



Government of Samoa

**REPORT OF THE
CONTROLLER AND AUDITOR-GENERAL
TO THE LEGISLATIVE ASSEMBLY**

**Report on the Operations of the
Samoa Audit Office**

July 2011 - June 2012

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AUDIT OFFICE

21 November 2014

Afioga La`aulialemalietoa Leuatea Polataivao Fosi
Honourable Speaker of the House
Legislative Assembly
Independent State of Samoa

Dear Mr. Speaker,

**Report to Parliament – Report on the Operations of the
Samoa Audit Office - July 2011 to June 2012**

In compliance with Article 98 of the Constitution of the Independent State of Samoa 1960 and Section 42 of the Audit Act 2013, I respectfully submit to you, for transmission to the Legislative Assembly of Samoa and for tabling in the next Parliament session, my Report on the Operations of the Samoa Audit Office for the period 1 July 2011 to 30 June 2012.

Yours Sincerely,

Cabele

Fuimaono Papali'i C. G. Afele
CONTROLLER AND AUDITOR-GENERAL

Foreword

This is my fourth report to Parliament since my initial appointment in late September 2010. This report is on the operations of the Office of the Controller and Auditor-General (OCAG) and the results of audits and other assignments completed by the Office between July 2011 and June 2012. OCAG is also known as the Samoa Audit Office (SAO). The report on irregularities submitted from Government Ministries and Constitutional Offices have been completed separately and will also be submitted separately to the Legislative Assembly.

This period is the first year of application or roll-out of Institutional Strengthening Project (ISP) reforms. It continued the legislative amendment process as well as the population of the new organizational structure increasing staff capacity from 50 before the ISP to 60 after the ISP.

A summary of the achievements of the ISP as well as the foundation and vision of the ISP will be covered in the report to parliament for the period July 2013 to June 2014. Suffice to say that during this year (2011/12), a submission was made to Cabinet to consider and decide on the audit bills and constitutional amendment bill for presentation to Parliament. This was the culmination of various consultations with the Office of the Attorney General after the ISP to polish the Bills into perfection as well as wide consultations conducted by the Office of the Attorney General with other stakeholders.

Another ISP reform still outstanding at the end of the ISP was the population of the new organisational structure or staff capacity to prepare for the execution of new audit functions and strengthening of existing audit functions. A total of 26 interviews were made for new positions and the recruitments continued onto financial year 2012/13 aiming to fill the capacity approved in the ISP of 60 staff by 30 June 2013.

During financial year 2011/12, work also started to respond to calls for additional capacity building projects or programs from the International Organisation of Supreme Audit Institution (INTOSAI) as well as the Public Finance Management Reform Plan Phase II of the Government of Samoa (PFMR II).

The INTOSAI Development Initiative (IDI) on the donor funding strategy for capacity building started to take shape in 2010 at the INTOSAI Meeting in South Africa. This meeting followed on from consultations in Washington D.C. that the Controller and Auditor-General attended. In addition, there were global-wide stakeholders consultations by INTOSAI in 2010 through emails and questionnaires. The INTOSAI and PFMR II activities are currently being progressed, and coverage of the results should be available in future reports.

Furthermore, the Samoa Audit Office hosted a study by the Pacific Association of Supreme Audit Institutions (PASAI) on Accountability and Transparency in the Pacific. This study consulted a number of stakeholders in Samoa within the executive government, parliament, private sector and civil society including the media.

Finally the financial year 2011/12 also saw a restructure in the outputs of OCAG in the Government's budget from four to three outputs aligning with the new structure as well as the submission to the Speaker of the Report of OCAG for the period July 2009 – June 2010.



Fuimaono.Papali'i.C.G.Afele

CONTROLLER AND AUDITOR-GENERAL

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1) Role and activities of the Office

In my reports to Parliament for the period July 2009 to 2010 and July 2010 to June 2011, there was coverage of the mission, legislations and functions of the Office of Controller and Auditor-General (OCAG). Just to reiterate on that commentary, the original mandate of OCAG was embedded in the following legislations:

- Constitution 1960
- Audit Office Ordinance 1961
- Audit Regulations 1976
- Public Finance Management Act 2001
- Public Bodies Act 2001
- Enabling legislations of various ministries and public bodies

On 27 January 2014, the Audit Act 2013 and Constitutional Amendment Act 2014 came into effect. I will discuss these legislations in detail in my reports to Parliament for the period July 2012 to June 2013 and July 2013 to June 2014.

Under its legislative mandates, the OCAG holds as one of its primary responsibility, a Controller or Pre-audit financial audit function and a post-audit financial audit function. Its reach covers all public entities from Ministries, overseas missions, donor- and loan-funded projects, public bodies and Public Accounts to all entities deriving funds and/or mandates from legislation or policy directives of Government.

Before the ISP, OCAG also had a mandate under Audit Regulations 1976 for examinations to ascertain whether efficient and effective practices were followed and applied in the general administration and management of public money and stores. In the legislative amendments in the Audit Act 2013 and Constitutional Amendment Act 2014, these mandates were consolidated under modern terminologies such as performance audit, compliance audit, information technology audit, environmental audit and special audit or special examination.

2) Staff and other resources

Staff remains to be the key resource of OCAG in the performance of its functions. Funding and expenditures of OCAG is driven more by staff and related costs rather than operating expenditures. Tools and technology as capital investment have also grown in importance to the successful performance of the duties and functions of OCAG.

2.1 Staff numbers

As at 30 June 2012, the Office consisted of the Controller and Auditor-General and 41 employees; 34 technical staff and 7 support staff. During the year, 10 staff ended their employment with the Office while 6 new entrants were recruited. The 10 who left the Office included two who migrated overseas, one who passed away, one serving as the wife of a pastor to a new community and six promoted to higher positions with higher pays within the public sector.

2.2 Staff management and development

Staff of the Office during the year continued to receive both local and overseas training. The main partners of the Samoa Audit Office providing assistance in the form of training and information

exchange were the Pacific Association of Supreme Audit Institutions (PASAI) and the training arm of the Supreme Audit Institution of India called ICISA.

3) Annual financial statements

The following summarises the receipts and payments of the Office for the year ended 30 June 2012.

Office of the Controller and Chief Auditor
Statement of Receipts and Payments for the year ended 30 June 2012

Item	Budget 2011/12 \$	Actual 2010/11 \$	Actual 2011/12 \$
RECEIPTS			
Sales, Fees & Other Charges	400,000	524,972	435,653
TOTAL RECEIPTS	\$400,000	\$524,972	\$435,653
PAYMENTS			
Outputs			
1.0 Audit Reports to Parliament	742,587	442,376	488,203
2.0 Audit of the Public Accounts	1,221,439	399,391	969,658
3.0 Audit of Government Ministries	757,375	593,086	681,245
4.0 Audit of Statutory Corporations	0	0	0
Total Outputs	\$2,721,400	\$2,331,98	\$2,139,106
PAYMENTS			
Transactions on Behalf of the State			
International Congress of Supreme Audit Institutions - Membership Fees	5,000	0	0
South Pacific Organisation of Supreme Audit Institutions - Membership Fees	600	341	533
International Organisation of Supreme Audit Institutions - Membership Fees	1,584	1,526	1,423
Association of Pacific Islands Public Auditors - Membership Fees	1,200	0	0
	8,384	1,866	1,956
Rents and Leases	173,167	159,881	162,306
VAGST	88,675	85,898	71,171
Total Transactions on Behalf of State	\$270,266	\$247,645	\$235,433
TOTAL EXPENDITURE	\$2,991,626	\$2,579,634	\$2,374,539
RECEIPTS OVER PAYMENTS - DEFICIT	-\$2,591,626	-\$2,054,662	-\$1,938,886

Notes to the Statement

1. All amounts shown in the statement were rounded to the nearest \$1.
2. The statement has been prepared on a cash basis. Debtors and creditors and other assets and liabilities of the Office at 30 June 2012 were not included.
3. The budget represented amounts appropriated to the Office under the four outputs.

4. Audit fees recovered were amounts charged to Statutory Public Bodies and to the Ministry of Finance (for project audits) to recover the costs of the audit. No audit fees were charged for Ministry audits.

Explanation for significant variances from Budget Estimates and Prior Year Actuals

1. Total actual payments of \$2,374,539 for the financial year were less than budget estimates by \$617,088 (26%).
2. Actual fees recovered of \$435,653 exceeded estimated fees by \$35,653 (9%). The 2011 comparative was inflated by the inclusion due to delayed posting by the Ministry of Finance of 2009/10 receipts totaling \$152,396. When this amount is deducted from the 2011 figure, the actual receipts should be \$372,576. This would mean that receipts increased in 2012 by \$63,077 or 17%.

4) Office performance targets and results

The Annual budget papers include a number of performance measures for the output groups of the Office. These measures and actual performance for 2011/12 are detailed below.

Output +1: STRATEGIC AND PARLIAMENTARY SERVICES

Scope of Appropriation:

This appropriation is for the delivery of the following services:

- Submitting annual reports to Parliament
- Attend Parliament and Parliamentary Committee Meetings
- Inspection of Government Development Projects
- Conduct of Information Technology Audits
- Conduct of Performance Audits
- Conduct of Special Audits/Examinations

Performance Measures:

Activity:	Quantity:	Achievement:
1. Prepare Audit Office Annual Report and submit to Parliament	One report for the period July 2010 – June 2011	OCAG/SAO tabled one report during the period July 2011 – June 2012. This report relates to audits and other assignments conducted between July 2009 and June 2010.
2. Attend Parliament Meetings and Parliamentary Committee Meetings when Budget Estimates, Bills and annual reports are tabled	All Parliament Meetings. All Public Accounts Committee Meetings and other Parliamentary Committee Meetings when required	OCAG/SAO attended 100% of the meetings and sessions during the period of the report.
3. Conduct of information technology audits in particular general controls and application controls audits	Two information technology audits	The responsible Unit of OCCA/SAO constructed computer audit assisted techniques for the financial audits of the public accounts, public bodies and ministries. There was no application control audit conducted but general controls audits were conducted as part of the annual financial audits of ministries and public bodies.
4. Conduct of performance	Two performance audits and	The responsible Unit of OCAG/SAO

Report on the Operations of the Office, 1 July 2011 to 30 June 2012

audits and special audits or examinations	two special audits or special examinations	conducted two performance audits and four special examinations/audits. Coverage of these audits are in the report.
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Output 2: AUDIT AND CERTIFICATION SERVICES TO THE MINISTRY OF FINANCE, ALL GOVERNMENT MINISTRIES AND CONSTITUTIONAL OFFICES

Scope of Appropriation:

This appropriation is for the delivery of the following services:

- Audit of the quarterly statements of receipts and payments
- Audit of the annual public accounts
- Pre-audit of the daily cheque listing
- Audit of the accounts of donor and loan funded projects
- Audit of ministries, departments and office of the Executive Government;
- Audit of overseas missions
- Certifications of warrants for signature of Head of State to release funds
- Interim and special check/audits of Ministries

Performance Measures:

Activity:	Quantity:	Achievement:
1. Audit of quarterly statements of Receipts and Payments of the Treasury Fund.	Three quarterly statements of receipts & payments of the Treasury Fund to be audited	OCAG/SAO completed 3 quarterly statement audits for periods ended 31 December 2010, 31 March 2011 and 30 September 2011. Coverage of these audits are in the report.
2. Audit of annual Public Accounts.	One set of Annual Public Accounts for 2010/11 to be audited subject to submission of draft by the Ministry of Finance	OCAG/SAO completed the audit of the Annual Public Accounts for 2008/09 and 2009/10. Coverage of these audits are in the report.
3. Pre-audit of Treasury daily cheque listings	100% of daily cheque listing received for pre-auditing are cleared daily	The performance quota or target of 100% cheques pre-audited and passed daily was achieved. Work is being carried out in the Audit Office Institutional Strengthening Project to improve the capture and reporting of this Audit Office Output.
4. Audit of Government Ministries & Departments	Targeting 70% of 20 Ministries to be audited during the year 2011/12 in line with staff numbers	OCAG/SAO completed 8 ministries audits or 36% which is lower than the performance target. During this period the Audit Office was working on updating the arrears in Ministries audits going back to 2008 and most of these

		<p>were completed in the financial year 2012/13.</p> <p>In December 2013 all ministry audits were updated to financial year 2012/13.</p>
5. Audit of Government Overseas Missions	<p>Targeting 70% of 7 Missions to be audited during the year 2011/12 in line with staff numbers</p>	<p>OCAG/SAO completed 2 mission audits or 29% which is lower than the performance target.</p> <p>During this period, the Audit Office was also working on updating the arrears in mission audits going back to 2008 and most of these were completed in the financial year 2012/13.</p> <p>In December 2013, 80% of mission audits were updated to financial year 2012/13.</p>
6. Audit of Donor and Loan Funded Projects	<p>Targeting of 80% of projects to be audited during the year 2011/12 in line with staff numbers.</p> <p>This is a moving number as projects have differing requirements every year.</p>	<p>OCAG/SAO completed 20 project audits during the year 2011/12. This is the highest number ever conducted.</p> <p>In 2008/09 there were 10 project audits completed.</p> <p>In 2009/10 there were 9 project audits completed.</p> <p>In 2010/11 there were 8 project audits completed.</p>
7. Interim and special checks on Ministries	<p>Targeting 50% of 20 Ministries to be interim/special checked or audited during the year 2011/2012 in line with staff numbers</p>	<p>Due to work done on project audits and update of backlog in ministry audits, this was not achieved.</p>
8. Auctions and other engagements	<p>Targeting 50% of request or demand on auctions and other engagements.</p>	<p>OCAG/SAO responded to all requests or demands – 100%</p>

Output 3: AUDIT SERVICES TO STATUTORY PUBLIC BODIES

Performance Measures:

Scope of Appropriation:

This appropriation is for the delivery of the following services:

- Audit of the non-delegated or in-house public bodies annual financial statements;
- Audit of the delegated or outsourced public bodies annual financial statements;
- Interim and special check/audits of Public Bodies

Performance Measures:

Activity:	Quantity:	Achievement:
1. Audit of Public Bodies (beneficiary & trading) – Non-Delegated	Targeting 80% of 15 delegated or outsourced public bodies to be audited during the year 2011/12 in line with staff numbers of appointed Auditors	11 or 73% of outsourced audits were completed within financial year 2011/2012
2. Audit of Public Bodies (beneficiary & trading) – Delegated	Targeted 80% of 19 non-delegated or in-house public bodies to be audited during the year 2011/12 in line with staff numbers of the Audit Office.	17 or 89% of in-house or non-delegated audits were completed within financial year 2011/12
3. Comprehensive surprise, spot or interim checks focusing on prevention and deterrence of irregularities and losses of public resources	Targeting 50% of 34 Public Bodies to be interim/special checked or audited during the year 2011/12 in line with staff numbers.	Due to work done on the update of backlog in non-delegated public bodies audits, this was not achieved.
4. Auctions and other engagements	Targeting 50% of request or demand on auctions and other engagements.	OCAG/SAO responded to all requests or demands – 100%

The reasons for variations between actual performance and target were:

- Delays in preparation of financial statements by public sector entities responsible under statutes for the preparation and submission of these financial statements;
- Incompleteness and incorrectness of draft financial statements submitted for auditing;
- Some projects are only required to be audited when expenditure exceeds a certain threshold;
- Updating or clearance of backlogs going back to 20008.

As part of changes currently taking place in the Office, additional performance measures are planned to be introduced to assist in managing and monitoring Office activities. It is anticipated that these measures will be included in future Parliamentary reports produced by the Office

5) Audits and other assignments

Under relevant legislation, the Controller and Chief Auditor is required to conduct audits of:

- The Government's Annual Public Accounts
- Quarterly Statements of Receipts and Payments
- Ministries
- Public Body financial statements
- Government Overseas Missions
- Donor and loan funded projects managed by the Department of Finance.

The purpose of these audits is to provide assurance on the financial management of these entities and, where applicable, to issue an audit opinion as to whether financial statements fairly present the financial operations of relevant entities.

The results of these financial audits are reported to Parliament at least once annually.

In addition, the Office may undertake special audits or examinations of specific activities conducted at the discretion of the Controller and Chief Auditor. The source of these special audits or examinations may be by request from Ministers, other members of Parliament, the management of Ministries or Public Bodies or other stakeholders of the Office.

The following table summarises the number of audits and other assignments undertaken during the financial year ended 30 June 2012.

Audits completed in 2011-2012

Type of Audit	Number of audits completed
Annual Public Accounts	3
Quarterly Statements of Receipts and Payments	3
Ministries	8
Public Bodies	33
Government Overseas Missions	1
Donor and Loan funded projects	20
Performance Audit	2
Special Audit/Examination	4

6) Annual Public Accounts

The Public Finance Management Act 2001 requires that the Ministry of Finance table an annual report on the financial operations of the Government of Samoa. This report consolidates the financial operations of all Ministries.

Under the Act, the Ministry of Finance is required to submit a draft set of statements to the Controller and Auditor-General within four months of the end of the preceding annual year. The Controller and Auditor-General is then required to provide an audit opinion on these statements within six months of the end of the preceding financial year.

During the year, audits were completed and opinions issued on the Annual Accounts for the financial years ended 30 June 2009 and 30 June 2010.

The audit opinions issued were unqualified with emphasis of matters on the failure of the Ministry of Finance to prepare certain Statements required by the Public Finance Management Act 2001 as well as other internal control breakdown and weaknesses noted in the management letter report to the Ministry of Finance.

It is important that Annual Public Accounts be prepared and audited on a timely basis so that adequate accountability is provided for the financial operations of the Government and its Ministries.

The following table summarises the timing of preparation and audit of the Annual Public Accounts that have been completed and/or progressed as at the date of printing of this report.

Financial Year	Date draft submitted for audit		Date of audit opinion	
	Legislative requirement	Actual	Legislative requirement	Actual
2005/06	1 November 2006	10 October 2007	1 January 2007	25 September 2008
2006/07	1 November 2007	11 September 2008	1 January 2008	16 November 2009
2007/08	1 November 2008	24 September 2009	1 January 2009	24 June 2010
2008/09	1 November 2009	19 December 2009	1 January 2010	4 May 2012
2009/10	1 November 2010	29 October 2010	1 January 2011	4 May 2012
2010/11	1 November 2011	26 October 2011	1 January 2012	20 June 2013
2011/12	1 November 2011	31 October 2012	1 January 2013	24 January 2014
2012/13	1 November 2011	31 October 2013	1 January 2014	7 March 2014

Delay in finalising the Annual Public Accounts has been an ongoing issue for many years. The table shows that despite the accounts being prepared and submitted on time as was the case in 2006, 2007, 2008, 2010, 2011, 2012 and more recently 2013, the incompleteness in the accounts submitted made it longer for the audit to be completed due to corrections and adjustments that needed to be made.

The following summarises the audit findings included in the management letters on the audit of the Public Accounts for years ended 30 June 2009 and 30 June 2010.

Public Accounts

Financial statements audited: ***30 June 2009***

Type of audit opinion issued: ***Unqualified/Emphasis of Matter***

Summary of audit findings:

1. The Ministry of Finance provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue.
2. PFMA 2001 requires that a Statement of Cash Flows and Statement of Government Transactions under the Government Finance Statistics (GFS) Format are included in the Public Accounts. The Ministry of Finance did not include these two Statements in the Consolidated Public Accounts for the year ended 30 June 2009. Work is being progressed by the Ministry of Finance to meet this requirement by the Public Accounts for the financial year 2014/15.
3. A deficit of \$7.7 million talā between Receipts & Payments was recorded for the financial year ended 30 June 2009 while the Government budgeted for a deficit of \$6.5 million talā. The deficit increased significantly when compared to the deficit of \$5.8 million tala in the financial year ended 30 June 2008. The deficit went down to \$4.3 million talā in the financial year ended 30 June 2013.
4. As in the previous years, the Government continued to spend 5% of its total receipts or cash inflows for servicing its external debt during the audited period. Debt servicing however increased to \$22 million talā in the audited period higher than any of the previous 4 years. For the year ended 30 June 2013, debt servicing expenditure increased further to \$38 million talā – the highest debt servicing expenditure for the last 10 years.
5. The overall outlook for receipts was a 0.03% or \$0.1 million talā decrease of actual receipts from the financial year ended 30 June 2008 to the financial year ended 30 June 2009. Furthermore, there was an under-collection of \$25 million tala when compared to the budget for the current

financial year under review. Compared to the financial year ended 30 June 2013, there was a 3% increase in actual collections from 2012 of \$15.1 million talā, however there was also an under-collection of \$15million talā.

6. Of the 20 revenue-producing or cost recovery Ministries, 11 did not achieve their budgeted revenue collection. It was noted that the Ministry of Finance was among these under-achievers. The number of under-achieving Ministries was raised as a concern and the Ministry of Finance was asked to have in place measures to ensure that deviations from year-to-date targets were investigated and Ministries concerned were advised as soon as possible so that appropriate actions were taken before financial year end. The same number of Ministries did not achieve the budgeted revenue collection for the year ended 30 June 2013, however the Ministry of Finance was not one of the under-collecting Ministries.
7. The overall outlook in expenditures was a 0.2% or \$1 million tala increase in expenditures or spending from the financial year ended 30 June 2008 to the financial year ended 30 June 2009. The total actual expenditure of \$409,637,808 was below the budgeted expenditure of \$412,089,806 and the Ministry of Finance was commended on controlling Ministries' spending. For the year ended 30 June 2013, there was a 3% increase in expenditure compared to 2012 and the controls in place also kept actual expenditures below budget.
8. Audit noted that some ministries had overspent their budgeted expenditure. The Ministry of Finance, through the Budget Division, was asked to closely monitor Ministry spending and advise Ministries accordingly on the status of their spending as well as required actions to be taken to control spending within the appropriated budget as approved by Parliament.
9. The audit noted that the Statutory VAGST estimate of \$1,173,702 for the financial year under review had not been spent. The audit was also aware that statutory remuneration was not subject to VAGST. Therefore, the audit recommended that annual appropriations submitted for approval should be checked and should accurately reflect all anticipated expenditure. Improvements were being made towards correct accounting for Statutory VAGST as evident in the Public Accounts for the year ended 30 June 2013.
10. We noted from our review of Statutory Remuneration Expenditure that the following accounts were overspent because some expenses were under-budgeted. For instance, the NPF and ACC expenses for Parliamentary Under-Secretaries should be 11% (NPF 10% plus ACC 1%) but the estimated budget was for 6%. Similarly, the overspending for the Samoa Audit Office was due to untaken annual leave paid but was not budgeted for in the annual appropriation. The audit recommended that Estimates should be checked thoroughly for accuracy and completion of all anticipated expenditure.

Purpose	Estimates \$	Actual \$	Variances \$	Overspent %
Audit Office Act 1961	125,500	135,358	(9,858)	-8
Parliamentary Under Secretaries Act 1968	2,072,664	2,089,207	(16,543)	-1

Public Accounts

Financial statements audited: 30 June 2010

Type of audit opinion issued: Unqualified/Emphasis of Matter

Summary of audit findings:

1. The Ministry of Finance provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue.
2. PFMA 2001 requires that a Statement of Cash Flows and Statement of Government Transactions under the Government Finance Statistics (GFS) Format are included in the Public Accounts. The Ministry of Finance did not include these two Statements in the Consolidated Public Accounts. Work is being progressed by the Ministry of Finance to meet this requirement by the Public Accounts for the financial year 2014/15.
3. The Government of Samoa recorded a deficit of \$11.8 million tala for Receipts & Payments for the financial year ended 30 June 2010 which was significantly lower than the \$103.8 million tala deficit anticipated. The deficit has again increased from the \$7.7 million tala deficit in the last financial year. The deficit went down to \$4.3 million talā in the financial year ended 30 June 2013.
4. Total debt service as a percentage of total receipts for the 5 year period are tabulated below. The year 2010 saw an increase to 6%. The increase in debt service was mainly due to the high expenditures in the infrastructure projects commenced and ongoing at the time. These projects included the Samoa power sector expansion project, infrastructural management project, rehabilitation of petroleum storage facilities project, construction of Building for the Ministry of Justice, Courts and Administration and the Parliamentary Complex. For the year ended 30 June 2013, debt servicing expenditure increased further to \$38 million talā – the highest debt servicing expenditure for the last 10 years. It is expected that this debt service amount and percentage will reverse in the medium to long term in accordance with the debt management strategies currently being implemented by the Ministry of Finance after recovery from shocks caused by global economic trends and natural disasters such as the tsunami of 2009 and Cyclone of 2012.

