

Report of the CONTROLLER AND AUDITOR GENERAL to the LEGISLATIVE ASSEMBLY

**OPERATIONS OF THE SAMOA AUDIT OFFICE
for the financial year 1 July 2013 – 30 June 2014**

*Please address all correspondences
to the Controller and Auditor General*



AUDIT OFFICE

16 December 2016

Afioga Toleafoa Fa'afisi
Honourable Speaker of the Legislative Assembly
Independent State of Samoa

Dear Mr. Speaker,

Report to Parliament on the Operations of the Audit Office - July 2013 to June 2014

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 Audit Office for the period, 1 July 2013 to 30 June 2014.

Yours Sincerely,

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

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GLOSSARY

Abbreviations

ADB	Asian Development Bank
INTOSAI	International Organisation of Supreme Audit Institutions
IDI	INTOSAI Development Initiative
MAF	Ministry of Agriculture
MCIL	Ministry of Commerce, Industry and Labour
MCIT	Ministry of Communication, Information and Technology
MESC	Ministry of Education, Sports and Culture
MNRE	Ministry of Natural Resources and Environment
MOF	Ministry of Finance
PASAI	Pacific Audit Associations of Supreme Audit Institutions

Meanings of Terms

Accountable advance	A cheque payment made out to an officer in the Ministry to cover for future expenditures with an acquittal report (including all supporting documents) to be submitted to the Ministry of Finance within 14 days.
Finance One	The financial system used across all government ministries and constitutional offices and also for government projects
Petty cash	Petty cash is used for small office expenses that do not require purchase orders, and only goods and services up to only \$50. Items can include taxi fares for official business and coffee for meetings.
Withholding tax	The tax charged on board allowances and services provided with percentage varying between different types of payments.

FOREWORD

This is my eighth report to Parliament since my initial appointment in late September 2010. This report is on the operations of the Audit Office and the results of audits and other assignments completed between July 2013 and June 2014 including reports on the audit of the 2012 and 2013 Public Accounts. The report has also brought in other assignments completed before the reporting period but have not been reported in the past in the relevant reports to parliament. Irregularities that were identified by, or notified to, the Audit Office during the audited reported are reported separately.

It has taken a while for us to finalise this report to parliament for translation and printing due to attempts and efforts to update first the accounts, audits and reports of Ministries, Parliamentary Offices, Constitutional Offices and Public Bodies/Enterprises. This we believe has been successfully progressed.

The financial year ended 30 June 2014 saw many more reforms both locally sourced as well as overseas-sourced mainly from the international supreme audit institution organizations such as INTOSAI, IDI and PASAI. These reforms included the migration of the Audit Office from the use of its Strategic Plan July 2009 – June 2012 and Institutional Strengthening Project Reforms 2006-2011 to the use of capacity and quality supplementation under the Public Finance Management Reforms of the Finance Sector of the Government of Samoa and continuation of the Twinning Project with the Office of the Controller and Auditor General of New Zealand under PASAI Initiatives.

It was also during this financial year that the Audit Act 2013 and Constitutional Amendment Act 2014 were approved by Parliament to enhance further the mandate and independence of the Controller and Auditor General and the Audit Office.


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

EXECUTIVE SUMMARY & HIGHLIGHTS OF THE REPORT

The volume of work and assignments undertaken during this reporting period reflect again the ongoing efforts by the Audit Office to clear the backlog and audits and reports in arrears. In the financial year ended 30 June 2014, eighty eight (88) assignments were completed and now reported compared to 60 in both financial years ended 30 June 2009 and 30 June 2010 when the clearance of the backlog/arrears started.

During this financial year the Audit Office also expanded its outsourcing to add more private sector Auditors to the two main local private sector Auditors that the Audit Office has been using since the time of the two previous Auditors General. Under this new approach, the Audit Office invited all twenty local practitioners in August 2013 to submit expressions of interest (EOIs) in the audits of public bodies/enterprises. Only five submitted EOIs and from then on the Audit Office conducted a competitive cost and quality based selection by calling for technical and financial proposals on which decisions were made and audits awarded according to certain criteria.

The audit arrangements that emanated from the competitive and cost and quality based procurement and selection process above were endorsed by Cabinet firstly in 2012 and secondly in 2014 and subsisted for the financial years ended 30 June 2014 and 30 June 2015. The arrangements were later extended in April 2016 to cover the financial year ended 30 June 2016 and financial year ending 30 June 2017 before the next round of competitive and cost and quality based procurement and selection. The next round of competitive and cost and quality based procurement and selection will again be opened to all local practitioners as well as to overseas chartered and certified public accountants. The Controller and Auditor-General will continue to hold sole legislative authority and mandate to direct delegate or direct appoint any other suitable person to conduct the whole or part of an audit

In January 2014, Parliament approved by unanimous vote the Constitutional Amendment Act which strengthened the capacity, independence and mandate of the Controller and Auditor General and Office of Controller and Auditor General or the Audit Office. The Audit Act 2013 which was approved in 2013 also became effective in January 2014 from the date the Constitutional Amendment was made.

Other Major and significant events during this financial year included:

1. Technical assistance and expertise from Australia and New Zealand under the public finance management reforms phase 2 of the Government of Samoa in the areas listed below. The work undertaken by the Audit Office included the write up of the request for quotation, actual invitation or request for quotation, evaluation, award and selection of the Consultants, contracting and supervision and monitoring. The areas strengthened with technical assistance and expertise included:
 - i. Pre-auditing
 - ii. Ministry auditing

- iii. Public accounts auditing
 - iv. Practice management
 - v. Performance auditing
 - vi. Special auditing
2. Participation of Senior Staff in the roll-out of the ISSAI Implementation Initiative (3I) of INTOSAI and IDI.
 3. Participation in the roll-out of the ISSAIs Compliance Assessment Tools (ICAT) and Certification Program of INTOSAI and IDI.
 4. Use of the 5 Main Local Audit Practitioners to assist in clearing the backlog of Public Bodies and Projects Audits from July 2013 before the competitive and cost and quality based procurement and selection in 2014.
 5. Participation in the INCOSAI in Beijing in November 2013.
 6. The PEFA Consultation in October 2013.
 7. The commencement of the association status of the Controller and Auditor General and sixteen other senior members of the Audit Office as Associates of the International Association of Fraud Examiners and course to qualify and be certified as Full Certified Fraud Examiners. (CFE)
 8. Participation in the Conference of the Association of Commonwealth Auditors-General in Malta in 2014.
 9. Presentation by the Audit Office to a Pacific Media Gathering on the role of the Audit Office in 2014.

ORGANISATIONAL & HUMAN RESOURCE CHANGES

Plans started to be made during this period to reform the organizational structure to comply with the Audit Act 2013 and Constitutional Amendment Act 2014 with one Assistant Controller and Auditor General designated as the Deputy Controller and Auditor General replacing three Assistants from previous years.

Towards the end of this period the Audit Office also started to formulate its ten (10) year Strategic Plan for the period July 2014 to June 2024 aligning with the ten (10) year Strategic Plan of PASAI. Detailed coverage and discussion of this Strategic Plan will be included in subsequent reports to parliament.

ANNUAL FINANCIAL STATEMENTS

Audit Office

Output	Actual	Full Budget	Budget Remaining	Utilization %	2013
Strategic and Parliamentary Services	936,181	939,382	3,201	70%	856,959
Audit and Certification Services to the Ministry of Finance and all Ministries and Projects	1,073,842	1,075,887	2,045	99%	1,090,253
Audit Services to Statutory Public Bodies	887,351	887,446	95	99%	785,738
TOTAL	2,897,374	2,902,715	5,341	99%	2,732,950

Transactions on Behalf of the State

Output	Actual	Full Budget	Budget Remaining	Utilization %	2013
International Congress of Supreme Audit Institutions	0	5,000	5,000	0%	0
SPASAI	266	600	334	44%	0
INTOSAI	1446	1,584	138	93%	1,414
APIPA	0	1,200	1200	0%	881
Rents and Leases	164,466	179,575	15,109	92%	164,532
VAGST Output Tax	78,511	82,320	(23,570)	95%	115,048
TOTAL	244,689	270,279	2,438	91%	281,875

Cost Recoveries

Output	Actual	Full Budget	Revenue Budget Exceeded	Recovery %	2013
Audit and Certification Services to the Ministry of Finance and all Ministries and Projects	200,503	83,600	116,903	240%	209,866
Audit Services to Statutory Public Bodies	360,432	248,047	112,385	145%	461,781
TOTAL	560,935	331,647	229,228	169%	671,647

AUDIT 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 2012/13 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. Number of Audit Reports to be submitted to Parliament by 30 June 2014	One report.	OCAG/SAO did not table a report during the period July 2013 – June 2014. The Audit Office during this year continued to clear arrears and backlogs in audits of the Ministries, Parliamentary and Constitutional Offices, Public Bodies, Quarterly Statements and Public Accounts. The Audit Office was also heavily involved in

		other development and reform work.
2. Percentage of Parliament Meetings and Parliamentary Committee Meetings to attend.	Attend 100% of Parliament Meetings. Attend 100% of Finance and Expenditure 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.	Two information technology audits	The responsible Unit of OCCA/SAO did not conduct any pure information technology audit however it conducted general controls audits as part of the annual financial audits of ministries and public bodies.
4. Conduct of performance audits and special audits or examinations	Two performance audits and two special audits or special examinations	The responsible Unit of OCAG/SAO conducted seven performance audits These seven audits are covered in this report.

Output 2: AUDIT AND CERTIFICATION SERVICES TO THE MINISTRY OF FINANCE, ALL GOVERNMENT MINISTRIES, PROJECTS AND PUBLIC ACCOUNTS

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
- Ministry auctions and other engagements

Performance Measures:

Activity:	Quantity:	Achievement:
1. Number of quarterly statements of Receipts and Payments of the Treasury Fund to be audited annually.	Three quarterly statements of receipts & payments of the Treasury Fund to be audited annually	OCAG/SAO did not complete any quarterly statement audits during this financial year as the whole staff was engaged in the update of ministries, projects and public accounts audits.
2. Number of Annual Public Accounts to be audited annually.	One set of Annual Public Accounts to be audited subject to submission of draft by the Ministry of Finance	OCAG/SAO completed two audits pertaining to Annual Public Accounts of the financial years ended 30 June 2012 and 30 June 2013. Coverage of these two audits are in the report.
3. Percentage of daily cheque listings pre-audited and cleared at least within 3 working days.	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 was carried out in the Audit Office Capacity and Quality Supplementation Project to improve the capture and reporting of this Audit Office Output.
4. Percentage of Government Ministries & Departments to be audited annually	Targeting 70% of 20 Ministries to be audited during the year 2013/14 in line with staff numbers	OCAG/SAO completed 30 ministries audits which included the clearance of some backlog/arrears which are all covered in the report. The audits completed covered up to three years of backlog and arrears from 2008.
5. Percentage of	Targeting 70% of 7 Missions	OCAG/SAO completed

Government Overseas Missions to be audited annually	to be audited during the year 2013/14 in line with staff numbers	three (3) missions audits or 43% and therefore did not meet the target of 70%. This was due to the focus being to clear the ministry, public bodies, quarterly statements and public accounts arrears using up all of the audit resources including the time of the Controller and Auditor General and his leadership team.
6. Percentage of Donor and Loan Funded Projects to be audited annually	Targeting of 80% of projects to be audited during the year 2013/14 in line with staff numbers. This is a moving number as projects have differing requirements every year.	OCAG/SAO completed 12 project audits during the year 2013/14. These are being covered in the report
7. Interim and special checks on Ministries	Targeting 50% of 20 Ministries to be interim/special checked or audited during the year 2012/2013 in line with staff numbers	This was not achieved due to the focus to clear the ministry, public bodies, quarterly statements and public accounts arrears using up all of the audit resources including the time of the Controller and Auditor-General and his leadership team.
8. Auctions and other engagements	Targeting 50% of request or demand on auctions and other engagements.	OCAG/SAO responded to all requests or demands – 100%

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. Percentage of Public Bodies (beneficiary & trading) – Non-Delegated	Targeting 80% public bodies to be audited during the year 2013/14 in line with staff numbers of appointed Auditors and Public Bodies Unit of the Audit Office	44% of public bodies audits were completed within financial year 2013/2014.
2. Percentage of Public Bodies (beneficiary & trading) – Delegated		This was the first year of the commencement of the 100% outsourcing of the audit of public bodies to the private sector appointed auditors which caused some teething delays at the beginning. These audits are covered in this report.
3. Percentage of Comprehensive surprise, spot or interim checks focusing on prevention and deterrence of irregularities and losses of public resources	Targeting 50% to be interim/special checked or audited during the year 2013/14 in line with staff numbers of the Public Bodies Unit of the Audit Office.	44% of public bodies were interim/special checked during the financial year 2013/2014. These audits are covered in this report.
4. Percentage of 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 2008.

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

AUDITS AND OTHER ASSIGNMENTS

Under relevant legislation, the Controller and Auditor General 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 Auditor-General. 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 2014.

Audits completed in 2013-2014

Type of Audit	Number of audits completed
Annual Public Accounts	2
Ministries Final Audits	30
Public Bodies Final Audits	17
Public Bodies Interim Audits	17
Overseas Missions	3
Donor and Loan funded projects	12
Performance and Special Audit/Examination	7
TOTAL	88

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 2012 and 30 June 2013.

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 2012	31 October 2012	1 January 2013	24 January 2014
2012/13	1 November 2013	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 2012 and 30 June 2013.

PUBLIC ACCOUNTS

MINISTRY
Finance

Public Accounts - Financial Year Audited: 1 July 2011– 30 June 2012

Issue 1:

There were two Overseas Bank accounts not in the Public Accounts. The Ministry did not want to incorporate these bank accounts in the Public Accounts yet as these were currently not on their register. The Ministry has committed to investigating further and communicating with the Signatories to provide more details of the two bank accounts and whether in fact the two were opened without the CEO – Ministry of Finance approval.

Issue 2:

Bank Reconciliations for all bank accounts should be properly signed by the responsible personnel as evidence of the preparer and reviewer. The Ministry noted the recommendation and all reconciliations are now expected to be signed off after preparation and review by the supervisor

Issue 3:

Audit proposed that two reconciliation be performed for the Income Tax Account. There should be a reconciliation of Finance One General Ledger to the bank statement as well as the Ministry for Revenue records with the bank statement. MOF responded that a change was being pursued in financial year ended 30 June 2013.

Issue 4:

Audit's review of foreign bank accounts operated by overseas Missions identified some unrepresented cheques within the reconciliations without any cheque numbers (unknown). MOF responded that this exercise started during FY2012. However, with the lack of resources, MOF has concentrated on the big accounts first before moving towards small accounts which included mission accounts. MOF has already identified it as part of its working plan.

Issue 5:

There were issues with the accuracy of the figures and the lack of movement in Schedule 6 – Government Receivables. MOF responded that when the Public Accounts were drawn up there were no audited figures available due to the backlog or arrears in the audit of public bodies/enterprises.

Issue 6:

The Ministry of Finance blamed the delays on the readiness of audited figures for the ongoing situation of repeating previous figures in schedule 6. The audit advised further that MOF should use its records of the loan balances and settlements from the Corporation and not just repeat previous years figures or forever waiting for the audited figures which were not readily available at the time due to clearance of arrears and backlog in accounts and audits of public bodies/enterprises.

Issue 7:

Analysis of other receivables noted an increase in the suspense account. The account was a debtor balance for the previous year shown in schedule 6, however for the year under review a credit balance was reported as a payable in schedule 12. This indicated that the monitoring process of this account was not properly conducted or in place. Appropriate personnel have been warned and monitoring processes were subjected to a review.

Issue 8:

State Owned Enterprises (SOE) unpaid dividends were not reported under Schedule 6 – Government Receivables. It was confirmed that these were recorded as liabilities to government by SOEs within their financial statements. Therefore, these should be treated as Receivables and reported under Schedule 6- Statement of Receivables. MOF responded that unpaid dividends were not reported in past public accounts. MOF has made note of this recommendation and will endeavour to report unpaid dividends as receivables in Schedule 6 in PA2013 and onwards.

Issue 9:

Audit analysis on the Statement of Government Investments indicated no additional investment by the Government into its Public Bodies or Enterprises. This was due mainly to MOF repeating 2012 figures as audited figures were not readily available at the time of the audit. MOF was advised to also try and build robust investment and receivable systems and records so they could rely on these instead of waiting for 3rd party confirmation.

Issue 10:

During the review of the Schedule 8 documents submitted by the Ministry of Finance, it was found that there was no Agreement or historical document between the IMF and the GOS to govern capital subscriptions and obligations. MOF noted the observation and have contacted IMF to send through a copy of the agreement.

Issue 11:

During the year under review, discussions commenced with IMF to move the Depository role (accounts) to the Central Bank of Samoa. At the time of reporting there was still no action to effect such decision by the IMF. The Ministry of Finance still acted as Depository. Discussions with the ACEO-accounts indicated that attempts to notify CBS of the IMF decision had been made however still there was no response from the CBS hence the delay in Transferring of the Capital Obligation to the Central Bank of Samoa. MOF further added that the depository role have been transferred in preparation of the 2013 Public Accounts.

Issue 12:

From our review of foreign debts' loan agreements, we noted that there were loans agreements that have been misplaced. MOF noted the audit observation for improvement. Responsible personnel have been instructed to take necessary action to locate the missing loan agreements. Processes of digitizing all loan agreements were progressed to minimize this from occurring in the future.

Issue 13:

Our review found that the Development Bank of Samoa (DBS) loan to the ANZ Bank Ltd totalling 17,750,823 in 2011 was cleared or removed in 2012. In enquiring about this substantial movement in account balance, audit was unable to obtain proper documentation supporting decrease in figures .

Therefore, audit was not able to ascertain whether this substantial amount has been paid off by DBS therefore not requiring government to record a contingent liability or whether it has been transferred to a different account for a different reason. MOF responded that the loan in question was refinanced by UTOS when it defaulted and taken over by Government, therefore Government is now making repayments to UTOS for this loan. It was removed from Schedule 13 as it no longer met the definition of contingent liability.

Issue 14:

A review of funds put aside as sinking fund and held at Central Bank noted that the investments were making a loss in the past couple of years. A decrease in investment at CBS was noted during audit verification of Sinking Fund balances.

This was the same issue that was raised in the Previous Public Accounts Report and accordingly the issue was noted by the Ministry of Finance and has been communicated to the administrators of the Funds/Bonds in the FY 2012. According to the Accounts Sections, a new investment program has been recommended.

Issue 15:

In analyzing balances relating to National Loans Sinking Fund, audit found that there was no proper process or assessment in place to monitor the viability of these investments. There were no formal/relevant documents assessing the monthly fluctuation of these investments to support management decision to continue or discontinue an investment. For instance, one investment lost about 800,000 for the financial year 2010-2011 and 122,000 the year before that. A loss of 26,000 was noted from government bonds held at Central Bank for the financial year 2011-2012. The issue and recommendation was noted by the Ministry of Finance. Personnel have been assigned to monitor this investment and its viability. Investments were placed under the work plan for FY2013-2014 where analysis would have been carried out to assess trend (5 years) and from there, a decision could be made whether to continue or discontinue the investment.

Issue 16:

Audit review found that no proper supporting documents were filed for withdrawals made to the CBS account totaling \$26,000. There was no audit evidence for these transactions other than bank confirmation from Central Bank. This confirmation showed that the withdrawals were for interest and withholding tax. This increases the risk of unauthorized use of government funds by not keeping properly authorized documents or correspondences supporting withdrawals made during the year considering the nature of funds reported in the National Loans Sinking Fund Account. Issue and recommendation were noted by MOF. Supporting documents will now be kept by MOF and submitted for verification in the audit of the 2013 Public Accounts.

MINISTRY

Finance

Public Accounts Financial Year Audited: 1 July 2012– 30 June 2013

Issue 1:

Schedule 5, 1(b) of the PFMA requires a Statement of Financial Position showing the assets, liabilities and net financial position as at balance date. Compared with a Government Capital Account deficit of \$208.6 million in 2012, the Capital Account surplus at the end of 2013 stood at a total of \$135.2 million.

This was achieved mainly by the transfer into this Schedule of the value of four new significant buildings, with a combined book value of \$272.7 million, paid for by China loans, which had not been brought to account before. This partial recognition of major assets raises the important question of whether there were material assets still unaccounted for. Other matters noted from our audit of Schedule B included:

1. There was no classification of assets or liabilities into current and non-current.
2. The Receivables from Government Organisations total have increased from \$39.3 million in 2012, to \$186.3 million in 2013. This was due to the recognition of an additional loan amount from Electric Power Corporation (up from \$24.4 million to \$170.4m – a difference of \$146.0 million) being included in full in 2013. It had not been fully recognised in 2012.to be explained by way of note to Schedule 6.

MOF responded that with respect to Fixed Assets, it was in the process of developing and testing a Fixed Asset Accounting Module with the anticipation that this would lead to increased disclosure of Government Fixed Assets in future years. This module would enable Ministry of Finance to capture the data required for the complete accounting of fixed assets at some time in the future. Currently, disclosure of fixed assets is made according to the availability of reliable data. Notes to the Public Accounts (Schedule D) have been inserted under 2.3 Fixed Assets to disclose this matter.

For Other Matters, MOF noted that:

1. Classifying the many debts into current and non-current will require some time and AID/DEBT Division was working on the provision of this data, this would have to be reflected in Schedule B in Public Accounts for 2014.
2. Audited Public Accounts for FY2012 has taken into account a prior year adjustment in relation to the EPC receivable

Issue 2:

The movements in Statement of Changes in the Treasury Fund included some major movements relating to Foreign Loan Proceeds/Drawings, Loan Repayments, and Recognition of Government Buildings.

The cash flow effect of these major items was not shown in a Cash Flow Statement, as required by Schedule 5, 1(c) of the PFMA, which requires a Statement of Cash Flows showing the cash receipts and cash payments during the reporting period and the cash balance as at balance date of the reporting period.

MOF responded that the Public Accounts have been and are prepared primarily on a modified accrual basis and further accounting systems development is required to enable the production of a Cash Flow Statement in the required format. Ministry of Finance is working on this development and plans to include a Statement of Cash Flows in the Public Accounts for 2014. Notes to the Public Accounts (Schedule D) have been inserted under 1.2 Legislative Basis to disclose this matter.

Issue 3:

The notes to the Public Accounts would benefit from some further development. As significant assets have been introduced, a decision will have to be made in future as to what the depreciation policy will be, and where the depreciation amount will be charged, as the operating Statement is currently on a cash basis. The new buildings are stated as being accounted for at cost. In fact, they are brought in after depreciation of 2% on a diminishing value basis for periods of 2-6 years.

Issue 4:

Information on some bank accounts (but not the Asset Management Project Account) with negative balances was provided to the audit at the start of our audit by MOF staff, and this was very useful for the understanding of the audit team. The main area of risk appears to be in the General Disbursement Account, which was operating slightly above its limit. The audit was interested to know how MOF viewed the risk of the account being operated at or above its limit. MOF responded that the General Disbursement Account offsets to other General Operating Bank Accounts of the Treasury Fund. The overdraft limit of the General Disbursement Account was mainly for unexpected Cash flow issues and emergencies and these were normally negotiated at the time it incurred. MOF agreed that it was operating slightly above its limit and would review their Cash flow policies to ensure that this risk was minimised.

Issue 5:

We noted unrepresented cheques from our review of the Bank reconciliations. Some of these cheques were dated back to 2007. We recommended to the Ministry of Finance to take appropriate actions regarding these unrepresented cheques. MOF responded that the issue mentioned was part of the FY2014 work plan and have also noted the recommendation given.

Issue 6:

For the mission bank accounts, we also noted deposits from 2008-2010, amounting to \$20,249.25 that were still outstanding at year end. We recommended that the Ministry of Finance take appropriate actions regarding these outstanding deposits. The Ministry of Finance committed to looking into clearing these reconcilable items in the current financial year (FY2014).

Issue 7:

The Treasury Department of the Government of Samoa acts as the Depository to the International Monetary Fund ("IMF") and International Bank for Reconstruction and Development ("IBRD"). The Depository role is to maintain the holdings of these organisations on their behalf. Entries to these accounts reflect the currency holdings of the organisations. These currency holdings are revalued annually.

We note that in the Schedule 8 Operating Manual is noted that "At the time of writing this manual (September 2010), discussion had commenced with IMF to move the Depository role (accounts) to the Central Bank of Samoa."

However, currently the MOF still acts as Depository. MOF staffs have confirmed that the Central Bank of Samoa has been notified of the IMF decision, but no clear response from the Central Bank has been forthcoming. It is expected the transfer will be effective within the Financial Year 2013/2014. MOF responded that it was negotiating with the CBS on the MoU and should be finalised before the end of this Financial Year (FY2014).

Issue 8:

Not all of the assets owned by the government are disclosed in Schedule 9. Therefore, Schedule B Statement of Assets and Liabilities of the Treasury Fund is incomplete. We understand that MOF are in the process of developing and testing a fixed asset accounting module, which will enable the complete accounting of fixed assets at some time in the future, subject to the availability and inclusion of reliable base data.

