Report of the CONTROLLER AND AUDITOR GENERAL to the LEGISLATIVE ASSEMBLY

OPERATIONS OF THE SAMOA AUDIT OFFICE
for the financial year 1 July 2014 – 30 June 2015

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FA'AVAEI LE ATUA SAMOA

AUDIT OFFICE

P.O Box 13
Apia, Samoa

22nd December 2016

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

Dear Mr. Speaker,

Report to Parliament - Report on the Operations of the Samoa Audit Office - July 2014 to June 2015

In compliance with Article 98 of the Constitution of the Independent State of Samoa 1960 and Section 42 of the Audit Act 2013, I respectfully submit to you, for transmission to the Legislative Assembly of Samoa and for tabling in the next Parliament session, my Report on the Operations of the Samoa Audit Office for the period, 1 July 2014 to 30 June 2015.

Yours Sincerely,

Calele

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

Contents

FOREWORD

This is my tenth 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 2014 and June 2015 including the report on the audit of the 2014 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 period (2014/2015) are reported separately.

This was the year in which a record number of audit activities and outputs were delivered however it was also a year in which many more non-audit activities and reforms were formulated and implemented. Amongst the many non-audit activities and outputs delivered in this financial year were the:

1. Hosting and chairing of the PASAI 11th Governing Board Meeting in August 2014
2. Hosting and chairing of the PASAI 17th Governing Board Congress in August 2014
3. Participation of over 90% of Staff as Liaison and Support Officers to the 3rd Small Islands Developing States (SIDS) Meeting
4. Leading a PASAI Delegation to honour an invitation from the Auditor General of the Chinese National Audit Office and requesting a Masters of Auditing Program for staff of SAIs of PASAI
5. Restructure of the Audit Office
6. Formulation and activation of the Strategic Plan July 2014 to June 2024
7. Commencement of the first performance management, review and appraisal system independent from the Public Service Commission for the period January 2015-June 2016 = 18 months
8. Assisting as Chairman of PASAI in the recruitment of PASAI's executive and leadership team
9. Continuation of CFE Course and full qualification of 17 Members of the Audit Office including the Controller and Auditor General
10. Completion of the first performance review as at 30 June 2015 for the first six months of the performance period of eighteen (18) months

CAfele

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

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 2015, a record of a hundred and sixty six (166) 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.

Hosting and chairing of the PASAI 11th Governing Board Meeting and PASAI 17th Congress n August 2014

In August 2014 the Controller and Auditor General and the Audit Office hosted the 11th PASAI Governing Board Meeting and 17th PASAI Congress. The Controller and Auditor General was appointed under the Charter and Constitution of PASAI to hold the Chairmanship of the Governing Board and Congress until the next PASAI Congress in Vanuatu in 2015. The Controller and Auditor General succeeded the Public Auditor of Guam who held the chairmanship from 2013.

The key businesses discussed during the 11th Governing Board Meeting and 17th Congress included:

1. The review of the PASAI Secretariat and implementation of this review
2. The various PASAI cooperative audit and capacity development programs
3. INTOSAI's Committees report back
4. PASAI Risk Register
5. PASAI Long Term Strategy 2014-2024 and Funding
6. PRAI Status and Accomplishments
7. INTOSAI Certification and ISSAIs Compliance Assessment Tools

Participation of over 90% of Staff as Liaison and Support Officers to the 3rd Small Islands Developing States (SIDS) Meeting

The Audit Office participated along with other State Servants in the hosting by the People and Government of Samoa of the 3rd Small Islands Developing States (SIDS) Meeting. Ninety percent of the Staff of the Audit went straight from hosting PASAI in August 2014 to hosting SIDs with the People and Government of Samoa in September 2014.

A number of staff of the Audit Office received special recognition for excellent services personally from the delegated they looked after.

Leading a PASAI Delegation to honour an invitation from the Auditor General of the Chinese National Audit Office and requesting a Masters of Auditing Program for staff of SAIs of PASAI

Discussions with the Chinese National Audit Office for an invitation to PASAI for a Seminar in China started in August 2014 after the Controller and Auditor General and Samoa Audit Office hosted the Pacific Association of Supreme Audit Institutions (PASAI) Congress in Apia as the Chairman of PASAI.

In October 2014, the Controller and Auditor General of Samoa and Chairman of PASAI took a PASAI delegation to China to accept and honour an invitation from the Auditor General of the China National Audit Office for a Seminar. The delegation included representative from the Supreme Audit Institutions of Samoa, Papua New Guinea, Fiji, Kiribati, Cook Islands, Marshall Islands, Solomon Islands, Tonga and Vanuatu.

