated leave balance for each staff.

Implication:

- The whole purpose of the Cabinet decision on forfeiting leave balances is to avoid unnecessary drain out of public fund hence, not adhering to this decision is of course a violation of Cabinet decision

Recommendation:

- The Ministry should consider performing timely checking and review of staff's leave balances so as to early produce correct leave balance to early alert those who are going to over exhausting their leave entitlement to avoid future negative leave balances.
- Office Managers must ensure to update leave balance register for each staff and have it available for audit purposes.

Management response:

Most, if not all, of MOJ staff were transferred to MOJ from other ministries and therefore, MOJ needs to update leave balances of these staff from those ministries. Our registry staff are still working on updating leave balances for all staff.

21.3.6 BUS TICKETS

Findings and Analysis

Audit noted the following issues related to the control over Bus tickets

1. A total of \$59.60 for the Bus tickets not recorded in MOJ Custom Division Bus ticket register

Dates	Denomination	Serial No	no. of ticket	value	Amount
	0.50 Cents	1997-2000	4	\$2.00	
		16384-386	3	\$1.50	
		16707	1	\$0.50	\$4.00
	0.60 Cents	39900	1	\$0.60	
		23699-23700	2	\$1.20	
		25601-25650	50	\$30.00	
		25681-25700	20	\$12.00	\$43.80
	0.70 Cents	24100	1	\$0.70	
		24181	1	\$0.70	\$1.40
	0.80 Cents	622515	1	\$0.80	
		33445-33446	2	\$1.60	
		33471-33474	4	\$3.20	
		33495-33500	6	\$4.80	\$10.40
		Total			\$59.60

2. Audit noted from MOJ – Custom Division Bus ticket register a total amount of \$261 for Bus Tickets that were issued but not signed by recipient.

Dates	Denomination	Recipient	Serial No.	No. of Ticket	value	Amount
03/04/2017	0.50 Cents	<i>Antonio</i>	2357-362	6	\$3.00	
"	"	<i>Kian</i>	2363	1	\$0.50	
"	"	<i>Buaua</i>	2364-69	6	\$3.00	
31/03/2017	"	<i>Antonio</i>	2352-354	3	\$1.50	
21/04/2017	"	<i>Uere</i>	1967-1969	3	\$1.50	
03/05/2017	"	<i>Buaua</i>	1987-1996	10	\$5.00	

17/07/2017	"	Antonio	16372-380	9	\$4.50	\$19.00
09/10/2017	0.60 Cents	Metio	23601-23610	10	\$6.00	
24/10/2017	"	Biriam	23655	1	\$0.60	
23/11/2007	"	Tokamaen	25655-25670	6	\$3.60	\$10.20
04/05/2017	0.70 Cents	Uere	3201-3202	2	\$1.40	
21/07/2017	"	Kantabu	23384-400	17	\$11.90	
"	"	"	24001-023	23	\$16.10	
04/10/2017	"	Amatia	24101-24200	200	\$140.00	\$141.40
03/04/2017	0.80 Cents	Tooua	16035-036	2	\$1.60	
"	"	Kian	16037-038	2	\$1.60	
03/05/2017	"	Uere	16071-076	6	\$4.80	
"	"	Terukaio	16077-078	2	\$1.60	
"	"	Buaua	16079-088	10	\$8.00	
"	"	Antonio	15601-15603	3	\$2.40	
09/11/17	"	Buaua	33642	1	\$0.80	
11/21/17	"	Antonio	29567-29568	2	\$1.60	\$22.40
07/21/17	\$1.00	Karaiti	34290-34300	11	\$11.00	
"	"	"	34601-611	11	\$11.00	
09/06/17	"	Kian	6042-6051	10	\$10.00	
09/21/17	"	Kantabu	34063-34069	7	\$7.00	
10/06/17	"	Tekeke	42956-42964	15	\$15.00	
10/08/17	"	Kantabu	42965-42970	6	\$6.00	
"	"	Kian	42971-42973	3	\$3.00	
"	"	Kantabu	42978-42979	2	\$2.00	
11/15/17	"	Metio	42980-42982	3	\$3.00	\$68.00
Total						\$261.00

3. Audit noted from MOJ – Custom Division Bus ticket register, a total amount of \$443.60 for the bus ticket that were issued without the recipient's signature (collected by someone). Audit was not able to verify the signature of the person who had collected the bus ticket without recipient's authority and also unable to confirm if the recipient actually received bus ticket.

Dates	Denomination	Recipient	Serial No.	No. of ticket	value	Amount
27/02/2017	0.50 Cents	Karaiti	637415-500	86	\$43.00	
31/03/2017	"	Buaua	2355-56	2	\$1.00	
12/04/2017	"	"	2370-400	31	\$15.50	

"	"	"	1901-1954	54	\$27.00	\$86.50
"	0.60 Cents	"	928001-100	100	\$60.00	
"	"	"	866199-200	2	\$1.20	
"	"	"	866094-100	7	\$4.20	\$65.40
"	0.70 Cents	Kantabu	553084-100	17	\$11.90	
"	"	Karaiti	553083	1	\$0.70	
21/03/2017	"	Kantabu	4601-30	30	\$21.00	
11/04/2017	"	"	4631-4662	32	\$22.40	\$56.00
05/01/2017	0.80 Cents	Ruuta	622512-513	2	\$1.60	
22/02/2017	"	Antonio	622514	1	\$0.80	
27/02/2017	"	Kantabu	622516-600	85	\$68.00	
21/03/2017	"	Karaiti	16001-030	30	\$24.00	
31/03/2017		Buaua	16032-34	2	\$1.60	
11/04/2017	"	"	16039-054	18	\$14.40	
18/04/2017	"	Terukaio	16055-057	3	\$2.40	\$112.80
27/02/2017	0.90 Cents	Kantabu	53468-500	33	\$29.70	\$29.70
21/03/2017	\$1.00	Karaiti	10801-830	30	\$30.00	
"	"	"	10831-850	20	\$20.00	
11/04/2017	"	"	10551-566	16	\$16.00	
"	"	"	10867-900	34	\$27.20	\$93.20
	Total					\$443.60

Implication:

The associated risk of unrecorded bus tickets was understatement of E2901-215 (Transport to Work) and misappropriation of funds.

Unsigned bus ticket in the Bus ticket Register undermines internal control over Bus ticket expenditure that contributes to mismanagement and loss of public funds on Bus tickets

The absence of authority in collecting other's bus ticket undermines internal control over Bus ticket expenditure that contributes to mismanagement and loss of public funds on bus tickets

Recommendation

Accounting Officer of MOJ must ensure an up to date reconciliation for bus ticket issued on day to day or weekly basis as a way of determining non-accounted expenditure on Bus ticket in the current Financial Audit.

Accounting Officer of MOJ must also ensure that internal controls on the collection of bus ticket is strictly monitored according the standing procedures of Bus ticket Internal Controls – that is recording, signature and authority letter attached to Bus ticket Register Form when bus ticket are issued.

Management response:

Issue 1: Bus tickets not registered

We will investigate this and take necessary/proper action(s) against officer responsible.

Issue 2: Bus Tickets not Signed by those issued with tickets

This will also be investigated and proper/necessary action(s) will be taken against responsible officer.

Issue 3: Bus tickets collected by someone other than those issued with bus tickets

It has been the practice by Customs staff to collect bus tickets for their colleagues working at Bonriki. However, officer responsible for bus tickets have been advised to cease that practice immediately and must demand an authority from those requesting assistance re collection of bus tickets.