Issue 9:

The accounting policies in relation to fixed asset measurement and disclosure, revaluation, depreciation, impairment and insurance require development. MOF has duly noted the observation for improvement. MOF has progressed the development and testing of a Fixed Asset Accounting Module enabling the Asset unit to capture all government assets. With this development under way, the Asset Unit has proposed and awaiting confirmation/approval on having a TA to assist them for the development of relevant accounting policies and guidelines in relation to fixed assets in future.

Issue 10:

Government Properties overseas were disclosed at a value "based on Government valuations to reflect the current market values based on existing use." However, the valuation used was a local authority rating valuation, which was not designed to approximate market value, but rather as a basis upon which to levy local rating charges. The property also was also based on a rating valuation, not a market valuation. The revaluations of both properties were based on rating valuation and it could only be updated every three years. Due to the high cost for carrying out a full market valuation, both properties were measured based on rating valuation.

Issue 11:

We have noted a nil balance of the Polynesian Airlines Limited loan for the year being audited; this loan had an opening balance of \$5,063,785 from the previous year. However, the repayment made in the audited year shown in schedule 3.1 was only \$3,945,820 which did not cover the remaining balance from 2012. We have discussed this with the Officer in charge for schedule 10 in the Accounts Division, but no explanation could be provided.

Issue 12:

In relation to *Schedule 14 Statement of Write-Offs and Losses of the Treasury Fund* the main questions for audit were:

1. Were the values disclosed as written off reasonable? and
2. Were the write-offs approved as required by the PFMA, and Treasury Instructions 2013 section 2 part B.16?

In relation to values disclosed, there appeared to be no formal guidelines to assist the responsible personnel in the valuation of written-off assets. Valuation reports from MOF were available for a few of the vehicles, showing the depreciated book value of the relevant assets. However, through discussion with the Principal Asset Officer, it appeared that judgement was used in valuation of the assets written-off, based on the condition of the asset, and the assessed market value of similar assets. This meant that the values disclosed in Schedule 14 did not represent the accounting value of the assets written-off, but rather an estimate of recoverable amount. We are aware that MOF is in the process of developing its fixed asset accounting module. Once the module is fully operational, and has been populated with reliable base data, the improved accounting for fixed assets and their relative depreciation will significantly aid in assessing the value of assets written-off. Due to no formal accounting guidelines and policies at the moment in relation to fixed assets, reliable data for depreciation and valuation of written off assets were very difficult to obtain. Therefore, Ministry of Finance carries out its own assessment for write-off of assets based on its book value and fair value. Most of these written-off assets especially vehicles with more than 10 years of their useful life used up, were considered old and fully depreciated. As a result of this, the valuation of these assets was based on the conditions as well as the fair value of its similar assets.

MOF responded that it was in the process of developing and testing a fixed asset module with the anticipation that this will enable the Asset Unit to capture the data required for the complete accounting of fixed assets at some time in the future. Also, the Asset Unit is proposing a TA to assist with the development of accounting policies and relevant guidelines for fixed assets in the near future.

Issue 13:

The total balance of the National Loan Sinking Fund at year-end was \$46 million, with \$20.7 million invested in a portfolio of foreign currencies. The operation of the fund was itself a risk-mitigation strategy, and careful attention was required to the performance of the whole fund with respect to returns on investment. The local accounts and deposits were earning a steady rate of return, from approximately 2.5% to 5%, depending on the size of the deposit. However, the foreign currencies portfolio lost 0.7% over the year, due to a combination of portfolio movements and exchange rate movements. Clearly, the risk

attached to a portfolio of foreign currencies was greater, though the portfolio did have the potential for positive movements as well. It was unclear from the documentation provided which currencies were represented in the portfolio, and whether there was any link between the currencies on the portfolio and the currencies required to pay offshore debt.

We were advised that a review of the investment strategy for the NLSF was programmed in the MOF work plan for 2014. At that stage consideration should be given to hedging liabilities required to be met in foreign currencies. Observation was duly noted by MOF. Ministry of Finance was trying as much as it can to get the most interest from the principal amount in the fund and was aware that such investment particularly with investments involving fluctuating rates come with its own risks i.e. the fall and rise of currencies. A committee has now been set up between MoF and CBS to look into coordinating these overseas investments and considerations in the options available such as hedging and reinvesting into more lucrative investments and will be discussed along with its pros and cons.

Issue 14:

For Government Bonds this asset was recorded at \$659,920, a decrease from the 2012 balance of \$678,020. The reduction over the year was due to interest payments to SLAC, and withholding tax paid on behalf of SLAC. It therefore appeared that this was an asset of SLAC, rather than an asset of the Treasury Fund. The Government Bonds as stated goes back to the initial invitation that went out to the Public in 2006 with the ultimate aim to finance the Budget of \$26 million at the time. However, the scheme was not successful resulting with only one or two corporations and one individual who were interested with the total amount of about \$2.5 million in the Government Bonds. The Ministry of Finance was still looking at this facility to generate more short term financing from its Debt Strategy. However, MOF will also look at the possibility of an investment strategy for the future of this fund.

Issue 15:

Audit supported the planned review of the Insurance Fund, as existing circumstances gave rise to a number of related questions with respect to the Public Accounts

Issue 16:

The Government had a number of overseas properties, with individual values in the range of \$5.1 to 8.0 million each. In addition, the recently Counsel General's residence in Mangere, Auckland, appeared to have a building value in excess of \$2.0 million. These values appeared to be out of proportion to the Insurance Fund account of \$2.7 million.

Issue 17:

As noted on Schedule 9 Fixed Assets, four significant buildings financed by China loans were accounted for in 2013 for the first time; their combined book value reaching a total of \$272.7 million. We questioned the Ministry of Finance whether these building assets were adequately covered under existing local insurance arrangements?

Issue 18:

An engineering assessment has been carried out to establish the resilience of school buildings with respect to cyclones. We did asked an additional and related question whether a similar assessment should be required with respect to the ability of all buildings to withstand the effect of earthquakes?

Issue 19:

We noted that in relation to fixed assets, there was also a plan to develop a fixed asset accounting module, so as to provide full asset data at some time in the future. It appeared that the accounting for fixed assets, based on accurate, robust base data, will go hand in hand with a detailed review of insurance requirements and that the two processes would be best handled in conjunction with each other.

Issue 20:

MOF vehicles were covered by the Insurance Fund, but we were informed that vehicles held by other Ministries were not so we asked the question of whether this situation will be reviewed as part of the overall review of insurance, as on the surface, it appears to be non-equitable?

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Issue 21:

Schedule 5, 1 (n) of the PFMA requires a Statement of Government transactions prepared under Government Finance Statistics (GFS) format.

We commend the MOF for including, for the first time, the GFS June 2013 report in the 2013 Public Accounts. The GFS report includes substantial background detail on the operations of Government, including Revenues, Expenditure and External Debt.

MINISTRIES and CONSTITUTIONAL OFFICES

Agriculture and Fisheries

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **Expenditures exceeded approved estimates.** *There were unbudgeted restoration works for remote offices in Nu'u and Avele. Scoping and preparation work for the new Samoa Agriculture Competitiveness and Enhancement Project (SACEP) meant MAF was responsible for costs incurred, with the understanding that these would be reimbursed by SACEP later. The Agriculture Show had (approx.) \$100,000 of unbudgeted costs funded under the ministry budget. For personnel, there was an increase in staff overtime for essential services (border, HTFA machine, fish market and livestock). There were also unbudgeted higher duty allowances and end-of-employment benefits.*
2. **There was no register for TY761 forms, and accountable forms were missing and could not be verified.** *MAF has now reviewed internal controls to prevent loss and prepare irregularity reports for missing books.*
3. **Petty cash expenses were funded from the ferry imprest fund.** *The expenses were mostly for meetings by the executive management team and stakeholders. The petty cash was, at times, insufficient to cover the needs of six divisions.*
4. **Project expenses were paid from the petty cash.** *MAF utilized the petty cash when an accountable advance for the assessment of damage and loss after Cyclone Evan was queried by MoF and was not released.*
5. **Accounts receivables were outstanding for more than 90 days.** *This included outstanding water bills of staff residing at the Ministry's residential houses in Nu'u. External debtors had been outstanding for four years. Follow-up attempts were unsuccessful and were referred to the Legal Consultant for recovery. Some internal debts had been cleared with deductions from salaries. MAF was still waiting for responses on some of the debts that had been followed up.*
6. **There were no copies of invoices and credit notes.** *Invoices and credit notes could not be located. The invoice dates indicated a period of relocation to the new building and one in which the Assistant Accountant (Utility) position was vacant.*
7. **There were overtime payments incorrectly calculated and overpaid. There was also an overpayment incorrectly paid to an employee.** *One overpayment would be recovered in the next pay period. The other would likely have been caused by either a system error, or by MoF which is responsible for all government payroll.*
8. **Issues relating to assets:**
 - a. Some assets were not labelled. This issue was also raised in previous audits.

¹ TY76 forms are for petrol usage

Some assets were not labelled until the annual asset count. Labelling was being carried out especially for Savaii and other outer stations at the time of the audit.

- b. Several fixed assets were not properly monitored and updated in the register. Labels did not correspond to the records in the fixed asset register and an image copier was recorded twice in the asset register. *The error has been corrected. A review of the registration system was being conducted to incorporate the MoF Asset Monitoring module on Finance One.*
- c. The purchase of office equipment was charged as consumables. *Items with monetary value below \$3,000 were considered consumables. While the office equipment mentioned had values above \$3,000, these were urgently purchased to replace obsolete equipment belonging to the Crops Division.*
9. **Running sheets for vehicles were incomplete.** *A miscommunication caused running sheets for some divisions to be discontinued. These have been returned to divisions for recording of vehicle usage.*
10. **Project funds were used for Agriculture Show expenses.** *Project funds remaining upon completion were utilized upon verbal approval from MoF for Agriculture Show payments.*
11. **Issues relating to accountable advances:** *Accountable advances did not have acquittal reports in files. MAF did not provide a hard copy of acquittals. These accountable advances were for the Crops and Animal Production divisions in relation to the inspections and preparations for the Savaii Agriculture Show inspections.*
12. **The Talomua initiative was replaced by the Agriculture Show in 2011 when all funds had been fully utilized. However, the account at the time of the audit was found to have remained open** *The issue has been noted.*
13. **As raised in the previous audit, funds were remitted into a special bank account without the knowledge of MOF. This account could not be verified because relevant supporting documents were not provided.** *The outcome of the review resulted in a termination and the Ministry has been reminded to comply with the Public Finance Management Act 2001 to prevent the likelihood of reoccurrence.*
14. **Issues relating to cattle count (also raised in previous audit):**
 - a. **Cattle were not tagged.** *Untagged cattle identified during the audit were new born calves that could not be tagged too early for health reasons. Older cattle lose the tags sometimes on the grazing fields.*
 - b. **Some cattle sighted were not recorded in the Muster.** *Cattles were transferred from one farm to another regularly for the breeding program. Relocation in the Registers were carried out after the quarterly muster. This has been addressed by reviewing sales processes.*
 - c. **Some cattle were noted in the register as sold but were on sight.** *Cattle identified for sale are sometimes not in a condition to be sold off, or cannot be 'trapped', and is substituted by another at the time of sale.*
 - d. **Cattle were transferred and sold without receipts.** *The sale process had been approved by the CEO who allowed credit sales for farmers.*

- e. **There were cows culled for an Employee that were not receipted and paid.**

15. **Other issues relating to cattle count:**

- a. **Reports provided by the Internal Auditor and the Farm Manager did not match. The Internal Auditor reported cattle missing.** *According to MAF, the Internal Auditor's report was based on a one-off count on a quarterly basis, whereas farm managers conduct theirs on a monthly basis. During the trapping process, some cattle could be excluded from the count due to health problems or had grazed outside fencing parameters. This leads to cattle missing in the Internal Auditor's count, and which are later found in subsequent counts by the Farm Manager.*
 - b. **The cattle register was not properly updated and monitored, as evident from the major variances in our comparison of the count by MAF in February 2013 and our count in May 2013. Variances could not be justified by the responsible division. These on-going problems were raised also in previous audit.** *The physical counting system was previously used as the only monitoring measure. After deficiencies identified by the Internal Audit, the tagging system was also used simultaneously for verification. This system has a minor setback in relation to the time it takes for the reconciliation process, but it provides a more realistic view of cattle movement.*
 - c. **There was no reconciliation for the cattle muster, and cattle movement could not be verified. This issue was also raised in the previous audit.** *The reconciliation report now includes how the registration and reconciliation are carried out under the tagging system. Reports for livestock were prepared on a quarterly basis from the financial year 2011/12. The delay in updates is attributed to staff shortage.*
 - d. **There were no muster reports for sheep, poultry and pigs.**
16. **The Ministry did not comply with the criteria of the Stimulus Package Programme as stipulated in the Project Identification Brief.** *MAF was currently preparing an amendment submission to Cabinet for reconsideration of some of the identified issues which, if remedied, would improve conditions for the programme. Monitoring and evaluation was currently underway for a clear resolution of the above issues.*
17. **There was no evidence of previous audit recommendations being implemented. Most of the previous issues were again reported in the current audit.** *The Internal Audit has been advised to follow up on audit findings and recommendations to ensure compliance.*
18. **The annual report for the financial year 2011/12 was incomplete.** *Only the English version of the annual report had been completed at the time of the audit while the Samoan translation was in progress.*

Agriculture and Fisheries

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **There was no register for TY76 books, and accountable forms could not be provided. Some payment vouchers with substantial amounts between \$12,000 and \$62,000 were not filed.**
2. **There were no reconciliations for the cattle muster. Cattle movement could not be verified.**
3. **Irregularity reports for traffic accidents and stolen money were not reported to MoF.** *The insurance companies and responsible personnel had repaired the damaged vehicles.*
4. **The asset register was not updated, and all assets procured for the financial year under audit were not labelled.**
5. **There was no evidence of previous audit recommendations being implemented. Most of the previous issues were again reported in the current audit. These included:**
 - **no register for TY76 and missing TY76 books,**
 - **the handling of the petty cash and ferry imprest,**
 - **poor maintenance of the asset register and assets not labelled,**
 - **missing supporting documents for accountable advances,**
 - **the reporting of irregularity cases to MOF,**
 - **no reconciliations for the cattle muster,**
 - **no muster reports kept for sheep, poultry and pigs,**
 - **the Annual Report for the financial year 2011/12 was still incomplete.**

Attorney General

Financial Year Audited: 1 July 2011 – 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Leave cards were last updated in 2011.** *The Office had an electronic updated leave template and each employee had a leave card e-copy which was used to deduct and add leave entitlement for each staff. Shortage of dedicated HR staff was a contributing factor to this. At the time there were fewer staff that performed numerous duties. The Office though maintained an updated electronic Leave Database and each employee had an e-copy of his/her leave card used to deduct and add leave entitlements. Currently the Office has updated all leave cards for staff with the help of an additional staff member that is dedicated to these tasks.*
2. **Promotional gifts (two New Zealand Warriors rugby league jerseys) received from the purchase of office photocopier were not registered.** *There is now an electronic database to register and record all gifts received by the Office.*
3. **There was an overspending on petrol budget allocation.** *There was an increase in criminal cases that needed specialists from overseas which involve picking them up and dropping them off to the airport or hotels. Dealing with all prosecution cases and all legal matters not only for Parliament but all Government Ministries and Corporations means utilisation of the Office's vehicles at all times in delivering legal documents, mail, taking staff to meetings, contract signing etc. This increased use of Office transportation is reflected in the overspent of petrol appropriation at the end of the financial year. The cost of petrol and diesel also fluctuates monthly which accounts for increased spending as well. At present, the Office uses a Sky eye Program to electronically monitor and track "live" the use and movements of Office vehicles. The fact though that there is an annual increase of work performed and carried out by our office, with limited available resources, is an inevitable issue.*
4. **Internet usage was above the monthly plan of 45GB (an equivalent of \$3,700 per month); an overspending of 40% on internet usage when comparing actual and budget for 2012/13.** *The internet access for the Office is an essential requirement for efficient communication and education, especially for lawyers who need to conduct on line research for cases and online training for example. The overspending was mainly due to an increase in our Office staff numbers which in turn increased internet use. We took this into account in negotiating and agreeing our new internet arrangement. Currently the Office has an agreement with our Internet Provider in providing a suitable data plan at a reasonable cost to cater for its need. This has brought the cost of our monthly internet down and stabilised it but still allowed for a data plan size that meets our office's user needs. As a central agency of Government that renders services in legislative drafting, prosecutions and civil litigation matters, the internet is a core need to find information necessary to successfully achieve our function.*

Commerce, Industry and Labour

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **Between July 2011 and February 2012, two internet dial-up telephone lines incurred costs of \$2,891.61 but were never used. IT officers were unable to trace the locations of these lines and total costs paid for these lines could not be verified. Analysis on internet usage recorded an increase of 59% above the average internet usage for the month of December 2011, compared to other months.** *This is no longer an issue in the audits of periods ending June 2013 and 2014.*

Commerce, Industry and Labour

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **New fixed assets worth \$10,842.61 purchased during the year were charged as Consumables. This issue was also raised in the previous audit.** *MCIL has implemented controls in the financial year 2013/14 and MOF will not allow any further procurement of fixed assets under operating expenditure budget.*

Communications and Information Technology

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Manual records were not reconciled regularly with Finance One. This issue was also raised in the previous audit.**
2. **Weaknesses in cash collection, receipting and debtors:**
 - a. **There was a variance in total revenue collected between the Ministry cashbook and Finance One due to inconsistency in the treatment of VAGST. VAGST should be charged by Radio 2AP as service was provided under MCIT.**
 - b. **Posting of receipts to Finance One had been delayed for 6 days. Late postings to Finance One were due to the inexperience of the cashier as she had only been employed for a few months at the time.**
 - c. **Debtors balances included aged receivables of \$307,982.11 dating back to 2009. There was no follow up action. Debtors transferred to the Office of the Regulator had not been closed off from the debtors' ledger.**
3. **Weaknesses and errors in payroll and leave records:**
 - a. **There were missing overtime sheets in files to support payment of employees.**
 - b. **There were differences between information recorded on Ministry timesheets and amounts on Finance One.**
 - c. **There was an overpayment of \$654.03 in resignation benefits for the pay period for 4th September 2011.**
 - d. **No remarks were alongside employees marked in red in the attendance book.**
4. **The asset register had not been updated since 2011. Assets recorded under the 2AP Office could not be located. There was no official transfer of assets between locations.** *MCIT is requesting additional staff with the Corporate Services to avoid such lapses.*
5. **Reconciliations were not regularly undertaken for all special purpose accounts.**
6. **Other weaknesses in internal control included:**
 - a. **Transactions were charged to the wrong natural account numbers**
 - b. **There was no register to record all inventories**
 - c. **There were no running sheets to control the usage of fuel consumption of vehicles**
 - d. **There was no register to maintain overseas calls.**
 - e. **There were a number of recommendations raised in the previous audit still to be acted on by the Ministry**

Education, Sports and Culture

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **There were TY76 books issued to the Sports Division that were not registered by the Corporate Services Division.** *These were Ty76 books for the Sports Projects and this was under MOF, not MESC.*
2. **The total amount of debtors stood at \$60,488.90. Of this amount, \$3,925 (6%) came from the financial year 2011/12 under audit, and the \$56,563.90 (94%) belonged to old debtors from previous years. 90% or \$54,440 belonged to teachers. Some have retired, moved overseas or are now working in the private sector. This is a substantial amount that management should consider recovery action.** *The ministry responded that it would process ty15 to cease salary immediately upon receipt of the resignation from the respective teachers/staff members. However, some teachers or staff members had left the ministry without resignation, or they submitted resignations to the principal and the principal did not submit to the ministry in due course, hence the payment. The majority of these cases were teachers who have migrated, and therefore the ministry could not track them down for reimbursement.*
3. **A total \$7,320 was used from the General Supplies budget to buy sports uniform for the Avele College Netball team and coaches. These items were usually funded from Trust Accounts and not from the Ministry operating budget.** *These school expenses were usually paid from school trust accounts. However, with the closure of school trust accounts, without prior advice to schools, the general supplies was used to procure sports uniforms. This was an exception due to the fact that trust accounts were closed without advice to schools.*
4. **Leave returns for some schools for the stated periods were not given to audit when requested. Out of the 35 schools reviewed, 31 did not comply with PSC policies and working conditions where all leave taken should be recorded in the attendance book and leave records.**
5. **The majority of schools had many instances of teachers' leave balances that did not match with information recorded in attendance books.**
6. **The audit has reviewed the overpayment of \$45,593 for salaries to teachers of 13 schools. The audit could not proceed further due to unavailability of records. The substantial amount should be followed up and be investigated further for recovery action. The Internal Auditor was supposed to continue with this exercise for Upolu and Savaii.** *The ministry responded that it would process ty15 to cease salary immediately upon receipt of the resignation from the respective teachers/staff members. However, some teachers or staff members had left the ministry without resignation, or they submitted resignations to the principal and the principal did not submit to the ministry in due course, hence the payment. The majority of these cases were teachers who have migrated, and therefore the ministry could not track them down for reimbursement.*

7. **Some assets were unaccounted for at the time of the Audit.** *The majority of these assets were officially transferred and handed over to Itu-o-Tane and Alofi-o-Taoo when Vaipouli College was closed in the end of 2011 and the rest of the assets were actioned by MOF on site. This was done in the presence of Ministry of Finance staff in Savaii except for the two computers which were returned to MESC and recorded under the Corporate Services Division. The assets transferred to schools were no longer under the Ministry.*
8. **Site visits to schools noted that stationeries were stored in unsecure areas. There was also a lack of control in the monitoring of these stationeries.** *The Ministry distributed stationeries based on school rolls but the storage space rested with the school committees that looked after school facilities. The Ministry would have to advise the school Principals and the school committees accordingly.*
9. **Five divisions did not have registers to record consumables and inventories.** *Every division should have a register. We take note of this for future improvement.*
10. **There was no reconciliation for Bulk Order Stationery supply. The Ministry was also unable to provide an updated and complete register of stationery on hand. A total of \$2.4 million was spent on purchasing stationery in the financial year 2011/12.** *An annual stock take was being done every year to prepare for the next procurement. This list was often used to determine the amount of the stationery to be procured for the next academic year and the list should be available at the office.*
11. **At the time of the audit, an internal investigation was conducted by the Ministry regarding a break-in to the store room and containers. The audit joined in the investigation during the interviewing process. Locks for containers were forcibly broken using pinch bars, and wall panels were broken for store room. Stationeries taken were sold by the culprits. Consequently the two staff members involved (the driver and Asset Management Officer) were terminated.**
12. **There was poor control in the monitoring and supervision of store where supplies were left unattended and without regular checks and inspections of sites. There was also the issue of poor security and access to the store areas. The implicated staff members were noted to have broken into storage, removed and sold government properties. They failed to abide by the PSC Code of Conduct. The issue of storage and poor monitoring was also raised in previous audits however there has been no action by the Ministry to improve this area.** *The ministry did not have a proper storage facility despite it being a major concern from CSD for years. A secured and proper storage facility has been in the ministry's corporate plans for years. It was also approved at Cabinet Development Committee; however, this initiative never eventuated because there was no funding to build this facility. Old school buildings were used as storage space, hence the storage spaces were scattered all over the place. In light of the above, the storage rooms were prone to break-in and the ministry had to put in extra effort to ensure security of assets. The investigation as noted was confirmed. The Driver and the Asset Management Officer sold the stationeries for personal gains. Both have since been terminated.*
13. **From the same investigation, there was only a MESC internal investigation but the matter was not reported to the MOF under an Irregularity Report. The same driver stated that he had pumped petrol from Ministry vehicle to his personal vehicle.** *The matter was reported*

directly to the Police by an outsider, and there was no complaint lodged with the ministry. The PSC disciplinary process for any breach of the Code of Conduct has to be based on a formal complaint.

14. **There was an unusual increase of water bills for Avele College (June 2011) and Samoa College (February 2012) compared to other schools.** *These were times of construction works for the new school buildings, hence the increase in water bills.*
15. **There were no acquittal reports for several accountable advances.** *The other related divisions for the other outstanding Acquittal Reports have been followed up for these outstanding reports to ensure these funds were properly accounted for. For the ministry to better respond to these, will appreciate detailed explanations as there are a few acquittal reports in this period.*
16. **There were no copies of project agreements.** *These should be available at the ministry's central depository.*

Education, Sports and Culture

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Irregularity reports for vehicle damages had not been prepared.**
2. **A number of fuel dockets had not been signed by the certifying officer.**
3. **There were no running sheets for vehicles.** *The current practice is that for all vehicles hired, running sheets are part of the documentation required for payment. We will extend this to official MESC vehicles.*
4. **Around 80% of petty cash expenditure was for taxi fares of staff travelling for official purposes during normal working hours even though there is a fleet of 26 official vehicles, excluding any additional hire vehicles.** *Procedures are in place to minimize the use of taxis by staff when Ministry vehicles are available.*
5. **Some divisions did not maintain registers of inventories and consumables.**
6. **There was no documented IT disaster recovery plan.** *There is a DRP for the Central Office and Schools but not specifically for IT. MESC will amend the DRP accordingly.*
7. **Excessive number of user accounts were noted on the network.**

Electoral Commissioner

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with EC response in italics.]