The seminar was aimed at providing capacity building opportunities for the senior audit officials from the supreme audit institutions of the pacific region. During the seminar, participants shared the successful audit experience and found solutions to the common challenges through targeted teaching and interactive discussions. Keynote lectures and participants' interactions were introduced to the programme. The seminar was designed mainly under the theme of "Roles of auditing in promoting good national governance", together with other topics such as an outlook of China's economic development and governmental audit, ISSAIs' assimilation in China, Auditors' training and professionalization, public finance audit, financial institutions audit, SOE audit, environmental audit, accountability audit, IT audit, etc. As part of the seminar programme, working sessions with some local audit institutions as well as cultural visits were also arranged to help the participants better understand the Chinese auditing system as well as Chinese culture, history and development.

In that visit to China the Controller and Auditor General of Samoa and Chairman of PASAI then presented a request for a Masters or Postgraduate Programme in Auditing for staff of Audit Offices of PASAI. The Controller and Auditor General again followed up the request in 2015 and in August this year the Auditor General of the China National Audit Office granted the request for an ongoing program to commence from 2016/2017. The Audit Office submitted applications of its first Nominee though the Chinese Embassy in August 2016 and in September 2016 its Nominee and Applicant was accepted and the Auditor General of CNAO granted Samoa and PASAI's an ongoing programme to commence from 2016/2017 in Nanjing Audit University.

Nanjing Audit University (NAU) was established in 1983 and its areas of specialization include auditing, accounting, economics and management. It was established with the assistance of CNAO which headed the NAU in its early years. This Masters programme will go a long way in ensuring sustainability in the efforts of INTOSAI and PASAI to maintain and improve good and ethical national governance and national audit in Samoa as well as in the PASAI Region. It will also go a long way to sustain the capacity and leadership of the Samoa Audit Office now and in many more years to come.

The Samoa Audit Office has already earmarked members of its staff for this programme as part of its ongoing capacity building over the next few years.

Restructure of the Audit Office

This is discussed in detail below under the Strategic Plan. The Organization Chart is displayed under the Section of the Report titled "Organisation and Human Resource Change"

Formulation and activation of the Strategic Plan July 2014 to June 2024

The Strategic Plan re-echoes the vision as demonstrated in the Audit Office Strategic plan for the period July 2009 to June 2012 envisioning and forecasting the Audit Office goals and objectives into the future together with strategies it must undertake to achieve the vision and goals/objectives. To reiterate the Audit Office vision it is to be "a leader in delivering independent public sector audit services and promoting improvement in public sector administration".

The current Strategy for the Development of Samoa (SDS), 2012-2016, presents a theme of "Boosting Productivity for Sustainable Development". This continues the longer term goal of achieving "Improved Quality of Life for All".

With its role as external or public auditor of all ministries and public bodies, the Audit Office is in a unique position to assist in achieving the Government's goals, objectives and vision as demonstrated in the SDS. In particular, the Office can make a major contribution to improvements in accountability including the quality and truth and fairness of financial statements, governance, public administration and the management of environmental issues.

This strategic plan was therefore prepared with the above considerations in mind so that the Audit Office can maximise the contribution it makes over the next 10 years. To fulfill the Audit Office potential for this, it is essential that it continues to provide the high quality and cost-effective audits and other services that it currently delivers. However, it must also make certain that its products add as much value as possible to the operations of our clients or auditees.

Given this, the Audit Office strategic plan outlines strategies to both improve delivery of its current products and allow it to continually build on the improvements the Audit Office has made to date. These strategies will be expanded on in annual plans and other plans, commitments and obligations to be developed and implemented each year.

The objectives and implementation strategies in the strategic plan outline an ambitious approach to improvement over the next 10 years. However, with strong sustained leadership, the Audit Office can achieve the vision and goals of the plan and strongly position the Office for the future. The Highlights of the Strategic Plan include the following performance targets to be pursued and implemented within the duration of the Strategic Plan.