YEAR	TOTAL RECEIPTS (\$)	TOTAL DEBT SERVICE (\$)	DEBT SERVICE/RECEIPTS (%)
2006	346,324,000	17,087,296	5%
2007	429,862,000	17,940,409	4%
2008	444,744,000	19,387,707	4%
2009	444,618,000	22,041,365	5%
2010	414,140,947	24,277,946	6%

5. The end result of financial transactions of Government for the financial year 2009/10 was a Government Capital Deficit of \$50.9 million. For the five year period going back to 2006, this is the first time the Government Capital was in deficit meaning total recorded assets of the Treasury Fund were less than the total recorded liabilities. Similar positions were experienced in previous years before the five years under comparison especially in the 1980s and 1990s notably during periods of economic downturn and recoveries from natural disasters and agricultural blights. The financial year ended 30 June 2013 saw this net liability or capital deficit position reversed back to a capital surplus of \$182,187 million talā after 3 consecutive or successive years of capital deficits in 2010, 2011 and 2012. This has come about after the Ministry of Finance recognized infrastructural assets

built as part of the recovery effort from the 2009 tsunami and 2012 cyclone as well as part of the significant infrastructural projects referred to in 4 above. The Ministry of Finance is progressively working to recognise other significant infrastructural assets currently existing and currently being built with the aim of a complete and full recognition of major and significant assets by the financial year ending 30 June 2015.

6. Actual total receipts increased from \$444.6 million tala to \$449.2 million tala resulting in a slight increase of \$4.6 million tala or 1%. Actual total receipts for the financial year ended 30 June 2010 exceeded budgeted estimates by \$44.6 million tala or 11%. The increase in total receipts for the period include cash received directly and indirectly by the government from overseas and local donors for the purpose of tsunami recovery work. Compared to the financial year ended 30 June 2013, there was a 3% increase in actual collections from 2012 of \$15.1 million talā, however there was an under-collection of \$15 million talā
7. Actual total payments increased by \$8.8 million tala or 2%, a total of \$461.1 million tala compared to \$452.3 million tala in the financial year ended 30 June 2009. Actual total payments for the financial year ended 30 June 2010 was kept below the budget by \$47.3 million tala or 10%. For the year ended 30 June 2013, there was a 3% increase in expenditure from 2012 and the controls in place also kept actual expenditures below budget.
8. The actual deficit for the Treasury Fund increased from \$7.7 million tala in the prior year to \$11.8 million tala during the financial year ended 30 June 2010 which was still better than the estimated deficit of \$103.8 million tala.
9. The table below shows all Ministries' actual receipts against budget. Some ministries' collections exceeded estimates and as much as 85%, while some ministries under-collected, some as low as 152%. The overall collection by all Ministries was 2% more than the budgeted amount. Ministries with collections exceeding budget should be commended.

RECEIPTS BY MINISTRY	2010	Estimate	Over/(Under)	Percentage
	\$	\$	\$	%
Agriculture	638,908	461,762	177,146	28%
Attorney General	17,694	20,000	-2,306	-13%
Audit Office	259,422	331,647	-72,225	-28%
Commerce, Industry and Labour	268,627	302,240	-33,613	-13%
Communication, Information and Technology	2,254,399	2,767,806	-513,407	-23%
Education, Sports and Culture	354,330	287,000	67,330	19%
Office of the Electoral Commissioner	27,209	4,000	23,209	85%
Finance	47,220,926	34,369,624	12,851,302	27%
Foreign Affairs and Trade	760,582	632,061	128,521	17%
Health	28,414	30,300	-1,886	-7%
Justice and Courts Administration	729,810	710,000	19,810	3%
Legislative Assembly	65,255	65,000	255	0%
Natural Resources and Environment	1,132,408	1,255,166	-122,758	-11%
National Health	0	0	0	
Police and Prisons	163,022	156,250	6,772	4%

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Public Services Commission	0	0	0	
Prime Minister	4,136,476	3,937,500	198,976	5%
Revenue	354,051,360	356,800,067	-2,748,707	-1%
Women, Community and Social Development	280,064	705,300	-425,236	-152%
Works, Transport and Infrastructure	1,322,057	1,369,686	-47,629	-4%
Bureau of Statistics	429,982	425,266	4,716	1%
TOTAL RECEIPTS	414,140,945	404,630,675	9,510,270	2%

10. The delay of posting by the Ministry of Finance into Finance One meant that some Ministries' actual collection were under-reported in Schedule 1. The variances as noted below had been posted in the subsequent financial year 2010/11.

Ministry	Actual According to Schedule 1	Actual Confirmed from Ministry	Variance
Attorney General	\$17,694.00	\$21,129.00	\$3,435.00
Audit Office	\$259,422.00	\$441,275.00	\$181,853.00

11. It was evident from the cash books tested by audit that there was still recurring delays in banking, violating the standard implied procedure of prompt and intact banking.
12. The table below shows movement in Ministry expenditures comparing actual against budget. Expenditures by each ministry were all below budget and overall expenditure of government was also below budget. However, it was noted that there were ministries with very high percentage of under-spending.

EXPENDITURES BY MINISTRY	2010	Estimate	(Over)/Under	Percentage
	\$	\$	\$	%
Agriculture	10,875,862	13,714,887	2,839,025	21%
Attorney General	2,691,430	2,928,482	237,052	8%
Audit Office	2,340,339	2,461,511	121,171	5%
Bureau of Statistics	2,610,380	2,783,348	172,968	6%
Commerce, Industry and Labour	11,919,878	15,129,535	3,209,657	21%
Communication, Information and Technology	3,709,202	6,381,664	2,672,462	42%
Education, Sports and Culture	69,615,357	79,001,711	9,386,354	12%
Office of the Electoral Commissioner	1,236,470	1,297,094	60,624	5%
Finance	53,833,089	62,760,605	8,927,516	14%
Foreign Affairs and Trade	15,679,458	18,659,153	2,979,695	16%
Health	58,976,519	68,406,739	9,430,220	14%
Justice and Courts Administration	6,922,229	7,426,366	504,137	7%
Legislative Assembly	2,937,400	3,039,525	102,125	3%
Natural Resources and Environment	15,124,587	23,274,281	8,149,694	35%
Ombudsman	359,823	379,083	19,260	5%
Police and Prisons	17,145,023	18,187,468	1,042,445	6%
Prime Minister	6,264,725	6,841,119	576,394	8%
Public Services Commission	2,501,014	2,622,398	121,384	5%

Revenue	7,364,706	8,154,139	789,433	10%
Women, Community and Social Development	7,113,706	8,180,923	1,067,217	13%
Works, Transport and Infrastructure	69,301,696	116,688,440	47,386,742	41%
TOTAL PAYMENTS	368,522,896	468,318,471	99,795,575	21%

13. Audit found the following accounts for which there were substantial under spending when compared to budget estimates.

Underspending	Actual	Estimates	Variance	Percentage (%)
Parliamentary Pension Scheme	\$585,406	\$847,406	\$262,000	31%
Underspending				
Duty Drawbacks	\$1,017,919	\$4,500,000	\$3,482,081	77%
Awards- Merit Act 1999	\$3,000	\$75,000	\$72,000	96%
Income Tax Refunds	\$5,689,970	\$8,000,000	\$2,310,030	29%

14. Audit ascertained that Unforeseen spending for the below listed Cabinet directives actually exceeded the amounts as stated for the approved purposes:

FK #s	FK Name	Stmt Amt	FK Amt	Var \$
F.K. (09) 41	Electrical Installment for MJCA	\$173,806	\$168,522	\$5,284
F.K. (09)45	Funds proposed for MJCA Preparation for their building at Mulinu	\$163,057	\$150,000	\$13,057

15. Audit noted one instance in which a Cabinet Directive (F.K.) for the Independence preparation was issued without an anticipated cost of the item to be procured (tent) and so audit was unable to confirm the approval of the payment made to purchase the tent from unforeseen expenditure as there was no amount to compare the actual costs to.
16. The audit noted the overall collection from donors and pledges for the Tsunami being well below the budgeted or estimated amounts. These were the actual donations received during the financial year 2009/10 however other donations were received in financial year 2010/11.

TOTAL RECEIPTS	ACTUAL 2010	ESTIMATE 2010	VARIANCE	%
Total Receipts	\$35,107,012	\$55,811,947	\$20,704,935	37%

17. The audit noted a surplus of \$1,345,597 when deducting actual payments of \$33,761,415 from actual receipts of \$35,107,012 however the surplus is only of mild significance or substance when 37% of estimated pledges had not been collected and coupled with the fact that actual payments were well below estimates as well as delays in executing of recovery plan by implementing Ministries. More recovery work was carried out during financial year 2010/2011.

18. There were outstanding debts owed by public bodies and individuals carried over from the previous financial year. The Public Bodies (Performance and Accountability) Regulations 2002 Schedule 7 paragraph 25.2 requires a company to pay dividend in accordance with the government's dividend policy as advised by the Financial Secretary from time to time. Audit noted that the following corporations have not made any dividend payments to the Government of Samoa (GOS) and neither have reflected a liability in their accounts for dividends payable to the GOS.

- Agriculture Store Corporation as at 30 June 2010
- Development Bank of Samoa as at 30 June 2010
- Samoa Shipping Corporation as at 30 June 2009
- Samoa Airport Authority as at 30 June 2008
- Samoa Shipping Services as at 30 June 2009
- Samoa Sports Facilities Authority as at 30 June 2008
- Samoa Trust Estates Corporation as at 30 June 2009
- Samoa Water Authority as at 30 June 2010

19. Audit noted short banking of \$15,056 and a total of unposted receipts of \$16,622 (\$15,056 of short banking included) when examining the client's work paper for the District Affairs Trust Fund account. Short and over banking were part of an irregularity. This is further exemplified by the table below:

DISTRICT AFFAIRS TRUST FUND		
Actual Receipts	Banking	General Ledger
\$543,230.00	\$528,174.00	\$526,608.00
Short Banking	\$15,056.00	
Unposted	<u>\$1,566.00</u>	
Total Unposted	<u>\$16,622.00</u>	

Tsunami Financial Statements

Financial statements audited: September 2009 to June 2011

Type of audit opinion issued: Unqualified

Summary of audit findings:

On the 29 September 2009, a tsunami struck resulting in loss of lives and destruction of infrastructure including private dwellings, schools, roads, electricity, water supply and telecommunications facilities.

Under Section 30 of the Public Finance Management Act 2001, if a state of emergency is declared under Article 105 (proclamation of emergency) of the Constitution, the Minister of Finance may approve such expenditure from the Treasury Fund to meet such emergency, whether or not there is an appropriation by the Legislative Assembly available for that purpose.

In response to the tsunami disaster, private and development partner donations were received by the Government of Samoa (GOS). The First Supplementary Budget passed by Parliament in January 2010

(Supplementary Appropriation Act (No.1) 2009/10) reported the pledged development partners & private donations and tsunami expenditure estimates.

The donations/pledges estimated to be received from development partners and private individuals/organisations including the Governments of Australia, New Zealand, United States of America, European Union, Asian Development Bank and other Foreign Government and Private Donations for the financial years 2009/10 and 2010/11 was \$62.4 million. Total funds received by the GOS by the end of financial year 2010/11 from development partners and private donations amounted to \$41.7million.

Due to the emergency nature of the recovery and rehabilitation program, the funds received as well as their disbursement were not earmarked. Funds were received into the Treasury General Fund and disbursed according to the priority needs stipulated in the Tsunami Recovery Program.

Except for Government financing of the deficit between Tsunami receipts and payments, the Statement of Receipts and Payments of the Tsunami Fund showed cash donated and received from donors specifically for the Tsunami disaster and the application of these donated funds to various relief, recovery and rehabilitation activities in accordance with the Tsunami Recovery Plan. These cash donations were received into the Treasury Fund and kept in the special Tsunami Fund until application to relief, recovery and rehabilitation activities.

The Statement excluded funds and cash received as loans and grants for specifically targeted programmes such as the tsunami tourism rebuilding programme, China's education programme and the UNDP's early recovery programme.

The expenditure for the Tsunami was appropriated under lead sector Ministries. The total appropriation of \$68.7 million was allocated to the following Ministries:

	2010 - 2011	2010
	Actual (\$)	Estimate (\$)
Ministry of Agriculture	2,160,953	2,500,000
Ministry of Commerce and Labour	500,000	2,500,000
Ministry of Communications & Information Technology	2,000,239	2,075,400
Ministry of Education, Sports & Culture	3,968,542	5,245,572
Ministry of Finance	417,180	1,012,000
Ministry of Health	2,628,598	8,090,926
Ministry of Natural Resources & Environment	5,918,981	6,341,467
Ministry of Police and Prison	275,024	345,752
Ministry of Women, Community & Social Development	844,202	920,987
Ministry of Works, Transport & Infrastructure	32,756,170	39,703,735
Total (Samoan Tala)	51,469,889	68,735,838

Due to delays faced by some sectors during the initial year (2010) of tsunami recovery implementation, funds were carried over to 2011 and sectors were allowed to continue with their tsunami recovery implementation program. Approximately \$9.77 million of programmed Tsunami Reconstruction was financed by the GoS which was partially sourced from the World Bank and ADB Budget Support loans.

Actual spending on Tsunami Reconstruction during the financial years ended 30 June 2010 and 30 June 2011 were also reported and audited separately in the Consolidated Public Accounts for these two years.

The physical achievements and impacts of Tsunami funds and expenditures were detailed in two Post Tsunami Report prepared by the Ministry of Finance which have been published already in the private media. The second of these reports contain the full financial statements for the period of the tsunami and reconstructions including the audit opinion by the Audit Office on the financial statements. There was no specific performance audit conducted on the performance and physical achievements of the various sectors of Government involved in tsunami-related activities, although the Audit Office was part of many physical inspections conducted by the many tsunami reconstructions teams during the reconstruction period which indicated satisfaction generally in the progress and achievements against plans and objectives of the reconstruction plan.

7) Audit of Quarterly Statements of Receipts and Payments

Section 108 of the Public Finance Management Act 2001 requires that the Financial Secretary within a month of the end of each quarter except the final quarter, forward to the Audit Office a summary of Receipts and Payments of the Treasury Fund from the beginning of the financial year to the end of each quarter.

Clause 16 of the Audit Regulations 1976 requires the Audit Office to certify any quarterly or annual abstract of receipts and payments within 28 days of receipt or as soon as possible and return them to the Financial Secretary.

The following table summarises the timing of preparation and audit of the quarterly summaries that have been completed as at the date of printing of this report.

Financial Year	Quarter	Date draft submitted for audit		Date of certification	
	Balance date	Legislative requirement	Actual	Legislative requirement	Actual
2010/11	31 Dec 2010	31 Jan 2011	7 Apr 2011	28 Feb 2011	5 October 2011
2010/11	31 Mar 2011	30 Apr 2011	27 Apr 2011	31 May 2011	5 Oct 2011
2010/11	30 Sept 2011	31 Oct 2011	14 Nov 2011	30 Nov 2011	19 Apr 2012
2011/12	31 Dec 2011	31 Jan 2012	27 Apr 2012	28 Feb 2012	6 Nov 2012
2011/12	31 Mar 2012	30 Apr 2012	27 Apr 2012	31 May 2012	6 Nov 2012
2012/13	30 Sept 2012	31 Oct 2012	12 Nov 2012	30 Nov 2012	24 June 2013
2012/13	31 Dec 2012	31 Jan 2013	31 Jan 2013	28 Feb 2013	24 June 2013
2012/13	31 Mar 2013	30 Apr 2013	20 May 2013	31 May 2013	4 Dec 2013
2013/14	30 Sept 2013	31 Oct 2013	16 May 2014	30 Nov 2013	In progress
2013/14	31 Dec 2013	31 Jan 2014	26 May 2014	28 Feb 2014	In progress
2013/14	31 Mar 2014	30 Apr 2013	6 June 2014	31 May 2014	In progress

Report on the Operations of the Office, 1 July 2011 to 30 June 2012

Quarterly Summary

Financial statements audited: 31 December 2010

Summary of audit findings:

- 1) The Ministry of Finance provided responses on corrective actions being progressed on the issues discussed below. In its response, the Ministry of Finance indicated that the issues raised were addressed as part of the ongoing monitoring of Ministries ledgers during the financial years and ongoing training were conducted to ensure Ministries conduct ongoing reconciliation and are able to gain access to their data. The Ministry of Finance, as of the date of the report, was making improvements to the format and content of the quarterly summaries in accordance with audit recommendations.
- 2) There was a variance in the amounts on Trial Balance, Budget Comparison Reports and Schedule 2 - Outputs and Transactions on Behalf of the State.
- 3) There was overspending in various governments ministry outputs.
- 4) Outputs were used to charged expenses with no approved budget.

Quarterly Summary

Financial statements audited: 31 March 2011

Summary of Audit Findings:

- 1) The Ministry of Finance provided responses on corrective actions being progressed on the issues discussed below. In its response, the Ministry of Finance indicated that the issues raised were addressed as part of the ongoing monitoring of Ministries ledgers during the financial years and ongoing training were conducted to ensure Ministries conduct ongoing reconciliation and are able to gain access to their data. The Ministry of Finance, as of the date of the report, was making amends to the format and content of the quarterly summaries in accordance with audit recommendations.
- 2) There were discrepancies of actual expenditure for 2010 compared to comparative audited figures.
- 3) There was a discrepancy of total amount of Unforeseen Expenditure by Ministry and by Purpose
- 4) There were variations in Statement amounts and the trial balance.
- 5) There was a difference in amount of Unforeseen Expenditure for the Ministry of Commerce, Industry and Labour.
- 6) There were outputs not budgeted.
- 7) There were outputs with actual spending exceeding budgets.

Quarterly Summary

Financial statements audited: 30 September 2011

Summary of audit findings:

- 1) The Ministry of Finance provided responses on corrective actions being progressed on the issues discussed below. In its response, the Ministry of Finance indicated that the issues raised were addressed as part of the ongoing monitoring of Ministries ledgers during the financial years and ongoing training were conducted to ensure Ministries conduct ongoing reconciliation and are able to gain access to their data. The Ministry of Finance, as of the date of the report, was making amends to the format and content of the quarterly summaries in accordance with audit recommendations.
- 2) There was a difference in approved estimates (Budget) amount and figures in Quarterly Statements.
- 3) There were discrepancies for 2011 actuals compared to Comparative audited figures.
- 4) There were variations between Statements amount and Trial Balance.
- 5) There were outputs with actual spending exceeding budgets.

MINISTRY	OUTPUT	NATURAL ACCOUNTS	OUTPUT CATEGORY	YTD EXP. +OUT. COMMITMENTS	% BUDGET	ANNUAL BUDGET \$	VARIANCE \$
MNRE	Transaction on behalf of the State	831512	IDA/Infras tructure	199,883.39	133	150,000.00	- 49,883.39
MNRE	Transaction on behalf of the State	831731	UNFCC	37,053.93	124	30,000.00	-7,053.93
MOH	Transaction on behalf of the State	831902	VAGST Output	1,099,363.41	442	248,597.04	- 850,766.37
MOF	Transaction on behalf of the State	831902	VAGST Output	1,514,553.33	157	965,310.00	- 549,243.33
MESC	Transaction on behalf of the State	831902	VAGST Output	1,312,738.68	164	800,216.04	- 512,522.64
MCIT	Transaction on behalf of the State	831996	Transition Cost	617.85	0	0	-617.85

- 6) It was noted that actual amount for 2012 and estimated figures for Unforeseen Expenditure did not agree with the Approved Estimates and first draft of Schedule 4.
- 7) There were outputs without budgets.

MINISTRY	OUTPUT	NATURAL ACCOUNTS	OUTPUT CATEGORY	YTD EXP. +OUT. COMMITMENTS \$	% BUDGET \$	ANNUAL BUDGET \$	VARIANCE \$
AT	Transaction on behalf of the State	831806		2,178.06	0	0	-2,178.06
MCIT	Broadcasting Service		Capital	2,008.70	0	0	-2,008.70
MESC	Assets Managements Services		Capital	7,304.35	0	0	-7,304.35
MESC	Transaction on behalf of the State		Operating	100.00	0	0	-100.00

8) Audit of Government Ministries

The financial operations of all Government Ministries were consolidated in the Annual Public Accounts of Samoa prepared by the Ministry of Finance. Therefore each Ministry did not prepare separate financial statements and accordingly, the Office did not issue separate audit opinions on the financial operations of Ministries. The Audit Office however conducted audits of transactions and internal control systems of Ministries to ensure:

- Transactions were accurate and valid;
- Adequate systems of internal control were in place and were implemented accordingly; and
- Compliance with relevant legislation and regulations.

8.1 Audit Findings and Recommendations

Following the completion of each audit, the Office issued a management letter report to the Ministry outlining the findings of the audit together with recommendations for improvement.

The following summarises the audit findings included in these management letter reports for each of the Ministries audited in 2011-12. A summary of management responses by the Ministry has also been included where these were provided to the Office.

As can be seen in the summary of findings provided on Ministries, many of the issues raised by audit related to deficiencies in internal control particularly in the areas of receipting, payroll, personnel and fixed assets.

The extent of control deficiencies identified indicates the need for many Ministries to place greater emphasis on improving the key systems and processes they use to manage and administer their operations.

Office of the Electoral Commissioner

Period covered by audit: 1 July 2008 to 30 June 2011

Summary of audit findings:

- 1) The Office of the Electoral Commissioner (OEC) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue.
- 2) Overall the operations and financial and performance accountability of the Office were found to be adequate and satisfactory. The following were noted to be the exceptions:
 - Non-achievement of estimated revenues due to non-occurrence of events predicted to generate the estimated revenues, for example there was no bi-election.
 - Non-utilisation of budgeted expenditures for some outputs due to re-prioritisation of events as well as being more efficient in the delivery of the relevant outputs.
 - Delays in payment of a few invoices due to the late submission of these invoices from the suppliers.
 - No staff appraisal and annual reports prepared by the office for financial years 2008/09, 2009/10 and 2010/11 due to commitments to the 2011 general elections as well as the relocation of the Office.
 - No monthly leave returns for some months for which OEC has noted for improvement
 - Incomplete and outdated fixed assets register in financial year 2008/09 due to refusal to register assets labeled under the Samoa Tel and MJCA that were idly scattered in the premises. These were not recorded in the Register according to the Office as they did not have the relevant details pertaining to the assets and again they were in deteriorating condition their usage predicted to only last for another two to four months.
 - Inventory/Supplies during audit stocktake were not recorded in the office register. Instead these were allocated directly to the IT and Records Unit being the requesting party for toners and archive boxes upon receipt and were therefore not recorded in the Register. As for the extension cords they were registered in the Stationeries register that contained the names of responsible officers whom the stationeries were assigned to. The officer in charge had been duly informed to register all stationeries procured in the register
 - Office Vehicles Fuel expenditure per annum exceeded limit of \$5,000 for some vehicles in financial year 2010/11. Audit noted that some vehicles had exceeded the limit of \$5,000 per annum. The fuel expenses skyrocketed above its limit in preparation for the General Elections with the outreach registration conducted in the rural areas and Savaii and notably during the height of the General Elections. Another factor that contributed to the excessive utilisation of petrol was the continued increase in fuel costs over the years.
 - Actuals exceeding budget for electricity for the financial year 2010/11. The overspending of utility costs was a direct impact of the preparation involved and the execution of the General Elections, given that it was a national event. The operation was intense and the office worked for more than eight hours from the registration period in July 2010 up to April 2011 after the official count. The extra hours involved meant increased electricity costs in terms of air condition, lighting and office equipments. Another contributing factor to the high expenditure under electricity was that surcharges increased from time to time of which the Office did not have control over, but to implement best alternatives to minimise costs at all levels.

- Accountable Advances (AAs) acquittal reports were not submitted within 14 days to the Ministry of Finance. The delays in acquitting some AAs were due to holidays with the road switch and the closing/cut-off dates of processing payments in the third week of June every financial year.
- Annual reports were not submitted to Parliament for the two financial years 2009/10 and 2010/11. The Office was planning to table the reports soon.
- No financial statements prepared by the Office for the financial years 2008/09, 2009/10 and 2010/11 as the Office transactions were all centralized with the Ministry of Finance thus its financial operations were recorded and reflected in the Public Accounts. This was a requirement of the law that required amendment.
- No Declaration of Pecuniary Interests and Convictions prepared upon appointment and annually thereafter by the Electoral Commissioner during financial years 2008/09, 2009/10 and 2010/11. Audit noted that the Declaration of Pecuniary Interests and Convictions was not prepared by the Electoral Commissioner upon appointment and annually thereafter during the financial years ended 30 June 2009, 30 June 2010 and 30 June 2011. The Office has noted the recommendation, however it was faced with great difficulty in identifying who the initiating body - was it the Office of the Attorney General or the Office of the Electoral Commissioner?