1. **Previous financial records were damaged by Cyclone Evan in 2012. Records affected included minutes for management meetings, fixed assets registers, irregularity reports and Annual Reports for the audited financial periods. The Office was unable to provide divisional reports outlining which performance indicators have been achieved for the years under audit. The new management has very limited knowledge of KPIs for the past two years.** *Development plans and targeted areas are now in place for output managers to work on achieving. The Office is also looking into report writing on confirmation of the status of Key Performance Measures as stated within the Approved Estimate Budget. New management will have to ensure that all performances measures stated are achieved and reporting in place. There was still the challenge of monitoring performance measures for the new management. The progress of achievement was in line with spending while other key performance measures/indicators have been noted for review in the coming financial period.*
2. **Weaknesses identified in attendance and leave Records include: Employees not signing out after work, Fortnightly leave return reports did not exist for identification and posting of Leave Without Pay. This issue was also raised in the previous audit.** *The Office will look into Fortnightly Leave Return Reports and the update of leave records. Improvement is noted on the monitoring of the attendance book which is done on a daily basis. In addition, leave return processes on a fortnightly basis are referred for endorsement to authorising officers before posting on Finance One with report submitted on a monthly basis.*
3. **The issues raised in the previous audit had not been resolved**
4. **Monthly leave returns had not been prepared for some months.**
5. **Annual Report had not been submitted to Parliament for the financial years 30 June 2010 and 30 June 2011.** *The Office was working on reviewing management letter as of 2009, 2010 and 2011 and would be working on Annual reports and leave records which should be resolved by next audit. Annual Reports for the said periods are now with Parliament.*

Finance

Financial Year Audited: 30 June 2009, 30 June 2010, 30 June 2011, 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **There were vouchers processed but were not included and registered in the Ministry's payment register. Recommendations were taken on board with appreciation.**
2. **The Ministry did not conduct annual stocktaking of coins stored for sale by Accounts division and at Central Bank Office for periods ended 30 June 2009, 30 June 2010, 30 June 2011 and 30 June 2012. Recommendations were taken on board with appreciation**
3. **The preparation of the Ministry's Cash Receipt, Bank Deposit Summaries and Lodgements was done and signed only by the cashier. The Bank stamp was countersigned by the bank officer. Apparently there was no supervisory check by the Senior Accountant and the Principal Accountant during July to September 2009 as there was an investigation held during these months. Recommendation was noted and has been rectified at the time. Although there were controls and supervisory in place at the time, the issue and process have been reviewed again and have put additional controls in place and documented. The additional controls has since been in place.**
4. **A salary overpayment from the review of the employees' personal files for an employee who resigned on 16th October 2009 but still received his pay until pay period 07 March 2010 for financial year 2009/2010. This salary overpayment total was \$7,716.00.**
5. **Again audit came across with another salary overpayment to an employee who resigned on 20 January 2012, but his salary was only ceased on the 5 February 2012 for the financial year 2011/2012. The salary overpayment total is \$1,057.77. There was work in progress with the Ministry's Legal unit to develop appropriate measures to effect deductions immediately.**
6. **The details in the attendance book did not agree with the leave cards for some employees. This was a result of staff who conveyed their apologies through the telephone to their respective Supervisors and have it recorded in their division attendance books just the way the leave was conveyed through the telephone. However, upon fortnightly inspections of attendance books by the Administration unit, these issues were identified and according to their assessment the most appropriate type of leave to be taken were therefore recorded in the leave card. Hence the leave card reflected the most appropriate type of leave to be taken. MOF is currently working with the respective divisions to reflect the correct leave taken on the attendance books.**
7. **There were no CEO/ACEO approvals on some employees' leave application forms. All leave were supposed to be approved by ACEO and CEO. The leave being quoted were approved verbally by ACEOs but staff genuinely forgot to complete the leave form. We are constantly reminding staff to ensure leave forms are completed prior to taking leave.**
8. **One employee of Budget Division was marked red in the attendance book starting from 12/02/2012 – 17/02/2012 but there was no administration comments on what type of leave**

was taken by the employee. As a solution to mitigate this problem, MOF has issued regular leave return reports and reminder notices for staff to sign the attendance register.

9. There were no leave applications forms filled in by several employees while they were on leave, an indication that these employees took their leave, without approval from the CEO/ACEO. Some of these leave applications were either conveyed through the telephone or verbal communication to their respective supervisors. We have implemented appropriate strategies to address the issues raised. Audit comments duly noted.
10. Some Fixed Assets procured was charged under Consumables. Audit Office comments were duly noted with appreciation and recommendations were to be taken on board.
11. A weed eater was purchased but was charged under the Account for Photocopiers. Audit Office comments were duly noted with appreciation. Recommendations were to be taken on board.
12. Some electricity bills were charged under the Telephone output. This was an inadvertent error on the part of the Ministry. Recommendations were truly appreciated and taken on board for future actions and improvement.
13. The Ministry Water bill for March 2009 for Vaimea was wrongly charged under Internet and email account number 746201. This was an inadvertent error on MOF's part. Recommendations were truly appreciated and taken on board for future actions and improvement.
14. A number of accountable advances not recorded in the AA Register. Audit comments were duly noted. For information, this was an ongoing task and it was part of our work plan to ensure all accountable advances were registered and ensured acquittal reports were submitted on time as per Treasury Instructions.
15. Some payments were funded under the Special Account which was the Government Bowser A/c. Audit Office comments were duly noted. MOF has assured that this will not occur again in the future.
16. The Ministry of Finance has yet to prepare their Annual Reports for two financial years ended 30 June 2011 and 30 June 2012. These were in draft forms and would be released soon.
17. The Ministry did not prepare and submit for audit the Ministry Annual performance Measures Review Reports for periods ending 30 June 2011 and 30 June 2012. These would be finalised and cleared soon.

Finance

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **A total \$1,299,782.52 of accounts receivable remained outstanding for more than 90 days.**
The majority of outstanding accounts receivables are rents and leases due from Line Ministries and SOEs for both FMFM II and TATTE. There is now a FK 13(27) that allows the MOF to action direct debit of outstanding rents and leases from both Line Ministries and SOEs. So, this is an option we are considering to recover such outstanding amounts. We will review and consider it for action in accordance with the PFMA Act 2001 and relevant mandate.
2. **Several accountable advance acquittal reports had not been submitted within 14 days as required by Treasury Instructions. Accountable advance had an acquittal report but there was no supporting documentation to support this report.** *This was noted for improvement.*

Foreign Affairs and Trade

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **The review of the contract with CSL on the management of the .ws domain name is currently underway.** *The Ministry is aware from consultations with MOF that the revenues collected are going straight to MOF. The need to put in place proper processes to monitor the flow of revenue will be taken into account in line with the contract. This review is still underway. The Ministry is hopeful that this exercise will be completed by/before the end of the 2015 calendar year.*
2. **The balances for two debtors (Ministries) for hiring of the conference room were recovered after 90 days being outstanding.**
3. **Issues relating to staff:**
 - a. **Some employees took leave on the noted dates but leave forms were missing from files. It was difficult to verify whether these employees' leave were approved by the proper authority.** *The leave forms were issued but the forms were misplaced due to movement of staff who dealt with the above work.*
 - b. **Leave taken were not updated in leave cards, with some employees took more leave than their leave entitlement. Leave forms were not properly approved.**
 - c. **The Ministry complied with the PSC Working Conditions Manual, however there were situations where leave carried forward over the next six months were approved by CEO.**
4. **There was no Annual Report to Parliament for the period under review.** *The Annual Report is in progress.*

Foreign Affairs and Trade

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **A number of deficiencies were noted in internal control or lack of compliance in procurement process:**
2. **There were a number of instances where employees had not signed out in the attendance books.**

Health

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **The cash books for the months of July, January and April were not found. Cash collections against the postings on Finance One, as well as cash that was banked, could not be verified.** *Cash books are now in place and in order. Copies of these missing journals have also been sought from the Ministry of Finance.*
2. **Debtors from financial years 2009, 2010 and 2011 were still outstanding in the current Accounts Receivable Ledger from Finance One. This increases the risk of irrecoverable debtors and debtors write off.** *The Ministry continues to manage systems for continuous improvement in this area given minimal staff.*
3. **Issues relating to staff:**
 - a. **The attendance book for the Health Sector Coordination Resourcing and Monitoring (HSCRM) was not provided to the audit. The audit could not verify and reconcile the employees leave cards and entitlements.** *The division (HSCRM) has been duly advised. Corporate Services has also cautioned the respective ACEOs to ensure that their assigned staffs responsible for their attendance books are managed properly. This is an ongoing process.*
 - b. **The ACEO for Nursery and Midwifery Division did not sign the attendance book. Her leave entitlements could not be verified against the attendance book.** *The ACEO concerned was notified of this issue even before the Audit. The New ACEO for the Nursing and Midwifery Division now signs in the Attendance book. The previous ACEO stated that it was not in her contract to sign in and out before.*
4. **There was no register to record inventories and consumable supplies.** *All the divisions have been asked to have registers in place for their consumables. This has been secondary to processing payment given the number of staff in accounts unit. We are finalising and hopefully submit our restructuring proposal for the establishment of an Assets Unit who can also look into this area.*
5. **Issues relating to overspending:**
 - a. **Overspending of electricity budget by \$244,044.38 or -197%. Overflow from previous financial year, with the new building fully air conditioned.**
 - b. **Overspending of telephone budget by \$28,280.94 or -25%. This bill is inclusive of an LDC line which connects the Ministry to the Finance One System which is \$2,600 a month. An amount of \$60,000 was wrongly charged and reflected on the Ministry's monthly bill which belongs to the National Health Services NHS.**
 - c. **Some sampled invoices of internet usage were above the monthly plan of \$3,695 per month.**

6. **MOH Policy only allows Assistant CEO-level and upwards to have access to the internet. IT reports that other officers also had access.** *The Director General of Health has issued a directive to the ICT Unit to remove all unauthorized users.*

Health

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **The collection of debts is slow with a number of amounts outstanding for long periods of time. Follow up letters have been sent out to all debtors; two old debtors are yet to be located.** *A new FK is now in place for Direct Ministry to Ministry deductions. This has now been sought for some of the debts. As of to date, Revenues for the Ministry has increase and more forthcoming given the follow up process for past and current outstanding.*
2. **A review of fixed assets and consumables revealed that the fixed assets register had not been updated, there were a number of assets that were not properly identified, there were no valuations or estimates for new buildings, the Nursery Home and the Nurses Hostel assets have not been registered, and there were no registers to assist in controlling the distribution and use of consumables.** *There is a shortage of staff to do this on a daily basis as noted in the previous audit. The new asset template by the MOF was rolled out last year. The new E-Register under Finance One Asset Module is now up to date for the Ministry which was an also as exhaustive exercise shifting all the manual registered assets to Finance One. The Ministry is also keeping the manual one as a backup. The Accounts unit on top of its workload reminds the Divisions to register all their consumables as it is an exhaustive exercise also given everyday operational activities of each Division to be processed.*
3. **Issues relating to IT security:**
 - a. **No documented back up procedures.** *The Sector is also in the process of its Health Information Project in collaboration with MCIT (Broadband Highway) which will also further address these issues on an ongoing basis.*
 - b. **No Offsite Backups maintained. The Ministry will address this issue under its HIS project to develop offsite backups.** *These issues are now being incorporated also in our Health Disaster Plan.*
 - c. **No register for Inventories/Consumables.** *Divisions have been given the responsibility to maintain registers for their consumables. It is anticipated that with our Assets Unit in place, all these issues will and can be dealt with smoothly and on a daily basis.*
 - d. **Internet Usage is above the monthly plan.** *Our internet plan is more controlled now however, the overflow is usually due to the number of documents that needs to be sent given the nature of our work. The increase is mainly due to the Outlook email.*

Justice and Courts Administration

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Expenditures exceeded approved estimates.** *Rental fees, petrol and taxi fares are expenses beyond control. Rental fee budget was based on actual spending incurred in the preceding financial year but this was insufficient to cover rental payments for two Supreme Court Judges . Taxi fares and general supplies relate to witness expenses. A major obligation of the Ministry is to pay out these expenses to witnesses. Amounts have remained the same for many years.*
2. **Some assets were transferred to other divisions without updating the fixed asset register.** *The Ministry will continue to improve on this aspect of our Asset Management within the Ministry. We have assigned another officer to assist the current Asset Officer to further improve on the issues previously raised.*
3. **Fixed Assets charged under natural account for consumables.** *This issue is duly noted.*
4. **The Warrant of Commitment register was not updated.** *Matter is duly noted. Ministry has worked to ensure that said registers at Mulinuu and Tuasivi are updated.*

Legislative Assembly

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Consistent overspending over the last two financial years have been noted for two outputs.** *Allocation from Approved Estimates are not always sufficient to cater for trips for the Members of Parliament. Many invitations have to be declined due to insufficient funds. There has also been an increase in the number of Bills referred from Parliament to Select Committees, with meals for MPS to cater for. Management continues to request during budget bids for sufficient operational costs, to meet and provide the best service for Parliament. The approved budget from MOF is never enough to cover the expenses over twelve months.*
2. **Fixed assets were charged as operating expenses.**
3. **There was an increase in overtime for the last two financial periods.**
4. **Deductions for Leave Without Pay were not actioned.**
5. **Issues relating to fixed assets:**
 - a. **Fixed assets purchased during the financial year 2011/12 were not registered in the fixed assets register.**
 - b. **The fixed assets register was incomplete and did not have details such as asset acquisition date, asset number and some fields were blank.**
 - c. **There were damaged assets lying around in one of the offices. Some of these damaged fixed assets had no write-off forms and should have been taken to Vaimea for a government public auction.**
6. **Issues relating to inventory:**
 - a. **No backup for the Inventory stock register (e-copy) (Acts/Regulations).**
 - b. **No monthly stock reconciliations between the number of stock sold and the income received from sales.**
 - c. **Stock register not updated for the financial year 2012/13 (inaccurate balance).**
7. **Outstanding utility bills not settled within the financial year they belong to.** *The effect of outstanding utility bills for financial years 2011/12 and 2012/13 reflects budgetary allocations. We have always stressed this issue with MOF during budget discussion. There are four buildings and these allocations must be increased to cover for the full year. Unfortunately, we do not receive sufficient funds to cover for these costs.*

8. **The total spending on internet usage alone for the last two financial years added up to \$64,343.66. Audit noted that employees had access to social websites and other non-work related sites.** *IT division monitors the access.*
9. **Annual Reports for the audit period were still in draft form and not ready for audit.** *This is the first time that the Office of the Clerk has prepared an Annual Report.*

Natural Resources & Environment

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **The actual revenue collection for both years under audit were below target.** *In relation to the duties of the Land Management Unit, this situation was due to many factors including the demand from the public, incorrect journal entries and fluctuations in the number of land transactions. In relation to the Land Technical Services Unit. Collections were affected by the demand from public and other users of maps and technical information and also the decline in the number of sawmill registrations.*
2. **The turning over of cash and the mastering of sub-receipts receipted for Tafaigata Landfill were mostly delayed for 3-4 days.** *Staff from finance section is now seconded to Tafaigata to do cashier work, pending PSC approval of a new cashier position for the landfill.*
3. **Issues relating to accounts receivable:**
 - a. **Accumulated arrears dated back four to five years on Account Receivable amounted to \$1,495,706.03. This amount made up 90% of total Accounts Receivables.** *There has been a lot of improvement currently with the collection of outstanding debtors. The bulk of accounts receivable balances are lease arrears and the Finance and Lease Divisions are working together to collect arrears.*
 - b. **Increasing arrears on charges issued to various Accounts Receivables for rubbish disposals to the landfill at Tafaigata. These arrears totalled \$126,631.20 in August 2013. CSD and Waste Management are working closely to enhance collection and avoid future charges in waste disposal services.** *Cash payment is now enforced since the establishment of new system and new charges for landfill to avoid arrears.*
 - c. **There were no Accounts receivable reconciliations. The heavy reliance on Finance One meant responsible officers were not keeping and maintaining reconciliation statements.** *The Ministry still keeps manual ledgers for most of the debtors such as lease, as the bulk of our accounts receivable is made up of government land leases. The data on the debtors' ledger are entered by MNRE staff who also keep copies of invoices and receipts for reconciliations. Reconciliation with lease ledgers being conducted on a regular basis.*
4. **There was no aged listing of receivables with heavy reliance on Finance One.** *The ministry used to keep a manual list of debtors. All manual documents have been rolled out as Finance One is adequate in keeping all financial data. Copies of invoices are filed by MNRE for records.*
5. **There was excessive usage of the internet, inclusive of downloads exceeding monthly plan. Internet bill was approximately \$700,000. There was lack of monitoring, control and lack of proper planning that the internet bill was increasing and out of control.** *IT policy is enforced. Reporting is also done on a monthly basis. Internet access is restricted to the management level. Staff are able to use their respective ACEO's machine to access the internet for work purposes only. The current firewall is not effective.*
6. **There was continuous delay in submission of some acquittal reports. There were 15 in the 11/2012 and 8 in the 2012/2013.** *The delay in submission of acquittal reports was mainly due*

to the postponement of planned activities to a later date by responsible projects or divisions, due to factors such as last minute call off by the community or by the CEO.

7. **There was an irregularity report on the MNRE employee accused of mismanagement of funds of the Trust Society Project. A review by the MNRE and the MOF noted that the employee was not liable and was not involved in managing the fund. The employee resigned in May 2013 before the audit commenced. No further action was taken. The audit office was copied on the outcome of this investigation. However, the setting up of Trust by the community is their own to decide. Government's contribution is only in the project Memorandum of Understanding (MOU) and not the Trust which is separate from the MOU.**
8. **There was no specific documented and approved policy to govern the use of the SOLA. Although there is an IT security policy for the entire Ministry, it does not address the specific requirements and risks associated with the SOLA system.**
9. **There was no formal approval procedure or process in place to grant or remove access to SOLA, posing a high risk of unauthorised access to view and edit system data without management knowledge.**
10. **The Land Information Management staff are the only ones with direct access to SOLA.**
11. **The SOLA system does not require users to periodically change their password. This feature will be included in SOLA so that it is available in the next release to Samoa.**
12. **Two users were defined as Super Users. They were still active within the system even though they were not employees of MNRE and belonged to other organisations responsible for the development and maintenance of the system.**
13. **There was no audit trail report to identify any changes made by a user to system information. SOLA maintained a full audit trail of all changes, however, access to this information was via direct connection to the SOLA database.**
14. **The system help file for SOLA was not updated to match the current version of the application to take into account the customisations from the original source code provided by FAO. It was also observed that there was no Help File for the SOLA Admin console.**
15. **There was no MNRE Staff to man the Togitogiga Visitor Centre at Le Pupu Pue National Park. It was left open and a tourist was outside seeking information. The staff assigned to the Visitor Centre has resigned. A casual worker was asked to work as an alternate while waiting for replacement to be recruited.**
16. **The mechanical workshop/garage at Vaitele did not appear as if it was fully utilized. There were vehicles with private number plates being repaired at the time. It also appeared that there was not much work for the staff operating it. The vehicles with private number plates belonged to staff. The Workshop was not meant only for servicing vehicles, it also housed a Soils**

Testing & Rock Analysis (Geologic) Laboratory, Drill Rig regular maintenance work done after every drilling job assignment and Ozone storage facility.

Ombudsman

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **The majority of new assets purchased by the Office during the year were either not recorded or inaccurately recorded in the fixed asset register.**
2. **Amendments to the Ombudsman Act 2013 meant there was a need to review performance measures to ensure the Office meet their statutory obligations.**
3. **Internet costs were higher compared to the previous year. Spending and usage of the internet should be closely monitored and restricted to work-related activities.**

Police and Prisons

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **The Correctional Services exceeded its output budget by at least \$142,000. This trend of overspending for this specific Output has been noted for the past five financial periods. The Executive has duly noted the concern pertains to Corrections, due to the increase in number of custodies and inmates held in the Correction Facility.** *The actual is used for next year's budget however it is beyond control the uncertainty of number of custodies and inmates held in the Correction Facility*
2. **Revenues collected compared with budgeted revenues noted an achievement rate of 75% of total targeted revenues. It was also noted that forecasted revenues were the same for the last three financial years.** *A non taxation revenue project across Government Ministries, Ministry of Police was involved in 2014, the trend remains the same of revenue not achieve due to service not a necessity but requirement for clearance and annual fees of firearms.*
3. **There were various instances of cashbook banking not signed by the Principal Accountant to show that the banking was properly checked and signed off.** *Every cash book banking is counter-signed by the Principal Finance Officer to verify all banking are checked daily.*
4. **The funds received from the general public as a result of various activities were not accounted as per normal procedure for cash/revenues received by the Ministry. These included Police Band entertaining on specific occasions to the general public, the Tafaigata Prisons vegetable garden where a variety of fruits and vegetables are sold to the public, Tafaigata Prisons carpentry work for furniture & fittings where the public may order their furniture and fittings, and the Tafaigata Prisons General Store selling various goods located within the prison.** *The revenue received from general public is recorded for their own rehabilitation activities and projects monitored by the Commissioner and the Officer in Charge of the Band operate a separate account for this purpose.*
5. **A salary overpayment of \$16,583 for a former employee who was still receiving his salary payments from Government after the effective date of cessation. A signed letter by the Commissioner was given to inform the former employee in order to recover the overpaid amount of \$16,583. The Principal Finance Officer noted that since the overpayment was handled by the Commissioner, there was no follow-up or recovery action.** *A follow up correspondence was relayed to former employee however detection of these errors was due to non existence of reconciliation in the payroll area. Reconciliation of payroll is currently monitored by the Human Resource Department.*
6. **There was no evidence of proper payroll reconciliations between Finance Division and HR department. This same issue was raised in the previous audit. The Corporate Services Unit has commented on minimal staff to assist with the workload.** *Remedial action as per above comment reconciliation is performed by Human Resource Department.*

7. **Some employees were overpaid due to miscalculation of their final pay. These employees were paid on full salary due to differences in actual effective dates (as per authorization). Total salary overpayments amounted to \$997.36.** *Corrective action of new procedure is now place to overcome this issue all salary issues effective dates are crucial as this will lead to overpayment; Human Resource Department is monitoring this role closely.*
8. **Issues relating to staff leave:**
 - a. **Several employees had no approved leave request forms in their personal files. Audit could not verify the proper authorization of leaves;**
 - b. **Various inconsistencies were found for leave records between what is stated in employee personal files and their attendance records;**
 - c. **Some employees already have their application for leave form approved but did not take leave as per original approval;**
 - d. **There were no documents in their personal files indicating any amendments to their original leave application.**
9. **Issues relating to fixed assets:**
 - a. **The asset register was not updated as there were missing fixed assets from the list during audit;**
 - b. **The majority of new fixed assets were not labelled and missing;**
 - c. **In addition, Officers at Tafaigata Prisons and at the Main Office refused to label and register some of the fixed assets due to a claim that those assets were personal belongings received from Missions and Grant/Aid.** *All assets procured and donated through the Ministry is being registered by the Asset Team before handing over to relevant sections.*
10. **Total spending on repairs and maintenance for vehicles amounted \$293,330.35. The high cost came from purchase of new vehicle parts. Vehicle payments showed the purchase of gear boxes and other major car parts. 64% of vehicles were for more than 5 years of servicing (car models from year 2010 to 2013).**
11. **Some vehicles were serviced more than the normal three month policy of services. Vehicle hire costs amounted to \$174,400 for when office vehicles were not operating.** *Repairs and maintenance of vehicles is scheduled 3 months due to utilisation of vehicle at all times the services is crucial as performance management resource. Vehicle hire is now provided under below the line budget only hire during special operations or vehicles are garage.*
12. **There was a high number of vehicles being written off every financial year. The high costs associated with maintenance were reflected by the number of Irregularity Reports relating to ministry vehicles damaged during official police activities or operations.** *Written off vehicles is due to condition of vehicles and high maintenance costs, irregularities reports were all official related and only excess is either paid by MPP or appropriate personnel.*
13. **Utility expenditures relating to previous financial years were paid in the period under audit.** *Delay payments of utility is noted and closely looked into to void impacting current budget.*
14. **Internet and e-mail expenditure exceeded the budget allocation. The costs showed a great increase compared to financial year 2010/11. This was a result of all having access to**

the internet. The Commissioner has approved an IT Security Policy for the Implementation of proper controls relating to internet usage. Policies are in place to properly monitor utilisation of internet.