1. Consolidation of ISP, PFMR1 and PFMR2 reforms
    - Risk and materiality based comprehensive interim audits of ministries from January to June annually
    - Risk and materiality based comprehensive interim audits of public bodies from January to June every year
    - 100% audits of ministries annually by 31st October every year
    - 100% audits of public bodies by 31st October every year
    - 100% audits of projects annually by 31st December every year
    - 100% audits of public accounts annually by 31st December every year
    - 100% quarterly audits annually by 30th April every year
    - 12 audits from performance, compliance or environmental audits a year or 1 audit a month for each employee from Audit Manager to Senior Auditor
    - 12 special audits or assignments a year or 1 audit or assignment a month for each member of the Team
    - 12 information technology audits or assignments a year or 1 audit or assignment a month for each employee inclusive of the Audit Manager, Senior Auditor and the two Auditors
    - Annual report to Parliament by 31st January every year
    - 6 monthly reports to Parliament – January and July every year
    - Quarterly reports to Parliament – October, January, April and July every year
    - Annual Summary to Parliament – Aug every year
    - ISP reforms
    - NZ Secondment reforms
    - PASAI reforms eg training, manuals and 10 year strategy
    - IDI reforms eg SAI PMF
    - INTOSAI reforms
    - ISSAI reforms

- Association of Commonwealth Auditors General reforms
- FEMM reforms
- PEFA reforms
- PFM reforms
- Audit outsource reforms

2. Restructure 3
    - Merge the 3 existing ACAGs into one ACAG with duties and responsibilities aligning with Deputy Auditor General in other Audit Offices worldwide and with the pay aligning with Deputy CEOs/Clerk in Samoa
    - Renaming of the 3 divisions and teams under the 3 divisions
    - Strategic and parliamentary division
        i. Strategy, Personnel and Corporate Services Unit
        ii. Communications and Stakeholder Relationships Unit
        iii. Legal Unit
        iv. Information and communication Technology Unit
    - Financial audit services division
        i. Ministries, Projects and Public Accounts Audit Unit/Group
        ii. Public Bodies Audit Unit/Group
    - Operational audit services division
        i. Performance, Compliance and Environmental Audit Unit
        ii. Information Technology Audit Unit
        iii. Special Audit Unit
    - Creation of Legal Unit headed by a Director
    - Creation of a Special Audit Team headed by a Director

3. New Project 1 – Human resources – Project to set up/update human resources management policies and manual
4. New project 2 – Financial Management and Accounting System – Project to set up accounting and financial management system or software and training of responsible personnel
5. New project 3 – Project for payroll system Project to set up payroll system or software and training of responsible personnel under the public finance management reform 3 project
6. New Project 4 – Audit Software Project – Team Mate
7. New Project 5 – Financial management, accounting and audit – Project to establish financial management, accounting and internal and external audit policies and manual
8. New Project 6 – Billing (Situational Analysis and Design) Situational analysis and design of a project to make OCAG fully independent from the Executive Government including financial independence and for OCAG to be operated and sustained completely by audit fees
9. New Project 7 – Billing (Implementation) – Implementation of billing of MOF, Ministries and Constitutional and Parliamentary Office for all audit products from 2020 onwards including public accounts, quarterly and ministries audits
10. New Project 8 - Financial independence Aim to achieve financial independence from MOF and Finance One including an autonomous bank account
11. New Project 9 – Financial Accounting and Reporting – Introduction of full accrual accounting and financial reporting

12. New Project 10 – External Audit Arrangement of independent external audit of the Office
13. New Project 11 – Office Building and PASAI Support – Investigation and arrangement of future accommodation needs and providing increased support to PASAI. Situational analysis and design of a project to build an Office building by 2024 and increase support to PASAI.
14. Restructure 4 – Separation of the Audit Office into:
    - Office of Controller and Auditor-General – this will be the policy, standard, regulation, quality assurance, outsource management and audit opinion issuer Branch
    - Technical/Operating Branch – Partner or Partners in the Private Sector
    - Fraud, Abuse, Waste and Corruption Office – Special Audit Branch

The Strategic Plan will guide the Audit Office activities for the next 10 years aligning with the 10 year Strategic Plan of the Pacific Association of Supreme Audit Institution (PASAI) for July 2014-2024. Now that the financial statements and reports of Government and the Audit Office are almost up to date, the ultimate objectives of the Audit Office 10 year strategic plan are:

1. Complete funding and sustaining of the operating and capital expenditures of the Audit Office on audit fees without heavy dependence on the Government's budget

2. Complete outsourcing of all financial audits to technical partners or audit service providers in the private sector

3. Focusing on operational audits and preparation of the Audit Office current staff/personnel to reorganize/restructure into:

    i. Office of Controller and Auditor General (OCAG) – 11 staff only to be funded together with the Controller and Auditor General as Statutory Expenditure

    ii. Technical partner(s) in the Private Sector to perform audits on behalf of the Office of Controller and Auditor General or Audit Office

    iii. Staff of the current Special Audit Unit of the Audit Office to form a Financial/Assets/Property Crimes Unit in the National Prosecution Office or an Independent Fraud Examination Office (FEO) should the Government decides to form an FEO.