Ministry of Commerce, Industry and Labour

Period covered by audit: 1 July 2008 to 30 June 2011

Summary of audit findings:

- 1) The Ministry of Commerce, Industry and Labour (MCIL) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue.
- 2) From the review done for the Ministry's budgeted expenditure and actual expenditures, audit noted overspending of various natural accounts for the respective financial years under audit. The Ministry acknowledged and took note of the audit recommendations on the over spent natural accounts and offered to ensure more realistic budget planning at the account level to avoid overspent accounts. The Ministry however responded that during the years under review it exercised the flexibility allowed for the input mix in response to review and reprioritization of activities during the year to ensure that results and emerging/evolving issues are implemented and achieved within each of the six outputs. The Ministry's planning of its budget is now more realistic and where there is a need for reprioritising its actual implementation of activities, a formal reallocation of fund and formal approval is sought from the Ministry of Finance, ensuring that overall budget approved from Parliament is not affected. Throughout the above audit period, the Ministry did not overspend its overall budgeted approved by Parliament.
- 3) Audit noted that the Ministry did not achieve its budgeted revenue for the 3 financial years under audit.

Financial Year	Budgeted Target	Actual Received	Variance
2009	252,999.84	185,388.70	(67,611.14)
2010	302,239.80	268,626.91	(33,612.89)
2011	301,393.00	260,859.00	(40,534.00)

- The Ministry had two revenue sources – Administration of Apprenticeship Scheme and Registries of Companies and Intellectual Properties. Increases were noted despite the fact that budgeted receipts were not achieved.
 - The Apprentice Scheme did not progress as planned as there was reduction in apprentices. Consequently the revenues from this Scheme decreased.
 - There were no annual license fees collected since the new Companies Act 2001 was introduced. The companies were sent reminder letters to pay outstanding fees but were not complying. The Registries revenue collection exceeded its revenue target for the financial year 2009/10.
 - Based on recent audits for the financial years ended 30 June 2012 and 30 June 2013, audit noted a notable increase and improvement in revenue collection.
- 4) The TY76 books numbered 4088, 4378 and 4379 registered for use by the ministry could not be verified during the time of audit. A register has now been put in place to record, maintain and monitor these books. Based on the audits of the financial years ended 30 June 2012 and 30 June 2013, this is no longer an issue.
- 5) From the review of the Companies Registry, it was noted that there were a number of companies which had outstanding annual returns.
- The outstanding annual returns in this case appeared to be referring to those companies that were registered under the Companies Act 1955. Companies that were operating business were expected to file annual license fees and pay annual returns, however the Legislation (Companies Act 1955) also stipulated that “No license fees shall be payable by a company in respect of any year, if the Registrar is satisfied that...the Company has not during the proceeding twelve months carried on, and is not likely during the subsequent 12 months to carry on, any activities for the purposes of pecuniary gain”. It was clear therefore that a company that did not carry on business would not earn any money and therefore would not be in a position to pay annual licenses and pay filing fees for filing any annual returns.
 - From review of the process used for monitoring outstanding returns, follow-up letters disbursed to companies were some of the measures taken to enforce annual returns submission, and a list of companies was compiled for a possible lawsuit for non-compliance. However, the number of companies with outstanding annual returns fees increased from year to year. In the Companies Amendment Act 2006, there are now stringent provisions on failure of companies to file annual returns within the month allocated by the Registrar for filing of such documents. Similarly the directors will be penalised upon conviction for failure to file the annual returns of the companies when these are due.
 - With the implementation of the electronic registry of companies in February 2013, reminder notices are generated and transmitted automatically one month in advance prior to the due dates of the annual returns so that company directors submit the returns by the due date. The Ministry is now taking a further step to initiate prosecution of companies that are still operational but have failed to comply with the statutory requirements pertaining to filing of companies’ annual returns.
- 6) After the review of attendance books for the audited periods audit noted that there were staff members who either forgot or did not bother to sign out after work each day as per Determination 9 of Government of Samoa HRM Policies & Procedures. Recommendations were well taken. The Corporate Services Unit of the Ministry responded that it was continually issuing reminder notes

for staff to fill in their working hours each day. Management has committed to taking action if staff do not comply with policy.

- 7) From the review of the register for incorporated societies, it was noted that a number of Incorporated Societies failed to submit on an annual basis a set of audited financial statements, a requirement of the legislation (Incorporated Societies Ordinance 1952). The Incorporated Societies Amendment Act 2013 now provides the Registrar with the power to remove societies that fail to comply with statutory requirements including inter alia the filing of annual financial statements. Such societies could only be restored on the Register if they comply with statutory requirements and upon payment of a restoration fee.

Ministry of Communication, Information and Technology

Period covered by audit: *1 July 2009 to 30 June 2011*

Summary of audit findings:

1. The Ministry of Communications and Information Technology (MCIT) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised MCIT has noted the issues and committed to undertaking corrective action.
2. The following weaknesses were noted during the audit:
 - Budgeted receipts for some activities were not achieved for the financial year ended 30 June 2010. This was due to the delay in filling the vacancy for a marketing position in the 2AP. The Ministry of Finance was also very aggressive with setting the target, yet the 2AP operation was not as competitive as commercial radio.
 - Overspending in some activities due to errors and mispostings as well as actual overspending.
 - Under-utilisation of budget in some activities due to delays in the execution of budgets.
 - Incomplete documentation and narration detail for petty cash payments.
 - Missing accounting/ information/records in Ministry cash books file for financial years ended 30 June 2010 and 30 June 2011.
 - Non-preparation of ledgers and reconciliation for revenues/receipts for the financial years 2009/10 and 2010/11 to detect any posting errors by Ministry of Finance and unposted transactions by the Ministry.
 - Incomplete file for source documents on cash and credit based operations like broadcasting fees for notices, advertisements etc and also no costing of services to agree with receipts as per audit samples for July, August and September 2009 and August and November 2010 as well as January 2011 kept by the Administration/Accounts Division cashier and the Accounts officer.
 - No follow-up actions for recovery of aged receivables totalling \$730,201.57 as at 30 June 2009 due to the Ministry not combining the two Finance One Ledgers for debtors as they only followed up the 2009/10 and 2010/11 debtors.
 - There were debtors with credit balances totalling \$18,262.15 and there were also posting errors because there were no reconciliations to close off these debtors' accounts.

- The Accounts Division did not issue monthly invoices for some companies with advertisements according to broadcasting tapes & debtors ledgers.
- Debtors for the Office of the Regulator like Broadcasting Radio/Television licences have not been closed off in the Ministry debtors ledger as per Office of the Regulator letter dated 21 December 2010 in compliance with the Broadcasting Act 2010.
- Manual Registers of invoices in financial years 2009/10 and 2010/11 were not recorded in numerical order and there was also no file index for debtors' invoices as the filing of copies of invoices were filed under debtors Names and one file for all Ministries making it difficult to detect the missing Finance One system invoice numbers.
- No staff appraisal annual reports prepared by Management for all employees from Principal level down to casuals.
- No monthly leave returns prepared by the Ministry for March to June 2010, as the Senior Administration Officer reported that she only posted the leave taken from the attendance book to leave cards.
- The attendance book was not signed and not marked to reflect employees' leave taken in July 2009.
- No leave application forms approval for some employees in July 2009.
- Leave entitlements for some new employees were not posted to leave cards.
- No monthly leave returns for 2010 to June 2011 prepared by the Ministry, as the Senior Administration Officer reported that she only posted the leave taken from the attendance book to leave cards.
- No leave application forms approval for some employees in June 2010.
- Assets in the Minister's Office as per Fixed Assets Register were not labelled.
- The Fixed Assets Register included assets already transferred to the new Minister of Works Transport and Infrastructure.
- Some assets for the 2AP Broadcasting Division were not recorded in the Ministry Register like the tower and shed in Savaii as reported in previous audit.
- Audit noted during audit of Ministry vehicle fuel expenditures that some Ministry vehicles had exceeded the limit of \$5,000 per annum as required under budget policies.
- Vehicle running sheets were not used by drivers for ministry vehicles.
- There was budget overspending for telephone, email and internet for the financial year 2010/11 as follows:-

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Telephone	\$42,157	\$25,890	(\$23,779)
Internet & Email	\$32,247	\$15,900	(\$16,348)

- There was an increase in the costs for mobile calls for some telephone bills and numbers.

- Audit noted during audit of Ministry Aid & Loan Grant Funds that the Ministry did not prepare General Ledgers and Reconciliations for Aid and Loan Grant accounts as they rely on the Ministry of Finance.
- Audit noted that the Ministry did not prepare Annual Reports for the four financial years ending 30 June 2011, 30 June 2010, 30 June 2009 and 30 June 2008 as the only Annual Report prepared was for the financial year ending 30 June 2007.
- Audit noted that the Ministry did not prepare the Ministry's next three years Corporate Plan and Annual Management Plan and Service Charter.
- Audit noted that the Ministry did not fill up some of their vacant positions according to the Ministry's current organisation Structure for the Administration/Accounts Division and other divisions, and the salary rates for some employees were not aligned with other Government Ministries.
- Audit noted that all minutes of the National ICT Committee meetings were not signed by the Chairman and Secretary:

Ministry of Education, Sports and Culture

Period covered by audit: *1 July 2009 to 30 June 2011*

Summary of audit findings:

1. The Ministry of Education (MESC) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised MESC has noted the issues and committed to undertaking corrective action.
2. The following weaknesses were noted during the audit:
 - Discrepancies were noted between MOF Accounts Receivable Finance One reports of \$9,246.43 and MESC Accounts Receivables (AR) report of \$35,214.17, a variance of \$25,967.74
 - There were debtors resigning from the services with outstanding accounts totaling \$1,432.16
 - There were outstanding accounts for debtors that appeared in the Ministry's Accounts Receivable report but not in the Ministry of Finance One report of \$11,212.16
 - There were outstanding accounts for debtors that appeared in MOF Finance One report but not in MESC AR report of \$1,540.00
 - There were debtors that paid full settlement of accounts in MESC AR report but not in MOF Finance One report of \$4,921.37
 - There was a lack of reconciliation of debtors.
 - The Internal Audit took long service leave for 10 weeks without the approval of the CEO. In addition, he also took annual leave and bereavement leave of various lengths without any application for leave in file.
 - A Principal at a primary school in Savai'i took sick leave from the 2 July - 4 September 2011. The Ministry was not able to produce to the satisfaction of the audit any written evidence of an approval from the CEO for this case.
 - There was no proper storage room for excess supplies. The Senior Asset Management could not identify the exact number of excess supplies and stock on hand. The Ministry has accepted the observation and now resolved to establish a cyclone-proof facility storage warehouse by 2012 to accommodate all stationeries and ministry records. This project was

later extended to 2013 due to funding constraints. Proper measures have also been put into place to record stock movements of stationeries to schools during the distribution.

- Copies of acquittal reports kept with the Ministry for records were incomplete. Each division managed their own accountable advances. There was no control in place to ensure that after a certain period of time, all records must be forwarded to the Corporate Division for updating.
- A number of accountable advances were not submitted to MOF after 14 days, a breach of Treasury Instruction 1977, Part N Section 3(1) b.
- The audit noted that an accountable advance of \$3,000 was granted for the Research of Legends and Myths for Samoa Nei Galo Volume 7 in Upolu (Culture Division) on May 2010. The advance was used inappropriately by the former ACEO Culture during the audited period. The issue was investigated by the Internal Auditor who failed to furnish an irregularity report (IR) to MOF and Audit Office regarding the misappropriation of funds for personal use; a breach of Treasury Instructions 1977 Part C, Section C15 and Section C7. The Internal Auditor and Management failed to recover the misappropriated funds in full before settlement of end of contract benefits of the former ACEO. A total of \$800 was still outstanding in the end.
- Furthermore, the Internal Auditor and Management were aware of one of the Culture Staff being involved in the embezzlement of government funds but failed to furnish IR to MOF and Audit Office breaching Treasury Instruction 1977 Part C, Section C15.
- Audit found the following unreported irregularities to MOF and Audit Office by the Ministry which breached Treasury Instruction 1977 Part C, Section C15 and Part K, Section K3.

Date of Incident	Location	Nature of Irregularity	Employees Involved	Estimated Loss	Cost Recovery	Action taken	Status 23/03/12
18 Sept 2010	Samoa College Principal residence	Broken rear window screen of MESC Van#17. ESP 11 project	Rosemarie Esera (Principal off)	Unknown	Unknown	1. No IR prepared 2. The IA MESC verbally quoted that the employee paid for damages, but there was no evidence in file.	An IR and copy of the receipt for payment of damages was submitted to the MOF Audit as part of their investigation into the matter dated 18 September 2010 – MESC17.
8 October, 2010	Vaipouli College	Crashed left side of Vaipouli school bus – MESC 11.	Principal of Vaipouli College	Unknown (tender)	Unknown	1. No IR prepared 2. Tendered by MOF during FY 2009/10	Old MESC11 Bus already sold by MOF through tender.
18 April 2011	Lufilufi	Broken window of front left side of MESC# 25 (ESP11 project)	CEO	Unknown	Unknown	No IR prepared	An IR for the damages pertaining to MESC25 was included as part of the documentation for the insurance company and a copy was also provided to MOF Internal Audit

								Division.
Late April 2011	Culture Division	Misappropriation of accountable advance funds for personal use	Former ACEO Culture	\$2,550.00	\$1,750.00	1. No IR prepared	2. Special Investigation was carried out by the IA MESC	Please refer MESC IA report (Attachment 2). The MESC IA will prepare an IR report and submit to your office before the end of the current financial year. MESC will continue follow-ups with client as per agreement to recover this outstanding.

- Fixed Assets, office equipments and non-consumable items such as flash drives, external drives, etc procured for school activities under school fees scheme were not labeled and registered.
- A complete stock take for both Upolu and Savaii participating schools on all materials procured under the School Fees Scheme was carried out by the Samoa Audit Office and Team of Consultants (TOCs) during August and September 2011. The stock take discovered a lot of missing items worth **\$65,313.57** (\$28,627.62-Savaii and \$36,685.95-Upolu respectively).
- There were six Principals who had been Acting School Review Officers (SROs) for more than 12 months. Their responsibilities as School Principals had been neglected for long periods of time.

Ministry of Health

Period covered by audit: *1 July 2008 to 30 June 2009*

Summary of audit findings:

1. The Ministry of Health (MOH) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised MOH has noted the issues and committed to undertaking corrective action.
2. The audit noted salary overpayments of \$8,611.50 to a former employee when salary was paid even after the former employee resigned. This overpayment relates to the period 28/03/2008 to 17/04/2009 when the overpayment was discovered. It is our understanding that the issue resulted from the failure of the Ministry to issue a TY15 to the Ministry of Finance to stop payment and that it was only discovered when the payroll was printed for the first time. The Ministry was not able to recover the money as the former employee left the country before the overpayment was discovered. Emails have been sent to the employee but without results. MOH has nevertheless put in place controls to prevent this from recurring.
3. The following accountable advances did not have acquittal reports.

Date	Min. Reference	Payee	Output	Cheque No	Amount
16/09/2008	HE26/08	Mateo Ah Tong	1-7624-000-707108	58673	\$1,800.00
17/09/2008	HE27/08	Mateo Ah Tong	1-7624-000-707109	58674	\$3,750.00
28/11/2008	HE0553	Rama Vaa		62704	\$2,000.00
11/02/2009	HE149/8/9	Rama Vaa	1-0000-000-105203	65997	\$3,000.00
4/02/2009	SWAP176/08/09	Gaulufoa Matalavea	2039-89-120-77101	65730	\$4,560.00
17/02/2009	SWAP225/08	Gaulufoa Matalavea	1-0000-000-105203	66389	\$5,700.00
6/03/2009	SWAP313/08	Gaulufoa Matalavea	2039-89-120-77101	67346	\$4,740.00
13/03/2009	SWAP451/08	Gaulufoa Matalavea	1-0000-000-105203	67751	\$200.00
31/03/2009	HE120/08/09	Rama Vaa	1-0000-000-105203	68610	\$14,280.00
8/05/2009	HE205/08	Rama Vaa	0192-26-000-770101	70446	\$2,500.00
29/05/2009	HE216/08	Andrew Peteru	0192-26-000-768202	71427	\$100.00

Ministry of Health

Period covered by audit:

1 July 2009 to 30 June 2010

Summary of audit findings:

1. The Ministry of Health (MOH) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised MOH has noted the issues and committed to undertaking corrective action.
2. We noted a number of delayed bankings in the period under audit. MOH has assured the audit that there will be no more delayed bankings

Date	Receipt No	Amount	Banking Date	Amount	Delay duration
5/10/2009	209200	6.00	15/10/2009	6	8 days
7/05/2010	949875-949876	200.00	21/05/2010	200	9 days
20/05/2010	949882	30.00	9/06/2010	30	13 days
28/05/2010	949883	30.00	9/06/2010	30	7 days
3/06/2010	949884	150.00	9/06/2010	150	3 days
3/06/2010	949885	30.00	9/06/2010	30	4days

3. We noted from our review that there was no reconciliation of accounts receivables done by the Ministry to assist them in the monitoring of outstanding accounts. MOH acknowledged the weaknesses and vowed to strengthen and improve.
4. The following table shows payment of previous years. MOH has committed to addressing the issue and preventing it from recurring.

Batch No	Payee	Amount	Date of Invoice	Date paid
200684	Quality Broadcasting Ltd	2,213.00	19/6/08	1/5/10
201352	Seb & Rene Sports	2,750.00	27/5/05	7/5/10
201352	Seb & Rene Sports	480.00	11/11/05	7/5/10
201352	Seb & Rene Sports	300.00	14/11/05	7/5/10

205874	Inalani's Catering	184.00	14/3/08	16/6/10
205890	Inalani's Catering	139.00	16/04/08	16/6/10
205888	Inalani's Catering	213.00	02/05/08	16/6/10
205876	Inalani's Catering	338.00	08/05/08	16/6/10
206635	Quality Broadcasting Ltd	525.00	01/03/08	17/6/10

5. We noted that most laptops of the Ministry were not labelled nor recorded in the Fixed Assets Register.

Responsible Officer/Division	Serial Number	Brand
HPPSD-Reproductive (Perive-old from Saine)	Sn_CNF448010M	HP Compaq nx9040
HPPSD-Nutrition (Christine)	5A123160K	Toshiba
HPPSD-Surveillance (Saine)		Sony Vaio
HPPSD-Surveillance (Take)	s/tagC60378ZP	SONNY-PCG-7181W
Nursing (Tapai)	Sn-CNU5130XHP	HP Compaq nx8220
Nursing (Pelenatete)	s/n-JXEBWOZ)24907070862000	ACER Extensa 5630Z

Ministry of Works, Transport & Infrastructure

Period covered by audit: 1 July 2008 to 30 June 2011

Summary of audit findings:

1. The Ministry of Works, Transport and Infrastructure (MWTI) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, MWTI has noted the issues and committed to undertaking corrective action.
2. The audit noted the high consumption and frequent re-ordering of stationeries, ink and toners for photocopier machines and printers.
3. Audit was not able to verify the existence of various fixed assets according to their allocated locations referred to in the Fixed Assets Register, as there was no record to confirm the transfer of these assets within the Ministry.
4. From audit observations, the audit noted that new assets were purchased for the purpose of furnishing the new office relocated to the Tui Atua Tupua Tamasese Efi (TATTE) Building; however it was later discovered that the new office was fully furnished and there was no need to purchase any furniture so procurement was discontinued.
5. There was no approved work plan or internal audit manual to provide guidelines to the internal auditor's work.
6. Audit noted that accountable forms (vessel clearance forms and building inspection forms) used by the Asset Management – Building and Maritime Divisions were not recorded/registered when procured and there was no record of supply on hand. The practice at the time of the audit was to record books only when they were issued. There were also unused

Maritime – vessel clearance books scattered around in the storage container. MWTI has now committed to address audit recommendations.

7. It was noted that the Annual reports of the Ministry for the financial years 2008/09, 2009/10 and 2010/11 were still in draft form when the audit was completed. It was confirmed in January 2014 that these have all now been completed.
8. Discussions with the IT Officer noted that there was no formally documented, long term, IT strategic plan for the Ministry. MWTI responded that they were working slowly towards the implementation of such plans as the IT Division had only one Officer.

Samoa Bureau of Statistics

Period covered by audit: 1 July 2009 to 30 June 2011

Summary of audit findings:

1. The Samoa Bureau of Statistics (SBS) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, SBS has noted the issues and committed to undertaking corrective action.
2. The following asset could not be located. An irregularity report was prepared for this item.

Date	Supplier	Description	Output	Code	Location
22/12/10	Samoa Stationery	4 Drawer Cabinet	1.4450	BS214/10/11	Lewis

3. The audit noted overspending in internet expenditures when compared to approved estimates.

Financial Year	Natural Account	Total Actual \$	Annual Budget \$	Variance \$
2009/10	746201	53,651.83	37,800.00	15,851.83
2010/11	746201	61,232.24	42,500.00	18,732.24

4. A number of accountable advances were not acquitted within 14 days as required, due to the nature of the fieldwork by SBS.

9. Audit of Public Bodies

The principal legislations governing financial reporting by Public Bodies is the Public Bodies (Performance and Accountability) Act 2001 and the Public Finance Management Act 2001.

Under the Public Finance Management Act 2001, a public body is to prepare and furnish to the Shareholding Ministers and to Treasury, within four months after the end of the public body's financial year, an annual report on the operations of the public body and a budget performance report for that financial year, together with financial statements.

Before furnishing financial statements to the Shareholding Ministers and Treasury as indicated above, a public body shall submit them to the Controller and Auditor-General who shall report on the extent

to which they present fairly the public body's financial transactions and position and comply with its Corporate Plan.

On receipt, the Responsible Minister shall cause the reports and financial statements, together with the report of the Controller and Auditor-General, to be laid before the Legislative Assembly forthwith if it is in session, and if not, at the commencement of the next ensuing session.

Under the Public Bodies (Performance and Accountability) 2001, notwithstanding the provisions of the Companies Act 1955, the Companies Act 2001 and any empowering Act the Controller and Auditor-General is the legislative auditor of every Public Body and of every subsidiary of every Public Body, and, for the purposes of the Companies Act 1955 and the Companies Act 2001 shall have and may exercise the functions, duties, and powers of an auditor appointed under the Acts and all such powers as the Controller and Auditor-General has under the Public Finance Management Act 2001 in respect of public moneys, trust money and public property.

While the Controller and Auditor-General is responsible for auditing all public sector organisations, he has a discretionary power to outsource some audits.

In 2011/12, 15 financial statement audits were contracted to be completed by private sector accounting firms. Even though these audits were contracted, the Controller and Auditor-General retained responsibility for monitoring the quality of work undertaken by the private firms and for issuing the audit opinions on the financial statements of the Public Bodies.

9.1 Audit findings and recommendations

Following the completion of each audit, the Samoa Audit Office issued a management letter to the Public Body outlining the findings of the audit together with recommendations for improvement.

The audit findings included in management letters for each of the Public Bodies audited in 2010/11 are summarised below. A summary of management responses by the Public Body has been included where these were provided to the Office.

Accident Compensation Corporation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Accident Compensation Corporation (ACC) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, ACC has noted the issues and committed to undertaking corrective action.
2. From our review of the payments, we noted that the Corporation did not withhold 10% of the payments made to the suppliers for the services rendered to the Corporation in accordance with MFR N- 01/2010. The Corporation has made a commitment to comply with this requirement of the legislation.
3. From our review of payments, we noted that total Directors' fees and expenses included payments of \$5,000 each as approved by the Board itself, raising an issue of conflict of interest, as the directors had approved the payments to themselves. The concern was that the Board should have sought a higher authority such as Cabinet to approve these payments. The Corporation claimed that these were not paid as bonuses but as gifts to recognize years of service from Board members before dissolution of Boards before the General Elections in 2011.

4. There was no employment contract for the CEO to govern the terms and conditions of his employment. According to the Corporation, previous Boards had also been tasked with this job but never completed it. The Corporation stated that the issue will be followed up with the current Board.

Agriculture Store Corporation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Agriculture Store Corporation (ASC) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, ASC has noted the issues and committed to undertaking corrective action.
2. During our review of payments, we identified high duty allowances paid that did not have standard deductions taken off. (i.e NPF, ACC and PAYE). Management responded that this was done out of a generous heart towards the recipients in order for them to have adequate funds. However, management stated that this has now been addressed.
3. Some instances of incorrect and inconsistent calculation were found during examination of payroll. The inconsistency occurred where another officer stepped in to substitute for the unavailable Payroll Officer. Management stated that corrective actions have been taken but also acknowledged that human errors frequently occur especially in this case where another staff member took over the duties of another.
4. We noted that leave taken as indicated on time cards were not recorded in leave cards. Management stated that remedial measures have been taken to update posting weekly/monthly.
5. A company vehicle was used by a former Minister of Natural Resources and Environment during his time and was not returned when his Ministerial post ended in 2005. However, this vehicle was still recorded as assets of the company. ASC has now confirmed that the motor vehicle has been written off as it had zero book value.
6. No VAGST returns were filed with Ministry for Revenue since the end of July 2010 and therefore ASC was in breach of the Value Added Goods and Services Act Tax Act 1992/1993 (VAGST Tax Act 1992/1993) section 57. Management was unaware of this situation which also signified that no review was done in order to assess and to update them with the standing of the VAGST component. Management has now confirmed that the ACEO Finance has now filed and updated all VAGST returns.