15. **Several calls made were flagged due to calls assumed to be personal. The appropriateness of such calls were analysed based on 1) the time calls were made, 2) duration of the calls, 3) regularity of dialled numbers. The audit is doubtful that such calls concern work-related matters. The previous audit had noted the implementation of a PIN system for telephone calls but was not effective and there was no register to keep personal calls. Telephone Utility is crucial for communicating effectively of public complaints and cases, monitoring and controlling is within the Officers in Charge of each departments.**
16. **An acquittal report for an accountable advance made for the Maritime & Band allowance attending American Samoa Flag Day was overdue by 99 days. This same issue was raised in the previous audit. Accountable Advance is a 14 days policy acquittal no further delay from Ministry of Police accountable advances since 2012.**
17. **Confiscated evidence in the Armoury exhibit room was hard to identify even with the register used by the Armoury Division. Any missing items will be hard to notice. Proper records of confiscated evidence of armoury exhibits are accurately recorded and log in for audit trail.**
18. **Tuasivi gaol was not up to a certain standard for any prisoner to be withheld in due to unhygienic practice. The gaol had not been cleaned for a long period of time. Tuasivi gaol cleaning schedule is in place to ensure hygiene environment is intact.**
19. **Budget transfers were required each year to meet obligations. The audit noted the need for more key performance measures for the ministry to assess output performance of each division and their required tasks. Revised KPIs were implemented to measure each division's tasks and performance.**
20. **Non financial measures (monitoring and evaluation templates), information and reports supporting such assessments were not available for audit purposes. The absence of crucial reports such as annual reports did not assist at all. Annual report is now updated monitoring and evaluation template and information all in place to ease access the Ministry of Police status of performance.**
21. **Issues relating to Tuasivi Office: no petty cash maintained with Savaii Tuasivi Office; no regular reporting on leave balances updates from HR; and Regular reporting from the Finance Department on Budget Comparisons and Output Account Balances. Tuasivi office no requirement for petty cash, all leave entitlements is updated and kept in the Human Resource Section at the main office Apia, all financial reporting is issued monthly to Assistant Commissioner for information.**

Police and Prisons

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics]

1. **Issues relating to accounts receivables:**
 - a. **The debtors ledger had not been updated with the records presented to audit covering only the 2010/11 and 2011/12 financial years;**
 - b. **The register of debtors for the financial year under review was incomplete; and Monthly reconciliations had not been updated with the last reconciliations prepared related to July and August 2012. Lack of monthly reconciliation has resulted in discrepancies of balances of several debtors' records and in Finance One.** *Reconciliation and follow up correspondence for debtors file is in place to ensure completeness in this area.*
2. **Revenue target was not achieved, similar to the previous year. Management is taking into account reviewing of forecast revenue which will be based on actual from prior years instead of assumptions.** *This is the issue raised each year of non achievement of revenue target as the Ministry is a service provider yet management is mindful of achieving targets*
3. **Output 5 spending exceeded budget.** *More planning is implemented to overcome exceeded budget activities and not to priorities ad hoc activities*
4. **Several TY76 books were not registered and could not be located. Used books had been stored in an open area rather than being secured in the Asset Manager's lockable room. The Missing books (TY76) were mostly caused by the aftermath of Tropical Cyclone Evan where some books were missing during the flash flooding as well as relocation from to the new temporary offices. All TY76 registered and lodged by Transport Officer, verification is performed by Asset Manager or Senior Asset from time to time to ensure this is in place at all times**
5. **Issues relating to Police Band operation cash collection:**
 - **No cash books or lodgement documents are available as evidence of banking of cash/cheques received;**
 - **Banking is not done daily;**
 - **No proper reconciliation is prepared between the bank account balances and manual receipt books;**
 - **Instances were noted where cash had been banked before it had been appropriately receipted; and**
 - **The manual report maintained was difficult to verify as it contained incomplete information, such as dates and receipt numbers.**
 - **The record keeping of the band activities are to be properly recorded and accounted for.**
 - *All Band activities are recorded by the Officer in Charge of Band.*
6. **Purchase orders were not issued before the actual receipt of goods and the invoice.** *Authorised Purchase Order is issued before any service or good is procured*

7. **The process of recording fixed assets needs to be improved. There was a high risk of assets not being registered or assets going missing without notice.** *Fixed asset registering and recording is a team effort of procurement (finance) and asset team to recommend procuring, disposing and recording before release to appropriate section.*
8. **Issues relating to the management of motor vehicles:**
 - **A cheque of \$30,000 received from the Ministry's insurance was not receipted on Finance One. This amount was used to purchase another vehicle without complying with formal procurement process;**
 - **Actual spending on vehicle hire increased by 84% compared to the previous financial year and subsequently going over budget;**
 - **The majority of irregularity reports were vehicle related. In four cases, accidents occurred while Ministry vehicles were being used for private purposes, resulting in a total cost of \$42,000. Most accidents were preventable and the fault of the driver;**
 - **F.K.(13)20 allowed the Ministry to purchase a new truck to be used by Tafaigata Prison due to the safety and condition of the old truck. The audit noted that the old truck was still in use by the Correction Unit for its operations but is not recorded in the register.**
9. **The store room for the inventory has limited space and there were no shelves for proper stacking of uniforms. There was a need to improve ways of updating the inventory list in order to efficiently monitor the movement of stock.** *Storage of uniform a newly built warehouse to store uniform also record of movement is closely monitored on database and employee stock file.*
10. **Accountable advances did not have supporting documents and were not recorded in the register.** *Accountable advance all records intact and log in register*

Prime Minister and Cabinet

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Lack of control over the collection and receipting of monies at the Immigration Division:** *The systems showed duplicated use of receipt numbers on the two systems. The two systems are not integrated and made it impossible for the systems to flag the duplicated use of a receipt number. Even though duplicate receipt numbers were used to pay money into both systems, it would still be expected that both amounts would have been accounted for. In many cases, either one or both amounts had not been appropriately accounted for and could not be verified. The issue with the duplicated receipt numbers and unaccounted monies being receipted is part of the investigation by the National Prosecution Office (NPO) based on a Special Audit Report and the investigation is still on-going. The NPO upon its assessment of evidence complied, has filed charges against one former Immigration Officer who was involved in the process. The Ministry continues to work closely with NPO, Ministry of Police, Audit Office and the Ministry of Finance regarding this Special Audit Report investigation.*
2. **Inappropriate use of cancelled receipts:**
 - Receipts marked cancelled were still mastered and banked at receipted amounts;
 - Receipts marked cancelled have been justified by the Ministry as having already been used on the systems.
 - Receipts being cancelled were still paid into the system but for a different purpose (receipt narration) and at different amounts as to details on the original receipts.
 - Weakness within existing internal control receipting procedures: While many activities were heavily segregated, the amounts being manually receipted for services rendered for the process of applications were almost never verified to source documents (i.e. the manual receipt itself.)
 - There was a lack of existing reconciliation performed by the immigration division with regards to the manual process of receipting against that being paid into the systems.
 - *Inappropriate use of cancelled receipts is also covered under the investigation in item 1.*
3. **Understatement of receipted account:** *One receipt for a new adult passport was receipted at child passport rate of \$100. An adult passport \$200 was recorded into the passport system; a variance of \$100 with amount being manually receipted. A child of 16 (and under) is \$100. The issue of understatement of receipted accounts is also part of the investigation in item 1.*
4. **Audit found duplicated/triplicate debtor codes each with their own balances;**
5. **There were no follow ups/ debt collection evident for other debtors with debts from the past 3-5 years.**
6. **There were no manual records for accounts receivables. The only records existing are on Finance One.** *Duplication of debtors on the system is still existent and the Ministry is working on identifying all these duplications and clear all outstanding there under before*

notifying Ministry of Finance who have the authority and access to delete these duplications. Further, a register of all debtors has been put in place.

- 7. Some motor vehicles registrations/warrant of fitness were expired with one in particular that was expired in July 2012; and**
- 8. One van had a broken back side window.**

Public Service Commission

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Target revenue for the financial year 2012/13 was not achieved.** *PSC noted the recommendation. Internal measures were being implemented to strengthen collection*
2. **There was overspending of natural accounts in the financial year under audit.** *PSC accepted the recommendation and would now endeavour to comply.*
3. **A TY76 book was registered but could not be verified during the audit.** *PSC acknowledged and appreciated recommendations made and would make necessary arrangement to ensure effective record keeping.*
4. **Issues relating to staff:**
 - **Staff members who took leave in the months of July 2011 and August 2012 but not yet recorded on the leave card.** *PSC accepted the recommendation and took note of the issue concerning 'leave taken by staff not being accurately recorded in leave cards'. We observed that discrepancies arise when; staffs apply for an annual leave or call in sick but later decide to come back to work without notifying or cancelling his/her applied annual or sick leave with Corporate Services. We make note of this problem and continue to monitor attendances more closely to avoid any discrepancies that may arise in future. We will ensure practical measures are put in place to properly and accurately record staffs' attendances within the attendance book and leave cards so that they reflect precise leave balances.*
 - **Some staff members did not sign out after work each day.** *PSC accepted the recommendation and have already taken action by way of an internal email to continuously remind staffs of the importance of filling in their working time. Please note also that in accordance with relevance Determination, a number of staff members have been approved Flexi-time Arrangements. We will be more vigilant in monitoring the attendance book, and ensure that staffs comply with the standard start and finish time in accordance with 'PSC Working Conditions and Entitlements Manual, Determination 9: ATTENDANCE AND FLEXIBLE WORKING HOUR'.*
 - **Some employees did not indicate whether they were at work or absent on the attendance book.** *As with above, we PSC accepted the recommendation and continued to remind employees of their responsibilities towards the requirements of filling in their working times.*
 - **The Audit was unable to verify leave taken by some staff due to missing leave cards.** *Recommendation is noted and will be actioned accordingly*
5. **Assets acquired within the financial year under review were not registered and labelled.** *Recommendation is being actioned.*

6. **There was a lack of internal controls on the supply of stationery resulting in overspent of this account in the two periods under review.** *Recommendation is being actioned.*
7. **Some items were wrongly charged to the capital budget causing an overspending in this account.** *Recommendation will be complied with.*
8. **There was an increase of 43% on fuel expenditure reflecting poor monitoring of office vehicles from financial year 2011/12 to 2012/13. Analysis of fuel consumption per vehicle noted that vehicles 13347/22856 and PSC02 have exceeded the allocated amount of \$5,000 per vehicle for the two periods under review.** *PSC acknowledged and accepted recommendations made and advise herewith that necessary arrangements are already in-place to ensure compliance and appropriate actions.*
9. **Private plate numbers 13347 and 22856 used for PSC vehicles.** *PSC acknowledged and accepted recommendations made and advise that necessary arrangements will be carried out to ensure compliance.*
10. **Utility expenses increased in the past three years.** *PSC acknowledged and accepted recommendations made and advised herewith that necessary arrangements are already in-place to ensure compliance and appropriate actions.*
11. **Advance payments of \$35,880 were paid to one Newspaper and \$35,817.60 paid to another with no reconciliations made on these accounts.** *PSC acknowledged and accepted recommendations made and advise herewith that necessary arrangements are already in-place to ensure compliance and appropriate actions.*

Revenue

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **A list of deferred accounts with little or no follow-up action:** *Our recovery actions for the entire deferral account comprising of 3000+ individual accounts is carried out by only 2 designated recovery officers. In turn, the planning and execution of our Recovery Plan is now based on priority and collectability including cost efficient and effective ways for the Ministry.*
2. **Imported good: Toyota Hilux Pick Up. No repayments were received since October 2011 which was the date of the initial deposit. There was no evidence of follow up action. Deferred duty of 50% was approved by the Minister of Revenue to be paid in by 5 January 2012.** *Recovery actions had been taken but there has been no response from debtor. Follow-up action is still continuing.*
3. **Imported good: Ford Ranger Double Cab Pick-up and Nissan Navara. As part of the Debt Recovery Plan, demand letter was issued to debtor on 5 October 2012 as well as site visits conducted by Recovery Officers during November 2012. A total of \$12,000 was paid on 30 November 2012. Deferred duty of 50% was approved by Minister of Revenue to be paid in by 14 May 2012.** *Follow-up action is still continuing.*
4. **Imported good: Toyota Hilux Pick Up. As part of the Debt Recovery Plan, demand letters were issued to debtors. A new agreement was made where a request of an extension was granted for the balance to be paid in by February 2013. The account was still outstanding to date. Initial deferred duty of 50% was approved by Minister of Revenue to be paid in by 13 January 2012. Now awaiting final payment for settlement before issuing final demand notice of 7 days.** *Client has relocated without informing Customs and the Recovery team is trying to locate client (and guarantors) for recovery actions. Follow up action is still continuing*
5. **Imported good: Mitsubishi Lancer. No repayments received since September 2011 – the date of the initial deposit. Evidence of follow up action exists via the customs arrears recovery plan of both unpaid debts and deferred debts. Deferred duty of 50% was approved by Minister of Revenue to be paid in by 7 December 2011. No evidence of response by debtor.** *Follow-up action is still continuing.*
6. **Imported good: Chrysler Jeep Grand Cherokee 2003. Balance remained outstanding since September 2011 with no evidence of follow up action by Ministry. Deferred duty approval was issued by Minister of Revenue to be paid by November 2011.** *Follow-up action is still continuing.*
7. **There was no proper register for consumables such as stationeries and office equipment supplied for the financial year under audit.** *Each division of the Ministry is expected to maintain a Register of Consumables received during the year to record and distribute stationeries etc for proper use. Note that there were no bulk orders of stationeries and consumables for the Ministry as a whole during this financial year.*

8. **Meter reading of running sheets for vehicles were not recorded by the drivers.** *Designated drivers of Ministry vehicles have been informed of the importance of recording all the relevant information on the running sheets including the meter reading which is now recorded per trip, to enhance our ability to effectively monitor vehicle use. A huge improvement is noted upon use of the new running sheet which now includes the recording of meter reading as a control for fuel consumption.*
9. **The dates on leave cards were inconsistent with dates of leave taken and recorded on TY15s. Some employees' leave cards were not updated with latest information. The HRMIS and HR Officer of the HR Unit had just come on board and were involved in training for Leave Management for a few months which has also contributed to the delay in updating leave cards.** *The inconsistencies with dates of leave will be closely monitored by the HR unit.*
10. **Spending exceeded allocated budget for the financial year.** *Some of the items were overspent because the approved allocations were less than what was proposed in our Ministry's budget proposal. Other accounts were overspent due to the increase in the cost of items such as computer cartridges, toners for printers and stationeries as well as the increase in costs of utilities.*

Revenue

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **A number of unfavourable variances were noted between budget and actual for revenue collected.** *This is due to a number of factors. As economic activity rises, revenues are also expected to increase in real terms as well as in nominal terms. Revenues are also affected by policy decisions such as the adoption of new taxes, the elimination or modification of existing taxes, and decisions on tax exemption policy. MfR realised 92% of the projected revenue for 2012/2013 which is a significant achievement given the impact of Cyclone Evans in that year. VAGST government was over-projected by \$13million by the MOF despite our having raised with them our concerns. If this were to have been excluded in the analysis, MfR would have realised 95% of total revenue projected which is an acceptable variance for full realisation of the total target.*
2. **Weaknesses identified in relation to sub-receipting including certain details of sub-receipts not always filled out by Customs officers and delays had occurred in posting sub-receipts to the ASYCUD system and Finance One.** *MFR has presented a number of corrective and remedial actions to be undertaken.*
3. **A number of weaknesses in the system for unpaid declarations. Total unpaid declaration is indeed increasing but the Revenue Services and Legal & Technical Services (LTS) Divisions are ensuring follow up action as explained above is done through reminder notices and in collaboration with MOF.** *The Ministry is undergoing vast reforms streamlining its systems and processes to improve customer compliance levels which eventually boost revenue. We regret that follow up work in the past has been dormant but LTS and the Revenue Services are now actively engaged in pursuing full settlement of these unpaid declarations in order to reduce cumulative unpaid debt.*
4. **There was poor record keeping for invoices.** *Invoices from agents for duty assessment are now scanned and saved on Asycuda World. Staff are directed through Standard Operating Procedures (SOPs) to ensure invoices are scanned and saved including all required documents for cargo clearance and assessment of taxes.*
5. **Lack of regular reconciliations between Ministry of Finance and Ministry of Revenue.** *Every accounting data entered into the RMS system as well as ASYCUDA eventually goes into Finance One. MFR accounting records especially in terms of revenue collections are frequently compared against Finance One records for our monthly scorecard figures. Variances arising is a direct result of general journal entries raised and posted by MoF on the Finance One system. Nonetheless, the management and responsible staff will look into ways to make this reconciliation process both effective and efficient.*
6. **Need for improved control over payments and filing of documentation.** *CSD is closely monitoring Ministry spending for our monthly scorecard. Prudence is taken when purchasing and procuring goods and services for the Ministry in compliance with relevant regulations. Priority is also given to all goods and services directly used for our core business activities. Filing and record keeping is an area that the senior management endeavours to improve.*

7. **There was a need to improve controls over fixed assets and consumables.** *The CSD is currently reviewing the process for asset management including registration, labelling and monitoring. Approval from PSC has been obtained for the position of Senior Asset Management Officer who will focus mainly on updating and monitoring the asset. The management has driven the initiative to develop divisional Consumable Register through its endorsed Staff Engagement Plan 2013-2014. CSD is currently reviewing the process of asset management to try and develop an Asset Policy/Process that includes asset registering, labelling, write-off and the overall monitoring of all Ministry assets and consumables.*
8. **Performance measures and targets were not achieved.** *Reasons for the under achievement of performance measures and targets were provided to Audit. Performance measures and indicators have also been revised to better reflect Ministry objectives and to effectively monitor work progress. The senior management will ensure that performance measures of the Ministry are successfully achieved.*
9. **There were a number of missing documents on personal files.** *Management will ensure that responsible staff is updating personal files information in a timely manner. Record keeping and filing across all divisions of the Ministry will be closely observed by the senior management team.*

Statistics

Financial Year Audited: 1 July 2011– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **There was no register for Certificates issued at the Births, Deaths and Marriages (BDM) Division. It was confirmed that the LIFE DATA SYSTEM could not generate any reports pertaining to certificates issued. Proposed work with system provider KE Software includes ensuring that we access the audit function within the system.** *We have written to AG's office to consider termination of contract with an Overseas company that hosted this system. This is due to issues that we have raised with the contractor; however, it has never been resolved. We have sought assistance from one IT company in Samoa which has the potential of carrying out this maintenance service of the system at a much lower cost and in a convenient manner. The office is awaiting a respond from the AG's office on this matter.*
2. **The Ministry did not pay its rent for the financial year 2010/11, placing an impact on following financial year commitments and budget.** *This rent has been settled and sufficient provision for the annual rent is appropriated in every FY to avoid recurrence in the future.*
3. **Issues relating to staff:**
 - a. **Employee annual leave marked as sick leave on the attendance book. Attendance book has been updated according to leave application.**
 - b. **Leave for staff were not posted and recorded in their leave cards.**
 - c. **An employee applied for sick leave supported by a medical certificate for only 40 days. However, an extra 27 days were taken which was outside the period on certificate. The employee retired in January 2013, however this issue has been taken into consideration.** *Leave balances are updated on a daily basis to ensure that such discrepancy is avoided. Posting of leave cards is also updated to ensure that staff leave are reconciled correctly. Finance one is also a very helpful tool for HR particularly in updating and reconciling staff leave. A leave balance report is also provided on a monthly basis to inform all staff of their leave entitlements on a prorate basis.*
4. **Some rental vehicles which were filled at the Government Bowser were not in the approval list of vehicles to be fuelled. These vehicles were replacement of the vehicles in the list. Audit could not confirm any documentation for such replacement and any changes.** *It was confirmed that there was no formal request to fill in the above vehicles at the Government Bowser. The usage of these vehicles during that time was confirmed via telephone communication between the Office and MOF staff at the Government Bowser. Improvement of such issues is noted for effective management of fuel consumption in the future. Proper documentation is encouraged with all divisions responsible for hiring vehicles to ensure that such issues won't be repeated.*
5. **There was increased spending of telephone bills for the first 6 months of the financial year from July to December 2011 compared to the last six months.** *During this particular period, the Bureau was conducting the Population Census which is a major undertaking of our*

Government. The Census is taken every five years and as usual it has a huge impact on the normal operations of the Ministry and its expenditure. We confirm that proper controls and monitoring are in place for proper use of these resources. Controls are in place to ensure proper use of office telephones. Call barring is in place to ensure that access to dialling mobile phones is strictly inaccessible.

6. **There was an increased usage of internet through uploading and downloading. Audit needs to verify these uploads and downloads from the internet.**
7. **Issues relating to irregularities:**
 - **There was an increasing amount of up to \$38,492.00 worth of irregularities. Such amounts are incorporated from theft, lost items and damages to government properties by the employees.** *Controls were strictly imposed at the time and of now there has been a lot of improvement in this area. No IR has been issued since then. Staff will be reminded to be responsible in taking care of the government assets to reduce irregularities in the future.*

Women, Community & Social Development

Financial Audited Year: 1 July 2011 to 30 June 2012

[Audit issues are listed first, with Ministry response in italics.]

1. **Under achieved revenue by 14%.** *Audit recommendation for improvement on revenue collection had been noted.*
2. **A letter from Ministry of Finance on the 6th August 2012, regarding the transfer of the ministry's revenue to be fully owned and accounted for by the Ministry itself.** *We have submitted a request to the PSC for the establishment of a "cashier's" position to be made responsible for this task.*
3. **No monthly reconciliation for debtors of the opening balances, receipts, invoices and closing balances.** *Noted.*
4. **73.7 % of some debtors were 90 days and above old, equivalent to 95% of the total debtor balance of \$1,572,068.57.** *Noted.*
5. **There are four cases of debtors with negative balances from the Account Receivable Ledger.** *Audit recommendation for the management to have regular review of debtors and investigate on the negative balances had been noted.*
6. **No Contract for High Value Suppliers at Printing Division.** *Audit recommendation for the establishment of service level agreement or contract with these suppliers had been noted.*
7. **Inventory Register and related procedures did not have a column for recording stock received, as well as a balance of stock unused.** *Noted.*
8. **Vehicle MWCSO 08 was not being used due to non approval of a warrant of fitness from LTA. Same issue raised in the previous audit.** *Audit recommendation for an immediate action on the status and condition of the vehicle be prepared for write off had been noted.*
9. **Some of the key performance Measures were not achieved.** *Audit recommendation and concern are for the management to regularly review their key performance indicators to ensure measures are achievable, had been noted.*

Women, Community & Social Development

Financial Audited Year: 1 July 2012 to 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **The Ministry did not achieve its estimated revenue by 39%. The same issue raised in the previous audit.** *Noted.*
2. **The documented procedure for cash handling within the Printing Division in the previous audit had not been properly approved.** *Noted.*
3. **Major Weaknesses in Invoicing and Receipting:**
 - a. **There were instances of duplicate invoice numbers issued to different customers;**
 - b. **There were difficulties in ensuring that all cash received has been accounted for given the limitations of the manual invoicing process.**
 - c. **There was a lack of reconciliation for receipts and invoices to determine the actual amounts that should have been collected, amounts yet to be collected and the amounts receipted and banked.** *Noted.*
4. **Control deficiencies were identified in the management of debtors of the Printing Division. These included:**
 - a) **Unrecorded debtors in Finance One.**
 - b) **A lack of regular reconciliation of debtor balances;**
 - c) **Around 85% or \$1,396,004 of the total debtors outstanding at 30 June 2013 of \$1,621,206 relates to long outstanding amounts that remain uncollected with \$727,147 relating to invoices raised in 2009-2010. The \$666,857 is related to invoices raised in 2010-2011. An indication of either inaccuracies in the debtors' records or very poor debt collection procedures.** *Audit concern and recommendation for urgent action required to substantially improving its processes over the recording and collection of debtors had been noted.*
5. **Lack of control over accountable forms especially those in use in Printing Division.** *Noted.*
6. **The Ministry failed to use approved pricing for printing services.** *There was no general increase in prices applied instead machinery hour rates was revised to accommodate for substantial repair costs which absorbed 70% of the Operation budget every year.*
7. **Lack of registers for inventories & consumables.** *Noted.*

Works, Transport and Infrastructure

1 July 2012– 30 June 2013

[Audit issues are listed first, with Ministry response in italics.]

1. **Several number of deficiencies have been identified over accountable forms: Some clearance books were not recorded in the main accountable forms register maintained centrally by the Corporate Service Division (CSD) although they were recorded in the register maintained by Maritime; Dates of issue to Ports of some books were not recorded in the central register; Some books of accountable forms are not pre-numbered; and A number of used clearance books were missing and could not be located. Similarly, a number of books reported as missing in the previous audit report could still not be located.** *In relation to issue of missing books, 8 books missing for FY 2012/2013 and 2 books in FY 2011/2012). In relation to other matters, recommendations are noted for future improvement.*

PUBLIC BODIES

Electric Power Corporation

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with EPC response in italics.]