Development Bank of Samoa

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Development Bank of Samoa (DBS) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, DBS has noted the issues and committed to undertaking corrective action.
2. During our review of loans approved during the year, we noted that there were loans either appraised without bank statements or bank statements that had been misplaced and were not attached in the loan files. Some clients were full time farmers who did not have bank accounts; the Bank relaxed this requirement in cases of good existing clients where loan repayments were services by a salary earner. All supporting documents however according to DBS are now filed.
3. From our review of loans approved during the year, we noted that some loan officers included overtime pay and unsupported income in calculating borrowers' net surpluses which resulted in higher ratios. DBS insisted that overtime was not included and other income would have been properly supported before inclusion. The following were examples of the reported deficiency:

Account No	Loan Approved	Comments
1017197	3,000.00	Overtime included
1017218	5,000.00	Overtime included
1003041	3,000.00	Unsupported other income
1000279	10,000.00	Unsupported other income

4. We noted several instances where loan accounts in arrears have been restructured upon Board's approval though capitalizing interest and/or arrears. The restructuring of the loan through capitalizing arrears and/or interest is to assist the borrower to ensure that they are able to meet new contractual repayments.
5. From our review of several lending policy documents of the Bank, we noted an inconsistency in how the 20% exposure limit to one loan account was applied. For example, one document stated that 'The aggregate equity of the bank at any time shall not exceed twenty percent of its paid up Share Capital and Reserve Fund'. This policy document is called "*Development Bank of Western Samoa Policy – Chapter 1 – Statement of General Business Policies*". Another document entitled "*DBS Policy Framework Guiding Loans Operating Department*" stated that "Investment loans depend on the repayment ability and value of securities offered but limit to 20% of paid-up capital.") The inconsistency between these two policy documents is basically where the first document states "paid-up capital and Reserve fund" and the latter states only "paid-up capital". DBS insisted that they were complying.
6. Two of the four ratio requirements or covenants with the European Investment Bank (EIB) were not complied with based on the banks financial results for the year ended 30 June 2011. DBS claimed that EIB has agreed to a waiver of the requirements until June 2014. Below is a summary of these covenants and the ratios from the bank's results:

Report on the Operations of the Office, 1 July 2011 to 30 June 2012

		Ratios	
	Covenants with EIB	2011	2010
1	Total capital to total assets shall be above 25% (include provision for doubtful debts)	40%	42%
2	Non-performing loans to total loans portfolio shall not exceed 10%	22%	8%
3	Provision for loans losses to non-performing loan portfolio shall not less than 90%	58%	151%
4	Liquidity ratio shall not be less than 1.2:1	1.90:1	2.07:1

7. The DBS Bank Act, under section 26 and 27, has some specific requirements in terms of signing off on the annual audited financial statements. In particular, section 27 requires that all Directors of the Bank must sign off on the accounts. DBS insisted that it was still complying with the practice of signature by the Chairperson and another Director.

Electric Power Corporation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Electric Power Corporation (EPC) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, EPC has noted the issues and committed to undertaking corrective action.
2. On scrutinizing the Fixed Assets Register, we observed that some assets were depreciated at incorrect rates. The rates were incorrect in the context of difference between the rates on the financial statements and the actual rates on the fixed asset register. A complete list of these assets along with the rates, which were employed for related assets of similar category, was provided to the staff in the Finance Department. EPC has made amends as recommended, however it blamed the external audit process for not discovering this earlier when it was EPC'S primary responsibility to adopt correct accounting and financial reporting processes and systems. The following table however summarizes some of the discrepancies found in relation to the depreciation rates in years:

Description	Depreciation rates	
	Financial statements	Fixed Asset Register
TAILRACES.	50	77
HEADPOND.	50	77
MAIN INLET VALVE.	50	77
HEADGATES (INCL, SCREENS)	50	59
PENSTOCK (INCL, SURGE PIPE)	50	59
EAST & WEST CANAL.	50	59
E215 Wingle Double Cap Pickup (GIS)	5	10
E252 Steed 4*4 D/Cab for Procurement	5	10

3. From checking the accumulated depreciation, we identified the wrong application of the months of accumulated depreciation. As the effect is pervasive and flows to all the categories of assets, this is a serious cause of concern for the valuation assertion of the Fixed Assets. EPC has also adopted the recommendation from the external audit, although it also demonstrated the same irresponsible attitude by blaming the external audit instead of its own accounting and

financial management processes. For example, the following table summarizes some of the discrepancies found:

Description	Months of Depreciation	
	Financial statements	Fixed Asset Register
TAILRACES.	120	132
HEADPOND.	120	132
MAIN INLET VALVE.	120	132
HEADGATES (INCL, SCREENS)	120	132
PENSTOCK (INCL, SURGE PIPE)	120	132
EAST & WEST CANAL.	120	132

4. On analyzing the movement between the two consecutive financial years, we noted that some projects were still sitting in the Work In Progress which had no movement from the prior year. Leaving the balances in the WIP accounts will lead to over valuation of Assets. This issue was also raised in the previous management letter. EPC agreed and was making the recommended changes as a result of the reported issue.
5. During our analysis of trade debtors, we noticed that there was an abrupt increase in debtors, which were more than three months in arrears. The key observation in the case of non-electricity debtors, which accounted for around 1.1 million and the sales on non-electricity debtors, was also in the range (1.3million). This indicated that most of the debtors were in arrears. Some arrears were as old as four years.
6. As noted during fixed asset sample testing, the capital costs for overhaul generators were being depreciated over 40 years. As the effectiveness of this capital addition to the fixed assets would last only for the remaining useful life, the current depreciation estimate was highly optimistic.
7. From all the issues regarding fixed assets already mentioned, it supports the point that the Corporation should be revaluing all their assets. This issue was also raised in the previous management letter. The values at which the system assets were recorded in the financial statements of the Corporation might not reflect the current fair values of those assets.
8. During the analysis for cash flow calculations, we came across several stock balancing entries in the Inventory purchase accounts. This arose because of the inaccurate accounting practices employed by the Corporation concerning inventory recognition and reconciliation. A list of such balancing entries is as follows:

Entry Date	Description	Journal	Amount
8/31/2010		INV	(261,574.96)
9/30/2010	STOCK BALANCING ENTRY FOR SEPT 2010	INV	(722,113.61)
10/31/2010	STOCK BALANCING ENTRY Oct 2010	INV	(158,790.28)
11/30/2010	STOCK BALANCING ENTRY NOV	INV	(118,642.96)
12/31/2010	STOCK BALANCING ENTRY DEC 10	INV	5,476.90

1/31/2011	STOCK ADJUSTMENT FOR JAN 2011	INV	(93,675.59)
2/28/2011	BALANCING ENTRY STOCK - FEB 11	INV	(375,157.87)
3/31/2011	STOCK BALANCING ENTRY MAR 2011	INV	(573,328.46)
4/30/2011	STOCK BALANCING ENTRY APRIL 11	INV	(476,374.18)
5/31/2011	STOCK BALANCING ENTRY MAY	INV	(521,296.93)
Total			(3,295,477.94)

9. The audit noted that there were no employment contracts for Department Managers. At the time of printing, EPC was already making progress towards drawing up contracts for department managers.

Land Transport Authority

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Land Transport Authority (LTA) provided responses on corrective actions being progressed on the issues discussed below. For most of the issues raised, LTA has noted the issues and committed to undertaking corrective action.
2. From our review of the Manual Register of the Accountable Forms, we noted that the Traffic Offence Notice books issued to the police officers for instant fines were never returned to LTA when the book was closed. According to the Corporate Services Division Manager, this particular issue was raised with the Ministry of Police that these books need to be returned to LTA once finished in order to have proper records and for audit purposes as well.
3. We noted that the receipt books issued to the Savaii branch were kept there even when they were completely used up. The Savaii branch Manager then requested for new receipt books once the current receipt book was completed without returning the completed one. The same receipting system that was being used at the Vaitele office was also adopted by the branch in Savaii. The Principal Accountant conducted quarterly spot checks for the Savaii branch.
4. There was no evidence of any reviews conducted by management on bank reconciliations, thus indicating a high level of reliance of the client on the system generated reconciliations from MYOB.
5. During our review of receipts, we found instances of delayed bankings. As an illustration, the table below shows those receipts collected on the respective dates and the dates of which these total receipts were later banked resulting in a delay.

Receipt Date	Branch	Receipt Book Number	Receipt Sequence		Receipts Total	Banking		Days Delayed
			From	To		Date	Amount	
30/11/2009	Vaitele	8	9491	9500	3,560.00			
30/11/2009	Vaitele	9	9501	9547	<u>9,751.00</u>			
					13,311.00	2/12/2009	13,311.00	2

4/06/2010	Vaitele	53	20501	20573	28,006.00			
4/06/2010	Vaitele	55	21207	21250	<u>18,524.00</u>			
					46,530.00	8/06/2010	46,530.17	4

6. From our review of debtors, we noted that the list of debtors for Motor Vehicle Registration worth \$158,508 was incomplete and may be irrecoverable. These debtors were transferred from the Ministry of Works Transport & Infrastructure (MWTI) of which LTA was a part of, before separation. Most of these accounts were not recoverable as management had stated that they have contacted some of these customers and the response was that they had already paid in full. The Authority had no record to confirm whether these outstanding balances were paid before with MWTI.
7. From our review of the inventories, we noted that number plates were the only items that represented the value of stock in the financial statements of the Authority. We noted that stickers was treated as an expense when they should have been treated as inventory in accordance with IAS 2 paragraph 6(a) which states that “inventories are assets held for sale in the ordinary course of business”.
8. We could not verify the beginning balance for stickers for the financial year 2009/10 from the manual register as the authority had no records in place for such. The register book only noted the issued stickers to the LTA officers without documenting the number of stickers issued to customers daily. In addition, there were no monthly reconciliations done.
9. From our review of commercial stickers, it could not be confirmed from the manual register and a physical count of the leftover stickers whether the following commercial stickers were actually sold or not. The stickers were recorded in the manual register, however it was not in the register whether these stickers were actually issued.

Type	Sticker Nos.	Amount
Commercial	UP1501-UP2000	500
Commercial	UP0101-UP1600	<u>1500</u>
Total		<u>2000</u>

10. We could not determine whether the following private stickers were sold or on hand at the end of the period 2009/10 since it was not updated on the register.

Months	Stickers No	Number of stickers not on Register
Jan 2009	901-2000	1100
Feb 2009	3001-4000	1000
May 2009	8201-8300	100
Aug 2009	11801-1200	200
	12601-13100	500
Sept 2009	13201-13300	100
Oct 2009	14101-14700	600

	14801-15400	600
Nov 2009	16301-17400	1000
Dec 2009	17701-17800	100
	17901-18000	100
	18401-18800	400
	18901-19400	500
Total		6,300

11. From our review of Property, Plant & Equipment, we noted some items had an incorrect calculation of depreciation as a result of the rate of depreciation used.
12. We have noted from our review of the accounts payable that some payment vouchers showed supplier invoices were issued before purchase orders. This practice is not in line with the approved processes and procedures in place.
13. During the audit, we noted that the Authority did not have an Audit Committee as required by the Public Bodies Regulation 2002. To be in line with the Public Bodies Regulations, we recommended that the Authority, through the Board of Directors, establish an Audit Committee as stated in Schedule 8.2 of the Public Bodies Regulations 2002.
14. At present, the Authority does not have an internal audit function, especially with the increased responsibility due to the number of works projects in both Upolu and Savaii. A recommendation for the establishment of an internal audit function has been noted.
15. During our audit, we noticed that backup files for the MYOB accounting system were stored on site. One of the main reasons for creating backup files is to be able to recover information in the event of a disaster, such as fire or water damage. Storing the backup files on site negates that purpose.
16. The Authority did not have well-defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing Electronic Data Processing facilities.
17. We recommended that the Authority perform a physical asset count of property and equipment. In connection with this asset count, tags or appropriate labeling should be placed on each asset with numbers that are recorded in the detail asset register. This will help improve the tracking of assets for disposal and impairment purposes and also to match what asset is on hand when compared to the detailed asset register.
18. From our review of Property, Plant and Equipment, it was noted that certain motor vehicles had tinted windows which was not in accordance with government policy in relation to motor vehicles. To be in line with F.K. (06) 22 and the Ministry of Finance's Circular Memorandum 2007/02 (issued on 17 January 2007), we recommended that all government vehicles should comply with the government policy and especially regarding no additional enhancements such as mag wheels or in the Authority's case, tinted windows.

Land Transport Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Land Transport Authority (LTA) provided responses on corrective actions being progressed on the issues discussed below. For most of the issues raised, LTA has noted the issues and committed to undertaking corrective action.
2. We noted from our review of accountable forms that receipt books issued to Savaii were not returned to the main office. This was also raised in previous audits and management letters.
3. Our review noted that the Financial Procedures Manual in place at the time of the audit was still in draft, and had not been approved yet by the management or Board of Directors.
4. Our review noted that the Financial Procedures Manual in place at the time of the audit did not include the procedures associated with the update and handling of important accountable forms such as the use of various registers/purchase orders.
5. Our audit noted that Traffic Offence books were being issued but had not been returned for proper accountability/reconciliation. Audit also noted that Traffic Offence books issued to Savaii had not been returned. As a consequence, it was difficult to identify or detect any missing books for the purposes of reconciling any related fees as per Act.
6. Our assessment of the current Receipting process noted that receipts collected were also being posted in MYOB as daily batches. The identification of a receipt batch within MYOB as shown in the Bank Register and Cash Receipts Reports was by a standard code "BAT-total receipt numbers" and then the total revenue collected. With the substantial number of receipts collected on a daily basis, we believe this approach weakens the paper trail from manual receipt to MYOB and, as such, exposes the Authority to the following consequences and possible loss:
 - It will be difficult to detect which Manual receipt is missing from the batch;
 - It will be difficult to detect how manual cancelled receipts are being handled and traced for future monitoring;
 - The monitoring and reconciliation of MYOB reports and manual receipts will require resources in order to be effective.
7. Our review of the receipting process and related policies in place noted that there was no specific section on the handling of Receipts and Inwards Cash processes and related procedures. It did not state who was responsible for taking the banking each day, or who was responsible for reconciling any over or under banking at the end of each day.
8. Our review of payments noted that the total number of cash cheques issued totaled \$279,415.66 for the period 1 July 2010 – 30 June 2011. This practice was not complying with section 7 of the Financial Procedures Manual. We also noted that there was no specific documented policy or procedure in place to handle the process of issuing cash cheques. Given the absence of a policy to govern cash cheques, there is an increased risk of loss.

9. Our review of payments noted that payments had been made for Gifts and Donations to various individuals and organisations. However, we were unable to identify a specific policy to manage and control the use of such discretionary expenditures.
10. Our review of payments and related procedures/policies noted that the Financial Procedures Manual did not address other important areas/ business cycle for the purposes of maintaining the integrity of financial information, as well as complying with relevant government policies and statutory obligations:
 - Current Procedures and processes to recognize the use of purchase orders in place of requisition forms (commitments);
 - Procedures and processes in relation to payroll run – weekly and fortnightly;
 - Procedures, processes and controls in place in relation to the issuance of cash cheques as well as gifts/donations;
 - Maintenance procedures relating to the modification of the General Ledger through the use of journal entries;
 - Procedures/policies to control the receipting of revenues/cash and the debtors process;
 - MYOB security settings;
 - Monthly reconciliations of main Balance Sheet items (and subsequent General Ledger accounts);
 - Identification of responsibility/ownership to do with any subsequent updates on policies/procedures, and;
 - Any related enforcement/disciplinary procedures for employees upon breaching the Finance Procedures Manual.
11. Our review of Non-Payroll Payments noted various payments being processed and paid without a proper purchase order to initiate the purchase. This is also a direct breach of the current Finance Procedures Manual (sections 5 – 7 of the Finance Procedures Manual) on payments being made to suppliers. Purchase orders are an important part of internal controls designed by the Authority to prevent any unauthorized purchases/payments to suppliers. In the absence of any subsequent detective measures in place, there is an increased risk of management not detecting and rectifying unauthorized purchases or payments made to suppliers.
12. Our review of payroll processes and procedures noted that various personal files were not being updated on a regular basis. We recommended to the Authority to be conscientious in filing every detail/information for every employee in their respective personal files, such as annual rates for promotions, increments, benefits, qualifications, contract and other relevant information. This is for proper record keeping as well as for audit purposes.
13. We noted from our observation of payroll processing procedures that only one officer was responsible for the posting of payroll transactions into MYOB as well as processing the payroll run afterwards. In order to minimise the increased risks of errors (such as double posting), we recommended that all data posted be verified/double-checked by an independent senior officer to ensure the integrity of the MYOB-processed payroll transactions is maintained. We also recommended to LTA to evaluate a training scheme to update the knowledge of payroll officers on a regular basis. This will also reduce the over-reliance on key payroll officers to run payroll if they are not available.
14. Our review of payroll processes and procedures noted various instances of erroneous postings of payroll amounts to General Ledger within MYOB. The lack of regular reconciliation between manual records and payroll postings will increase further the risk of erroneous

transactions within MYOB. Audit recommended to management to review General Ledger details affected by the payroll process every pay period. Any errors should be easily detected by reconciling payroll supporting documents to actual postings to MYOB.

15. Our review of manual payroll records noted that a number of payroll batches were not properly certified by the Manager of Corporate Services or Principal Accountant before any bank payouts.

Payroll Date	Checking / Verification/ Approval
6-19/9/2010	Not verified and signed by Manager Corporate Services
13/12-26/12/2010	Not checked and signed by Principal Accountant
27/12-9/01/2011	Not checked and signed by Principal Accountant
18/4-01/5/2011	Not checked and signed by Principal Accountant
2/5-15/5/2011	Not approved and signed by CEO
30/5-12/5/2011	Not checked and signed by Principal Accountant

16. Our audit noted during its inspection of assets procured by the LTA that several items had been out of commission. These items were mostly electronic hardware such as UPS, printers, etc, were still listed on the Fixed Assets Register. We noted that there were no approved write-off procedures to guide the official removal of assets from records. Audit recommended that a Capital Policy detailing write-off procedures be laid out and approved by appropriate management level. The Capital Policy will act as a guideline in the official removal of assets from records and any appropriate actions to be made to the written off items thereafter; whether assets are to be disposed of, or auctioned off with the possibility of earning a recovery. The policy should also detail proper documentation to take effect and appropriate authority to authorize any write off.

17. Audit testing on LTA payment vouchers revealed that the following assets were procured and paid for by LTA but could not be identified in the online Fixed Assets Register (MYOB Records). Our rationale is that these items had not been posted to the Fixed Assets Register online. Unposted assets tend to underestimate the total reflected value of the Fixed Asset Register, which can result in a misstatement of assets value.
- 2 HPDeskjetD5560 valued at \$608.70 (Chq No. 1750)
 - 1 blue Powershot camera with 1x8GB memory card valued at \$652.17 (Chq No. 2066)

18. The audit found out during the citation of assets that various assets existed and marked as belonging to LTA were not recorded in the Fixed Assets Register. Unrecorded assets promptly misstate the Fixed Assets Register. Consequently, unrecorded assets would increase the risk of misplacement of asset or theft without the knowledge of the client.

Asset Code	Description
LTA/PPD/117/11	Swivel Chair
LTA/PPD/116/11	Office Desk
LTA/ROM/46/11	Laptop
LTA/CSD/118/11	3 x drawer cabinet
LTA/ROM/54/11	UPS
LTA/PPD/127/11	Couch set

19. Our review of the MYOB control file settings found the following:

- Ability to post to prior years was still being activated;
- The default *Administrator* user ID was still being used for posting, modifying and updating of day to day operations;
- The ability for MYOB to self check for any errors before backing up data was currently not activated.

National Kidney Foundation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The National Kidney Foundation (NKF) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, NKF has noted the issues and committed to undertaking corrective action.
2. Our review noted few instances of overtime allowances for nurses paid using petty cash imprest. NKF has since corrected the deficiency.
3. Discussions with IT noted that an IT Disaster Recovery Plan did not exist. There was no documentation available on how users were to be managed in the event of a disaster. NKF has noted the recommendation for actioning soon.
4. Discussions with the IT Manager noted that there was no approved IT Security Policy. NKF has now confirmed that the IT Security Policy is in place.
5. From discussions with the Principal IT Officer, audit noted that there was no documented and approved IT Strategy for the IT Section within the National Kidney Foundation. NKF has noted the recommendation for actioning soon.
6. It was noted from discussion with the Principal IT Officer that an offsite backup was not maintained. Since the report, progress has been made to set up an appropriate location for an offsite backup.

National University of Samoa

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The National University of Samoa (NUS) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, NUS has noted the issues and committed to undertaking corrective action.
2. From our review of Westpac cash payments, we noted that some cash disbursements did not have purchase orders attached to payment vouchers. The university had pre-numbered purchase order books for ordering of goods and services with designated approval limits for each university department prepared by budget holders and approved by the Director of Financial Services. Our tests of selected purchases and payments indicated that purchase orders were occasionally not prepared and approved by the budget holder, and therefore not attached to its voucher. NUS agreed that there was a slip in their processes during a particularly busy time of the financial year; however they have now established an Internal Auditor position.

3. We understand from our observation and inquiries to the client that journal entries were made without formal procedures i.e. they were not passed for approval by the Director of Financial Services and there was no journal book or log, hence no proper referencing. From our discussions with the accountant, he was mainly the officer responsible with the journal entries with some or limited journal entry privileges for the accounts receivable officer. Since the audit, NUS now has proper journal entry book wherein the Senior Accountant enters all journals passed and approved by the Assistant Director of Finance.

Office of the Regulator

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Office of the Regulator (OOTR) provided responses on corrective actions being progressed on the issues discussed below and the responses are reflected in each issue. For most of the issues raised, OOTR has noted the issues and committed to undertaking corrective action.
2. Capital or net assets continued to decline. One cause of this was the ongoing incurrence of losses as a result of the recognition of the payout of telecom and radio fees to the Ministry of Finance as an expense. A change in accounting treatment has been discussed with OOTR. The net book values of property plant and equipment were declining. Other indicators of solvency and financial stability such as the improvement in the equity and current ratios showed comfort generally. OOTR agreed with the observation and committed to developing a position paper on the accounting issues for the Ministry of Finance and the Samoa Audit Office.
3. The loss or deficit situation appeared to have improved even with the payout to the Ministry of Finance included in expenses. The Ministry of Finance did not seem to actively monitor the collections that OOTR was passing over on a regular basis if it was in accordance with the OOTR legislations and regulations. OOTR agreed for the issue to be addressed in its position paper to the Ministry of Finance

Public Trust Office

Financial statements audited: 30 June 2010

Summary of audit findings:

1. There were no outstanding issues or matters relating to the Public Trust Office and the financials as shown below indicate improvement.
 - Net loss for the year was lower compared to financial year 2008/09;
 - There was an increase during the year to total assets as well as reserves comprising of government equity, assurance and reserve deficit and reserve for legal expenses.
 - There was a net increase in cash balances or positive net cash inflows for the year.

Public Trust Office

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Public Trust Office (PTO) provided responses on corrective actions being progressed on the issue discussed below and the response is reflected in each issue.
2. We noted a considerable number of ledger cards that were not up to date. Ledger cards should be updated as soon as a transaction occurs during the period. This delayed noting of the payments/receipts or any other fee charged creates a mismatch between the ledger card tally and the overall balance in the electronic copy. PTO stated that the responsible personnel were reprimanded on this matter and assured that the problem would not recur.

Samoa Airport Authority

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Airport Authority (SAA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. Our review of the bank reconciliation noted that there were unbanked receipts for departure taxes collected by banks dating back to 2008 still outstanding at year end. Departure taxes collected were supposed to be credited into SAA's bank accounts after they were checked and reconciled by the banks at the end of each day. Upon reconciling and checking, the banks then send the Authority a copy of the reconciliation statistic for their record keeping. These should have been cleared with the banks earlier during monthly bank reconciliations. The majority of unbanked receipts were with Westpac Bank and yet no records of correspondence existed between the client and Westpac, except for ANZ. SAA responded that it was continuing to follow up with Westpac.
3. The audit noted that PAYE deductions on staff bonus were incorrectly calculated resulting in under deduction of PAYE. SAA has committed to correcting its calculations for future bonuses.
4. There was a withholding tax credit of \$81,800 carried in SAA books for over five years and had not been claimed from the Ministry of Revenue. SAA was still following up the matter with the Ministry of Revenue when it last updated the Samoa Audit Office.