1. **Several accountable forms and books could not be sighted. New books were issued in the register without the upfront return of the finished ones. The normal process was not followed; purchase orders and internal requisition books were missing.** *Responsible staff will face disciplinary action if found not following these simple procedures again. The electronic model of purchase orders from the Daffron IXP system in February 2013 has been implemented but these manual Pos were misplaced during storage.*
2. **Inwards Cash and Collection:**
 - a. **There were two separate registers for scratch cards: manual and electronic on Excel. Scratch cards sold at the main office (Sogi) were not recorded in the manual register.** *Recommendation is duly noted and EPC responsible management and senior is now re-enforcing updating/completion of relevant manual register and this manual register must be reconciled with the system balancing register as well to avoid repetition of same.*
 - b. **Audit was unable to review any agreement that might have existed on the arrangements between EPC and its post-paid bill collections agents (ANZ, Samoa Post, Westpac and Western Union).** *EPC would never adopt or use any service from a service provider without a proper agreement with these agents. New technology has provided more options for our customers pay their bills now through the use of scratch cards, cell phone top-ups, M-pos etc, and contract agreements are now in place for those services.*
 - c. **Few inconsistencies of collection (cash receipts) reports from certain Samoa Post's office branches namely Fagamalo, Tuasivi, Salailua and Asau. Verification of the actual receipts (payments for electricity bills) from consumers could not be done as some copies of receipts are not attached to the summaries provided by Samoa Post.** *Recommendation for management to consider having proper procedures with Samoa Post regarding the recording of payments received from EPC consumers for their post-paid bills had been noted.*
3. **Payroll and Attendance and Leave Records**
 - a. **The list of employees was not updated where some resigned and terminated employees' names still existing on the payroll. This list is not consistent with the one from the Payroll. Few employees whose identification numbers per their personnel files are not the same as the ones in the payroll system/reports.** *Agreed to the observation and recommendation and will look into improving this in the future. Prior to March 2013, HR information and Payroll run as two separate systems and managed by two distinct departments which is the reason the employee payroll numbers do not match the HR file numbers. The HR team is working towards integrating the HR information system with the Payroll which should resolve employees having two distinct numbers. This means that the employee ID number should be consistent with the employee payroll number. We will only issue a new card with the correct number when an ID card is being replaced or reissued. For new recruits, the payroll numbers will be the ID card number.*

- b. **Annual and sick leave for some employees have not been recorded and updated on the system (Daffron).** *Recommendation is duly noted. The HR department is currently working on improving the online leave administration system to correspond with our manual records.*

- C. **There were no leave forms for few employees' absences according to the attendance sign books. Employees have not signed in and out in the attendance books when they arrived at and departed from work. The responsible senior officers of EPC were not monitoring this control properly.** *Recommendation had been noted. The HR team will include this issue for further discussion with the managers. Monitoring employees sign in and sign out is not a direct responsibility of the HR team but the department managers themselves and supervisors. We will include workshops on this issue to inform all employees of the importance of complying with company policies and reinforce reprimanding and disciplinary actions where appropriate.*

- d. **There were no performance appraisal forms filed in personal files for the few employees to justify increments.**

The recommendation for the Management to justify their decisions on awarding increments to staff with poor performance (appraisal) had been noted. The HR Department is currently reviewing the Performance Management Scheme for improvement. We will surely reiterate this issue with all the managers to avoid promoting and transferring employees in an ad hoc fashion.

4. **There were immediate family relations among EPC employees, including couples, parents and children, brothers and sisters. EPC did not have a policy in place governing these circumstances.** *EPC does not have a policy prohibiting a couple to be employed in EPC. However, EPC is aware of the situation and will look at ways to avoid employment of immediate family members in same department but not necessarily in the same Corporation. Provided that there is no direct conflict of interest involved in the employment of a spouse or partner and that a person (or staff) has been appointed on merit, thereby satisfying the recruitment and selection requirement, then it should not be a concern for the Corporation.*
5. **Cabinet directive F.K. (13) 06 released on 27 February 2013 has re-emphasised its previous directive to cease term life insurance of Directors and staff of a Ministry and a Corporation. In the same, it has instructed any Ministry or a Corporation that may be affected, to put forward a submission for insurance that the management thinks appropriate.**

The decision on establishing this Life and Accident Benefit Scheme (LABS) was approved by the previous Board of Directors and has been implemented since then.

Land Transport Authority

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with LTA response in italics.]

1. **TONs were issued in bulk or in bundles (e.g.: 50 booklets) to the Ministry of Police and Prison. The Authority only keeps a register to account for the books when returned from the Ministry of Police & Prisons. The Ministry of Police is responsible for daily monitoring of these TONs and it was claimed by the Authority that in most cases, not all of these books are being returned as they are claimed to be lost or misplaced. This is an obvious weakness of officers losing these books on purpose to either avoid the idea of them using the money from clients or hide any unethical practices in carrying out their services.** *Currently the Ministry of Police and Prison has rejected TON booklets. They now resort to their power of arrest. TON booklets was further discussed between the two organisations as of to date. It is on hold due to a total of 234 booklets still unreturned as of years 2010, 2012, 2015 and early 2016.*
2. **There was no policy in place regarding donations and its limitations. The total monetary donations paid out is more than the maximum amount of the Ministerial donations and gifts as per F.K. (08) Faapitoa (06), despite the fact that the Financial Year is not complete.** *Policy was established and approved by the board in May 2014 and currently practiced.*
3. **The amount for VAGST payable was increasing.** *The audit concern and recommendation for a request for an assessment of the VAGST by the Revenue to confirm the amount that is payable to avoid having increasing liabilities. Audit concern is noted liaison with Ministry for Revenue pertains to VAGST is currently work in progress.*

National Health Services

Financial Year Audited: 1 July 2010 – 30 June 2011

[Audit issues are listed first, with NHS response in italics.]

1. **Accounting, presentation and disclosure of prior period were not compliant with IFRS. There were also errors identified during the audit which required correction and appropriate presentation.** *Audit recommendation for the financial statements to be complied with all relevant and applicable legislations and Standards before they are issued for audit had been noted.*
2. **New hospitals would be built to replace some old ones. Some of the buildings (identified in the register) would be put down and simply meant that these assets would be impaired.** *Audit recommendation for a provision for impairment due to the fact that they would not exist in the next 12-36 months had been noted.*
3. **From the General Ledger, one accumulated depreciation account is maintained for internally funded assets, one for aid-funded assets and none for leased assets.** *Audit recommendation for creating and maintaining separate accumulated depreciation accounts for each asset category to facilitate timely and proper reconciliations had been noted.*
4. **NHS had capitalised the upfront interest as part of the costs of the assets. This capitalisation was not compliant with IAS 17 because lease finance charges should be spread throughout the lease term. (Note that the amortisation schedules reflect interest on a monthly basis).** *Audit recommendation for the correct treatments of such transactions in the future to minimise the risk of misstatements and the asset register be updated had been noted.*
5. **Lease schedules and reconciliation were not prepared.** *Audit recommendation for all reconciliations and relevant supporting documents to be readily available for any balance and disclosure in the financial statements had been noted.*
6. **Claims to SNPF for the reimbursement of Pensioner's fees are rarely refunded in full at the amount of \$10,987.50.** *Audit recommendation for a provision for doubtful debts was necessary pending a resolution from the Board had been noted.*
7. **The claim for refund for post tsunami expenses was lodged. It has been regularly followed up but no responses from MOF. A sum of \$851,245 in the accounts receivable is the total expenditure incurred by the Services in relation to this agreement.** *Several attempts made to claim a refund for post Tsunami expenses from MOF were unsuccessful therefore accept audit recommendation to take up 100% provision of the total claim pending the board's approval for write off.*
8. **A few inpatient fees that were outstanding at balance date.** *Most of aforesaid unpaid invoices pertained to residents of Samoa. These people are entitled to receive health treatments whenever required. The reality is that we cannot withhold a citizen from consulting a doctor should there be unpaid bills for that patient. We operate from a Service perspective whereby people's health is our priority. Regular follow up of these invoices are in place but this does not necessarily mean we*

are strict with the pay first guideline as this will jeopardise our service to the interest of the public. Nevertheless, we accept the proposed provision and have appreciated the advice on strengthening our collection for the future.

9. **A significant VAGST credit of \$3,524,876 (2010: \$1,796,043) with the Ministry of Revenue is reflected in the Accounts which had increased by \$1,728,833 from 2010.** *The MOR resumed its VAGST audit for the years commencing January 2009 to June 2013 in early May 2013, and as of to date 26 June 2013 no response has been received regarding the end result of the audit and thus we are uncertain of our position on the validity of the VAGST credit carried in our books. We will ensure to follow up on this so we can be assured of our exact position on this. We will liaise with the Ministry of Revenue for an agreeable resolution.*
10. **Reports on the sale of drugs were not attached to their representative batches neither filed/kept for records.** *Noted*
11. **There was a variance between the total additions of sub-receipts against the bank lodgements.** *As part of the receipt/banking procedures all daily cash receipts are subject to check and balancing by the authorised personnel assigned for this task before banking is prepared. With regards to the shortages, these have been recovered from the responsible cashiers pay.*
12. **Sub receipts and invoice numbers were not sequential.**
13. **Sub receipt books, lodgement books and invoice books were missing.** *Noted*
14. **New recruits had no application letters and/or CV in their personnel files.** *Noted and will be implemented.*
15. **Some employees were confirmed to have taken their sick leave whilst their leave cards have not been updated accordingly.**
16. **Some employees with missing/no leave request forms submitted for proper approval.** *Noted*
17. **Audit was unable to sight and review some of the attendance books that were said to be missing.** *Audit recommendation for all finished attendance books be returned to the finance division and be kept in a secure place for future references, management and audit purposes had been noted.*
18. **There was no guarantee that all claims from Meti Samoa Medical Clinic for payments represent the actual patients that used the services. The NHS has no control and involvement in the process except for processing the payments upon receipt of claims.** *We look forward to pull in this service under clinical division hopefully during transition from the old to the new hospital in August 2013 so we can have access to controls and the processes adopted under the sleep clinic to ensure validity of payments made for services rendered under this scheme. The significant issues with Meti in summary, NHS only gets to process the cheque when the invoices are submitted for payment but the number of patients / even a record on these patients eligible under this scheme is unknown because the files remains with Meti Sleeping Clinic as well. This has been*

the practice since the start of this clinic some years back before the split of the two organisations. We are of the understanding that this issue may have been identified by previous audits.

19. **Inaccurate lists for nurses' night shift meals – MTII (Savaii).** *Noted.*
20. **There were instances where the system generates one cheque number for two different payments. On the other hand there were missing cheque numbers where the system skips certain numbers.** *Audit recommendation for reference or identification (cheque) number for different transactions (payments) be specifically identified and duplication or skipping of numbers is a major computer system weakness. This had been noted.*
21. **Unnecessary commitments to overseas medical treatments were paid by the National Health Services. The OVT Coordinator confirmed this to be an oversight of the said Cabinet directives.** *Audit recommendation for the responsible personnel to be thoroughly checked all attachments including F.K. for overseas medical check and treatment to avoid unnecessary commitment of the Services had been noted.*

National Kidney Foundation

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with NKF response in italics.]

1. **The patients that were being treated at NKFS are in critical conditions which guarantee the need for a full-time doctor on premises for continuous monitoring of patients while being treated.** *The audit recommendation for employing a full-time doctor has been noted.*
2. **NKFS did not insure its medical equipment. It is imperative that the medical equipments used for dialysis treatment are insured as replacement costs are high.** *The medical equipments use for treatments are not insured, mainly because the Foundation sought quotes for insurance cover for all the medical machines and equipments in the past years and determined the total insurance costs was too excessive. In addition, most of the medical machines purchased by the Foundation have 12 months manufacturers' warranty periods, for replacement of faulty spare parts at no cost. Back-up spare machines are in stock for use when machines breakdown or require maintenance servicing.*
3. **Given that the Foundation had a medical replacement plan of clocking over 30,000 hours (equivalent to 5 years), audit was concerned on whether the Foundation had considered funding in terms of replacing medical equipment as there was no guarantee that donors would provide funds and/or medical equipments to replace the current medical equipments when the need for replacement arises.** *The audit concern and recommendation had been noted.*
4. **There were no signed employment contracts between the NKFS and management namely Finance Manager and General Management.** *NKFS in collaboration with the Office of the Attorney General, was putting through amendments to its Act so that provisions for the position of General Manager and all other staff positions could regularised. Contracts could not, at this time, be formalised as there are no provisions in the current NKF of Samoa Act 2005, to provide for these provisions. However, working conditions as approved by Cabinet for contract positions are adhered to. Parliament should discuss the amendments during their next session.*

National University of Samoa

Financial Year Audited: 1 July 2012 – 30 June 2013

[Audit issues are listed first, with NUS response in italics.]

1. **The Finance Team prepared the quarterly reports but the Finance Committee did not review on a timely basis. There was also a delay noted in the preparation.** *Audit recommendation for these reports for the management to observe their performance with regards to the set budget had been noted.*

Office of the Regulator

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with OOTR response in italics.]

1. **Telecommunication fee billing in arrears. As at June 2013 the telecommunication fees due from the Main Telecommunications operating in Samoa for the period November 2011 to October 2012 and November 2012 to October 2013 had not been invoiced and therefore not collected.** *The Office of the Regulator has already sent follow up letters to telecommunication companies in relation to telecommunications fees. OOTR has indicated that he failure to produce the estimates invoices will be issued based on Section 9 of the Telecommunications Act. The revenue figures for the year 2011-2012 with a 30% growth estimates will be used.*
2. **A number of radio spectrum users were not invoiced. For example there were very few invoices issued to taxi stand operators in 2012. This issue is focused on a number of smaller entities and does not include the major telecommunications companies.** *Agree. The Regulator based on its Radio Spectrum Licence Register is updating the spreadsheet to reflect all licensees that have not been invoiced, and relevant invoices will be issued.*
3. **As at June 2013 there was more than \$200,000 in invoices that had been issued prior to 30 June 2012 (11 months prior) that had not been collected. Approximately \$100,000 of this dates back to the 2011 financial year or prior. We note that his debt is made up of amounts owed by a number of smaller entities rather than the major telecommunication companies. An accounting adjustment has been made in the financial statements increasing the provision for doubtful debts to \$208,000 to reflect the doubtful recovery of these amounts. Please note that this is an accounting provision not a write off and the debts can still be pursued.** *Agreed. The Office of the Regulator has resumed its regular process of reviewing outstanding debtors to ensure early settlement of fees by licensees.*
4. **OOTR currently does not use a computerised accounting package for its accounting. Reliance is placed on a number of Excel spreadsheets. It is understood that OOTR has been considering accounting packages and is expected to implement one in the near term.** *Agree. The OOTR is in the process of ordering the MYOB computerized system and should be in place for use by the Corporate Services Division by the end of August 2013.*

Samoa Airport Authority

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with SAA response in italics.]

1. **Withholding tax credit: There was a withholding tax credit of \$81,800 carried in SAA's books for over five years and has not been claimed from the Ministry for Revenue. This was raised in the previous year's internal control memorandum but the issue has not yet been addressed.** *Our Finance Section is working to collect the relevant information to support the SAA claim for these tax credits. It seems MFR doesn't have any records of their own and had to rely upon the Tax Payer to provide the information that are required for the claim to be processed. These credits had been in the SAA accounts for over 15 years and despite the effort, it had become extremely difficult to locate the source of these credits.*

Samoa Housing Corporation

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with SHC response in italics.]

1. **Some of the leaves taken during the financial year were not correctly updated to leave records (electronic). Incorrect updating of the actual information may lead to material misstatement of financial accounts. This weakness was a concern of management and has been addressed.** *Manual leave cards system has been established as a check and balance for the electronic records together with the physical presence and existence of leave applications approvals for references to cross check the accuracy and correctness of leave accounts for each staff. The existence of these three (3) records: electronic records, manual leave cards and proper leave approval records give suffice evidence for check and balances. Moreover, the electronic leave system has been redesigned to reinforce accurate and complete recording of leave records to curb mistakes indicated in audit findings in the previous years and is currently progressing well.*
2. **No evidence of any reviews of the Bank Reconciliation conducted by the Management of SHC, thus indicating a high level of reliance of the client on the system generated Reconciliations from MYOB. This weakness was a concern of management and has been addressed. However, comments are noted for reinforcement of existing controls.**

Samoa Land Corporation

Financial Year Audited: 1 July 2010– 30 June 2011

[Audit issues are listed first, with SLC response in italics.]

1. **Outstanding debtors relating to land sales, land leases and sundry debtors (including staff and market tenants) had continuously increased over the past years. As noted before, most of these debtors balance at 30 June 2011 were aged 90 days and over.** *Board now has a land sub-committee to address these issues. Long overdue arrears have been terminated by the Board and follow-up is ongoing.*
2. **Various accounting records like monthly trade debtors (land leases) and sundry debtors (staff and flea market debtors) reports could not be provided. SLC's computer system does not allow for accounting reports to be generated after the month-end date has passed. These detailed reports at specific time periods need to be maintained for analysis and future references.** *Reports are in place on monthly basis. The Accounts Division are working towards updating and monitoring. There is a new system in place to generate required reports.*
3. **There was no formal documented Land Policy for both public and staff to govern and guide staff in preparing and compiling agreements between SLC and other parties or tenants. Whilst we acknowledge the existence of individual agreements, there is an increased risk of inconsistency and variation in these individual agreements.** *Land Policy is now in place. Land benefit now ceased as a result of Cabinet directive FK (13) 06.*
4. **Issues relating to the Land Management System (LMS):**
 - **The filing system for debtor (customers) at the Land & Estates Division was not properly and consistently done;**
 - **Some were filed by customer name and others by parcel number;**
 - **Some customer files were incomplete and only contained the signed agreements, whereas related correspondences, internal memos and forms to create new accounts were filed separately;**
 - **Some staff agreements were amended without initials to confirm who was responsible for making the changes;**
 - **Some staff did not have agreements at all;**
 - **The file for new accounts on the Land Management System was not provided to ensure that approved new accounts were correctly posted;**
 - **There was no audit trail or document from the Accounts Section to inform the Land & Estates Division about the new accounts on LMS for the section's references.** *We are currently working on upgrading LMS information for integration into Attaché' by IT consultant Pramesh Nayan of Fiji. Filing has to be both by parcel number and by name as a normal filing process. All filing has now been updated to include all the required information. The file was provided and is currently active, and it should be noted that the process is the other way around: information to create accounts comes from Lands & Estates to Accounts.*

5. **Land repayments by SLC staff were being refunded back to them. Such practice was inappropriate in managing public funds.** *This is done not only for staff but also members of the public. It is also done on a case by case basis but has now been ceased.*
6. **The total acres of land owned by SLC together with their values could not be verified by Audit as the Land & Estates Division was still compiling the Land Register and reconciliation at the time of the audit. Land reconciliation should show the movement in land and whether it was for the acquisition of new land, transfer, leases or sale of land.** *The first report of land count is complete. The second report of land movement should be complete June 2014. Identification of properties is an ongoing task but progress is hindered by various factors such as customary landowners and squatters. Extensive data search requires more staff to be allocated to this task, and the Ministry of Natural Resources and Environment (MNRE) assistance is needed for a more detailed land reconciliation to identify land movement from the start of SLC. The Finance & Audit sub-committee in its meeting of Oct 2013 approved the use of the latest land reconciliation report of May 2012 as basis of land valuation using "Zoning Methodology" from MNRE. Land revaluation is hoped to be ready by 2014. Land Revaluation an on-going process case by case.*
7. **SLC does not maintain a delegated financial policy to govern the processing of payments. Such a policy should include limitations of authority, the authority for different types of payments with reference to their nature, and the proper process to be followed.** *Management has already included in order forms limitations of authority.*
8. **There were payments that did not contain all the required supporting documents – there were missing payment vouchers, no receipts and no documentation to justify or authenticate payments made.**
9. **There were unauthorised payments where vouchers were not properly approved by an authorised signature. An unauthorised payment increases the risk of misappropriation and unnecessary spending of public funds and even fraud.** *Management is continuously working on improving spending control and authorization. Under the current order form, authorised limits are clearly noted on voucher.*
10. **There were cheques with significant totals paid either in cash or payable to SLC. Poor controls were in place to monitor cash payments as most of these claims lacked evidence as to who the recipients of funds were, the lack of receipts or proof on what funds were spent on, posing a potential risk of fraud.**
11. **There was no reconciliation process for inventory. Proper reconciliation is a control that ensures the stock is properly accounted for and not misused.** *_SLC now has in place a Point of Sale (POS) electronic system called Infinity. The Accounts Section is working on monitoring and reconciling stock on a daily basis to ensure all is accounted for. Regarding enforcement, all bar purchases come through Accounts for posting before disbursement. To create two separate accounts for Restaurant & Bar for control and monitoring, all empties (bottles and crates) are to be treated separately, as other income.*
12. **Daily stocktake sheets were poorly maintained i.e. they were not properly tallied or filed or stored properly. They were found in a stack of box with sheets from other months missing.** *Daily stock take sheets are filed for reference. Every movements of stock is monitored by Infinity System.*

13. **SLC does not revalue all of its lands on a regular basis to comply with prevailing accounting standards.**
14. **The Funds Held on Deposit (FHOD) account accumulated over the years had inflated SLC's liabilities unnecessarily, and increases the risks associated with it.** *Most FHOD are transferred to land debtors account to be included in the financial year 2012.*
15. **Expenses relating to the Faleata Golf Course continue to be reported under the Profit and Loss statement. These include repairs and maintenance for the Golf Course and golf carts. The exclusion of other expenses related to the Golf Course give a misleading impression of the Golf Course's financial position. Users of these financial statements can interpret these statements to mean that the Golf Course is self-sustainable when it cannot operate on the revenue that it generates alone.** *Management is working on addressing the matter. The new e-accounting system in place for 2013/14 financial year will cater for the reporting of individual accounts/sections and will be provided as supplementary information to the Accounts. i.e. Accounts for FGC, Markets etc.*
16. **Total costs for the Vaitele Market and SLC Headquarter projects exceeded approved funds allocated and approved by Cabinet. There were also many variations to the contractors' agreements. Variations had inflated the costs for these projects and resulted in SLC spending more than what had been approved. Audit is concerned that the contracts were awarded based on the original bid amounts submitted to the Tenders Board which varied considerably from what was spent in total.** *The contract amount was for Building structure only. Air conditioning and partitioning were separate costs approved by the Board Variation 1 which covered change of louver windows to aluminium for better cooling purpose. Variation 2 which increased capacity of elevator and buying it from Otis which is the same company providing maintenance services for all elevators used in Samoa.*
17. **Debtors' reconciliations were not properly done and not thoroughly checked by the appropriate personnel. We noted errors in additions and balances carried forward were incorrect. Whilst there are procedures for debtor reconciliation in place, these were not carried out and increases the risk of unaccounted debts which can lead to understatement of Accounts Receivables.** *Internal controls are in place and procedures are monitored by responsible personnel.*
18. **Several debtor accounts were deleted from the Excel spreadsheet without proper approval. Not only is this poor practice, but poses the risk of misleading information and the possibility of fraud.** *The officer involved has been terminated. The new Accounts clerk recruited in March 2013 assists in maintaining and furnishing required reports on a monthly basis. Previous tenants and their respective arrears are to be written off.*
19. **Some instances of debtor balance adjustments or corrections on the monthly report (on Excel) were made without any supporting documents or proper authorization.**
20. **Debtors of \$3,120.12 were not included in the Other Debtors' balance. This is a result of trying to record and account for uncollected debtors using Excel spreadsheets.**
21. **Agreements between SLC and tenants at the Salelologa Market were not annually reviewed. The agreement clearly stipulates the annual review of agreements to ensure that both parties**

are playing their role in collaborating to achieve the overall objective of SLC. *Agreements are in place and now on review process.*

22. **Billboards belonging to SLC on Salelologa Market premises were used for different business advertisements without any fees charged for their use.** *Owners of these billboards will be charged*
23. **Proper cash collection procedures were not followed by the responsible cashiers when receipting funds to ensure proper transparency and accounting. All receipts should clearly state the block number used by each tenant as some tenants had similar names and may cause errors in debtor repayments posting. No alterations are to be made on receipt copies and all alterations should be properly endorsed by the person making the alterations.** *We have conducted training on receipting and handling cash and the same process will be carried out for all new collectors and cashiers.*
24. **Debtors' recovery was poor as only small portions are being paid by tenants resulting in the rapid accumulation of balances owing. This would make collection of debts difficult which are likely to be unrecoverable in the future.** *Aggressive daily collections are carried out to avoid accumulation of arrears.*
25. **No reports were prepared and forwarded to the Main Office for posting on the Land Management System (LMS) regarding land repayments. Narrations on bank statements were used to update the debtors' balances by the Main Office which are vulnerable to errors and increasing the risks in accounting for debtor repayments.** *Monthly report from Savaii market includes a list of land payments received at Saleleloga and are banked separately from market collections. Accounts are updating such debtors during daily postings.*
26. **There was no IT Disaster Recovery Plan. There is no documentation available on how users would be managed in the event of a disaster. Without a fully-documented and tested business and IT Disaster Recovery Plan, there is an increased risk of SLC not being able to recover critical business operations and IT systems in a timely and/or complete manner, in the event of a major disaster.**
27. **There were quite a number of transactions with values exceeding \$200,000 which required approval from the Tenders Board as per normal Government Policies, but instead were solely approved by the Board of Directors.**
28. **A new organisational structure was approved by the Board of Directors on their 20 December 2010 meeting which included newly-established positions of Internal Auditor and Legal Officer. These positions have not been filled and were therefore not included in the organisational structure submitted to audit.** *Internal auditor in the pipeline. Legal Officer on board October 8th 2013 (SLC to confirm the correct date.)*
29. **There were a lot of deficiencies arising from the different operations resulting from the lack of supervisory checks by senior staff.** *OK – note this issue too general. If not to a specific area, can we have it removed?*

30. **There were different interest rates charged for different land allotments. Different grace periods are also offered on the different land allotments. The concern is on the grace periods offered for some allotments which are effective for 10 years impacting greatly on SLC revenue collections.** *Terms and conditions for land sales are set by the Board. The Land Sub Committee is currently reviewing terms and conditions. Land sale now ceased by Cabinet directive FK (13)*
31. **Land allocations were not approved by the Board of Directors.** *This is a normal process. There is now a Land Sub- committee dealing with all land matters before final approval by the Board.*

Samoa Land Corporation

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with SLC response in italics.]