Samoa Housing Corporation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Housing Corporation (SHC) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. The Corporation did not have an Audit Committee and Risk Management Committee to undertake functions as stated in the Housing Corporation Act 2010 Part VII Section 36. SHC

did not agree that a separate Audit Committee was required. Instead SHC was of the view that whole Board would take on that role.

3. The audit was of the view that the approval for the performance bonus in December 2010 should have been elevated to a higher level such as Cabinet as the Board, Management and staff were all included in this reward. The Audit Office indicated to the SHC that these payouts should not have been approved by the Board as they stood to benefit from the payout. Instead these should have been taken to Cabinet for approval. In addition, the payments should have been subjected to income tax as per prevailing income tax legislations. SHC insisted that the payout was to reward all SHC personnel inclusive of the Directors who contributed to the excellent performance results.
4. The Corporation did not deduct 10% withholding tax from payments made to their suppliers for services provided so as to comply with the Income Tax Administration Act 1974 (Clause 8, Third Schedule) and the Income Tax Rates Act 1974 (Clause 13, Second Schedule) and Ministry of Revenue Circular Memorandum MFR N-01/2010. SHC agreed to comply with the income tax legislations.
5. The Corporation did not have a proper Loan Operations Manual in place to guide them in the execution and processing of loans offered to the General Public. This should include all types of loans that can be offered by the Corporation, the types of securities accepted, how the terms and interest rates are to be determined, etc. This would ensure that there are proper guidelines in place so as to comply with the Housing Corporation Act Section 8 Para 3(a) – (d), and to ensure that all applicants and clients were fairly treated. SHC at the time of printing was already progressing actions to compile a Loans Manual.
6. While staff policies on benefits and entitlements appeared to have been properly formulated, there is no harm in recommending further improvements. An important improvement will be to disclose to the Board on a regular basis transfers of staff loans between facilities (domestic, furniture and housing) and that securities documented and assessed continue to be adequate to cover the outstanding amount. SHC insisted that security values of staff loans were sufficient to cover the maximum balance of \$120,000 for housing loans, hence the justification for acceptance of transfers. Nevertheless, SHC has committed to make amends in accordance with the recommendations of the audit.
7. Sitting allowances for ex-officios in the Board of Directors were paid out for meetings attended from July 2010 to December 2010 which did not comply with F.K. (09)10 and F.K. (10) Faapitoa 12 which stipulated that all ex-officios in Boards for public bodies should not be entitled to payment of sitting allowances to be effective as of 1 July 2010. SHC acknowledged its oversight of the directive as an honest mistake which they realized in December 2010 when they stopped paying the sitting allowances.

Samoa Land Corporation

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Land Corporation (SLC) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.

2. \$1.6 million (equivalent to about 75% of total trade debtors) were made up of debtors with balances of more than \$10,000. This amount was considered substantial and the management and the Board of Directors were asked to consider follow-up actions to be taken against these debtors. When SLC responded in January 2014, it demonstrated the following corrections actions:
 - Board sub-committee set up for enforcement;
 - Board approval for written off of bad debts;
 - In-house lawyer on board for commencing civil action.
3. There were land sale transactions which were recorded between the Corporation and some staff members, yet these were not disclosed in the financial statements under Related Parties transactions, or Employee Benefits to ensure transparency and compliance with leading accounting practices. SLC in its response in January 2014 confirmed that the benefit has been terminated by Cabinet as per F.K. (13) 06.
4. Liabilities regarding withholding taxes for Directors' fees and sitting allowances to be paid to the Ministry of Revenue were outstanding and were not disclosed in the Financial Statements resulting in the Corporation's liabilities being understated. An amount is yet to be confirmed once this matter is assessed by the Ministry of Revenue as the amount owed had accumulated since the late 1990s. SLC responded that there is action in progress and will be ongoing until the matter is fully resolved.
5. From our review of the Corporation's Corporate Plan 2007-2010, we noted activities included in the Plan were not achieved by the expected time or not near completion despite 2010 being the last year of the Corporate Plan. The following objectives were not achieved as of 30 June 2010:
 - Objective 3: *"To ensure best use of land assets of SLC to promote socio-economic development for Samoa, through diversifying revenue base of the economy, and maximizing returns on investments"*. One of the strategies identified in the plan to achieve Objective 3 was to identify all properties and to update the land register. The Corporation's land register was not up-to-date and any movement in land (from disposal, acquisition or revaluation) could not be traced to the register to confirm such movement.
 - In SLC's response in January 2014, it stated that the identification of properties was an ongoing task but progress was hindered by various factors such as customary landowners and squatters. SLC was of the view that it was possible for a near-accurate count to be ready by the end of financial year 2013/14. Furthermore, extensive data search was essential requiring more staff. The Ministry of Natural Resources and Environment was also needed for a more detailed land reconciliation from the start of SLC. The current Corporate Plan of SLC has identified as a target a complete land reconciliation by June 2015.
 - Objective 4: *"To provide effective and efficient support services conducive to achieving the objectives of the Corporation"*. One of the strategies identified in the plan to achieve this objective was to strengthen internal control systems for managing income and expenditures. The performance measure for this objective was to increase income by 15% every year. Income had only increased by 12% from 2009 to 2010.
 - In SLC's response in January 2014, it stated that strengthening internal control systems was an ongoing process that was further improved by annual audit findings. Performance measures such as budget estimates were normal guidelines set out to

meet the stipulated objectives. An 80% achievement has always been the minimum target.

- Objective 6: *“To facilitate an environment conducive to nurturing small businesses so they can become significant contributors to the Samoan economy in the future.”* One of the strategies identified to achieve this objective was the timely collection of rental rates from the tenants. Rental payments by tenants were not up to date and tenants’ records for Salelologa Market were not properly monitored and maintained.
 - In SLC’s response in January 2014, it stated that the low level of occupancy in the initial years resulted in flexibility in the collection approach in an attempt to entice more tenants. The controls in place included:
 - A Finance Officer being recruited to be responsible for the area;
 - Tenants’ reconciliation reports updated on a monthly basis and tenants statements issued monthly;
 - New system recommended and approved by management for efficient and effective controls and monitoring to be use by all markets;
 - Salelologa tenants’ agreement being revised to include more stringent measures;
 - Tenants arrears updated as at December 2013.
6. The Corporation had not paid the dividend due to the Government for each financial year for three consecutive years starting from the financial year ended 30 June 2007 up to 30 June 2009. There was also no interim dividend paid for the financial year ended 30 June 2010 which was due in April 2010. The non- payment of dividend due to the Government was a non compliance with the Government’s dividend policy as stipulated in the Circular Memorandum 2005/06/07 dated 18 May 2005. SLC paid a dividend of \$162,969.50 on 19 December 2011. An arrangement was also now in place where MOF would deduct the amount of the dividend from money owed to SLC, and while SLC was still owed \$15.9 million it was still committing to paying the remaining dividends during the quarter ended 31 March 2014.
7. The Corporation was noted to be continuing repaying only the interest portion of the \$2 million term loan with the Westpac Bank. This was also raised in the previous audit but was still continuing within the current audit period. This arrangement was made because the Corporation’s current cash flow could not meet the obligation of paying both interest and principal amount together with the day-to-day operating activities of the Corporation. The Westpac loan was paid off in November 2011.
8. An amount of \$7,367.43 was disclosed as *Unknown Debts* under the Faleata Golf Course (FGC) Debtors’ listing which shows that there was no proper monitoring done for amounts owed to the Corporation. Moreover, the Corporation did not have an approved credit policy in place to validate these types of arrangements. SLC has confirmed that credits were allowed by staff without authorization from management and since the audit report, no more credits were allowed at FGC and strict penalties have been exercised on staff for non-compliance.
9. There were no debtors for the Salelologa market recorded in *Other Debtors* and *Prepayments* component. The records and documents pertaining to this area for the audited period was not properly maintained and monitored by the responsible personnel. No amount could be established for this purpose because there were no proper reconciliations of debtors’ accounts conducted. An attempt to examine the tenants’ (third parties) records was unsuccessful as most of their Third Party records were unavailable. The audit was referred to SLC reply on Issue 6 above.

10. Staff that had debt accounts with the Corporation were not properly followed up for repayments as evident from the non-movement of balances from the previous year. There were also staff with outstanding balances but had already resigned from the Corporation whereby recoverable amounts from these employees were uncertain. SLC stated in its reply that they were now aggressively pursuing these accounts with salary deductions. Unfortunately, accounts for departed staff could end up being written off as bad debts.
11. Vehicle servicing, repairs and maintenances costs were paid to two different suppliers amounting to \$93,377.58 and \$975,545.25 respectively, yet there were no supporting documents of quotations sought by the Corporation to ensure that the best supplier was selected and also to ascertain that there was fairness and transparency in the selection of the suppliers. SLC confirmed that this was an oversight, however things will now improve with its proposed finance policy
12. The total acres of land owned by SLC together with their values could not be verified by Audit as the Estates Division was still working in compiling the land reconciliation at the time of the audit. Land reconciliation should show the movement in land whether it was the acquisition of new land, transfer or sale of land. It shows the relationship between the physical assets and their monetary value that is reflected in the financial statements. In SLC response in January 2014, it stated with supporting documents that the record of land movement has been updated since May 2012. Total acres of identified surveyed land had been verified with revised land reconciliation.
13. The signed contract agreement between the Corporation and Birdie's Bar and Grill Restaurant for the rent of the Faleata Golf Course canteen space was noted to have expired on 28 September 2009 and has not been renewed as at the date of the audit. The outstanding balance for this rent amounted to \$37,511.75 for the audit period whereas the last payment received from them was on 18 June 2009. The outstanding amount has been handed to the legal officer for full recovery.
14. Expenses relating to the Faleata Golf Course (FGC) were included in SLC's Profit and Loss Statement instead of the FGC's Profit and Loss Statement. These included golf course repairs and maintenance of \$169,860 made up of landscaping costs paid to a landscaping business; and golf carts repairs and maintenance of \$526,885.96 made up of telegraphic transfer payments to the middleman referred to in the Report to Parliament for 2009/10. If these expenses were included in the FGC's accounts, its financial status would be a loss of around \$652K instead of a \$44K profit as reflected in the accounts. The exclusion of other expenses related to FGC in its accounts gives a misleading impression of the FGC's financial status. This would also make users of financial statements believe that the FGC was self-sustaining when, in reality, it could not operate on the revenue that it was generating alone. SLC will continue to improve accounting for FGC to identify whether it was a profitable or losing operation.
15. From our review of the level of income and expenditure for the current year and in comparison to the budget, we noted that the Corporation was not achieving its budgeted revenue. Actual revenue was about \$7.1 million short which was about 45% of the budgeted revenue and expenditure was in excess by \$3.1 million which was about 56% of the budgeted expenditure. SLC in its reply indicated that the target income could not be met due to the following reasons despite still being obligated to meet the targeted expenditures:
 - Provision of \$1.7 million for the sale of land to Vailele did not happen as planned during the audited period;
 - A similar deal for the \$1.2 million sale of land to Letogo also did not eventuate as planned;

- Sale of the land at Tauese at the sale price of \$4.3 million did not go through due to lack of funds although there were plenty of interested buyers. In the end, the land was transferred to the Land Board and the Ministry of Police at the cost of \$4.5 million.
16. Staff bonuses being paid by the Corporation to all employees were noted to be exempted from tax, a breach of the Income Tax 1974 Part II Divisions 3 and 3A. The Corporation's liability amount to this effect could not be known at this stage as the Ministry of Revenue was yet to confirm an amount as this practice had been done in previous years. In its response in January 2014, SLC stated that it was now complying with this legislative requirement.
 17. The Corporation's contractual employees had their leave benefits paid out which did not comply with the Cabinet Directive regarding benefits of CEOs and contractual benefits that was issued by Cabinet governing all CEOs and contractual officers for Government Corporations and Ministries. All these benefits were part of a legal contract existing before the directive according to SLC, but these have now ceased as a result of the recent Cabinet decision.
 18. The Corporation's contractual posts have never been advertised to the public once a term for an employee has been completed; hence most of the contractual posts were being renewed automatically. This arrangement was noted to be unfair as it would hinder other staff and the general public from the opportunity to apply if these posts were not advertised publicly. This recommendation was actioned in 2012.
 19. There was no formal employment contract agreement signed between the Chief Investment Officer and the Corporation to outline the details of responsibilities and duties like all other contractual posts within the Corporation. As a result of this, there was no clear cut description of responsibilities and duties between the Chief Accountant Officer and the Chief Investment Officer as both these contractual posts were within the Finance Division. SLC has made amends in accordance with the recommendation by the audit.
 20. It was noted that long-serving employees who were currently holding contractual positions were still entitled to long service leave as recorded in their leave cards, even though their employment contracts only recognized annual leave and sick leave entitlements. The Chief Administration Officer was enquired as to how contractual employees' benefits were administered and she stated that PSC policies were used, yet under PSC policies, contractual officers were not entitled to long service leave. SLC has confirmed that it was now complying but the deficiency in the past was a lapse in paperwork.
 21. It was noted that there were no statutory deductions made when leave benefits for contractual employees were being paid out. SLC has made amends in accordance with the recommendation by the audit.
 22. A variance of \$23,896 was noted between the Salelologa actual monthly collections and their corresponding bankings; there were no reconciliations and no final checking done by the responsible officer at the Salelologa Market. SLC has made amends to address the recommendation by the audit.
 23. Audit also found that the amounts and dates for most of the receipts issued at Salelologa market during the audit period were altered on the receipts' duplicate copies but not on the original copies issued to customers to confirm that the amounts altered were the actual amounts received. The alterations of the receipts issued dates resulted in late banking of these funds. SLC, as a result of the audit, terminated the responsible officer and also increased spot checks and follow up.
 24. The Corporation did not deduct 10% withholding tax from payments made to their suppliers for services provided so as to comply with the Income Tax Administration Act 1974 (Clause 8,

Third Schedule) and the Income Tax Rates Act 1974 (Clause 13, Second Schedule) and Ministry of Revenue Circular Memorandum MFR N-01/2010. This was now addressed by the Legal Officer according to SLC reply in January 2014.

25. The effective period for interest charged on land sales were manually input by selected staff on the LMS which was considered to be of high risk as debtors' account balances could be easily manipulated. SLC, in its reply, claimed that controls were in place to address this concern.
26. The audit noted that the Corporation only submitted income tax returns for the years 2004, 2005, 2006, 2007, 2008 and 2009 on the 6 October 2010. In addition, there were inaccuracies in the income tax returns as accounting depreciations rates were used in place of tax depreciation rates. Furthermore, the income tax returns reflected accumulated tax losses brought forward from previous years but were not accounted as future or deferred tax assets in the Balance Sheet of the Corporation. SLC, in its reply, stated that the income tax returns from 2004 to 2010 have now been submitted and the tax returns for 2011 and 2012 would be submitted in February 2014

Samoa Life Assurance Corporation

Financial statements audited: 30 June 2011

Summary of audit findings:

1. There were two issues raised in the audit. They both relate to documentation of deed of mortgages and folio certificate. A folio certificate is the identifier for new documents produced by the Ministry of Natural Resources and Environment (MNRE). This document provides evidence or proof of owner of lands being mortgaged and the status of encumbrances, liens and other charges to the property.
2. SLAC provided responses on corrective actions being taken and consequently the issues raised have been resolved.

Samoa National Provident Fund

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa National Provident Fund (SNPF) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. Through substantive procedures performed, it was noted that the system was calculating the interest incorrectly for short term loans eg. Short Term Loan CDL96, where the interest being charged for the year ended 30 June 2011 was well below the interest rate of 13%. SNPF acknowledged and accepted the issue as correct and also pointed out the corrective actions taken such as a review of the system in 2013 which should pick up any error in interest calculation and fix it immediately.
3. We noted that Loans Officers appraising the short term applications and approving officers were not complying with the Short Term Loan Scheme Policy L. Section (a) states that approval shall only be granted if loan serviceability is satisfy. Section (g) defines serviceability "that the repayment shall not be over 40% of net pay after deduction respectively".

Application forms were not completed properly to include all members' deductions and calculation of the 40% net pay was not in accordance with section (g) of the policy. Approval was granted even though serviceability was not in line with section (g). In SNPF's reply in January 2014, it acknowledged and accepted the views of the audit. However, SNPF also pointed out the following matters:

- The reality is that when a member in desperation begs the assistance of SNPF because of the death of a relative, a short term loan is granted outside of the 40% net pay based on compassionate grounds while considering their good loan repayment history with the Fund;
 - The total number of short term loans identified by the audit is 11 with a value of \$90,500 which is 0.42% of the total short term loan portfolio of \$21.5 million. All of these loans identified by the audit had been paid and were not in arrears and also none of these loans had been offset against the member's contributions.
4. Our review of the process around short term loans highlighted that the deduction amount per the loan application and the system were not the same. Loan default may not be detected by the system if the monthly deduction is not correctly loaded. In SNPF's reply in January 2014, it acknowledged and accepted the views of the audit. However, SNPF also pointed out that although the deduction amount on the application forms and system may sometime differ, the member is still deducting the correct repayment for any approved loan amount. Another reason for the difference is when the application loan amount approved differs from that recommended resulting in a change in loan repayment, usually a reduced payment.
5. There were numerous breakdowns noted in the controls process around the approval of right - hand drive loans. SNPF acknowledged and accepted the views of the audit and also added that some of these members' loans fell into arrears when their circumstances changed particularly when they became unemployed. However, despite all the issues raised, SNPF maintained that none of the vehicle loans had been written off, as efforts were taken promptly to recover any default loans; significant improvements have been made in these areas since 2011. The breakdown and weaknesses identified in the audit included:
- (a) No proof of insurance of the vehicle purchased on file.
 - (b) Bank statements for the applicant were only for month, despite the policy indicating the six months of bank statements were required.
 - (c) The policy states that the repayments cannot be more than 40% of the applicant's net salary, however it was noted that on some approved loans, this was not the case.
 - (d) Approved loans were used to purchase a taxi. The investment policy states that vehicles purchased under the RHD scheme must not be for a business purpose.
 - (e) There was no loan disbursement memos held on two files reviewed and therefore no finance approval was noted on file.
 - (f) Numerous applicants were in arrears at the time of their application. It was also noted in one case (Loan V0139), that the applicant had a loan written off during the year and had a poor past payment history noted, yet the loan was still approved.
 - (g) In some instances, it was noted that loan monies were distributed directly to the loan applicant rather than the vehicle seller. In one case this led to the

misappropriation of funds and in another, a different vehicle was purchased (also had implication for the chattel mortgage held over the vehicle).

6. There were numerous breakdowns noted in the controls around the approval of investment loans. SNPF acknowledged and accepted the findings of the audit but stated that improvements have been made in these areas since 2011. The breakdown and weaknesses identified in the audit included-
 - (a) No proof of insurance on file.
 - (b) No credit checks included on file.
 - (c) Security ratio below the rate required yet the loan was still approved.
 - (d) No confirmation of employment on file.

Samoa National Provident Fund – Building Maintenance Recovery

Financial statements audited: 30 June 2011

Summary of audit findings:

There was only one issue during the audit. This issue relates to arrears of \$24,468.32 which management and staff of SNPF/BMR needed to address going forward. In the reply from SNPF in January 2014, it stated that:

- All tenant arrears are followed up on a regular basis by the Properties Section;
- The tenants are usually given two weeks' verbal notification to pay off arrears before an arrears letter is issued. This is followed by a default letter and then the case is referred for legal action.

Samoa National Provident Fund – Parliamentary Pension Scheme

Financial statements audited: 30 June 2011

Summary of audit findings:

1. Review of the bank reconciliations of the Scheme showed no indication that they were being checked by a Senior Officer after it was prepared by the Pension Scheme Officer. SNPF has committed to making improvements on the weakness identified.
2. It was noted that the system used to record member's contributions and payouts (Excel) was becoming increasingly impractical as well as tedious for the Officer charged with preparing it due to the Scheme's operations becoming more complex. We recommended that a more efficient system be implemented for the Scheme such as the one used by SNPF for its members. This would minimise errors and data entry would be less time-consuming and would also be more accurate as the Scheme would operate similarly to the SNPF. In its reply in January 2014, SNPF stated that a new system was purchased in 2012 to resolve this problem. All members' contributions are now recorded on this new system together with the interest calculation.

Samoa National Provident Fund – Senior Citizen Benefits Scheme

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The accumulated deficit was reduced during the year, from \$1.1 million to \$15,780 due to the write-back of unclaimed pension of \$1.876 million.
2. Excess expenditure was higher in 2011 compared to 2010, but a total of \$1.876 million unclaimed pensions was written back reducing the accumulated deficit. The increase in expenditure was due to:
 - Increase in the pension payment from \$125 to \$130 effective from July 2010 to date
 - Increase in shipping and health claims
 - Payment of staff long service leave
 - Net decrease in cash was higher in 2011 than in 2010 and consequently there was a lower cash and bank balance as compared to 2010. This fall was due to a lower budget being provided to cater for the increase in the pension plus the main expenses such as the health, shipping claims and staff benefits. The budget being provided for the increase was based on 9,000 pensioners; however the number of pensioners varies from 9,200 to 9,400 per month.

Samoa Ports Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Ports Authority (SPA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. Minutes of Board meetings were found to be properly drawn up and maintained. There was good compliance with Cabinet directives except for a few lapses. There were also regular ministerial briefings on SPA's operations.
3. SPA needed to continue to provide the environment and processes to ensure that oversight by Cabinet, Minister and Board is active, effective and robust. While management held meetings, the records were not satisfactory. There did not appear to be active and regular divisional meetings to assist with the management and operation of divisions. SPA has committed to implementing the recommendation.
4. Internal Audit did not perform to expectation. It was both under-resourced and used incorrectly by management to perform management functions. Internal Audit should be adequately resourced and have its own plan and program. Management should not dictate or interfere with the work of the Internal Audit. Internal Audit should report to an Audit Committee for oversight, and management for action. SPA has committed to implementing the recommendation.

5. Management and divisional meetings need to be adequately documented as evidence to governance mechanisms and processes occurring within the divisions and tone at the top, set by management to run and operate SPA. Recommendation has been accepted by SPA for actioning in future years.
6. We noted through verification of new recruits personal files for the financial year 2010/11, that there was no interview performed or evidence/report to indicate that there was an interview executed as per recruitment process for some employees. This process according to SPA was done by the former General Manager as he had the authority to hire and fire. This was also done on the basis that the urgency was needed at the time as constructions of wharves were done during this same period.
7. Audit noted that 13 employees from the sample selected had no qualifications documented in their personal files to indicate that they have the qualifications required for the position they applied and were selected for. As explained in Issue 6, the recruitment of all these employees according to SPA were either done directly by the former General Manager or approved and endorsed by him under his authority and discretion.
8. An audit assessment of several rate changes effected within the audited financial period showed that several special adjustments were made, apart from the government's general increase on the 1 July 2010 to reclassify salary rates. Audit was concerned with the fact that we were not able to sight the Board of Director's approval on the special adjustments for certain positions. In addition to the lack of authority on the special adjustments, audit did not find in personal files of these employees any criteria/explanation or consideration supporting the special adjustments for these employees. According to SPA, this was approved by the former General Manager as recognition of qualifications, performance and service.
9. From the review of payment vouchers, three quotes were obtained for purchasing of new office vehicle (Toyota Hilux for the General Manager) but instead of selecting the lowest bid as the usual procedure, SPA chose the second lowest bid. As a result, the amount paid for was over and above the lowest bid as well as the original second bid. According to SPA, management considered this matter carefully before the asset was acquired but the standard of local vehicles did not meet the international requirement of vehicles.
10. Payment of staff bonus was approved by the Board based on the recommendation by the General Manager. However, audit noted that the General Manager was paid both as a Board member as well as a staff member. Also, these bonuses were considered taxable income under section 3 of the Income Tax Act however no tax was deducted. SPA accepted the observation and recommendations of the audit but maintains that the bonus was approved by the Board.
11. There was a significant amount of money spent on overseas payment for the period under audit. From the analysis of payments, we found that **\$752,631.04** was spent on payments to one New Zealand Company and **\$719,839.63** to another New Zealand company. These were the two main companies that dealt with SPA throughout the current period as well as the previous years and some materials supplied by these two companies such as purchase of office equipments could also be sourced locally. However, we noted that the Authority did not have proper procedures in place for selecting these companies whereby quotes from both local and overseas companies should be obtained. Instead SPA only obtained quotes from these two companies. According to SPA, all of the purchases made from these companies were pre-

ordered directly by the former General Manager during his overseas trips but SPA has now put in place guidelines for overseas purchases.

12. The new RHD Toyota Prado bought for the General Manager within the audited period was resold due to a Cabinet decision in the same year. This vehicle was also acquired from one of the New Zealand companies mentioned above. The said vehicle was not openly tendered however; the General Manager at the time selected a number of potential bidders and sent out invitation letters for their bids. It was therefore won over by a local company where the former General Manager was believed to be the major shareholder according to a search carried out by the audit team at the Ministry of Commerce, Industry and Labour. Again this constituted a breach of F.K. (11) Faapitoa 05 stating that General Managers or Chief Executive Officers of Public Bodies and Ministries were not entitled to tender for any office vehicle advertised for tenders.
13. In reviewing the Fixed Assets Register and schedule for SPA, audit noted with concern the maintenance costs for one of its assets. A tug boat purchased for about 1.2 million in 2007 and in operation for only two years was noted to be absorbing substantial amount of money for repairs during the period of this audit. The review of payments noted repairs costing more than \$600,000 including fees for engineers hired for a feasibility survey on the operating fitness and serviceability of the tug boat. The cost stated above pertained to the financial year under audit and did not include costs accumulated since the asset broke down in 2009. At the time of the audit, the Authority was not generating future economic benefits from this asset despite the cost involved and effort to bring the asset into location and existence. According to SPA, the purchase of this asset was recommended to the Board and Minister by the former General Manager.
14. We noted that SPA did not have a register for Related Parties but tests indicated the existence of Related Party transactions. International Accounting and Financial Reporting Standards now require Related Parties and transactions to be actively registered and declared. Related Parties and transactions are defined in the IAS and IFRS. Focus is on relations between an entity and its owners, shareholders, subsidiaries, segments, suppliers, financiers, bankers, auditors, customers, employees and so forth. According to SPA, the issue has been discussed and the practice now is to declare interests and related parties.

Samoa Post

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Post (SP) provided responses on corrective actions being progressed on the issue discussed below and the response is reflected in each issue.
2. During our review of receipts, it was noted that the Savaii receipts faced the risk of either delays or complete omission in posting to the General Ledger and Subsidiary Ledgers because of a lack of interface between the main office and Savaii's computers. The information sent over for posting included only the end-of-day written summary of the total receipts being lodged, but not the sequence of the receipt numbers. SP accepted and agreed with the audit observation and has committed to making improvements. There are problems with the

communication link between the islands but SP will try and improve on these problems as well as including the receipts numbers in the manual reports as recommended.

3. During our review of receipts, we found instances of delayed bankings from the Savaii branches. SP responded that management allowed delayed bankings for funds collected from Savaii outlets because of their remoteness from banking facilities. Transportation costs on a daily basis to banking facilities would by far outweigh the cash collected on a daily basis. SP used vaults and strong rooms/safes in each branch or location for safekeeping until the mail van takes the cash for banking once a week during mail delivery. Since the partnership with the National Bank of Samoa in 2013, the situation has further improved with the bankings now done on a daily basis as banking facilities are also now located in the district post offices.
4. Some payment vouchers were found with unrecorded account numbers. The audit therefore was not able to verify whether they were being posted to the General Ledger and the account these were posted to. SP has committed to implementing the recommendations to address the issue.
5. During our review of certain expense accounts, we noted some inconsistencies in the posting of expenses. The misposting of expenses may result in unnecessary extra time required on reconciling accounts at month and year-end. The correct posting of all expenditures is essential for accurate financial statements. SP has committed to implementing the recommendations to address the issue.
6. Audit was not able to verify the amount of sales from the three branches in Savaii - Salelologa, Salailua and Asau for the period under audit due to problems with the system. The audit however does not expect the sales figures from these branches to materially affect the accuracy of the financial statements but will still acknowledge the issue as an emphasis of matter. SP refers the audit to its reply in Issue 3. It also continues to work on the improvements of the deficiencies.

Samoa Qualifications Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Qualifications Authority (SQA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. From our review of the leave records and the leave balances for the contractual employees, we found that the unused annual leave balances of these employees were carried forward after the first and second year of their contracts. This treatment was in line with the signed contracts in the employees personal files, however, it contravened F.K. (08) 08. Under this Cabinet directive, annual leave for all contractual employees of the government must be taken within the year they are due, and cannot be carried forward after each year of the contract. In its response, SQA was of the view that the directive applied only to when an old contract ends and a new or renewed one commences, but did not apply to the position of the contracted's leave entitlements in each of the years of a contract. The Samoa Audit Office insists that it applied to every year as per guidance from the Public Service Commission.
3. Withholding taxes for Board members' allowances were borne by the Authority instead of deducting from the allowances earned by the Board members for each meeting attended. For

instance, \$250 was the net amount paid to each Board member for each meeting attended and the tax portion of \$37.50 (15%) was paid by the Authority thus the total allowance per member for each meeting amounted to \$287.50 which did not comply with the approved rate of \$250 per meeting. SQA in its reply agreed with the finding and assured the audit that the Board has now implemented the recommendation by the audit.

Samoa Quarry and Sealing Products

Financial statements audited: 30 June 2010

Summary of audit findings:

1. In the 2009 audit, SQSP was warned of the continuous decline in the net assets position due to accumulated losses eroding the original Government Contribution of \$4 million. Net Assets then was at \$1,007,219 dropping from \$5,283,616 in the first year of operation in 2003. At 30th June 2010, this further dropped down to \$142,512. SQSP has now been dissolved and its assets were sold by way of auctions and open tender. Liabilities were taken over by the Ministry of Finance
2. SQSP was dissolved before comments could be obtained on the following issues. SQSP before dissolution was a branch or part of the Land Transport Authority:
 - The Board meeting minutes for the period 2009/10 were requested through Quarry Manager since the commencement of the audit, and several follow ups were made during the interim period, but nothing was received as at the date of this report. The entity did not deduct 10% withholding tax from payments made to their suppliers for services provided so as to comply with the Income Tax Administration Act 1974 (Clause 8, Third Schedule) and the Income Tax Rate Act 1974 (Clause 13, Second Schedule) and Ministry of Revenue Circular Memorandum MFR N-01/2010/.
 - We noted that only the Principal Accountant had access to the computerised accounting system in place. It was also noted that there was no segregation of duties amongst staff as most of the responsibilities such as creating debtors and creditors on the system, offsetting of such debtors and creditors, preparation and countersigning of cheques, and bank reconciliations were all done by the Principal Accountant. This posed a high risk as there was no other staff who could conduct these responsibilities in the absence of the Principal Accountant.
 - The organization was not registered for VAGST but there was a VAGST output (account code 4060) within the General Ledger with a credit balance of \$21,369.
 - The organisation did not prepare an annual budget before the commencement of each financial year to be compared against the actual collection and spending at the end of each year. This is an important control tool to manage expenses and revenues for an organisation as it would assist the management in monitoring whether all expenses were within budget and revenue targets had been achieved.
 - The entity's vehicles were noted to have private license plate numbers, and all these vehicles were not garaged at the office premises after hours so as to comply with the government policies regarding the usage of official vehicles after hours. These are as follows:

License Plate	Vehicle Type	Allocated Section
4578	Suzuki XL	Main Office
4580	Nissan Hilux	Main Office
4579	Toyota Pickup	Alafua Quarry
4577	Mazda Pickup	Alafua Quarry

Samoa Quarry and Sealing Products

Financial statements audited: 30 June 2011

Summary of audit findings:

In the 2009 audit, SQSP was warned of the continuous decline in the net assets position due to accumulated losses eroding the original government contribution of \$4 million. Net assets then were at \$1,007,219 dropping from \$5,283,616 in the first year of operation in 2003. At 30 June 2011, SQSP had a negative equity in its financial position meaning liabilities were more than its assets. SQSP has now been dissolved and its assets were sold by way of auctions and open tender. Liabilities were taken over by the Ministry of Finance.

Samoa Shipping Corporation

Financial statements audited: 30 June 2009

Summary of audit findings:

1. The Samoa Shipping Corporation (SSC) provided responses on corrective actions being progressed on the issue discussed below and the response is reflected in each issue.
2. As at year end 30 June 2009, there was an outstanding customs duty drawback which needed to be assessed by the Ministry for Revenue.
3. We noted that there was no dividend paid out to the Government of Samoa in the last four years, given the outstanding performance of the Corporation. In response, the Corporation explained that SSC and MOF, through their respective CEOs, have agreed for creation of a Vessels Replacement Fund (VRF) to pay the Corporation's dividends for future vessels replacement to comply with the Japan Government condition in approving the last aid-funded vessel: the MV Lady Samoa III. Management has agreed to operate the VRF via a fixed or term deposit that will be kept either at or higher than the amount of the accumulated dividends calculated had it been paying cash dividends to the Government.

Table 1: Dividend Payable

Financial Year	Net Profit After Tax (NPAT)	Dividend (50% NPAT)
30-Jun-05	889,319	444,659.50
30-Jun-06	1,523,326	761,663.00
30-Jun-07	130,180	65,090.00
30-Jun-08	153,736	76,868.00

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30-Jun-09	1,585,138	792,569.00
Total dividend		2,140,849.50
Less: dividend paid		(500,000.00)
Total dividend payable at 30 June 2009		1,640,849.50

Samoa Shipping Corporation

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Shipping Corporation (SSC) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. We were unable to sight employment contracts in personal files for contract officers, in particular, Assistant CEOs. SSC responded that there were no contracts due to the uncertainty as to who is responsible to execute such contracts. For ACEOs, it should be the responsibility of the CEO and for the CEO it should be the responsibility of the Board, either through the Chairperson or the Secretary.
3. The Corporation operated a credit card that was paid from its bank account held by the Westpac Bank, Account Number: 112188001. There is now an approved credit card policy in place. Listed below were issues relating to the operation of the credit card;
 - The following payments reflected in bank statements did not have any receipts attached to them. SSC replied that the quality of the paper on which the receipts were printed is very poor in that texts or prints become illegible or worn out after a certain period. SSC has been advised to photocopy these the moment they are submitted for safe-keeping.

Date acquired:	Item:	Amount (SAT):
02.06.10	Brit-Euro Car Parts – Lights Landcruiser (MD)	\$242.05
04.06.10	Holiday Inn – Extra night	\$295.28
09.06.10	Laser Direct – Lights, Karaoke	\$2,726.18
24.06.10	Pacific Blue – Airfare to Wellington	\$453.67
04.02.10	Laser Direct – Karaoke	\$2,178.15
03.03.10	Aggie Grey's Hotel	\$325.00
30.01.10	Takarada Wireless Ele Tokyo – External Drives for Papalii & Minister	\$936.10
27.01.10	Hotel Sardonyx Tokyo – Leia & Seigafo Accommodation	\$5,034.55
26.01.10	BIC Camera Yurakucho - Camera	\$2,524.77
04.09.09	Annual Fee	\$65.00
31.08.09	Mount Smart Marine – New Echo Sound	\$1,820.99
31.08.09	Electronic Navigation – Repair GPS	\$930.27
01.09.09	Mercy Ascot Epsom-Treatment CEO	\$5,702.01
01.09.09	Mercy Ascot Epsom-Medical Check CEO	\$680.07
01.09.09	Powerhouse Manukau - Printer	\$771.41
01.09.09	Protector Safety Supp. - Vests	\$3,547.34
28.08.09	BIC Camera Yurakucho	\$195.26

- We noted that there was no Board approval for payments of overseas medical treatments. Policy is now in place for credit card payments.

Date:	Item:	Amount (SAT):
01.9.09	Mercy Ascot Epsom-Treatment	\$5,702.01
01.9.09	Mercy Ascot Epsom-Medical Check	\$680.07

4. Insurance cover for “Personal Accidents/Life” was being provided for all employees by SSC. To minimise unnecessary costs borne by the Company, we recommended providing insurance cover for only crew members because of the nature of their work which was of high risk. According to SSC, engineers made the point that they should be insured as they are required some of the time to work on the ships. Insurance is a mandatory requirement under international maritime organisation for sailors and members of the crew. When insurance was given to the sailors and engineers, the rest, according to SSC, also asked for insurance in terms of employment fairness. SSC must however adhere to a Cabinet Directive now in place to govern benefits for all public officials and employees.

Samoa Sports Lotto Agencies

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Sportslotto Agencies (SSA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. It was noted in the final report to management that the same issues were covered in a report of the special examination conducted during the period of this Report to Parliament July 2011 - June 2012.
3. It was also noted that although positive results were noted when the Samoa National Lotto game was introduced, internal controls breakdown, weaknesses and lapses also featured alongside these improvements. In the end, a qualified audit opinion was issued on the financial statements. SSA had made amends by way of recruitment of a full-time experienced and well-qualified CEO as well as some institutional reforms. The new CEO is an experienced lawyer with previous services provided through both the public sector and private practice.

Samoa Tourism Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Tourism Authority (STA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. We noted that an account called a booking engine account was kept in the name of the Authority, and administered by the Authority and yet it was not incorporated into its financial statements. The account was used for bookings and fees received on behalf of small to medium accommodation providers using the STA website. The updated reply in January 2014

from STA indicated that this account is now included in the financial statements and audited together with the rest of the accounts and finances.

3. We noted that the status regarding the correct VAGST treatment for the Authority's allotted government grant still remains unresolved. Differing viewpoints and hence different treatments have resulted in confusion as to which was the correct method. The Authority treated that portion of grants spent internally as being VAGST inclusive and then for amounts spent overseas as being VAGST exclusive. Therefore we were uncertain as to the recoverability of this period's VAGST receivable as per accounts of \$396,928.43. The updated reply from STA in January 2014 indicated that the issue has now been resolved. The Ministry for Revenue made an assessment resulting in STA paying a VAGST liability of \$475, 722.70. This liability has now been settled and the revised method has been adopted to correctly calculate VAGST implications of STA's business transactions.

Samoa Water Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Water Authority (SWA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. There was an impending issue of difference between the assessment by MOR and the SWA for the VAGST Receivables by SWA. It cropped up again during this review and it seemed like the Authority and the Ministry had reached an impasse. This had resulted into a drastic rise in Other Payables. In the updated reply from SWA in January 2014, it was indicated that this matter has now been resolved with the Ministry for Revenue making an assessment in favour of SWA for a refund in excess of \$5,000,000.
3. We noted from our reviewed of accounts receivable that of the total trade receivables of \$10.2 million, 27% were inactive accounts standing at \$2.8million in value. The amount for inactive accounts were being covered under the huge provision for uncollectibility of trade debtors. SWA indicated in its reply that this outstanding pointed to customers who have been disconnected and have not bothered to reconnect because they are accessing water from a relative either on the same or nearby lands. This relates mainly to residences on customary land. SWA is now trying to ensure that properties on a piece of land have one connection and the land owner will be made responsible for sub-metering to minimise the risk of default and disconnection.

Scientific Research Organisation of Samoa

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Scientific Research Organisation of Samoa (SROS) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. After reviewing attendance books from 6 October 2010 to 13 October 2010, the following issues were noted. SROS indicated in its reply in January 2014 that staff has been informed that these practices should not re-appear in future audits
 - a) Employees who did not sign the attendance book as per days audited
 - b) Employees who did not fill in their total hours for each day
 - c) Employees whose absences were noted on attendance books were not recorded in leave cards.
3. Audit discovered that salary advances were paid out to staff when requested upon; the agreement being that repayments will be deducted from their fortnightly pays to recover these advances. This practice has now been ceased.
4. Audit found that journal entries were solely posted by the Senior Finance Officer without appropriate authorisation by the Accounts and Finance Manager. Audit recommended for proper authorisation of journal entries by the Accounts and Finance Manager or any relevant higher authority, not only for proper segregation of duties but also for checking the accuracy and reasonableness of journal entry created. SROS has now made amends to implement the audit recommendation.

Samoa Sports Facility Authority

Financial statements audited: 30 June 2010

Summary of audit findings:

1. The Samoa Sports Facility Authority (SSFA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. SSFA did not have an Accounting Manual. It was important that an Accounting Manual existed to ensure that there were proper policies and procedures in place to guide work of the Finance Division. Similarly, it could assist auditors in identifying weaknesses where more focus was needed and areas that needed more improvements. SSFA agreed and made a commitment to implement audit observations and recommendations.
3. SSFA did not prepare VAGST returns for the period under review. It was very important to prepare returns so that SSFA would be able to claim refunds on VAGST paid as they paid more than what they collected from their customers which should help reduce the bank overdraft. SSFA agreed and made a commitment to implement audit observations and recommendations.

4. From our review of revenue, it was noted that there was no report showing the status of collection of leases from sports bodies as well as billboards from various companies. SSFA agreed and made a commitment to implement audit observations and recommendations.
5. There was no Marketing Plan to successfully market venues and facilities locally, regionally and internationally as per Objective 3 of Corporate Plan. SSFA agreed and made a commitment to implement audit observations and recommendations.

Samoa Sports Facility Authority

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Samoa Sports Facility Authority (SSFA) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. Audit conducted an analysis of the financials for SSFA for three years financial years: 2009, 2010 and 2011. There was a declining trend in Fixed Assets, Total Assets, Total Equity and Cash at Bank and Cash on Hand. While it was pleasing to see cash inflows from operation making continuing progress over the three years analysed, it was difficult to see how SSFA could operate and be sustained without grants from government. Government, however, also has limited funds and competing ends to allocate and prioritise funds to. Current management must be congratulated for the efforts as evident in the increase in cash flows from operation, excluding grants, and although a monumental task, there was confidence that it would make decisions that would minimise loss of public monies.

	2009	2010	2011
TOTAL CASH INFLOWS	2,743,722	2,564,347	2,329,087
TOTAL CASH OUTFLOWS	2,831,585	2,540,593	2,430,589
NET CASH FLOWS	87,863	23,754	101,502
CASH AT BANK AND ON HAND	96,069	72,315	173,817
CASH INFLOWS FROM OPERATION	243,207	320,217	377,656
TOTAL CASH OUTFLOWS	2,831,585	2,540,593	2,430,589
OPERATING CASH INFLOWS TO TOTAL CASH OUTFLOWS	9%	13%	16%
SALES	3,631,923	4,603,112	3,561,243
COST OF SALES	-	-	-
GROSS PROFIT(LOSS)	3,631,923	4,603,112	3,561,243
NON OPERATING INCOME	-	-	-
OPERATING & PERSONNEL EXPENSES			

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	7,941,057	6,831,143	6,258,240
	-	-	-
NET PROFIT (LOSS)	4,309,134	2,228,031	2,696,997
ACCUMULATED PROFITS (LOSSES)	48,365,462	46,137,432	43,440,434
FIXED ASSETS	95,003,276	90,460,297	86,643,012
TOTAL EQUITY INLCUDING ACC PROFITS/LOSSES	48,365,462	46,137,432	43,440,434
TOTAL LIABILITIES	48,112,537	44,419,265	43,254,037
TOTAL ASSETS	96,477,999	90,556,697	86,694,472
DEBTORS	1,474,723	37,554	51,460
PROVISION FOR DOUBTFUL DEBTS	-	-	-
NET DEBTORS	1,474,723	37,554	51,460

3. During payment testing, audit noted increasing expenditures on the repair and maintenance of the Authority's motor vehicles. SSFA agreed and made a commitment to implement audit observations and recommendations.
4. It was noted that the Authority did not deduct withholding tax from payments for services rendered. This is a requirement under the Income Tax Administration Act therefore the Authority should comply with it. Also, payment of sitting allowances for board members should have been subjected to withholding tax, but was not the case for Board allowances payments made by the Authority. SSFA indicated that this matter would be discussed further as the Chairman of the Board believed that withholding tax should be paid by SSFA on behalf of Board members. The Samoa Audit Office maintains its position on the responsibility of SSFA to withhold income tax from payments to suppliers and that tax should be withheld from allowance payments to Directors, i.e. Directors should be paid net of withholding tax and not the full gross amounts and for SSFA to pay the additional tax to the Ministry for Revenue.
5. During the review of the attendance book and leave cards, lapses were noted in completing leave application forms. SSFA agreed and made a commitment to implement audit observations and recommendations.
6. It appeared at balance date that creditors over 90 days old were growing. SSFA agreed and made a commitment to implement audit observations and recommendations.
7. SSFA has been in operation for almost six years now. Its Fixed Assets Register needed to be updated to identify all existing assets, fully depreciated assets that were still functional as well as fully depreciated assets to be written off. SSFA commenced updating its Fixed Assets Register and records in the financial year ended 30 June 2013.

Unit Trust of Samoa

Financial statements audited: 30 June 2011

Summary of audit findings:

1. The Unit Trust of Samoa (UTOS) provided a response on corrective actions being progressed on the issue discussed below and the response is reflected in each issue.
2. Finance and Operations Policies had not been finalized. Since the audit, the Finance and Operations Policy Manual had been completed and endorsed by the Board of Directors

10) Donor and loan funded projects

Project audits were undertaken when required by the project agreement or by request. Generally, the objectives of these projects were to:

1. Express an opinion on:
 - The reliability of financial information on the project;
 - Compliance with requirements of the terms of the project agreement, the Public Finance Management Act and other governing legislations; and
 - The truth and fairness of financial statements and accounts.
2. Report on areas of weakness in systems of internal controls.

The following project audits were completed during the financial year ending 30 June 2011.

Community Centered & Sustainable Development Program (CCSDP)

Donor or lending entity: UNDP

Period of audit: 1 January 2010 to 31 December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - Employment contracts for the National Project Coordinator (NPC) to be subjected to the review of the Office of the Attorney General before being endorsed and approved by the Implementing Ministry;
 - NPC to improve compliance with the requirements relating to taking of annual leave and completing of time in the attendance book;
 - Leave without pay for the NPC from the 15/9/2011 – 16/9/2011 to be actioned;
 - Location of misplaced medical certificate in order to verify illness for days taken as sick leave from 17/9/2011 to 12/10/11 (17 days) and improvement of keeping of such records in the future;

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- Corrections and adjustment to the pay of project Driver and Administration Officer who moved to the Ministry during the year and incorrectly paid under the project for almost a month;
- Total expenditure to comply with the budget amount or advance from UNDP and to exceed it.
- Transactions occurring in the fourth quarter of 2010 (Oct 2010 – Dec 2010) but were recorded in the first quarter of year under audit (Jan 2011 – Mar 2011)
- Fixed Assets located in the Ministry at Internal Affairs, Utulaelae Centre, Satufia Centre and Lano Centre have not been labeled using the UNDP stickers.
- Improvements required in project meetings and keeping and approval of minutes.

Electric Power Corporation Samoa Power Expansion Project

Donor or lending entity: *Asian Development Bank / Australia / JICA*

Period of audit: *1 July 2010 to 30 June 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, and project staff of the Electric Power Corporation. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - We noted that all project related costs were posted to the project account code which is normally a balance sheet classification as project work in progress (WIP). As a result costs relating to the project which were clearly operating in nature such as administration, stationery, meals, telephone were posted to the project work in progress.
 - During our audit, we came across certain projects which had been completed but were not transferred to fixed assets. Due to this delay in the transfer of the costs to the right asset accounts, the project work in progress account was not correct and hence the depreciation expense was understated.
 - During scrutiny of the general ledger for individual projects, we identified that some operating costs were being capitalised. These costs should have been expensed. The reflection of these costs in WIP depicted an incorrect view of capitalised costs.
 - While examining the general ledger for particular projects we noted a few entries from some projects wrongly posted to other projects. This led to over/undervaluation of projects.
 - During our review of the Withdrawal Application (WA) # 94 and #105 on the General Ledger and the comparison with the actual signed copy of WA, we came across a major discrepancy for the project pertaining to Fiaga Diesel Power Station. The variance was due to an exchange loss. This exchange loss was the difference between the time that the suppliers invoice was recorded in the general ledger and withdrawal application processed and the USD rate at which the actual disbursement was made.