1. **There were delayed monthly bank reconciliations, and no documentation of bank reconciliations process to reflect transparency and independent checks of balances on bank reconciliations.** *Monthly bank reconciliation are checked by Manger Corporate and memo submitted to Exec.3 working days after end of month to inform and update. Noted and will provide moving forward.*
2. **There was lack of evidence of the independent checks and balances over receipts.** *This issue is no dates but not that the bank reconciliations were not done on time. Memo sent to Exec is around 3 working days after the month end.*
3. **There were lapses in the registration of receipt books as to when they were issued, completed and returned to base.** *Registration book in place and more effective monitoring and control implemented.*
4. **There were cancelled receipts without the originals being attached. SLC should carry out a proper investigation and report back to the Audit Office about these cancelled receipts.** *The appointed auditors will follow up in the 2013 audit and will also follow up in its performance audit. Note moving forward.*
5. **Several instances of late banking were noted.** *To be more specific. Banking is done daily no exemption except for weekends intake banked on Monday following. Salelologa team leader responsible in making sure their banking is also submitted daily. Any delay needs to be documented which has been done in previous cases.*
6. **There was short banking totalling over \$1,600.** *Short banking are either noted on the paperwork or documented if it's of a serious matter.*
7. **There were some lapses in the separation of duties in the handling of cash as well as independent and supervisory checks and balance.** *SLC management has agreed to minimize, if not eliminate, these lapses totally. Our paperwork clearly identifies staff who prepares, checks & certify collection; each carried out by different individual staff. And the roles are rotated weekly so as to have different personal looking after cashier, do the market & FGC collection as well as taking the banking. The no evidence part we will work on moving forward.*
8. **Receipt books of July, August and September 2011 allocated to and used by the Savalalo Market operation were damaged. There were no indications of an irregularity reports relating to this incident.** *Management aware and taking necessary actions to secure and properly maintain these records safekeeping.*
9. **Issues relating to payments:**
 - **Lapse in coding of payments and payment documents;**
 - **No evidence of approval on payments;**
 - **Payment vouchers were not stamped 'Paid' after payment;**

- **Lack of enforcing budgetary controls over actual expenditures;**
- **Several payments over \$10,000 were not approved by the CEO.**

Noted moving forward. On-going process which staff and management needs to consistently make sure it's done properly

10. **There was no review on contracts such as Feagaimaleata done in accordance with the contract documents.** *The appointed auditors and the Audit Office will follow up in the 2013 and 2014 audits as well as the performance audit.*
11. **Policies over the increase in staff pay rates were unclear.** *Noted moving forward.*
12. **Documentation for the approval of overtime work was not satisfactory. Without proper documentation, overtime work will be considered as unauthorized.** *All overtime work will be approved by the CEO or management.
Noted moving forward.*
13. **The filing of P4s with the Ministry of Revenue was incomplete and not timely.** *Noted moving forward.*
14. **The fixed asset register was incomplete, and the physical count of all fixed assets including lands does not agree with the fixed asset register and the financial statements.** *This has been addressed and asset count conducted on 1st July 2013 all SLC properties including Savai'i. To done annually.*
15. **The current rates were accelerating the depreciation too quickly leading to an early write-off of buildings, and buildings with nil book values when still these properties have high utility and market values because no adjustments were made.** *Main Office, Vaitele Market & Salelologa Market are depreciated at 2.5% with the rest of buildings at 10% FY 2012.*
16. **The revaluation of lands under lease or sale arrangements did not comply with International financial reporting requirements.** *Noted moving forward.*
17. **SLC did not provide ageing lists of land debtors to the Board and Minister on a regular basis as well as Agents and Audit Office at the time of the audits.** *Noted with management working on possible scenarios.*
18. **Provision for doubtful debts on ageing debtors was not adequately and properly assessed.** *Noted and provision adjusted for FY 2012 for arrears over one year old.*
19. **A limitation in the use of the Loan Management System affects the integration with the General Ledger and other financial reporting and accounting systems.** *LMS is a very productive and useful system; its utilisation is what we need to work on. Currently, LMS is integrated with GL which we have been working on for the past 6 months. And its reconciliation has already started.*
20. **There was a significant movement of funds held on deposit from 2011 to 2012. The liability is recognized in its General Ledger and financial statements.** *The movement was caused by the significant number of allocation of funds to new land sales and land leases during the financial*

year 2011/12. There was also concern about the legality of the use of funds held on deposit by SLC before lands are identified and allocated to deposit holders. Noted and updating VAGST Return file

21. **Land sales and lease agreements were absent as well as correspondences containing offers of land for sale or lease.**
22. **Land reconciliation was incomplete in the management letter reports of 2008-2011.**
Appointed auditors and Audit staff will follow this up in the 2013 and 2014 as well as performance audit.
23. **There were no written terms and conditions for land sales and land leases. There was inconsistency in terms and conditions applied for some land sale transactions implying preferential or biased treatment.**
24. **Issues relating to VAGST:**
 - **Lapses in keeping stamped VAGST;**
 - **Discrepancies in the credits transferred from one VAGST period to another;**
 - **Poor support for VAGST credits in the financial statements.**

Samoa Ports Authority

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with SPA response in italics.]

1. **Non statutory deduction authorisations by the employees were kept in a Payroll Input Data Box with the Finance Division instead of the employees' personal files at the Human Resource Department.** *While the recommendation is accepted, the HR division should make copies for staff personal files and the Payroll division to keep these records (authorized deduction) too for ease of reference and for data entry into the system.*
2. **There were no salaries & wages reconciliation (P6 &P6A) filed with the Ministry for Revenue.** *No salaries and wages reconciliation (P6) filed with the Ministry for Revenue (MFR) for the past 12th yrs since the Master Payroll & Statistician Officer was employed by SPA. She also recorded that the MFR didn't ask for P6 since its year of operation as P4 is the only electronic source document that MFR emailed to be filed and returned. For your information, P6 are now updated on a fortnightly basis.*
3. **Leave application forms were not completed.** *The leave form from HR department is handed to staff member to fill in for leave to be taken. The Manager/ Supervisor should sign before forwarding the same form to GM's Section for approval. This is where it lapsed as some information is not filled in as required by the form. HR personnel will thoroughly look into this matter.*
4. **SPA is having difficulties in monitoring its employee's attendance at work due to the significant number of its employees and various locations in which its employees are stationed.** *HR personnel are currently carrying out randomly spot checks of all divisions' attendance books. We have also in the past discovered some staff who tends to sign other staff names and/or deliberately recording wrong information on attendance book. They have been served Warning Letters and state in letter their breach of employment policy and how they are penalised accordingly as per Disciplinary Procedures in SPA Employment Policy. We do not believe above recommendation will be efficient, as it will be a bit messy, not only because of the ink use on fingerprint which staff member will be marked for during the whole day, but also on the attendance books as ink might get smudged, etc. For monitoring attendance of staff stationed away from the main office, it is vital that Supervisors should oversee all staff reporting directly to him; therefore he should be the key person to monitor and record staff attendance correctly. HR department will also carry out spot checks continuously to see if they are correctly carrying out this task.*
5. **Total banking agrees to total of receipt book. But, total cash and cheques in receipt book do not agree to breakdown of banking as per deposit book.** *Audit recommendation for banking be intact. Cash and cheques receipted in receipt book should be the same with banking and therefore, no staff personal cheques are cashed from the cash holdings of the Authority. These had been noted.*
6. **Few delayed banking was noted.** *The cashier is now instructed that every receipt that comes after her closure time should be dated for the next day.*

7. **The amount of cheques receipted differed from the amount banked. There was no checking done by the responsible personnel after banking. The deposit book was not stamped by the bank to verify that funds has been received and deposited in SPA's bank account.**
8. **There was no evidence that goods/services were received or performed. Authorised personnel signature for approval of some payment vouchers are missing. Supporting documents e.g. invoices and receipts should be marked or stamped "PAID" once payment is made. Most payment vouchers had not been stamped "POSTED". Some supporting documents for Petty Cash reimbursement were missing. Some payment vouchers were missing from the payment voucher files.**
9. **The Fixed Asset Register was not properly managed, monitored and updated.** *This is currently in progress for year 2013.*
10. **During the year, SPA continued to operate above its bank overdraft limit of \$1,300,000 and has been struggling with its cash flows.**
11. **On 12 June 2012, the Board of Directors approved that all employees over \$50,000 should be on contract.**
12. **Directors' fees relating to the first two quarters of the financial year 2011/12 were paid to some directors despite the Board being dissolved on 18 January 2011.** *Directors' fees were paid out twice during the financial year on July and December.*
13. **Directors' fees and sitting allowances paid and payable to the Board of Directors were inclusive of withholding tax as per directive FK(13)06. These withholding taxes are payable to the Ministry for Revenue.** *This practice started in March 2013.*
14. **SPA's Current Ratio for the two years indicates no improvement in its ability to pay its short term obligations with its short term assets if they fall due. The ratio clearly illustrates that SPA is not in good financial health.**
15. **The calculation of ratios shows that 71 % of SPA's assets are financed through debt which is not much of a difference when looking at the previous year (2011). The result also indicates low borrowing capacity of the Authority which in turn lowers its financial flexibility.**

Samoa Ports Authority

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with SPA response in italics.]

1. **Most payment vouchers had not been stamped “posted”.**
2. **Issues relating to journal entries:**
 - a. **Not all journal entries were recorded in the Journal Entries Register.**
 - b. **Not all journal entries were approved by the Finance Manager.**
 - c. **Some journal entries had no narrations.** *These journal entries are normal ones for staff payroll which were inputted from year to year. The other entry is the entry by the Finance Manager and all his entries are inputted by either the Assistant Manager Finance or the Assistant/Principal Accountant as they have access to the accounting software used by SPA for its financial recording.*
3. **There was no systematic sequencing of journal entries in the QuickBooks Accounting Software. Many accounts were affected because of extensive use of journal entries throughout the financial year in the QuickBooks Accounting Software.** *The Assistant Manager Finance or her assistant are allowed to access. Authority uses the general journal to do any correction. General Journal Book as all these entries are, are sighted by the Finance Manager.*
4. **Debtors write-off processes and procedures as per Samoa Ports Authority Financial Policies and Procedures Manual 15.4.1 were not adhered to.** *FSO II account was off set (Write off) under the condition that SPA will reverse the account against the Insurance court case being withdrawn.*
5. **Major payments were made during the year without considering any quotes from various suppliers including the purchase of a printer (\$29,178) and repairs to office vehicle SPA 12 that was involved in an accident (\$18,995).** *The printer was recommended by the HR principal who attended the training and was approved by the former GM. The Finance Manager was not aware of the vehicle accident as this happened during the week-end. It was instructed by the Operation Manager who was the Acting GM at the time to take the vehicle to the mechanic.*
6. **Tender documents and quotes from Insurance Brokers (Samoa) were not provided.** *PIC insurance brokers were used by SPA since its inception in 1999 at no cost.*
7. **There was no insurance claim lodged when a vehicle was involved in an accident which resulted in SPA paying for the cost of repairs.** *The claim was lodged with our insurance broker before we found out that the driver had an expired license.*
8. **The dredge boat at Mulifanua costing \$3,982,131 was not insured when it capsized in December 2012. SPA is now paying for all the repairs and maintenance. An analysis of the dredge operation at Mulifanua found a continuous loss in this operation.** *Dredge is a complete write-off and SPA has no other option but to shut down this operation.*

9. **Telephone credits transferred out of some managers mobile cell phones contracted under SPA and used by employees.**
10. **Some employees were on contract but higher duty allowances have been calculated including weekends overtime.** *SPA is a Government SOE and does not work under the PSC policies but by the Labour Act. HDA is inclusive in our approved employment policies as one of SPA benefits.*
11. **Declaration for pecuniary interest is yet to be completed by each member of the board as per requirement in Part V Section 20 of the Public Bodies Act 2001.** *The matter has been taken up with the Board secretary.*
12. **Authority paid compassionate relief fund for all employees including the Minister, Associate Minister and the Board Members on the 19 December 2012 with a total amount of \$66,697.94.** *There are also supporting evidence to support the reason why this issue was paid out. As mentioned before, the responsible auditor should have raised the subject for clarification to make sure that the issue has been discussed thoroughly.*
13. **Some contracted employees have no contract agreements in their personal files.**
14. **The Board of Directors approved that all employees over \$50,000 should be on contract.**
15. **The Internal Audit department is involved in the processing of the payment vouchers.** *Vouchers are only referred to them for checking purposes and check if internal controls and procedures are properly followed and abided by each and every staff member.*
16. **The rent received for hire of the Multipurpose Hall at Matautu was being receipted and banked in the Social Club's bank account instead of SPA bank account.**
17. **The current ratio for the two years showed no improvement in the ability of the Authority in paying its short term obligations with its short term assets if they fall due.** *Theoretically the loan is for twenty years and it was brought in to satisfy the standards but generally the Bank has no intention to foreclose this loan as there are ways to satisfy the current situation.*

Samoa Qualifications Authority

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with SQA response in italics.]

1. **Delayed Banking.** It was evident in tests carried out the issue of delayed banking, where cash was not promptly banked. Annual renewal registration receipted on 5 April 2013 and was banked on 11 April 2013. *Matter is noted for improvement.*

Scientific Research Organization of Samoa

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with SROS response in italics.]

1. **Fixed asset register is incomplete. Its cost, accumulated depreciation, depreciation expenses and carrying amount were not included. Fixed asset register does not include buildings. There is no proper documented process for fixed assets – purchasing, receiving, moving etc.** *Assets costs are included however actual depreciation & accumulated depreciation cannot be confirmed 100% due to the old age of assets since SROS's establishment in 2006 and building costs included. The audit recommendation for a proper process for fixed assets documented had been noted.*

Samoa Shipping Corporation

1 July 2011– 30 June 2012

[Audit issues are listed first, with SSC response in italics.]

1. **Delayed banking of the Corporation's collections.** *This has been an issue every year and we provided explanations for the delay. For the Head Office we have changed processes and the banking is now on a daily basis. For the Mulifanua Office, the banking can only be processed when the Bank's agency at the airport is open for business during daytime hence the delays.*
2. **The following expenses were made out from the sales collection funds. Payment of higher duty allowances to the ACEO-Finance/Corporate Services and payment of other operational expenses.** *The audit recommendation for utilisation of sales collection to fund expenses has been noted and as previously explained, some small amounts are paid through the petty cash system.*
3. **From our review of Trade Debtors, we noted that the balance for customs duty drawbacks was still continuing to increase when compared to previous years.** *SSC is currently working with the Customs Division of the Ministry to resolve this matter.*
4. **We noted that number sequences used for the different types of accountable forms (Internal Requisition forms, Cargo assessment forms, Receipt books etc) were similar.** *Noted and Management will review the existing referencing of forms to avoid the same number being used for different forms.*
5. **The Accountable Forms register is not properly maintained as only the book number and leaves sequences are recorded with the type of book or accountable form not recorded. There were also completed books sighted but haven't been closed within the register.** *Noted and changes will be made to the register accordingly.*
6. **There were petty cash payments which exceeded the stipulated limit of \$50 per petty cash claim as per petty cash policy.** *This is the original policy that no longer suits the operation status quo and Management will review and amend policy accordingly.*
7. **There were payment vouchers without proper supporting documents such as receipts and invoices attached to actually confirm the nature and amounts of payments made.** *Noted and will ensure all crew and staff list will be provided as supporting documents for the weekly food provision payment voucher.*
8. **There were payment vouchers that could not be located at the time of the audit.** *The audit recommendation has been noted and all vouchers should be kept in file.*
9. **The Corporation does not have oaths of secrecy and employment agreements/contracts with its staff.** *Management will work with the Audit Office in incorporating an oath of secrecy as part of the recruiting process and amend policy accordingly. Seafarers contract are now in place.*
10. **Some employees failed to sign on the timesheets submitted for payroll processing. There were timesheets that were found to be incomplete.** *The audit recommendation has been noted.*

11. **Quotations of prices are not sought by the Corporation from suppliers when fixed assets are acquired as evident in no quotes filed or attached to payment vouchers for assets acquired.** *Noted and Management will also review existing policy on Fixed Assets to incorporate recommendations.*

Samoa Sports Lotto Agencies

Financial Year Audited: 1 July 2011– 30 June 2012

[Audit issues are listed first, with SSLA response in italics.]

1. **Some of the leave cards for certain employees were either incomplete or not updated from leave records file. Due to the absence of leave cards and incomplete leave records, the audit could not verify leave balances for the audit period under review.** *A reminder has been sent to the responsible staff and for the Manager to ensure that all leave cards are updated and to avoid non-recording of any leave taken.*
2. **There was no Corporate Plan provided. The performance of SSLA could not be verified.**
3. **Basic IT-related controls need to be established. There were no written IT Security policies, no anti-virus for all office computers, assets were not generally secured, no formal procedures exist over remote access to network, no detailed documentation of back up procedures, no offsite backups.**

Samoa Sports Lotto Agencies

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with SSLA response in italics.]

1. **The existing register was incomplete. Additional columns should capture important information relating to receipt and issuance of such books are incorporated.**
2. **There was no proper register to record the receipt of Pull tabs from the supplier.**
3. **Petty cash vouchers were not signed/ approved.** *There may have been instances where there was an oversight but normally any payment is approved by CEO or Finance Manager (in absence) before payout. Nonetheless, a reminder has been sent out to responsible staff to make sure procedures are being followed.*
4. **There was use of daily sales for petty cash expenses. For instance, at the Fasitoo branch, the operator assistant pays taxi fare to go home every Saturday, and the Savaii agency used revenue from TMS for office expenses such as donations, taxi fare, cleaning materials, copies etc.**
5. **Petty cash vouchers used are not pre-numbered.** *There may have been an oversight but normally all petty cash vouchers are numbered and again we dispute the audit implications that all petty cash vouchers are not numbered.*
6. **SSLA funds were used for donations or gifts for funerals, newborns or visiting a sick employee, as well as end-of-year functions. There was no policy to govern in the SSLA Accounting Manual to govern these.** *This practice was incorporated from previous management and is only approved by CEO. We strongly disagree with audit recommendations that employees should contribute money from their own pockets to fund a donation for say a funeral of an employee or a close relative. That is a management decision not an auditor decision. If you look at the amounts donated, these are relatively minor and were granted under the discretion of the CEO.*
7. **There was a high number of delayed bankings noted from audit spot cash count. It is likely fraud via the use cash by the operators without detection. This has been happening since the last 3 or 4 years.** *The delayed banking is indeed an issue that we are trying our best to minimise as best we can. However, you must appreciate that this is an organisation that deals with a lot of cash every day. From time to time, delayed banking will occur and there is usually a perfectly reasonable explanation. One is most certainly the possibility of fraud. The turnover of staff is very high due to the policy of instant dismissal as this sort of behaviour is not tolerated. Past employees have been linked to fraudulently playing the floats and sales blaming the short of one for the other. Those employees were immediately dealt with. Another explanation is that when there is a shortage of staff, banking is left to be made later when they have been adequately checked to prevent the lack of segregation of duties. Enforcement and closer monitoring measures of these banking have been put in place and have been put in practice. We expect improvement.*
8. **Purchases Orders were not being used. Any of the Finance or Marketing team including the driver could order and procure items (other than capital items) at any time.** *This was explained when discussed that any order is approved prior to order by CEO or any Manager*

(management) in his absence. The Agency has now implemented the use of Purchase Orders for material items not covered under the petty cash system. The Accounting Manual will be accordingly updated.

9. **Some of the employees leave cards were not updated from leave records file.** *The staff member who is responsible has been spoken to and has been warned. She will be given six months to perform her duties as well as monitoring to ensure that cards are updated and avoid non recording of leave taken.*
10. **The existing Accounting Manual did not have procedures on general journal entries.**
11. **Some of the documented procedures in the Accounting Manual were different from the current practice. Changes made were not updated in the manual.** *SSLA had undergone management changes with the changeover of CEO's. With the settlement of the Agencies new CEO, the accounting manual is currently under review with updating for any policies or practices which need to be amended to reflect current practices with the Agency.*

Unit Trust of Samoa

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with UTOS response in italics.]

1. **The Attendance Book was not properly maintained and updated. Some employees did not sign to confirm work attendance also they did not record their arrival and departure times in the attendance book which is a non compliance with the 10 hours of work policy (1) Attendance Book of the UTOS Human Resources Management Policy.** *Noted. Limited staff and the high workload of all staff has perhaps taken a light view on the policing of this policy.*
2. **There were discrepancies between monthly leave balances and the attendance book records, reflecting that there is no proper reconciliation of records of employees' leaves entitlements being utilised.** *Noted. Plan on hiring more staff to complement the "finance" division.*
3. **No segregation of duties in the preparation of the payroll as there was only one individual processing the payroll.** *The audit recommendation for no segregation of duties in preparing the payroll had been noted.*
4. **Leave entitlements not in accordance with employment contract. One Senior Officer was awarded a total of 80 sick leaves which was not in accordance with the 20 days sick leave for each year, due on the anniversary for the 3 years contract, which was a total of 60 days for sick leave. The last additional 20 days was awarded in the remaining 3 months of the employment contract.** *The audit recommendation for the employment contract's terms and conditions regarding employment entitlements had been noted. When the financial year ended, we did our reconciliation and this was noted and corrected. Her end of contract payment reflected her proper entitlements and no more.*
5. **The staff personal files records were incomplete as they only contain the employment contracts but no copies of annual appraisal reports, application letters, curriculum vitas or qualifications etc.** *The audit recommendation for the incomplete personal files records had been noted.*

Land Transport Authority

Spot Check: 20 January 2014

[Audit issues are listed first, with LTA response in italics.]

No issue found, thus audit concluded that system and processes were well executed and that internal controls were in place.

Public Trust

Spot Check: 23 January 2014

[Audit issues are listed first, with PTO response in italics.]

1. **Some petty cash vouchers were not approved for payment yet funds had already been disbursed.** *Noted*

Samoa Airport Authority

Spot Check: 2 May 2013

[Audit issues are listed first, with SAA response in italics.]

1. **Accountable Forms - Missing Booklets and Unauthorised disposal of official records.** The completed (used) parking fees booklets (\$10.00 and \$5.00) were not properly kept for office records and could not be sighted and verified by the audit team. According to the Cashier, the current process was such that booklets were trashed when received and were not kept for any records. The current practice of unauthorised disposal of records was raised as unacceptable and should be ceased. *Recommendations by audit was noted by SAA for future actions.*
2. **Audit noted that the recipients/payee of claims funded from the imprest did not sign the petty cash voucher as evidence they have actually received payment.** The vouchers should also be prepared before the payment is made so that when the claimant claims the payment, they should sign the voucher first and they may forward the receipt later if needed. In addition, claimants should sign the voucher to confirm they have actually received payment, in cases of donations: professionalism should be practiced such as attaching the program with the Faifeau's name to confirm that the payee is correct or the chairman of such event must sign it to confirm such payment has actually been paid out. *SAA did not have a written down procedure of how petty cash was disbursed. SAA was using a spreadsheet to monitor the movement of petty cash with all the appropriate documentation to be attached to the voucher. SAA petty cash vouchers were photocopies and were not pre-numbered. The receipt was the proof that the payment had been received by the Supplier. Audit's recommendation was noted and a pre-numbered petty cash voucher would be used in the future.*
3. **There was no limitation of claims funded from the Petty Cash Imprest.** The Authority was also reminded of the purpose of the imprest and any large amounts to be paid out should be made using cheques through the normal payment process. The payment of large claims from the petty cash was seen as over riding the controls set for processing cheques payments. It was strongly recommended that a proper conditions and limitations were set with regards to amounts of claims to be funded from the imprest. *SAA did not have a limit on petty cash fund. SAA would look in to this issue during review of Accounting Policies.*
4. **There were vouchers for petty cash disbursed to different shops for the same occasion (Gym Opening), which involved purchasing of alcohols.** There was no proper endorsement or approval from the appropriate authority to allow such disbursement using petty cash. According to the F.K (08) Faapitoa 06, purchasing of alcohols are strictly prohibited if function to be held are funded from the Organization's funds. Thus, audit strongly recommended for the Authority to avoid utilizing Organization funds such as petty cash to acquire alcohols, but initially seek for approval from the Cabinet or endorsement from the Minister in tolerating such expenditures. *SAA was not aware of this FK. Audit recommendation was noted for future actions.*
5. **Petty Cash - Vouchers not properly pre-numbered.** During our review of Petty Cash vouchers, we noted that all vouchers attached to the last 3 reimbursement were not

properly pre-numbered. *As noted above, audit recommendation was noted and a pre-numbered petty cash vouchers would be used in the future.*

6. **During our review of petty cash, we noted that there was no approved policy in place to govern and guide the petty cash operations.** *Recommendation was noted for future actions*
7. **There were petty cash claims that were paid without proper vouchers to ensure that appropriate authority was obtained for such payments.** *As noted above, all payments made out from petty cash were recorded and monitored in a spreadsheet which was updated whenever petty cash was used. All receipts and other evidence for which cash was used were batched and filed in date order. The Petty cash voucher was then filled in when all the documentation were received. Audit recommendation was noted for future actions.*
8. **Audit noted that one debtor (tenant) did not have any finalized signed agreement filed and kept for authority's records so to ensure that both parties have read and agreed to every terms and conditions of such agreement.** *Audit recommendation was noted for action.*

Samoa Airport Authority

Spot Check 24 January 2014

1. **No backup custodian for petty cash imprest: We were not able to check this imprest fund during our visit because the responsible officer was not at work and no other senior officer present at the time had access to this fund. There was no alternative officer to take responsibility for petty cash in the continual absence of the main officer in charge. SAA fully agreed with the recommendation.**

Samoa Housing Corporation

Spot Check: 21 January 2014

[Audit issues are listed first, with SHC response in italics.]