From GL on the day of submission of invoice by the supplier					
	Total (WST)	ADB Loan	ADB Grant	JICA	AUSAID
WA0105-ESI	876,400	271,684	61,348	411,908	131,460
WA0105-CW	623,064	332,301		290,763	
WA0094-ESI	134,852	41,804	9,440	63,381	20,228
WA0094-CW	84,708	45,178		39,530	
From actual recon when the actual reimbursement was granted					
	Total (WST)	ADB Loan	ADB Grant	JICA	AUSAID
WA0105-ESI	744,794.8	230,886.4	52,135.6	350,053.5	111,719.2
WA0105-CW	666,962.4	355,713.3		311,249.1	
WA0094-ESI	201,181.1	106,534.0		94,647.1	
Variance	106,085.62				

- While viewing the minutes and other related documents relating to procurement of spare parts for the purposes of refurbishment of Generators 5 and 9 for Upolu, we noted that the spare parts for Generator 9 were used to repair other Generators without the knowledge of the Project Manager. Because of this the project cost increased by a little over the pre-fixed 15% excess for payments under the contract. ADB was concerned with the reimbursement however it was reimbursed later on without any disagreements. Whilst ADB has reimbursed the payment in this particular instance due to extenuating circumstances such as the need for emergency repairs they might not be agreeable to future occurrences which might result in a cost to the Corporation.
- While analysing the payroll for the PMU as a whole, we noted that the Project Accountant allocated the total payroll between PMU Engineers and PMU staff in the ratio of 70:30. We noted that the engineers working in the PMU and other staff also working in the PMU could be specifically identified. Therefore it would be much more accurate to allocate the payroll based on actual costs.
- From our review of payroll we noted that the calculation of the Project manager PAYE was incorrect. This issue was also raised in the prior year management letter. The calculation of the PAYE should be based on the gross salary plus all benefits that are assessable income under the Income Tax Administration (ITA) Act 1974 Section 8. An example of those benefits that are assessable under the ITA is the communication allowance which is not taxed according to the EPC calculation. The underpayment of PAYE to Ministry for Revenue per annum was \$323.97, which was immaterial. However not correcting the method of PAYE calculation would accumulate more income to the receiver of total salary and less for the government.
- From our review of payroll we noted that the calculation of the Project manager ACC & NPF was incorrect. Based on the project manager employment contract Section 7 subsection 7.1 & 7.2 it states that the ACC & NPF should be based on the gross salary. Therefore no additional benefits should be added on to the base amount as per employment contract to calculate the ACC and NPF. Also in the employment contract the employee's portion of ACC and NPF would be paid by the EPC. The cause of the overpayment is due to the incorrect base amount used for calculation and not following the employment contract as well. The total overpayment of ACC was \$24 and SNPF was \$120. These were immaterial amounts however method of calculation should be corrected as the total of errors can accumulate to a material amount.

Integrating Climate Change Risks in the Agriculture and Health Sectors in Samoa (ICCRAHSS)

Donor or lending entity: UNDP

Period of audit: 1 January 2010 to 31 December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the Donor, Ministry of Finance, the Implementing Ministry and Project Staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - Audit noted that there were no records kept of any performance appraisal as required by Clause 8 of Employment Contracts for the Project Manager and Climate Change Health Coordinator.
 - Audit noted that the issue raised in the previous audit regarding the missing external drive which had been purchased and assigned to the Agriculture Coordinator was still missing. The former Coordinator confirmed that he would replace the missing asset but there was no guarantee that it would be replaced in due time as the project activities could not wait for such replacement.

Integration of Climate Change Risks and Resilience into Forestry Management in Samoa (ICCRRIFS)

Donor or lending entity: UNDP

Period of audit: 1 January 2010 to 31 December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - During the audit, it was noted that there were no steering committee meetings held during the financial year. There was an operational meeting with UNDP, Ministry of Finance and the Project team for ICCRRIFS held in July 2011 to introduce how face forms were to be used as well as what needed to be delivered by the project team in terms of reports to the Steering Committee. However, there was never a steering committee meeting held to discuss the progress of the project and the approvals that needed to be made. The Steering Committee of a project plays an important role within the control environment. Existence of those committees is part of setting a positive tone at the top. The importance of the steering committee is that:
 - They could scrutinize the project's activities;
 - Members of the committee can raise issues relating to plans, budget and performance, including questioning project management about key issues;
 - They can approve or decline any policies and procedures for the smooth running of the project;
 - They can approve any recommendations regarding procurement as well as hiring of personnel for the project;

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- They can approve quarterly project progress as well as financial reports and so forth.
- From our review of payments, it was noted that certain expenditures did not have quotes in order to determine each proposed supplier's price and products. For example, there were no other quotes for payment of SAT\$12,750 to a rental business for hiring of motor vehicle from 7 July - 5 September 2011. In addition, no other quotes were sighted for the printing of 70 project documents for a bill of SAT \$7,130. For proper accounting, we recommended that at least three quotes for an item of expenditure over SAT \$100 be complied with in order to obtain the best option in terms of price and productivity to be provided from the proposed supplier.
- From our review of payments processed from the Project Team to the Ministry of Finance, it indicated that purchase orders (or requisitions) were usually prepared after items are received. This practice defeats the control a purchase order system is intended to provide. The table below is an illustration of some of the payments that had the purchase order issued after the invoice date.

MOF Batch Number	PO Number	Requisition Date	Invoice Date	Details	SAT Amount
00250283	ONE013326	15/06/2011	19/04/2011	catering for ICCRRIFS official signing of project document	601.00
00250336	ONE013363	16/06/2011	20/05/2011	venue hire & catering for ICCRRIFS Stakeholders Meeting on 20 May 2011	2,165.00
00250307	ONE013354	29/05/2011	24/05/2011	water bottles supplied for World Biodiversity Day	57.00
00249758	ONE013310	15/06/2011	7/06/2011	catering for ICCRRIFS Inception Workshop	3,150.00
00249758	ONE013311	15/06/2011	8/06/2011	catering for ICCRRIFS Inception Workshop	3,200.00
00250613	ONE013370	15/06/2011	9/06/2011	catering for ICCRRIFS Inception Technical Meeting	625.00
00253237	ONE013445	12/07/2011	14/06/2011	catering plate for One Million Tree planting campaign	386.40
00253384	ONE013479	12/07/2011	7/06/2011	payment for photocopier	24,000.00
00253471	ONE013482	12/07/2011	30/05/2011	hirage of venue for the inception workshop	1,610.00
00253585	ONE013506	12/07/2011	9/06/2011	Printing of the 70 project document and urgency fee	7,130.00
00253591	ONE013504	11/07/2011	1/06/2011	refreshments provided for ICCRRIFS Project meeting	215.62
00254504	ONE013584	12/07/2011	6/06/2011	rental car provided to assist PMU with Inception wshop	1,375.00
00254792	ONE013603	12/07/2011	21/05/2011	supply 2 HP ProBook 4520slaptops for 2 Officers	8,300.00
00257998	ONE013870	11/08/2011	15/06/2011	refreshments for operational project meeting	171.35
00259026	ONE013961	24/08/2011	26/05/2011	Hitachi projector, 24" kenka flat scrn & panasonic phone	5,010.00
00259026	ONE013960	25/08/2011	6/07/2011	stationeries supply for ICCRRIFS community consultation	2,954.50
00259228	ONE013987	18/07/2011	5/07/2011	supply of stationeries for the project	7,199.70

				officer	
00260878	ONE014112	6/09/2011	2/09/2011	HP Probook 4430 laptops supply for 2 officers	8,200.00
00260753	ONE014107	7/09/2011	1/09/2011	3 desks with lockable drawers & 3 american chairs	4,410.00
00261547	ONE014150	15/09/2011	14/09/2011	Materials for curtains (air condition) of the project offices	1,395.00
00261562	ONE014146	7/09/2011	10/08/2011	refreshments for the interviewers of the 3 Technical officers	146.62
00262310	ONE014202	12/07/2011	22/06/2011	morning tea for One Million Tree campaign meeting	202.40
00262007	ONE014167	15/09/2011	2/09/2011	video camera	2,735.00
00263945	ONE014326	15/09/2011	2/09/2011	1 x laptop provided for Communication officer	5,900.00
00263947	ONE014325	19/09/2011	2/09/2011	4 x 3-Drawer filing cabinet for the project	2,600.00
00264843	ONE014351	19/09/2011	31/05/2011	screen projector	550.00
00267210	ONE014557	20/10/2011	11/10/2011	full page advertisement for ICCRRIFS consultants EOIS	1,569.75
00267556	ONE014584	7/11/2011	17/10/2011	Ads	1,840.00
00267507	ONE014563	31/10/2011	17/10/2011	Full page ad "Expression of Interest" ICCRRIFS	1,710.00
00267941	ONE014602	20/09/2011	5/09/2011	Vehicle hire to assist from 7/07/11 to 5/09/11 for daily operations	12,750.00
00267942	ONE014603	7/11/2011	1/11/2011	publication of poem and poster competition 2011	552.00
00270429	ONE014780	24/11/2011	24/10/2011	advertising for poem and poster competition	1,382.88
00271536	ONE014623	7/11/2011	2/09/2011	Canon camera	3,185.00

- During the audit, we observed that personnel files were not being kept current and in some instances were incomplete. For instance, there were 4 out of 5 officers that did not have qualifications in their files. Comprehensive personnel files compile data for all employees in one area. A complete file should be prepared for all new employees.
- From our review of Property and Equipment, we were not able to sight an agreement whereby the Motor Vehicle (MNRE 36) purchased under the project from Motor One Samoa Ltd was swapped with a vehicle of the same brand from the Ministry of Natural Resources and Environment (MNRE 31). For proper accounting, we recommended that any assets transferred from the project to the Ministry must be approved by the Steering Committee and endorsed by the Chief Executive Officer of the Ministry of Natural Resources and Environment.

Integrated Framework Project (IF)

Donor or lending entity: *UNDP*

Period of audit: *1 January 2009 to 31 December 2009*

1 January 2010 to 31 December 2010

1 January 2011 to 31 December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the Donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - It was noted during the audit that all the fixed assets procured under IF project were not been labeled with a pre-assigned fixed assets number by the Ministry.
 - From our review of direct payments, it was noted that the signature of the approver was not evident on the payment vouchers numbered 00006688, 00006996, 00007190, 00008092 and 00008532.

Integrated Water Resource Management (IWRM)

Donor or lending entity: *Asian Development Bank*

Period of audit: *1 July 2009 to 30 June 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - The audit noted that the Project Manager was being paid at a rate of \$48,218.95 per annum when the actual rate according to his contract should be \$44,000 per annum.
 - It was noted that there were delays in posting of funds received from donor to Finance One system as illustrated in table below.

Date	Bank Statement Date	SAT	Foreign	Audit Comment
13 Jan 2010	9-Nov-09	\$ 90,961.38	\$ 38,000.00	2 months delay posting to Finance One
3 March 2010	22-Feb-10	\$ 212,385.12	\$ 86,000.00	10 days delay posting
16 July 2010	3-Jun-10	\$ 95,479.74	\$ 37,500.00	1 month delay posting
19 May 2011	18-Oct-10	\$ 92,817.16	\$ 39,800.00	7 months delay posting
10 June 2011	17-May-11	\$ 49,773.76	\$ 22,000.00	27 days posting

Millennium Development Goal's Acceleration (MDG's Acceleration) Project (Project No.78948/Award ID 61890).

Donor or lending entity: *UNDP*

Period of audit: *1 January 2010 to 31 December 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - Audit noted that several expenditure items were charged to account codes that did not fit the description and nature of the payment made.
 - Audit assessment of expenditure details and supporting documents revealed that some payments were not supported by any proper invoice or receipt from the supplier.

Public Sector Improvement Facility

Donor or lending entity: *Australia / New Zealand*

Period of audit: *1 July 2010 to 31 December 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the Donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed. Most matters were posting and accounting related and the only item with significant control and risk implications relate to the non-signing of minutes for the Facility Coordinating Committee by the Chairperson.

Private Sector Support Facility Project (PSSF)- UNDP

Donor or lending entity: *UNDP*

Period of audit: *1 January 2007 – 31 December 2007*

1 January 2009 – 31 December 2009

1 January 2010 – 31 December 2010

1 January 2011 – 31 December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:

- From our review of PSSF grant applications, it was noted that the set criteria of a business licence was not in the applicants' files.
- From our review of grant applications, most did not indicate whether they have created a separate bank account for PSSF funding as it is a requirement for the applicant to have a separate bank account mainly for the purpose of the fund being provided.
- From our review of grants, it was noted that there were payments for grants that were different from the approved amount by the Steering Committee.
- During the audit, we noted that certain applicants under Category A and Category B had misplaced their required documents for assessment such as business license, acquittal report and proof of separate bank account which was required in order to approve the 20% or 30% of the remaining funds.

Private Sector Support Facility Project (PSSF)

Donor or lending entity: *New Zealand / UNDP*

Period of audit: *1 July 2010 - 30 June 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - From the review of the PSSF annual report 2010/11, only 9 out of 18 applications received were approved for agriculture; an indication of a low number of applications and slow pace of project awareness, especially in Samoa where agriculture can be the backbone of life and economy.
 - From the review of Annual Report, it appears that out of 57 approved applications within the financial year 2010/11, only 9 projects were included in the site visit and inspection by the PSSF Steering Group. These projects however were from the previous financial year's approved projects.
 - Audit found that claims of first instalment were yet to be made against \$313,484.01 allocated for 22 applicants due to outstanding information. The audit was concerned that:
 - The financial year was closed and the progress of these projects was uncertain;
 - No decision was made yet at the time of the audit for these projects in terms of whether they were to be continued or not;
 - If these 22 applications were to be declined, this would add to 28 already declined making the total of declined applications 50 or 58% of the total 85 applications received for the audited period.

Private Sector Support Facility Project (PSSF)

Donor or lending entity: *New Zealand / UNDP*

Period of audit: *1 July 2009 – 30 June 2010*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - From review conducted, cancelled cheques numbered 107, 133 and 135 were filed without original cheques.
 - PSSF received NZAID of SAT \$718,057.07 on 25/05/2010 for the Tourism Tsunami Rebuilding Programme (TTRP) under the PSSF account as per Funding Agreement, however this Fund was not included in the PSSF Financial Statement for 2010 provided for auditing. The implementing/administrative entities noted audit observations and accepted the fact that they had not adhered to proper accounting practices. The exclusion of the financial accounts according to the entities involved was because TTRP was a separate program and of a shorter duration. Their inclusion under PSSF was to minimise the proliferation of Special Purpose Accounts outside government systems.
 - From review of PSSF Annual Report for July 2009 – June 2010, the summary showing total applications received and approved clearly identified a very low number of applications submitted from the Fisheries sector compared to the other sectors of Agriculture, Tourism and Technology. It appeared that because one of its criteria could not be funded by the PSSF (capital items), this was one of the main reasons for the applications from the Agriculture and Fisheries sector being declined. Most of Agriculture and Fisheries sector applications received by the PSSF, tended to request assistance in purchasing capital items which was not covered for funding under the PSSF. This was the main reason for the decrease in number of applications approved by the PSSF Steering Group for the Fisheries Sector. A member of the Ministry of Agriculture and Fisheries (MAF) was invited to cooperate with the PSSF Steering Group where applications from farmers and fishermen were tabled. Further advice was sought prior to these meetings and when the need arose. In addition, there was a close relationship between the Facility and MAF through advisory services in the development of disbursement guidelines for the Tsunami Rehabilitation Fund distributed to all fisheries projects affected. With respect to the coverage of capital items under the PSSF, it was proposed that a submission for inclusion of capital items be referred to the development partners for their consideration and discretion.

Samoa Health Sector Wide Approach Program (SWAP)

Donor or lending entity: *World Bank / New Zealand / Australia / Government of Samoa*

Period covered by audit: *1 July 2010 to 30 June 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the Donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - From our review, we noted assets/equipments valued at NZD115,893 and purchased on 1 October 2010 for the use of National Health Services Dental Division have been stocked in the warehouse unopened and unused. It was a concern of the audit that the equipment may eventually become unusable and also that funds should be allocated to a more productive activity. Audit recommended to plan and budget accordingly and to utilise projects funds on prioritised areas. The audit also recommended looking into utilising the equipments. The equipments were procured for dental clinic for rural areas. The delay in utilising these equipments was that rural clinics were under repair. Completed clinics were distributed with some of the equipment. When the report was finalized for printing, all equipment were in use.
 - The unavailability of the needed documents such as the training reports and copies of the contracts for nurses/doctors and information for the audit caused delays to the audit field work. Delays of the audit field work caused the audit process not to be completed on time and the final opinion not issued as targeted.

Samoa In Country Training Project

Donor or lending entity: *New Zealand / Australia*

Period covered by audit: *1 July 2010 to 30 June 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - Some payments for professional services as per contract agreement was inclusive of 15% VAGST. Samoa In-Country Training Project (SICTP) settled these costs however, it was noted that the contractors were not officially registered with the Ministry for Revenue (MFR) to collect VAGST and were therefore not authorized to claim VAGST. (VAGST Act 1992/1993).
 - The audit noted that SICTP did not withhold 27% secondary income tax of several trainers hired to conduct trainings. These trainers were full time staff of private and public sectors organisations. The trainers were subcontracted by the SICTP to carry out training for various courses, as per terms of Contract.

Samoa Infrastructure Asset Management

Donor or lending entity: IDA / World Bank

Period covered by audit: 1st July 2010 to 30th June 2011

Summary of audit findings:

1. This audit did not note significant issues except for the importance of having the Project Manager informed about project asset movements and write offs. The Manager however did not think it was a major issue as, in his view, the write off did not have to be approved by him.
- 2.

Samoa Land Management (SLM)

Donor or lending entity: UNDP

Period covered by audit: 1st January 2010 to 31st December 2011

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - Audit did not receive a final Statement of Assets as at 31 December 2011 from the Project Management Unit and the Ministry of Finance.
 - Audit noted that none of the Minutes of National Steering Committee meetings had been provided for audit verification. Audit could not confirm decisions regarding project activities and progress of the Project Steering Committee during the audited period as there were no records available for audit's review.
 - From the review of the Centre, audit noted the following;
 - The Centre needed to be installed with shelves with information materials on SLM. Currently, there was limited information found in the Centre to serve its purpose.
 - The three computers procured for the Centre were yet to be connected to link with Ministry servers for access to the internet.
 - A Term of Reference for the Centre was yet to be finalized by the IP through its National Steering Committee. However, there was no funding available and the project had been completed.
 - The Audit office, IP staff and UNDP representative conducted the physical sighting of assets both in Savaii and Upolu on 19 and 20 March 2012 and noted the following;

Missing Assets

Date of Purchase	Qty	Inventory Description	Asset No.	Cost (SAT)	Location	Project	Audit comments - sight visit (19/3 & 20/3)
7-Nov-07	1	Executive Chair		980.00	PMU	SLM	missing asset
7-Nov-07	1	Computer Chair		780.00	PMU	SLM	missing asset
7-Nov-07	2	4 drawers		1,700.00	PMU	SLM	missing asset
			TOTAL	3, 460.00			1.5% of total assets from 2007-2011

- Equipment procured did not meet the identified needs of the project as follows:

Date of Purchase	Quantity	Inventory Description	Asset No.	Cost (SAT)	Location	Project	Audit comments - sight visit (19/3 & 20/3)
03 Apr 2008	1	Epson projector	?	3,300.00	PMU	SLM	Currently used by Forestry Division. Non project related.
6-Aug-08	1	3M projector screen	?	999.00	PMU	SLM	Confirmed from the former Asst Project officer – currently with the former Project Coordinator. She resigned on 16/12/2011.
22/7/2011	1	LG Nortel world phone for Asau Resource Centre	?	298.25	Asau Resource Centre	SLM	Audit cannot locate this phone on 20/3/2012 during sighting at the Centre. MNRE IT Manager could not be located for explanation on the missing phone.
6/8/2011	1	network tool kit and plugs for Asau training centre	?	420.00	Asau Resource Centre	SLM	Network tool kit is used by the IT Manager for MNRE.
			TOTAL	5,017.25			2% of total assets from 2007-2011

Samoa Schoolnet and Community Access Project

Donor or lending entity: *Asian Development Bank / Australia / New Zealand / Government of Samoa*

Period covered by audit: *1 July 2009 to 30 June 2010*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the donor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:
 - The audit noted that same activities were reported for quarters January to March 2010 and April to June 2010. The Secretariat noted and fully accepted the audit comments and this was clearly highlighted as an oversight by the Secretariat and the Acting ESPII Coordinator when compiling the Quarterly Programme Progress Reports (QPPR). When the QPPR for the period April – June 2010 was first distributed on 16 July 2010, it reflected the update for Component 6 and there was a note with regards to the missing financial data on page 4. However, another version was distributed on 21 July with the amended financial data, but did not capture the changes made for Component 6. This was a result of not fully checking the report prior to the approval

by the CEO. The Acting ESPII Coordinator gave assurance that this would not happen again and a process of compiling the QPPR was then put into place.

- The following assets as listed in the Register of Assets could not be located.
 - 1 Computer set
 - 4 office chairs [MESC/SCAP 29/09/10(A-D)]
 - 1 Laptop [MESC/SCAP01/08/09] valued at \$6775.80
- The audit found out during the sighting of assets that the following assets as per Fixed Assets Register existed but were not pre-numbered/marked:
 - 2 Desk workstation [MESC/SCAP 24/09/10 (B,C)]
 - MESC/SCAP 24/09/10 B - assigned to an officer
 - MESC/SCAP 24/09/10 C – kept in IT Server room unassembled
- The audit found that the following assets existed and were being marked as belonging to the project but were not recorded in the Project's asset register:
 - 1 UPS [MESC/SCAP 19/08/09]
 - 1 Computer Set [MESC/SCAP 19/08/09 (A,B,C)]
 - 1 Digital Camera [asset was brought on 22/10/09 as per MOF ledger #1-9042-000-831505]
- Audit noted that there were six meetings held by the TAC since the project started. It was also noted that these minutes were not signed by the Chairperson.

Samoa Sanitation and Drainage Project

Donor or lending entity: *Asian Development Bank*

Period covered by audit: *1 July 2010 to 30 June 2011*

Summary of audit findings:

1. This was the final year and the final audit of the project. The extension of the project for this financial year ending 30 June 2011 was to wrap up all remaining outstanding payments that consisted mainly of payment on consultancy services. The loan proceeds have been fully utilized except for the remaining grant balance of USD56.61 which was returned to the Asian Development Bank in April 2011.

Talavou Project

Donor or lending entity: *UNDP*

Period covered by audit: *1 January 2010 to 31 December 2011*

Summary of audit findings:

1. At the end of the audit, the observations of the audit were discussed amongst the Audit Office, representatives of the sonor, Ministry of Finance, the Implementing Ministry and project staff. There was agreement that the recommendations of the audit would be addressed on the following matters:

- From our review of face forms, it was noted that there were variances between the amounts shown on the Ministry of Finance ledger and the face forms posted in the Atlas System (CDR report). This resulted in an under-reporting of expenditure by USD \$4,944.40 in the first quarter of 2011.
- For proper accounting, we recommended that all transactions processed in each quarters should be the same as those actually reported to UNDP. In addition, it was recommended that all transactions relating to the financial year should be recorded in that year in order to make meaningful comparisons.

11) Government Overseas Mission

Office of the Student Counselor Suva, Fiji

Period covered by audit: *1 July 2008 to 30 June 2009*

Summary of audit findings:

1. The Ministry of Foreign Affairs and Trade (MFAT) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. There was no contract document for the first Student Counsellor, however there is now a contract template for future posts or appointments. The current Student Counsellor has now signed and completed this contract.
3. Audit noted that there was no register for accountable forms prepared by the Office for cheque books and receipt books during financial year 2008/09. The Administration Assistant has started on this register as per recommendation from the audit.
4. There was no Petty Cash Imprest for the Office but it was noted that all payments were not paid by cheques. The Student Counselor-Fiji money was used to pay these expenses and to be reimbursed after two months when approved by the MFAT CEO. MFAT has replied that this Office has continued to use this system as there are a number of businesses in Fiji that do not accept payments by cheques. MFAT also indicated that the Office cannot create a credit account with some service providers as most prefer payment on the spot. The current system works well according to MFAT but to be fully compliant with segregation principles and guidelines in Treasury's Instructions, the issue of one authorized personnel managing the office should be revisited.
5. The audit noted that assets at the office and the residence were not labeled as Office of the Student Counsellor Fiji assets. Audit recommended for all fixed assets for the Office of the Student Counselor to be labeled as office assets. Since the audit, all fixed assets have been registered and labeled accordingly as office assets.
6. It was noted during assets sighting that damaged and old assets were still at the Residence of the Student Counselor but were marked damaged and replaced on the register of assets since 2003 to date and was also reported in the last audit. The audit recommended for the Ministry to provide approval for write off of damaged and old fixed assets sighted during audit inspection and ensure these assets were disposed according to Government policies for Fixed Assets. As per reply from MFAT in January 2014, the damaged assets were disposed of after consultation with MFAT Head Office by completing the "application for authority to write off assets" forms.

7. The audit noted that the Ministry of Foreign Affairs & Trade Fixed Assets Master register was not updated according to the Office of the Student Counselor Fixed Assets Register in 2008/09. The issue has been addressed since the audit according to MFAT's reply in January 2014.
8. There were no monthly Cash Books or General Ledgers to post transactions for funds received and payments for Scholarship Students Allowances and for Operating Expenses for the Office – Fiji to state Opening and Closing balances and reconciled with the bank account balance at year end 30 June 2009 prepared by the Office of the Student Counselor except for the Payments Register, Acquittal Reports for two months and the Monthly Reconciliation Statements for the financial year 2008/09. The issue has been addressed since the audit according to MFAT's reply in January 2014.
9. The maintenance of records and filing at the Office of the Student Counselor has been of good standard since 2003 to date but audit noted limited space for storage in the Office of the Student Counselor. Audit recommends that the Ministry and Office of the Student Counselor should review the current Management of Records System in place and to comply with Treasury Instructions 1977 for Destruction of Records. MFAT is devising a policy on the management of record system and in particular the destruction of records in line with the 1977 Treasury Instructions.

Samoa House

Period covered by audit: ***July 2009 to June 2010***

Summary of audit findings:

1. The focus of the audit was on the main bank account which was used in maintaining the Samoa House in Auckland New Zealand and operated by the Manager of the Managing Company (Terra Firma Group Limited) and the Consul General of Samoa in Auckland. This bank account receives cash from tenants to pay maintenance fees and expenses as well as the fee by the management company. The rentals received included GST and payments also included GST, so a GST return was filed for these transactions. With the exception of a few monthly bills or invoices that were paid direct through the bank, most of the bills were paid by the management company on a reimbursable basis. It was not clear what documents were provided for these payments to be reimbursed; however the audit was comforted by the fact that there was independent verification and checking exercised by the Consul General as the counter signature. The management company was paid a monthly fee of \$1,650. The driver of the Consulate was also paid a monthly security fee of \$250 and also stayed in the building rent free. The issue of accommodation for the Driver was reported in the past.
2. The audited noted with concern major outstanding rents from some tenants which included the Samoa Tourism Authority, XTech Alarm, Consignment New Zealand Limited and Samian Farquan. In fact, no rent was received from the last three tenants for the whole year under review.

12) Performance Audits

Two performance audits were conducted during the audited period. One was conducted as part of PASAI Cooperative audits on the topic sustainable fisheries and the other on the Electric Power Corporation for the period July 2008 – June 2011.

12.1 Sustainable Fisheries Management

The effective management and sustainable conservation of fisheries resource is very important not just from an environmental perspective but also because of its impact on country economies and the improvements to the livelihoods of the population. However, the variability in oceanography and the impacts of climate change thus influence the availability and existence of tuna within the Pacific waters. Therefore, it is important for the Pacific region to have cohesive efforts in achieving sustainable management of our tuna resources.

Over recent years, the Samoan Government has progressively made developments to the management of tuna resources. Such developments included the launching and implementation of the second Tuna Management Plan 2011–2015 by the Ministry of Agriculture and Fisheries through the Fisheries Division. Also included is the current formation of an Agriculture and Fisheries Sector to take a collaborative approach to the management of tuna fisheries in Samoa given the different contributions from a number of agencies involved.

Samoa's tuna fishery comprised of the troll fishery and the tuna longline fishery. Both fisheries operate within Samoa's Exclusive Economic Zone (EEZ) of approximately 120,000km² involving vessels ranging from nine meters to over 20 meters in length. Participation in the Samoa commercial tuna fishery is exclusively domestic with the fishing fleet all based locally.

The overall objective of this audit was to assess the effectiveness of the actions taken by the Ministry Agriculture and Fisheries agencies to ensure sustainable fisheries management with particular emphasis on the following aspects:

- Key aspects of management of offshore fisheries are planned
- Economic returns from offshore fishery licenses and access agreements are appropriate
- Decision making concerning offshore fisheries is informed by accurate assessments of the fishery; and changes in the status of fishery are monitored and reported

Key findings

Key aspects of management of offshore fisheries are planned

- There was a legal and policy framework that ensured sustainable management of tuna resources.
- The Fisheries Act 1988 should be reviewed to further enhance the legal framework for fisheries.
- The Sector Plan and Tuna Management Plan addressed all aspects of sustainable tuna management.
- The Tuna Management Plan 2011 - 2014 did not identify key performance indicators (KPIs) for monitoring its performance.
- Commercial Fishing Management Advisory Committee (CF-MAC) should monitor the implementation of the plans.
- Previous Tuna management Plan 2005-2009 has not been reviewed after its implementation.

Economic returns from offshore fishery licenses and access agreements are appropriate

- License fees and caps have been reviewed twice by the CF-MAC and amended taking into account the value and performance of the fisheries industry.
- Negotiations on the Access agreements between Tonga and Tokelau should be prioritised and progressively reported.
- The Private Sector Support Facility (PSSF) Fund is an alternative funding that the fishing industry should use to assist with its development.
- The current taxation framework regarding duty free inputs for the fishing industry should be maintained.
- Appropriate assistance from the Development Bank of Samoa should be considered for the development of the fishing industry.

Decision making concerning offshore fisheries is informed by accurate assessments of the fishery; and changes in the status of fishery are monitored and reported

- Port sampling activities and market landing surveys provided the main source of data for estimation of annual catches and fishing effort for the domestic fleet.
- The Observer Program should function at all times given the importance it has on the reliability of data collected for decision making.
- Data collected are properly stored and managed using two separate databases, the local “Offshore Database” and the regional “Tuffman Database”.
- The Tuffman Database could not produce all relevant reports useful for better decision making.

12.2 Electric Power Corporation – July 2008-June 2011

1. The Electric Power Corporation (EPC) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. A performance audit, under section 24 of the Public Bodies Performance and Accountability Act, takes the form of an enquiry by the Controller and Chief Auditor as to the circumstances and performance of a Public Body and shall include an enquiry as to the performance of any duty or responsibility under the Public Bodies Performance and Accountability Act 2001, the Companies Act 2001 or any empowering Act by any person, director, Board of Directors or Public Body.
3. The performance audit was not a criminal investigation but matters uncovered and reported may warrant the appropriate authorities to determine if there are illegal and/or criminal matters to investigate further and bring under the criminal proceedings or justice process.
4. The methodology used and detailed observations, conclusions and recommendations are contained in sections III and IV. It was our assessment that in order to form value adding recommendations it is important that we address the source instead of just the symptoms of the problems as have already been publicised. The performance audit therefore attempted to cover as much ground as possible in EPC operations so that it would be able to form an assessment based on evidence of EPC’s organisational problems.
5. In evaluating audit evidence emphasis was placed on ensuring that the evidence collected, analysed and applied were sufficient and appropriate. Sufficiency of evidence relates to the quantity collected while appropriateness relates to the quality of the evidence in terms of reliability and relevance to the objective of the engagement and the legislative and policy

requirements pertaining to EPC. As discussed with members of management during the course of the performance audit, it was important for the performance audit to take place in order to get some diagnostics as to the improvements EPC need going forward. It is our view that the problems identified were not as critical yet, for EPC still functioned acceptably financial-wise managing to record increases in profit, asset and equity from the beginning of the performance audit period to the end of the financial year 2010.

6. EPC also managed to achieve and accomplish non-financial results against expectations such as progresses in identifying and sourcing alternative energy, increase in its customer base and its highly effective response to the 2009 earthquake and tsunami in terms of restoration of electricity to the affected areas.
7. Should the problems noted in the performance audit be allowed to grow further and not addressed immediately, it is our view that EPC's financial strength will start to experience problems especially in light of the system loss being locked in the range of 16% to 22% for the three years examined. This assessment may change however with the full and successful implementation of the Power Sector Expansion Project and other renewable energy projects which are expected to reduce the system loss from 16% to 10%.
8. The weaknesses and recommendations in each area will be discussed in detail. Suffice to state herein that to address the issues noted in the performance audit, EPC needs to reform its organisational culture and human resource management supported by reinforcements to governance, oversight, internal controls and compliance with policy and legislative requirements.
9. It is important in our view that the organisational or corporate culture of EPC is reformed first to lay the platform for reinforcements to governance, oversight, internal controls and compliance. What this means is the encouragement and promotion of an organisational or corporate culture of performance, achievements, compliance and ethics.
10. When the tone at the top is intact and firmly established, the same culture will trickle down to other staff levels. EPC therefore needs to look at the ethics, past achievements and performance of management and tone the behavior of this group towards an organizational culture of excellence and ethics. This includes giving and formalizing the appropriate incentives thereby discouraging and minimising discretionary practices and potential preferential treatment.
11. In forming audit observations, conclusions and recommendations, it was difficult to ignore the testimonies received during the course of the audit on the achievements and performance potential of individuals being suspended. There is also however an extreme reluctance or caution on the part of the performance audit to advocate for their continuation in the same roles and responsibilities and with the same authority in light of the weaknesses identified and EPC's urgent need to embark on a new beginning.
12. When all the audit evidence is evaluated and weighed, the conclusion drawn is that EPC's problems are organisational in nature associated with a corporate or organizational culture that gave rationalization and legitimacy to past practices as the norm despite being wrong and improper. In order to put in place long term rather than temporary fixes, the response to the problems must be organisational first before being addressed at the individual staff level. Still,

addressing the personal factors of the issues is paramount if EPC wants a new corporate culture and image that will flow through to reforms in governance, oversight, internal controls and compliance.

13. At the organisational level, the General Manager as the CEO has ultimate responsibility to impose and enforce adequate internal controls. The weaknesses and breakdown noted at the organisational level affected almost all areas of EPC operation such as finance and accounting, personnel, inventory, properties and equipment, project management and legal.
14. In its reply in January 2014, EPC indicated that it has undergone review and development of its policies, procedures and processes putting them in place for the effective implementation and guidance of all decision making and enforcing compliance with these.
15. The General Manager relied on the advice and recommendations of Divisional Managers, Unit Team Leaders as well as the Legal Advisor on matters pertaining to their specific areas. Transparency and collective participation in decision making was extremely important. This however was not always achieved. The internal control weaknesses and breakdown at the organizational level included:
 - Discretionary decisions based on individual recommendations perceived as subjective and often impacting on employee morale;
 - Inaction in addressing Legal Advisor qualifications, experience and entitlements. EPC indicated in its January 2014 reply that it has recruited a new Manager Legal through following proper human resource recruitment and selection process;
 - Allowing one person to perform three functions one of which is the very important oversight function of internal audit. EPC indicated in its January 2014 reply that it had filled all three management positions separately contracted on three year terms with the existing capacity of the Human Resource Manager;
 - Neglect of internal audit: EPC indicated in its January 2014 reply that it has upgraded the leading role of Internal Audit to a manager level position and has recruited one in July 2012 with reporting responsibilities to the Audit Committee;
 - Lack of action in recommending and establishment of an Audit Committee as approved in the Corporate Plan. EPC indicated in its January 2014 reply that an Audit Committee was established in 2012 consisting of two Board members and one accountant from outside of EPC;
 - Inaction on oversight reports from internal and external audit. EPC indicated in its January 2014 reply that with the new management personnel recruited since October 2011, internal audit reports are submitted from time to time to the Audit Committee and General Manager for consideration and appropriate actions;
 - Allowing excessive expenditures such as spending on food and spending on corporate planning retreats. EPC indicated in its January 2014 reply that its Corporate Plan review is conducted every two years from 2012 during working hours at EPC office premises;

- Allowing special allowance and overtime to staff for performing lower and normal duties, e.g. Corporate Plan preparation, Legal Advisor receiving allowance for being Acting Chief Internal Auditor and Acting Human Resource Coordinator and Annual Report translation. EPC indicated in its January 2014 reply that payment of such allowance to any staff has been ceased with the assurance that such practice will not continue;
- Ex-gratia payment made of \$45,000 in contravention of EPC Act 1980. EPC indicated in its January 2014 reply that this practice has been ceased since new management in 2011. Furthermore, budget control and compliance check processes have been effectively implemented since December 2012 when all the requests for purchase were centralized to the Finance Department for verification and endorsement before issuing of purchase order;
- Increasing donation and contributions in contravention of EPC Act 1980. EPC indicated in its January 2014 reply that budget and compliance check have been closely monitored since December 2012 when all requests for purchase centralized to the Finance Department for verification and endorsement before issuing purchase order;
- Lack of corrective and remedial action on an EPV truck purchase and the Vaitele Distribution Building construction. EPC indicated in its January 2014 reply that budget and compliance check have been closely monitored since December 2012 when all requests for purchase were centralized to the Finance Department for verification and endorsement before issuing purchase order. Management has also introduced the centralized purchase order system since December 2012 and government procurement procedures and guidelines were gradually adopted in compliance with the B4 Schedule. Any contract of goods, services and works are tendered out and evaluated by a Tender Evaluation Committee whose reports are referred to the Board of Directors, Tenders Board and Cabinet for approval based on the estimated price level. EPC is currently implementing its procurement guidelines and procedures effectively and would have eliminated a similar case as reported ;
- Override and circumvention of financial and accounting processes and procedures in the approval of expenditures relying mostly on recommendation of Legal Advisor and bypassing Corporate Services. EPC indicated in its January 2014 reply that the Finance Section has enforced the application of its policies and procedures through the adoption of the centralized purchase order system in place since December 2012 where any request received would be assessed in relation to its relevance and being part of the approved work programs, compliance with policies and procedures and availability of funds from the approved budget ;
- Frequent non-compliance with government-wide legislative and policy requirements with regards to competitive procurement and a specific approval for secondment of EPC employees. EPC indicated in its January 2014 reply that management has introduced the centralized purchase order system since December 2012 and government procurement procedures and guidelines were

gradually adopted in compliance with the B4 Schedule. Any contract of goods, services and works are tendered out and evaluated by a tender evaluation committee whose reports are referred to Board of Directors, Tenders Board and Cabinet for approval based on the estimated price level. EPC is currently implementing its procurement guidelines and procedures effectively and would have eliminated a similar case as reported;

- Increase in payments in cash in contravention of internal controls requiring all payments by cheque except for petty payments. EPC indicated in its January 2014 reply that it has ceased the payment of cash transactions except for petty cash reimbursements. All payments are processed through issue of a cheque supported by an approved purchase order;
- Neglect and carelessness in documentation of cash payments as evidenced by the absence of acquittals and evidence of receipt of cash for some cash payouts. EPC indicated in its January 2014 reply that the practice now is to prepare a separate form for every cash payment transactions to be available for signatures of the receiver. This form is attached to the payment voucher after receivers' signatures as a confirmation that all cash payments had been received by the correct person;
- Increase in the use of the practice of substituting cash collections used to make cash payments with cheques payable to the Corporation. EPC has now ceased this practice;
- Weakening of the internal audit function while reports and complaints of theft of assets and stores were frequent. EPC has upgraded the leading Internal Audit function;
- Approving expenditures to related parties instead of referral to an independent party with same or higher authority. Matter now being addressed with the new purchase order system; and
- Lack of action on potential illegalities or irregularities pertaining to use of EPC business for personal gain. Revised procurement guidelines, upgrade of internal audit and other reforms should eliminate irregularities or conflict of interest.

16. The Samoa Audit Office will do its part to assist EPC further in terms of organising and/or conducting further comprehensive surprise audits/checks from time to time until EPC transition is completed successfully. This should include working with the Internal Audit Unit to strengthen its capabilities.

13) Special Examination

One of the capabilities built in the Institutional Strengthening Project relate to special examinations or, sometimes referred to infrequently, as special enquiry. This capability shares similar focus, objectives and methodology with performance audit. The Samoa Audit Office conducted four special examinations during the audited period. The first covered within the report relates to the payment of long service benefit to a retiree of the Ministry of Police and Prisons. The second relates to lottery sales revenue of the Samoa Sportslotto Agencies. The third relates to the construction of the sludge at

Vaiaata Savai'i and the last one to unauthorized removal of copper wires and sheets under the 2AP at Mulinu'u.

The main concern or risk that the examinations were tasked to find whether there were any irregularities. Incidental to this main focus was the examination of the general internal control structure and associated risks. In the end there was no evidence of irregularity in the first and third examinations but there were recommendations nevertheless for future improvement. The results of the second examination was sent to the Office of the Attorney General and the Totalisator Agency Board to investigate further whether acts or omissions amounted to irregularities. The last special examination did not find adequate evidence to identify who or how the copper wires and sheets were removed.

13.1. Payment of End of Service Benefits - Ministry of Police

Summary of audit finding and recommendations:

1. The Ministry of Police and Prisons (MPP) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. We recommended that the Ministry of Police should check to ensure that the information on any payroll authority such as the TY15 as well as Ministry documents such as the End of Service Entitlement Form was accurate before these forms were submitted to the Ministry of Finance. MPP has noted the recommendation for improvement in similar situations in the future.
3. We also recommended that the Payroll Division in the Ministry of Finance should thoroughly check documents submitted to them for any payment to be processed from the payroll. Amendments or alterations were valid and authorized by the appropriate authorizing officer in the Ministry submitting the document. MPP has again noted this recommendation for improvement in similar situations in the future.
4. The retiree's benefits should be determined in accordance with the scale provided in Schedule 1 of the Regulations. MPP has confirmed that the benefits were so determined including the deduction after 24 November 2009.
5. Any payment made to the Retiree after 24 November 2009 should be deducted from any final payment of benefits due to him. This was in fact followed according to MPP.
6. The Ministry should provide explanations for the difference in leave entitlements prescribed in the Regulation and the Manual and provide the appropriate authority that sanctioned these other benefits (such as the retirement leave). MPP indicated that regulation and the manual agree for the sole authority on the benefits to be that of the Commissioner through application.
7. The Ministry should provide any record(s) to confirm long service leave balance and whether or not any long service leave have been utilised or paid in lieu, during the years of service. The Ministry should update leave records properly with accurate information so that benefits of members can be calculated accurately. MPP indicated in its reply in January 2014 that the observations and recommendations have been addressed.

13.2. Samoa Sportslotto Agency – Lottery Sales Revenue

Summary of audit finding and recommendations:

1. There were discrepancies in Samoa National Lotto sales between daily revenue collections and banking.

2. There were delayed bankings of monies received in Samoa National Lotto sales.
3. There were discrepancies in Total Mail System (TMS) Revenue between daily revenue collection and banking.
4. There were delayed bankings of monies received Total Mail System (TMS) Revenue.
5. There were incomplete registers and missing records for revenue from bonus games.
6. There is a need for a proper system to manage and control the issuing of bonus sheets of revenue as well as the preparation of banking
7. There were salary advances, gifts for funeral of employee relatives and petty payments made from the operations accounts
8. There were no supporting documentations for transactions that could amount to borrowing or IOU.
9. Revenues received from lottery sales were misapplied.
10. This matter was referred to the Office of Attorney General for a criminal investigation and potential prosecution. Court case has been completed.

13.3. Sludge Construction at Vaia'ata, Savaii - Ministry of Environment

Summary of audit finding and recommendations:

1. The Ministry of Natural Resources and Environment (MNRE) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. From our review of interviews carried out with identified involved parties, it was noted that there was poor supervision. There were too many supervisor's representatives liaising with the contractor and giving directions on how the contract should be carried out.
3. There were also no progress reports of the construction to support and verify any details components of the Bill of Quantities (BOQ) completed as per claims put through for payment. There were only two site visit reports, indicating that there were only two visits during the contract period. In addition, not all the Assistant Supervisors were present at the site visits and the contractor or a representative was not present at these visits to clarify/ answer queries from the Supervising Engineers and to present any further directions for the project's best interests.
4. Most of the monitoring and supervising was done by the Supervising Engineer and there was no formal report to the Project Supervisor (who referred to himself as the Assistant Supervisor) regarding the actual progress of the construction. This was due to the fact that the Supervising Engineer reports directly to Henk Gijssels of MWH but not to the Project Supervisor. It was also evident that there was poor communication that resulted in no proper group site visits. There was also no formal record of selecting/appointing the Supervisor's representatives; the supervising engineer was contracted with Montgomery but not with the WASSP. There was also unclear issue of the reporting lines other supervisors and the role of the Deputy Project Coordinator.

5. It was apparent that the original design was not suitable for the site especially it rained when the construction work was progressing. This led to amendments of the original design which the contractor claimed were not amendments but was a whole new design that changed the scope of the work by enlarging the volume of the sludge lagoons that also required additional materials and a change of layout of the sludge lagoons and plant beds. This resulted in carrying out extra work in re-shifting the piles of materials to the opposite side of the original location. There was also a claim by the contractor that the site was not properly surveyed and the boundaries were not clear; yet by the time the correct parameter of the area of site was set, the contractor had cleared the areas way beyond the site. We also wanted to point out the need for an environmental assessment and review of the site. We believe that poor designing had also contributed to the lapse of the project and then questioning how the design was done in the first place. Due to the technicality of the analyzing the engineering facts in the design, we strongly recommend to have an Independent Engineer Reviewer to review the original and the new design.
6. From our review of minutes of committee meetings, there were 14 meeting with recorded minutes; out of that 14, only 3 meetings had signed minutes by both the Secretary and the Chairman, the rest were unsigned. We also noted that not all meetings had records as the meeting held at the Samoa Water Authority.
7. The total contracted price was \$702,260.73 including VAGST/other taxes. A total of \$507,493.97 has been paid to the contractor which is 72.26% of the contracted price. This amount was paid through three separate payment vouchers. From our review of these payment vouchers, audit noted the absence of an invoice and lack of proper certification that the paid task has been completed.

DATE	CHEQUE No.	CHEQUE AMOUNT SAT \$	PAYEE	DESCRIPTION
4/3/2011	101733	210,679.60	Alafua Transport	Advance payment: 30% of the contracted sum as per Article 46.(1) and (2); 10% on signing the contract & 20% on presentation profoma invoice for purchase of materials
19/5/2011	102071	123,074.84	Alafua Transport	1st payment for Vaiaata sludge treatment facility: period March 03 -April 28, 2010
28/5/2011	102120	173,739.53	Alafua Transport	3rd payment for the Vaiaata Sludge treatment facility PE 30 May - 28 April 2010

8. A site visit was carried out by the Audit team and it was apparent the road was inaccessible. One of the components included in the project was to maintain the road and the drainages towards the location of the site. It was also noted that site is like a water catchment areas with lots of small streams running around the area. The question was, was there an EIA - environmental impact assessment conducted for the site to confirm the project would not have any impact in the environment.

13.4. Special Examination on the loss and disappearance of copper sheets and cables from the 2AP Mast at Mulinu'u

Summary of audit finding and recommendations:

Cabinet, through F.K. (12) 07 dated 11 January 2012, requested a special examination into the matter of the removal of copper cables from under the 2AP broadcasting mast at Mulinu'u before the Samoa Broadcasting Corporation was privatised.

The Audit Office conducted the special examination, and the results of this investigation revealed the following. The Ministry of Communications and Information Technology (MCIT) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue:

- Not one of the officers still working, and those who have already left the 2AP, knew of when the copper cables were removed from the 2AP mast at Mulinu'u;
- The CEO statement that the site of the mast was quite clear and visible without any trees growing wild there, was quite the opposite of the consensus statement of the staff that the mast was deeply covered with a forest and trees so tall which made it impossible to see the mast base and its surroundings, and this forest made it easier for the intending thieves and burglars to enter, dig and take away the cables and other belongings missing without any detection;
- The testimony by the companies dealing with scrap metals was that there were people coming in with copper wire, aluminium wires and other scrap metals for sale but they could not recall who they were;
- The countries where the copper wires and other scrap metals were exported to were Singapore, Taiwan, New Zealand and Australia. Some were sent to American Samoa in transit for the United States of America;
- The testimony by the companies that scraped the sand and built the seawall behind the mast was that they never knew of any copper wires and copper mats, and that they never dug up any cables and had never taken out any cables from Mulinu'u;
- There were companies that scraped the sand and were suspected by the 2AP officials as the culprits, however, these companies strongly refuted the contention stating that they never dug up any cables and had never taken away any cables from where they scraped the sand. Audit could not obtain any solid concrete evidence whereby it could be pinpointed with absolute certainty that this was the company that had taken the copper wires from Mulinu'u;
- It was a fact that there was no solid evidence that could identify any one person, or persons or a company that removed the copper cables from the 2AP mast.

14) Other Audit Activities

These other audit activities include infrequent or one-off activities such as auctions, stock-take and so forth.

14.1. Public Auction Customs Warehouse – 26 November 2011

Summary of audit finding and recommendations:

1. The Ministry for Revenue (MFR) provided responses on corrective actions being progressed on the issues discussed below and the response is reflected in each issue.
2. A fair number of customs officers were present, but several were not clear of duties. MFR agreed and have made amends. Officers involved were new and on the job training
3. Physical process of removing items from warehouse was poorly monitored such as the disappearance of Lot #127. MFR agreed and confirmed that because it was a small box of nails, it could have been taken by mistake by the winning bidder of another lot. MFR commits to tighter controls in the future.
4. Alteration of vouchers containing winning bids without authorizing signatures. MFR agreed that the mistake was inadvertently made and committed to improvement in future auctions.