1. **There was no limit set for petty cash to be due to replenishment.** *Management has noted the significance of the issue and a set limit of \$200 has been established for petty cash due for replenishment.*
2. **Petty cash vouchers were not issued in a sequential order.** *Petty cash vouchers were issued in sequential order but numbers missing were related to Rental Properties Petty Cash booklet which were not been sighted during the spot check. However, related existing internal controls are consistently reinforced to prevent errors of the kind.*
3. **Delayed reimbursement which could delay payments to be made from the Imprest.** *Noted and agreed with recommendation. Existing internal controls have been strengthened ensuring timely reimbursement of Petty Cash Imprest for timely execution of payments.*
4. **Insufficient supporting documents to properly confirm the authenticity of disbursements made.** *All supporting documents related to disbursements made were all in order and kept inside the Petty Cash booklet to await reimbursement. All supporting documents that substantiated disbursement is made from petty cash are efficient. In order and affixed to Petty Cash booklet for reimbursement.*

Samoa Land Corporation

Spot Check 20 January 2014

[Audit issues are listed first, with PTO response in italics.]

1. **Cash shortage: A shortage of \$160 was discovered from the Sports Bar receipts of Friday 17 Jan 2014. There were two shifts on this day but cash and records were kept together in the safe and which shift the shortage was from could not be identified. Both shifts were taken by different salespersons. The cash was in the wooden cash safe during the weekend and it was confirmed that the transition of shifts was not checked. The shortage was paid by the Salesperson who was on duty at the time of the spot check. The total cash collection on hand (two shifts) was \$3,492.50 and the total per receipts is \$3,652.50 bearing a shortage of \$160.** *In the change of shifts, both the outgoing staff and in coming staff on duty witnessed and counted the collection before the takeover. There is no excuse and any shortage is recovered by staff on duty.*
2. **Inventory items not entered on to the system (Infinity): An excess of \$32.50 was noted to have been caused from certain stock items which were not on the system. Total cash sales from the Club House on 18 January 2014 per the till report is \$3,440 whilst the stocktake & sales sheet recorded \$3,472.50. When purchases of new stock are made, items are directly delivered to the stores without knowledge of the personnel responsible for updating the system where quantities and prices are loaded and updated. When certain new items are sold, the salespeople at the bars do not/cannot issue a receipt because the system does not allow any change from these sales points. The variance is manually added to the summary.** *Infinity was implemented last year and the control process for stock purchases is consistently revised. Staff on duty are consistently reminded to submit documents for update on the system. The Accounts performed a physical stock count of all inventory at FGC Club-House/Pro-Shop and Faleata Sports Bar on 9 February 2014. Stock in Infinity has been reviewed and adjusted accordingly and is now monitored daily.*
3. **Discrepancy of records: A discrepancy of \$45 was noted between the Infinity system report and the total of manual receipts (cash collection) on 18 January 2014. This was explained as sales not being posted due to busy times of the cashier's shift. Details could not be determined at the time of spot check.** *There is no excuse for non posting due to being busy. Sales must be entered as they occur. Management has already addressed the issue with staffs being warned.*
4. **Reference number of end-of-shifts summary: The end of shifts/daily till reports did not have reference numbers to account for the sequence of shifts for each terminal. While individual receipts per shift have reference numbers, the risk of fraud is increased because till reports can be printed more than once.**
5. **Cash overnight security: Cash was still kept in wooden cabinets except for the main office. Collections from the Pro Shop are transferred and kept together with the Club House collection at the Club House whilst the Sports Bar's collection is still locked in the wooden box in the bar. It is also still the same for other locations.** *Management has addressed the*

issue raised last year of having no safe deposits for overnight cash in our different locations. SLC has in place secured wooden safes with the protection of security guards on duty overnight which has addressed the issue with burglary. However in terms of fire, management will look into alternatives. New change has now implemented. Market collection finishes at 4pm. Tenants will be informed that we will not accept any payments after 4pm. The Accounts officer doing banking at 3pm will uplift market collection to be stored in Main Office under secured safe. There will be no cash storage overnight at the markets.

Samoa Life Assurance Corporation

Interim Spot Check: 1 July 2013 to 31 January 2014

[Audit issues are listed first, with SLAC response in italics.]

1. **A delay of posting of the Corporation's transactions was noted. As of the audit date, it was only up to December 2013. This means that general ledger was not updated and timely reconciliations were not met. The delay was explained to have been caused from late renewal of the system license and roll-over of the system. The associated high risks including fraud that could result from delayed postings and reconciliations of accounts are not avoidable and possibly are unacceptable losses that the Corporation may not be able to recover. We understand that the posting has been resumed but it is not up to date and we recommend that Management should ensure all transactions have been/are posted completely and correctly. Going forward, the license renewal or any other reason to the delay should be avoided. For unavoidable circumstances, we recommend considering other option(s) such as using Excel spreadsheets for temporary posting so that bank reconciliations are timely prepared and that bank accounts are properly monitored. This is an important instrument in managing and controlling of the Corporation's cash not only to minimize the associated fraud risk that may possibly occur but also to monitor the cash position in relation to the daily operation and activities and to assist the Management and the Board with its informed decisions.** *Recommendation noted. Preparation of bank reconciliations are normally done on a monthly basis but the problem was that, the last financial year's final audit (30 June 2013) was finalized by end of October 2013. Because of this delay the Roll Over process which normally takes place around August/September every year did not happened until end of January 2014. This resulted in the late postings and reconciliation until Roll Over process was completed. Noted for future reconciliations to be updated on a monthly basis.*
2. **The ANZ reconciliations reflect significant amounts as outstanding lodgements not yet credited and unrepresented cheques. These amounts resulted from manual journal entries which could not be cleared when the reconciliation process is performed on the Attache application (System). It appears that some transactions are posted more than once and are reversed later. This practice hinders the importance of fundamental rules of accounting and how such electronic systems have been designed with the purpose of not only simplifying the accounting process but also to enhance controls over related accounting functions and activities. The Corporation should seek alternatives to avoid accumulation of unrepresented lodgements as this could be misleading and not portraying the correct financial position of the corporation at any point of time. This means the accounting and posting process needs to be revised.** *Recommendation noted. We will revise the posting process and settle this issue on outstanding lodgements.*
3. **The Corporation is operating a salary advance lending activity as a staff benefit. This is allowed and subject to the Section 9 of the existing SLAC Working Condition Manual where it states that annual leave available is used as security in case of instant dismissal. However this is contrary to the Cabinet Directive issued on 27 February 2013, FK13(06). This FK has disallowed such kinds of lending/advances as employment benefits. We recommend the Corporation to comply with the said Cabinet Directive. As there is an option given in such FK, the Management needs to prepare a submission to the Cabinet seeking its approval**

otherwise the continuance without such will be considered a non-compliance and ignorance of higher Authorities. This means that whatever the decision will be from the Cabinet, the internal organizational working conditions should be updated and revised accordingly. *Recommendation is noted. However our interpretation is different that we did not consider Salary Advances as a Loan Scheme nor a lending activity, because we are not earning an interest from it. We see it as an incentive in times of financial hardship or necessity of staff when required. Our revised manual of Staff Rules sets out the conditions or our Salary Advances which shall be requested in writing to the GM and subject to Annual Leave credit as security. Such advance shall be liquidated by*

- *A single deduction from the following fortnights pay*
 - *fortnightly deductions from pay over a period no to exceed 3 months*
 - *deduction of full amount outstanding if members services are terminated before the whole amount has been liquidated.*
4. **The Corporation offers chattel (Loan Scheme) of \$5,000 limit to their employees as one of the benefits. In addition SLAC offers mortgage to policyholders and the staff paid 7% interest on their mortgages but the public paid 12.5% - 14%. This is generally no longer allowed according to the FK 13(06). To comply with the FK13(06), the Corporation is recommended to take appropriate actions in order for these benefits to be properly approved by the Cabinet.** *Recommendation is noted. We will take this up with our new Responsible Minister and will decide from there whether this will be discontinued in the future.*
 5. **The Corporation does not have an Accounting Manual documenting the policies and procedures of how its financial activities are carried out. The absence of this important and fundamental document may allow different and inconsistent treatments of similar transactions which in turn may not be helpful in reconciliations as well as monitoring of such activities. We recommend the Management to consider developing and formulating a comprehensive Accounting Manual to provide internal financial regulations for daily transactions of the Corporation. The document should provide detailed policies, guidelines and procedures which defines the segregation of duties and line of accountability on the process of its various financial activities. It facilitates good and clear understanding of those activities in the accounting function.** *Recommendation noted. Management will develop and formulate an Accounting Manual for future guidelines of the Corporation.*

Samoa National Provident Fund

Spot Check 1 May 2013

[Audit issues are listed first, with SNPF response in italics.]

1. **No register for Accountable Forms and are not properly stored. The following issues were noted during assessing accountable forms used by the Vaitele branch. Audit noted that all accountable forms received by the Vaitele branch from the Main Office are not registered. Completed booklets that have been used for short term loans and small loans are not properly stored.** *As discussed with your officers that conducted the audit every different items that we received or being taken to the main office is registered however apologies for the carelessness of my officer that was responsible for that and have again registered accountable forms ever since and have noted recommendation. Noted recommendation for future action, booklets are properly stored but not properly filed which already started filing after audit.*
2. **Cash presented to the audit team by Loans officer without a lockable cash box to safeguard money throughout working hours. Funds were observed to be placed in her desk which remained opened most of the times.** *Recommendation is noted for immediate action.*
3. **Audit was not able to sight the completed receipt book: number from 683433-683450.** *All our electronic copies are kept at the main office hence the delay. But will arrange for someone to come to the main office to look for the mentioned receipts and bring it to your office as soon as possible.*

Samoa National Provident Fund

Spot Check 8 July 2013

[Audit issues are listed first, with SNPF response in italics.]

There were no significant findings found and we conclude that there are internal controls in place for the areas covered in the audit spot check and the corporation is complying with the said controls in their daily operations. The management and staff of the National Provident Fund - Main Office is commended for their hard work and efforts.

We also acknowledge the kind assistance provided by the SNPF management and staff especially the Finance Division during the audit visit.

Samoa Ports Authority

Spot Check 23 January 2014

[Audit issues are listed first, with Ministry response in italics.]

1. **There were claim forms/vouchers for meal allowance that were not signed by employees who had claimed them.**
2. **A variance of \$37.90 was noted from the petty cash check on 22 January 2014 that had not been claimed. This remains an unreconciled difference.** *This is the normal practice and it should not have happened. The recommendation is noted with appreciation and it will never occur again in the future.*

Samoa Sports Facilities Authority

Spot Check: 20 January 2014

[Audit issues are listed first, with SSFA response in italics.]

1. **There is no backup custodian for the Petty Cash Imprest.** *Recommendation for a backup staff for petty cash monitoring, disbursing and paying petty expenses had been noted.*
2. **Safeguarding of cash collection is not secured.** *Recommendation for a proper storage for cash collected for safeguard had been noted.*

Samoa Sports Lotto Agencies

Spot Check: 24 January 2014

[Audit issues are listed first, with UTOS response in italics.]

A surplus was found at the time of spot check with cashier's personal money put in together with the cash sales. This explanation was given to the audit team prior to the cash count. *The issue was discussed with the operator and as per your recommendations; controls and measures will be put in place to avoid these from happening again.*

Samoa Trust Estates Corporation

Spot Check: 23 April 2013

[Audit issues are listed first, with STEC response in italics.]

1. **No limits and conditions regarding Salary Advances entitlements. Audit was concerned about the increasing number of salary advances made to employees as well as one member of the Board. Most of the cash being receipted are salary advance recoveries. It was only in 2011 that STEC formulated a HR Manual which covers salary advance despite the practice being in existence before 2011. Due to its frequency and never ending nature it is seen as a credit or borrowing facility and not as an emergency process as it is the practice in the Public Service. It is good to see that Management is reviewing the policy to be in line with best practice across the Public Sector. *The STEC management has now started revisions on the Human Resource and Accounting manuals to implement the audit recommendations.***

Samoa Trust Estates Corporation

Spot Check: 20 January 2014

[Audit issues are listed first, with STEC response in italics.]

1. **Petty cash vouchers were not pre-numbered. This practice reflects lack of control over monitoring of expenses to ensure that all costs are properly recorded and accounted for.**
The Audit recommendation for pre-numbering of vouchers to ensure that all disbursements vouchers are complete and are accurately accounted for had been noted

Unit Trust of Samoa

Spot Check: 23 January 2014

[Audit issues are listed first, with UTOS response in italics.]

1. **There was a shortage during the petty cash count. The responsible officer was on sick leave at the time of the audit visit.** *Audit recommendation for petty cash documents should be available with the Imprest Funds at any time to ensure proper accounting had been noted.*

OVERSEAS MISSIONS

Brussels

for the financial years ended 30 June 2008, 2009, 2010, 2011 and 2012

[Audit issues are listed first, with response in italics.]

1. **There were variances between amounts recorded by the Embassy and the amounts on Finance One. The Corporate Services noted that this is usually caused by the differences in exchange rates used when updating the information within Finance One.** *The variances can be attributed to the MOF cut-off dates and posting responsibilities. While MOF cut-off date is usually in mid June, all missions still operate their accounts up to 30 June. As such, all payments processed after the cut-off date are only recorded onto Finance One in the following financial year. Until recently, the posting of Mission actuals onto Finance One was done by MOF. MFAT has resumed this role and will ensure to conduct monthly reconciliations to ensure accountability for any variances. It is important to note that since missions still operate their accounts beyond the cut-off date set by MOF for each financial year and coupled with the fact that Finance One operates on a cash basis, accounting variances may still occur. While the Ministry may be able to account for these variances, adjustments to Finance One are not possible.*
2. **A review of the Embassy's accounting, administrative and general operations noted the following:**
 - **the lack of properly documented policies and procedures to address the following areas or business processes, such as payroll payments (fortnightly wages and salaries);**
 - *An Overseas Missions Accounting Manual is now in place. All payroll payments are accompanied with approved relevant documents (fortnightly allowances and wages).*
 - **Non Payroll Expenditures (processing of payments without a physical cheque book, credit cards or online banking);**
 - *The Mission does not have cheque books. All payments are processed by bank transfers and/or by bank card and credit card.*
 - **Receipting and Banking (use of an official receipt book, lodgement with local banks);**
 - *An electronic register as well as a hard copy of Receipt books are now in place and are administered by the Counsellor and First Secretary. All receipts are issued by the Counsellor/First Secretary upon sighting the proof of monies received.*
 - **Bank Reconciliations (matching of local records to MFAT records, and bank records);**
 - *Monthly Bank Statements are procured from the bank at the end of each month. These as well as the regular bank statements are forwarded to MFAT with the financial records each month.*
 - **General Record Keeping (employee personal files were not properly kept);**
 - *All personnel files are now maintained by the Counsellor.*
 - **Recruitment and Selection procedures (for locally employed staff under labour laws for the hosting country);**
 - *The Administration and Accounts Officer position was declared with effect from 01 October 2013 under the local Belgian Social Security system. The Embassy will ensure proper employment contracts for the Secretary and Driver in due course.*

- **Asset Management (accounting of Assets belonging to the Government and the management of procurement practices for the same);**
 - *The Mission's Asset Register is updated in line with the Overseas Accounting Manual.*
- **Documentation on the use of Excel spreadsheets in the preparation of financial reports;**
 - *Electronic as well as hard copies of Excel spread sheets of the financial records endorsed by HOM are sent to MFAT each month.*
- **and use of office vehicles for official purposes.**

The Ministry would like to advise that an Overseas Missions Accounting Manual is now in place. In addition, the Ministry will endeavour to refine this Manual to ensure applicability to each mission.

3. **There were no proper bank reconciliations carried out. There was no record of bank statements. We understand there is a facility online to access and view bank transactions as well as obtaining electronic copies of bank statements. This facility was not utilised. Discussions with the Embassy noted that bank advices are instead obtained from the bank to confirm the processing of transactions (payments and receipts).** *The Ministry supports the recommendation and would like to ensure that the Mission will provide monthly bank statements together with payment vouchers/schedules for reconciliation purposes. The Ministry would like to note that bank reconciliations have always been carried out in the past. The Mission is now getting monthly bank statements along with the regular bank statements issued after each set of transactions. These are reconciled with the Payments/Receipts Schedules each month.*
4. **Only one employee is responsible for carrying out the preparation of payment vouchers and related bank transfer documentations, posting of transactions to cashbook and preparing monthly reconciliations of bank transactions and their eventual transfer to the Main Office monthly. The same employee is also involved with payroll processing functions. There was no independent management check to ensure that the risk of errors or fraud is minimized.** *The process in place now is that the AAO prepares the TY1 vouchers; a posted staff undertakes an independent check before seeking the HOM's approval for payment. The monthly financial records also go through the same process.*
5. **The Samoa Embassy at Brussels employs local residents as support staff. There was no record of employment contract between the Embassy (Government of Samoa) and employees, no performance agreement and lack of documentation to govern and manage the employment of these personnel.** *The performance/employment contracts for locally engaged staff are now in effect with the AAO signing his contract on 1 October 2013 under the Belgian Social Security system. The costs involved in declaring locally engaged staff are substantial. The Secretary and Driver position will also be declared under the same system in due course.*
6. **There is a need to have a properly documented set of specific policies and procedures in place to govern the asset management process within the Embassy.** *The policies and procedures relating to the management of assets are included in the Overseas Missions Accounting Manual 2012.*
7. **The fixed assets register was incomplete.** *This is also covered in the Overseas Missions Accounting Manual, and posted staff are now responsible for the oversight of assets and a*

comprehensive review has been completed for Brussels. Assets are recorded and updated every six months in line with the Accounting manual.

8. Issues relating to internal controls to further strengthen the office management of the Embassy:

- **Various reimbursements of personal funds used to pay for minor office expenses**
The mission has already established a Petty Cash fund for office expenses below 50 Euros as stipulated in the Overseas Missions Accounting Manual and Treasury Instructions.
- **There was no IT Policy to manage the IT environment where confidential Embassy information was stored.**
MFAT will look into establishing an IT policy for all Missions.

Fiji

for the financial years ended 30 June 2009, 2010, 2011 and 2012

[Audit issues are listed first, with response in italics.]

- 1. For the financial year 2010/11, operating costs exceeded estimates by \$22,292 as well as Overhead Costs exceeding estimates by \$1,309.**

For the financial year 2011/12, personnel costs exceeded estimates by \$68,683 as well as operating costs exceeding estimates by \$31,062. This brought an overall overspending to \$99,244. *We note that these data for the three financial years are from Finance One. We are not able to confirm the above amounts as we do not have access to financial year 2009/10 and 2010/11 on Finance One. For 2010/11, the overspending was due to payments already paid up to the end of financial year 2010/11. For 2011/12, the overpayment in personnel was due to an error made by Payroll at MOF when calculating payment of end of term benefits for the former Counsellor. The over expenditure in the operating budget reflected the unbudgeted and under-budgeted priority work including the Counsellor's monitoring visit to Vanuatu, relocation and changeover of staff expenses for former counsellor and new student Counsellor during January/February 2012 period. The Ministry will ensure to budget accordingly for the essential expenses of the Student Counsellor's office in future.*
- 2. There were a number of cancelled cheques on record relating to errors in writing out the cheques or cheques that were written out but ended up not being used.** *The Ministry will ensure in future that the Student Counsellor's office provides supporting documents and insert a note in the payment voucher as to why the cancellation occurred.*
- 3. The Accounting Procedures Manual for Samoa Overseas Missions has not been updated since 2001.** *The Ministry will include in the current draft overseas mission accounting manual changes highlighted in the Treasury Instructions and the current draft Overseas Missions Accounting Manual with regards to the Destruction of Records.*
- 4. This issue was raised with both current and former Student Counsellors. It is still noted as an issue given accounting internal controls that calls for segregation of duties, particularly when it comes to handling public monies. Reimbursement is in the form of tax refunds for the Student Counsellor and personal money used for office needs.** *The current draft Manual makes specific reference to this issue and hence why the reimbursements must be approved first by the Ministry before making the necessary reimbursements or any payments made out to the Student Counsellor. Office is also advised to make sure that there is a note in the voucher to confirm that the office of the Student Counsellor is a one man office and attaching the relevant approval from MFAT. Having the Student Counsellor to sign off on own reimbursement is unavoidable as the Student Counsellor is the only signatory to the office account.*
- 5. The past two audits recommended obsolete assets to be written off at the Office and at the Counsellor's residence and a list has been given to the Counsellor for these to be written off.** *The Ministry agrees with this recommendation and steps have been taken to write off these assets.*

6. **The petrol usage for the official vehicle is fairly standard with Tobias Limited as the only petrol station that accepts cheques from the Office of the Student Counsellor and the only petrol supplier that is on the books of the Office. For the financial years 2010/11 and 2011/12, the budget for Maintenance and Repairs (Motor Vehicles) which includes petrol exceeded by actual spending.** *The cost of fuel prices do fluctuate each month and spare parts and tyres are getting expensive each year. The budgetary cuts by MOF on these expenses contribute to this problem. The Ministry will liaise with MOF on this matter to ensure that appropriate budgetary allocations for these expenses are catered for in future budgets.*

Japan

for the financial years 30 June 2010, 2011 and 2012

[Audit issues are listed first, with response in italics.]

1. **There was no evidence of any reviews conducted, indicating a high level of reliance on updates from the Bank of Tokyo, Mitsubishi.** *The Embassy started providing bank reconciliation statements in July 2013 using a template prepared by the Accounts Division of MFAT.*
2. **Direct payment of suppliers through the bank meant that confirmation of settlement was not given by suppliers. The payments and banking system in Japan is quite different and unique. Almost all transactions are handled electronically through the bank and receipts from suppliers could not be obtained and was all in Japanese.** *Every electronic transaction in Japan is accompanied by an electronic bank Statement of the transaction showing all the relevant details of the parties to the transaction. This statement is required by Japanese law and is regarded as the official receipt for the transaction.*
3. **Payment vouchers did not have attached approvals from MFAT Samoa for certain expenditures which were not ordinary to the operations of the mission and their budget. There were payments relating to the hosting of the Manu Samoa rugby team in June 2011 and some occasions where alcohol was purchased.** *The Embassy regularly submits reports on its activities to the CEO of MFAT and requests for the use of funds for these activities can be included in these reports where required in future.*
4. **Local staff were paid their gross salary without any statutory deductions (such as tax, superannuation and workers cover) made out in the Japanese jurisdiction.** *The Embassy has done as recommended from the first time we employed local staff in late 2009 taking into account discussions with the New Zealand and Australian Embassies about the systems they use in employing their local staff. This matter is discussed with each local staff member whose agreement is needed before the employment contract is finalized and signed.*
5. **There were a considerable number of payments for goods or services that did not have quotes attached for procurement.** *Most of these items were procured in the process of establishing the Embassy. The services of Mr. Matsuda (a principal in the Pacific International Company) was made available, virtually full time without cost, to advise on the procurement of goods and services for the Embassy. Mr. Matsuda was indispensable to the successful and cost-effective establishment of the Embassy as all discussions/negotiations with the suppliers were conducted in Japanese. Matsuda provided quotes and details of the suppliers and services offered. We examined the information carefully and where needed, Matsuda would continue negotiation for a lower quote, which might mean a different product or service, but a cost-effective finalisation was invariably achieved. Matsuda saved the Embassy millions of yens. For future purposes, the Embassy, in consultation with MFAT, will utilise the TY11B quote form. The Embassy will discuss with MFAT staff how this recommendation can be implemented. It is important to note however, that the Embassy does not use cheques.*
6. **There was no indication of approval for payment or checking of prices, extensions, footings and cash discounts of supplier's invoices.** *The Embassy has already purchased in October 2012 all the leased furnishings used at the residence and the apartment resulting in major savings for the year. All leased items were fully listed in the Embassy reports to the CEO of MFAT including lease costs and*

analysis. The Embassy will discuss with MFAT staff how this recommendation can be implemented. It is important to note however that the Embassy does not use cheques.

7. **Most of the assets at Mission officials' residences were leased every year. As illustrated below this is a total amount of 167,650 Yen per month (equivalent to USD 1,676.50 per month or USD 20,118 per year) which is about the average per month since the beginning of the lease about three years ago.** *The Embassy has already purchased in October 2012 all the leased furnishing used at the residence and the apartment resulting in major savings for the year. All leased items were fully listed in the Embassy reports to the CEO of MFAT including lease costs and analysis.*
8. **There was a delay of more than 7 days on the acquitting of funds from the date of disbursement.** *The two examples given here refer to transactions which occurred during the early Establishment period when the Embassy operated under unusual circumstances including the Establishment Bank Account being accessed through Mrs. Oishi, while the search and the procurement of items for the chancery, residence and apartment was a continuous and often difficult task. The recommended practice has been used by the Embassy for over three years and it has been upgraded in line with this recommendation.*
9. **The Mission does not have insurance cover for contents at the office and residences as well as for cash.** *Insurance quotes have already been obtained for assets at the Chancery, residence and apartment, and insurance cover will be finalized and purchased soon.*
10. **Some assets were not labelled with asset numbers.** *This recommendation has already been obtained for assets at the Chancery, residence and apartment, and insurance cover will be finalized and purchased soon.*
11. **Personnel files are not being kept current or incomplete.** *The action recommended here has been undertaken from the outset but the documents were not kept in one place; they are now.*
12. **Certain reimbursements did not have a written claim from personnel for office expenditures.** *This recommendation has already been adopted and implemented.*
13. **Employees did not sign in the attendance book.** *A daily attendance book has been kept and updated since January 2013.*
14. **Both local and mission employees receive cash payment for their wages and allowances.** *The Embassy is happy to adopt this recommendation of an electronic transfer of wages with the Bank electronic transfer system automatically producing a detailed statement of the transaction. Note however that the Japanese people are used to receiving their wages in cash and our two diplomatic staff from Samoa also greatly enjoy the convenience of the processes of the cash economy.*
15. **The establishment bank account which was opened in June 2009 to set up the Mission had a balance of 2,866,548 Yen (23 August 2013). This account is still being used by the Mission for some payments on top of its main operating account.** *The Embassy Establishment Bank Account was closed in May 2013 with the balance transferred to the Embassy Imprest Bank Account.*

16. **Files for the office work were stored on site without a back-up of files on another location.** *This recommendation has already been adopted and implemented with the backup files being stored in external hard drives kept at the Counsellor's apartment.*
17. **The Mission does not have well-defined, written disaster recovery procedures. Personnel should be aware of their responsibilities in the event of an emergency situation, including the use of the existing IT and office facilities.** *Japan has the most comprehensive disaster preparedness and contingency plans of any country in the world.*

PROJECTS

ADB Cyclone Evan Response

Financial Year Audited: 1 January 2013– 31 August 2013

[Audit issues are listed first, with Project response in italics.]

1. **Invoices were the only source documents provided to support payments. There were no other documents to explain the reason of payments and their relationship to the Cyclone.** *EPC stated on the cover letter in summary of all invoices that the claimed amounts were cyclone Evan recovery works payments and we used this letter together with the Asia Pacific Disaster Response Fund Implementation Guidelines as the basis for our assessment. Only those payments that were found eligible under the Guide and deemed relevant to recovery works were reimbursed. We did not see the need to provide an explanation for each claim of more than a hundred invoices. However the recommendation is noted for future disaster funds.*
2. **There were a number of invoices dated before Cyclone Evan struck and as with Issue 1 above, there was insufficient documentation to justify payment of these.** *A letter of explanation was provided by EPC to support the reimbursement of claims for invoices dated before Cyclone Evan. The stock EPC had on hand was for their normal operations; however they were utilized for cyclone emergency recovery works. This is the practice of all ministries and government corporations that they use stock available on hand.*

Agriculture Competitiveness Enhancement Project

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **There are no progress reports on the activities of the project.** *No response*
2. **The reimbursement of petty cash monies for purchasing of morning tea for meeting and ferry fare for staff had no supporting documents. Approved ferry fare with returned tickets and petty cash voucher of \$96.00 whilst the claimable balance is \$192.00. CEO has approved \$50 for morning tea expenses but claimed \$89.50** *The audit recommendation has been noted.*
3. **Payments included a large bag of sugar at \$189.75 for three days staff training.** *We assumed that the large bag was bought in anticipation of future meetings, therefore considered reasonable.*
4. **Some assets were not on the fixed asset register.** *MoF will liaise with MAF to ensure the asset register is updated to include the mentioned items.*
5. **A number of fixed assets were not labelled in the fixed asset register.** *MoF will liaise with MAF to ensure the asset register is updated.*
6. **Some assets at Avele were not on the list of fixed assets register.** *MoF will liaise with MAF to ensure the asset register is updated.*
7. **Some assets coding was different from the register.** *Noted. MOF will liaise with MAF to ensure a separate asset register is maintained for all assets procured under the project.*
8. **The responsible officer had forgotten her laptop label -MAF/SACEP/APHD/10030 at her home. The Principal Accountant stated that the hard-drive was lost.** *Observation noted. Will raise this issue with MAF in an official correspondence and refer to our Internal Audit Division. A report could be prepared and have the responsible officer to replace the missing items at his/her expense. This is indeed disheartening given that the project has just started and yet to deliver its planned objectives.*

Electric Power Corporation (Samoa EPC 400KWP Solar PV Project)

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **The Project's extended timelines have not been formally approved as of 11 December 2013, as there has been a delay which requires the formal rescheduling and approval of the project and work extended completion timelines.** *EPC submitted a request to PEC Fund PMU for changes to the project timeline. This has not been formally approved but they indicated they will respond formally with a view of changing the end date for the project.*

Global Fund Round 7 TB Project

Ended 30 June 2008, 2009, 2010, 2011, 2012 and 2013

[Audit issues are listed first, with Project response in italics.]

1. **There was a significant non-performance of the TB Grant Fund Agreement. Actual Grant Received is only \$124,000 USD or 29.7% of total project budget whereas the Budget Work plan Grant total in USD is \$418,000, that is, Round 6 Global Fund Phase 1 is \$185,000 USD and Round 7 Global Fund Phase 2 is \$233,000USD. There is a significant deviation between the project work plan and the progress. Grant Aid project funds need to be utilized properly to ensure future relationships between Development partners and MOH. It is noted that there was no Project Coordinator for the TB project to focus and work together with the MOH management to pursue the goals of the project and making sure compliance with project accounting and reporting as required by the project agreements.** *Comments noted. The TB Grant was administered by the Public health division of the National Health services before it was relocated to the Health Promotion and Prevention Services (HPPS) of the MOH by 2009. The position was always deemed as one requiring a medical officer and not a management skilled person about 58% of the \$342,334.00 or about \$198,000 for five (5) years was supposed to be used for the remuneration of a TB Focal Point at Principal level. The position was not filled in the end.*
2. **The Ministry of Health was not prepared for the implementation of the Project. The project agreement was signed in 2008 but the implementation of the project did not begin until a year later. This was reflected by the financials from 1 June 2008 to 30 June 2009 where funds were available of SAT\$243,881.49 but only SAT\$161.00 was used in other project expenses. The specific recruitment of the HIV AIDS Project Coordinator who assumed the role of a TB Project Coordinator, was only done a year later in 2009.** *Noted. Need to emphasize that MoH is now in a much better position to manage and monitor the GF Project given the interim phase to begin January 2014 and the regular program. The Project Coordinator is in place and has been located with the new division (since June 2012) - MoH, Health Sector Coordination, Resourcing and Monitoring Division.*
3. **The Global Fund TB Project did not have a Project Coordination Committee to provide its operating personnel assistance in resolving issues quickly with oversight to evaluate and monitor the project's progress in achieving its goals.** *There is a NAC Committee in place for such purpose. Not all development projects are reported to the NAC -this omission is a reflection that there are still sectoral processes.*
4. **The improper and unusual processing of the cash book transactions based on bank statements items, has resulted in the reporting of incorrect bank balances in the unaudited financial statements of the project such as, at 30 June 2012 where a balance of \$55,021.06 was shown and agreed with the bank statement balance but was overstated, as there were outstanding cheques totalling \$3,780.50 which if deducted results in a correct bank balance of \$51,240.56. An overstatement of the bank account balance by \$3,780.50 in the primary record of the project in this period had occurred, and overstatements in bank balances occur every time there were un-presented cheques. Not reconciling the bank reconciliations on the proper format as per accounting procedures and bank reconciliations**

format will lead to errors that will have material and misleading impact on financial reports. *Similar to Issue 1 (under 2 Internal Controls) Cash books are the donor's standard Reporting template which MoF has no control over its format but we wish to note that MoF keeps a separate subsidiary ledger which keeps track of all expenditures (Presented and Un-presented cheques).*

HIV/STI Response Fund

Ended 30 June 2008, 2009, 2010, 2011, 2012 and 2013

[Audit issues are listed first, with Project response in italics.]

1. **The Bank account was handled by the MOF. There were cases with which invoices were obtained from suppliers without processing a Purchase Order as per proper Government Process when time is of the essence for respective projects roll out but very minimal and has been raised and cleared during the course of the audit.** *The Ministry of Health takes note of the issue raised and has informed the implementing officers with regards to strictly adhering to PFM Act 2011 and Treasury Instructions, specifically with payment processing.*
2. **It was noted that the MOF representative from the Aid Coordination and Debt Management Division who provide financial monitoring for the Response Fund grant were not part of the co-ordinating committee and did not have an overview of the grant implementation. It is recommended that a member of the MOF (preferably from the Aid Division) should be part of the coordinating committee, this will ensure cohesion amongst Ministries, that is, MOF and MOH Staff to advise on the finance process, quotes and other required controls.** *That Ministry of Finance, CEO is one of the core members of National AIDS Coordinating Council. The issue of not involving the Aid Coordination and Debt Management Division representative in dialoguing issues highlighted is solely a decision by the MoF- CEO of who to represent him to NACC meetings. However comment is duly noted.*

In-Country Program

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **A new contract has been signed between CSL and the SICTP for the maintenance of the SICTP website, and an approved budget of \$25,000 under Advertising and web costs. Audit noted that another internet fees budget is also allocated under the administration costs of \$12,000 that has remained unutilised during the financial year. In the analysis of actual costs against budgeted costs for training report, there is a significant amount of un-utilised budget in some of the course programs (unaudited accounts 2013).**
2. **Some payments do not have Purchasing Orders attached. The Ministry of Finance has pre-numbered Purchase Order books for ordering of goods and services for the Project.**
3. **All payments from selected samples did not have the responsibility code for the Ministry of Finance approved personnel on the payment voucher but only the signature.**
4. **Most location of assets do not agree to location of assets recorded in there fixed assets register. There are no register numbers on some assets such as Scanner EPV 500,**
5. **Some assets sighted are no longer usable or are in very poor condition and some have not been used for more than 2 years but are still listed as alright in fixed assets register. The Principal Accountant explained that some of these assets can still be useful if the problems are fixed.**

Pilot Programme for Climate Resilience

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **Payment of Consultants invoice was not in line with the contract signed by the client (Samoa-Ministry of Finance) and the consultant.** *Awaited comments from consulted stakeholders for reports/deliverable prepared by the consultant, before payments were made. Furthermore, there was a delay of funds to be received within the CBS Account to make payment.*
2. **Coding of accounts on some payment vouchers and in Finance One system were inconsistent.** *The reference number was generated by the Finance One system when posted is done by the Accounts division of the Ministry of Finance.*
3. **There is no evidence to confirm that all minutes of meeting were approved by the chairman and secretary.** *Audit recommendation for all minutes to be signed by both chairman and the secretary had been noted.*
4. **There were no copies of all journal entries made during the year under audit. No indication that they are authorized before posted to general ledger.** *Journal entries are initiated by the division. We keep e-copies but these were considered unacceptable to the auditors.*

Post Tsunami Reconstructions

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **Coding of accounts on some payment vouchers and in Finance One system were inconsistent.** *Audit recommendation for proper coding of accounts used on payment vouchers had been noted.*
2. **There was no evidence to confirm that minutes of meetings were approved by the chairman and secretary.** *As advised, the Project Steering Committee did not have any meetings during the period under audit. The only meeting the committee had was when the World Bank Mission was in town to review progress of the project. The matters discussed at the said meeting were documented in the Aide Memoire provided to the auditor. The Aide Memoire was still under review by the World Bank at the time of the audit. It will be-signed when finalized and after going through internal World Bank processes.*

Private Sector Support Facility

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **Inspection Report for a Cattle Farm from the Ministry of Commerce, Industry and Labour is pending. There was no signature in the register when cheque was given for payment.** *The inspection report was unable to find. The officers who carried out the inspection were both resigned. The application was approved by the Steering Committee. The suppliers have been advised to put the approved items on hold until an inspection is completed. Noted.*
2. **There was no documentation of applicant contribution assessment evident in file.** *The Secretariat and Steering Group has always been using the 'in cash contribution' of the applicants based on the amount approved for this project.*

Samoa Infrastructure Asset Management

Financial Year Audited: 1 July 2012 – 30 June 2013

[Audit issues are listed first, with Project response in italics.]

LTA-Toyota Hilux Model KUN25R-PRMDH-N1 The above vehicle was applied under the project for the LTA engineering section to assist with the project site visits however it has been exchanged with the vehicle used by the Associate Minister. We were therefore unable to sight the vehicle at the Land and Transport Authority Compound during our visit. Assets procured under the project shall be utilized for the project as these assets are bind to the project under the credit agreement. *Ministry of Finance as the Executing Agency for the project support the recommendation. This is also our stance with assets procured under every development project of Government. Recommendation is noted and will raise it with LTA in an official correspondence.*

Telecommunication and Postal Sector Reform

Financial Year Audited: 1 July 2010 – 30 June 2011

[Audit issues are listed first, with Project response in italics.]

1. **Coding of accounts on some payment vouchers and in Finance One system were inconsistent.** *Audit recommendation for proper coding of accounts used on payment had been noted.*
2. **Some payment vouchers do not have supporting documents.** *Audit concern and recommendation have been noted.*
3. **There was a payment of \$US427 which was charged under the project special account instead of the government account expenditures.** *Audit recommendation for careful consideration had been noted.*
4. **Some confirmations from Central Bank of Samoa for payments made were missing from the file.** *Audit concern and recommendation have been noted.*
5. **There was no evidence to confirm that all minutes of meeting were approved by the chairman and secretary.** *Audit concern and recommendation have been noted.*
6. **There were no copies of all journal entries made during the year under audit. There is no evidence to indicate that entries are authorized before posted to general ledger.** *Journal entries are initiated by our division. We keep e-copies but these were considered unacceptable to the auditors.*

Health Sector Wide Approach

Financial Year Audited: 1 July 2012– 30 June 2013

[Audit issues are listed first, with Project response in italics.]

1. **No signature to confirm that payment vouchers were properly checked. During our testing we also found that some payment vouchers (TYs) have no signature of authorised personnel to show that payment vouchers through CBS Special Account were completely filled with all required information and details and to ensure that it was properly checked before payment were made.** *Recommendation noted for the remaining payments under this program.*
2. **We have noticed that one attendance book that covers pay periods July 2012 to February 2013 is missing or lost and we were unable to check whether the SWAP staff was actually working during these periods and whether they attended the full hours of each working day.** *The Ministry – CS Division has taken action by locating all attendance books with our Reception Office Desk and has taken up the responsibility to be fully responsible for the Attendance Books as they should be.*

PERFORMANCE AUDITS

Bowser Report

Financial Audited Year: 1 July 2012-30 June 2013

[Audit issues are listed first, with response in italics.]

1. **No vehicle registers and petrol authorisation forms (TY10C).** *Noted.*
2. **Non compliance with bowser procedures.** *Audit recommendation for MOF to establish updated vehicle registers and regularly review TY10C petrol forms to confirm data accuracy and proper authority had been noted. A complete measurement was made at the cost of the Ministry of Finance to ensure daily controls are built in.*
3. **Incomplete postings of TY76.** *Noted.*
4. **No rotation of bowser attendants.** *Noted. The shortage of staff is the main reason.*
5. **No signed lease agreement between government and Malsania Enterprises Limited for lease of the bowser and facilities.** *This is duly noted. The Agreement is currently negotiated with our newly appointed Lawyer and is in the finalised stage with the Attorney General.*
6. **No policies in place for managing and monitoring of government bowser fuel.** *Government Bowser is an additional role in which the Ministry of Finance has taken and always has been to acquire the fuel for the whole of Government fleet. Although there were efforts to devolve this function out to the private sector, there were discouraging issues that had made Government to operate by themselves: Quite inconvenient during emergency period. Ministries not prompt in payments. There are times when there is lack of funding with non monitoring of budget at the ministry level. This main activity is governed under the efficient usage of Assets and inventory and to ensure that non waste or risk incurs. However, we will review other possible policy that can be implemented to ensure control of its Bowser operation.*
7. **No fuel reconciliations until April 2013.** *Noted.*
8. **Inaccurate reconciliations in May to June 2013.** *With appointments of new staff in this section with some special skills and knowledge on this area, these reconciliation and variances were only realised and discussed for a resolution in fixing the issue. Also reference to Issue 2.*
9. **No Irregularity Reports for fuel variances.** *Although there was no irregularity report on fuel variance, memo report was documented and raised at the time as there were also questions on this variance in the report whether those variance were accurate given the dip stick use for the measurement was not accurate. We noted the recommendation with the priority policy review of the acceptable variance limit over per day with a view of control limitation on the actual equipment used.*
10. **Delay of fuel invoicing to individual ministries.** *This is staffing issues with the lack of personnel in the Asset Section; we have engaged the procurement to assist with the invoicing to ensure prompt issuing of invoices. We are currently awaiting one more position to be cleared from the PSC to ensure balance allocation of work plans.*

11. **Non compliance with Fuel Station Operating Standards.** *Some of this is the responsibility of the Lessor and is covered under the agreement discussed and hopefully to be finalised soon. We will review again if the risk is high for government to purchase safety gears or possible training on the usage of some equipments.*
12. **Bowser was not securely safeguarded.** *Noted.*

Climate Change Adaptation and Disaster Risk Reduction Strategies

Financial Audited Year: 1 July 2012-30 June 2013

[Audit issues are listed first, with response in italics.]

1. **There was no uniform process involved or in place for evaluating the different priority projects.** *Reason being that monitoring of project progress is through M&E specified for each project. Also note that the CDC is advised of project progress from time to time until completion.*
2. **There was a need for more resources to assist Climate Change activities.** *There is also recruitment and engagement of external personnel to implement activities of projects. Samoan Government does not have the personnel to do all the work but has the funds so no problem in getting consultants to deliver services, the problem is that local private sector is also limited.*

Fuel Expenditure and Vehicle Use

Financial Audited Year: 1 July 2011-30 June 2013

[Audit issues are listed first, with response in italics.]

1. **Fuel expenditure increases by 22% from 2011 – 2013 for all Government Ministries.**
2. **Poor monitoring of fuel records (TY76) and Running Sheets.** *Efforts have been made from January 2014 to completely review monitoring, authorisation and completeness of the TY76 Form. The Vehicle Running sheets in an area monitored by the management of each Ministry and the effectiveness of this process is entirely on the commitment of the management. We will emphasise the need of the Vehicle Running sheets as reconciliation against the usage of fuel.*

Health sector

Financial Audited Year: 1 July 2011-30 June 2013

[Audit issues are listed first, with response in italics.]

How well does the health sector manage their financial sustainability?

Overall improvements are being made but much needs to be done to support better financial sustainability.

There are good strategic plans to help the health sector plan effectively for the future. However, these plans are not effectively resourced and further improvements are needed in the breadth and quality of data used to inform planning. Improvements in data are also required in setting priorities. But again priorities are clear and meet the needs of the people of Samoa. At a strategic level they need to be reduced and these key priorities need to be resourced and used better in decision making.

Workforce planning is developing to improve HR capacity to support the delivery of priorities. However, these plans have yet to be fully implemented. Workforce have been assessed and reviewed through other mechanisms in the past hence the developments of HR as of now.

Other HR processes need further development including, sickness absence management, training quality evaluation and a staff appraisal system. The lack of these processes significantly impact on health sector ability to be financially sustainable. According to MOH, the Appraisal system was only recently reintroduced.

There are clear financial standards in place which are generally complied with where finance sections pick up errors.

Procurement standards are also developed but there is a lack of capacity to fully implement them. Program and contract management is a significant weakness which has resulted in overruns and overspends.

Risk and asset management are not developed enough to provide assurance of future financial sustainability and the best use of assets to ensure value for money and maintain service delivery.

Agriculture and Fisheries

Financial Audited Year: 1July 2011-30 June 2013

[Audit issues are listed first, with response in italics.]

How well does the Ministry of Agriculture and Fisheries manage their financial sustainability?

Overall improvements are being made but much needs to be done to support better financial sustainability in MAF.

There are improving strategic plans to help MAF plan effectively for the future. However, these plans are not always clear or effectively resourced and further improvements are needed in the breadth and quality of data used to inform them. Improvements in data are also required in setting priorities. At a strategic level, priorities are clear and meet the needs of the people of Samoa. At an organisational level the number of priorities needs to be reduced, effectively resourced and used better in decision making.

Workforce planning is developing but is currently weak. There is a need to improve HR capacity to support the delivery of priorities including sickness absence management, training quality evaluation and the poor implementation of individual performance management (staff appraisal).

There are clear financial and procurement standards in place which are complied with. But program management capacity is a significant weakness which has resulted in difficulties in implementing the large World Bank project Samoa Agriculture Competitiveness Enhancement Project (SACEP) and there may be the opportunity to increase financial capacity by reviewing fees and charges.

Risk and asset management are not developed enough to provide assurance of future financial sustainability and the best use of assets to ensure value for money and maintain service delivery.

School Fees Grant Scheme

Financial Audited Year: 1 July 2011-30 June 2012

[Audit issues are listed first, with response in italics.]

1. **Calculation of the Grant formula as stipulated in the PDD (Program Design Document) was based on data which is collected and analysed by the Policy Planning and Research Division of MESC.** *The Ministry started the SEN (Student Education Numbers) in 2011 and in 2012. The SEN was still at its earlier stages to be used as an accurate base figure for calculating the grant allocation. It is a requirement that all school principals are to submit by 31st March every year.*
2. **The census data used by TOC (Team of Consultants) for calculation of grants only relates to the current number of students and resources as at 31 March every year.** *Please refer to the Management Comments as stated above. The MESC Management and the TOC, throughout the years closely observe any cases where it may hinder the opportunities for any school to have sufficient grant allocation at any point in time.*
3. **School Rolls not properly maintained and updated by schools.** *The recommendation was noted for the way forward.*
4. **Personal use of funds not in accordance with project agreement.** *Five Principals' services have been terminated for funds utilized for personal use. The recovery actions for the rest of principals including Tanugamano PS and Manumalo Baptist at Tuanai are in progress.*
5. **There was no clear documented process for managing reimbursements.** *Audit recommendation for an agreement or contract for implementation between the TOC and schools be drawn up is currently under review.*
6. **Slow response in collection of reimbursements.** *Actions have been taken by MESC Management to recover all outstanding reimbursements.*
7. **TOC to strengthen the financial process of grant funding.** *The TOC are temporary personnel who will work for a certain period of time. Principals are fulltime personnel and are on site at all times. They should be the people who should be accountable for the utilization of funds and reporting.*
8. **Fixed Assets be properly safeguarded and registered.** *Audit recommendation for all schools to ensure all assets funded under the grant be properly kept in a safe place to prevent loss from theft and damage has been noted.*
9. **Principals were required to submit a brief SSFGS Financial Report on a six-monthly basis.** *Cash Books are electronically updated by the TOC and given to Principals during visits for their information. The cash book is sufficient to be used as a report of expenditures. We should see solid evidence of this change at the end of June 2013 – completion stage of Year 3 of the Scheme.*
10. **Fagaloa District schools needs transportation support.** *The Ministry has noted the recommendation for the case of Fagaloa schools.*

Stamp Duty Collections

Financial Audited Year: 1 July 2012-30 June 2013

[Audit issues are listed first, with response in italics.]

1. **Application of rates during the amendment of the "Schedule" fell within the last quarter of the financial year 2011/2012.** *One of the main reasons for falling short of estimated cost recovery in initial years of the Amendment Act is the registration of instruments that were submitted prior to the coming into effect of the Act. Hence although processed and charged fees during Amendment Act effective years, the date of submission dictated the applicable rate.*
2. **Instances of under-receipting at MNRE Accounts division. This resulted from assessed stamp duty amount not fully receipted causing short-bankings.** *This was an issue for the Accounts Division to respond to if there is a variance / discrepancy noted between the amount receipted and the assessed stamp duty approved. The under receipting of stamp duty collections was due to the misappropriation of funds by the former cashier whom has been properly dealt with resulting in a conviction.*
3. **A substantial number of transfers/applications were being treated as "Gifts". These applications were normally accepted through transfer of land between closely related family members (e.g. father to son). The approval of these applications rested with the assessment and the discretion of the Chief Executive Officer.** *The Ministry of Finance treats all requests or applications for exemption of stamp duty (eg.Gifts) with reasonable care and due diligence at all times. Before an application of this nature is approved, the MoF Legal Officer's opinion is sought to ensure alignment with existing legislations, procedures and regulations.*
4. **A review of records at the Ministry of Natural Resources and Environment reflected variances of monthly balances between the Land Division responsible for stamp duty and those of the Accounts Division.** *Refer above comment on compliance enforcement to ensure the stamp duty charges and receipts are reconciled.*
5. **The Register of Stamp Duty for the four financial years under audit provided by the Ministry of Finance was not updated.** *Noted.*
6. **Postage stamps were used since the inception of the Stamp Duty Ordinance 1932 until they were later replaced by the rubber stamp.** *All Postage Stamps are kept within a secured cabinet for safe keeping at the moment. For purposes of clarity, the postage stamps were not available for inspection during the audit due to refurbishment works.*