4. Gradual outsourcing of operational audits to technical partners or audit service providers in the private sector.

5. Rightsizing of the staff and personnel of the Office of the Controller and Auditor General or the Audit Office from 60 personnel in the organisational structure as at 30 June 2014 to 11 personnel by 30 June 2024.

Commencement of the first performance management, review and appraisal system independent from the Public Service Commission for the period January 2015-June 2016 = 18 months

During this financial year the Audit Office established for the first time its first performance management review and appraisal system. The system uses grades to assess performance by staff of tasks under six criteria including:

1. Quantity of assignments completed compared to policy = 10%
2. Quantity of assignments completed compared to annual plan and performance agreement = 10%
3. Quality of assignments completed = 40%
4. Timeliness of assignments completed = 30%
5. Attendance = 5%
6. Punctuality = 5%

Seventy percent (70%) is the pass mark under the performance management or measurement system of the Audit Office. There are only 2 grades in the performance management and measurement system. These are the A grade divided into A+, A and A- and the F or Fail Grade. Marks of 70% and over represent a Pass. Marks below 70% represent F or Fail. All marks below 70% are graded F under the performance management/measurement system.

All staff receiving an F under the performance measurement and management system must improve to A- in 3 months, A in 6 months and A+ in 12 months. Failure will result in disciplinary action in accordance with the employment contract, agreement and human resource policies/manual. Staff must not remain at F, A- and A more than once under the performance management/measurement system. Failure will result in disciplinary action in accordance with the employment contract, agreement and human resource policies/manual.

Excellence at A+ must be achieved and accomplished for every review. This is the hallmark of the ultimate or most complete performance of assignments and is premised on the principle and concept that a staff performance of assignments can only be as good as the last review. The message being portrayed across is to consistently perform at the highest level of quality and timeliness.

There have been two changes in the weights given to the assessment criteria since the original one above was established. These were introduced in the performance reviews as at 30 June 2016 and the new performance agreement for the period July 2016 to June 2017 and they are displayed as follows:

I. Performance Review as at 30 June 2016

1. Quantity of assignments completed compared to policy = 2.5%
2. Quantity of assignments completed compared to annual plan and performance agreement = 40%
3. Quality of assignments completed = 25%
4. Timeliness of assignments completed = 30%
5. Attendance = 1.25%
6. Punctuality = 1.25%

II. Performance Agreement for the period July 2016 – June 2017

1. Quantity of assignments completed compared to annual plan and performance agreement =50%
2. Quality of assignments completed = 20%

3. Timeliness of assignments completed = 30%

Assisting as Chairman of PASAI in the recruitment of PASAI's executive and leadership team

During the period of the report the Controller and Auditor General was appointed by the PASAI Governing Board as a Panel Member of PASAI in the recruitment of PASAI's executive and leadership team comprising of the Chief Executive, PASAI Advocate, three Directors and an Executive Assistant.

Continuation of CFE Course and full qualification of 17 Members of the Audit Office including the Controller and Auditor General as Certified Fraud Examiners

Seventeen (17) Senior Staff of the Audit Office, including the Controller and Auditor General passed the Certified Fraud Examination of the Association of Certified Fraud Examiners (ACFE) during this financial year. The exams were completed in December 2014 and January 2015 after studying 46 topics in four sections throughout 2014 using electronic learning. Study was mostly conducted individually and after hours except for a daily lunch hour group session where ideas were brainstormed and discussed. The four sections of the exam included:

1. Section 1 – Financial Transactions & Fraud Schemes
2. Section 2 – Law
3. Section 3 – Investigation
4. Section 4 – Fraud Prevention & Deterrence

The special audit areas in the CFE exam included:

1. Assets misappropriation:

    i. Cash
        - Larceny or theft
        - Skimming
        - Fraudulent disbursements

    ii. Inventory and all other Assets
        - Abuse and misuse
        - Larceny or theft

2. Fraudulent Statements

    i. Financial Statements
    ii. Non-Financial Statements

3. Corruption

    i. Bribery
    ii. Illegal gratuities
    iii. Conflicts of interest

The topics of the CFE course and exam included:

1. Accounting concepts
2. Financial statement fraud

3. Asset misappropriation – cash receipts
4. Asset misappropriation – cash payments/disbursements
5. Asset misappropriation – inventory and other assets
6. Bribery and corruption
7. Theft of intellectual property
8. Financial institution fraud
9. Cheque and credit card fraud
10. Insurance fraud
11. Health care fraud
12. Consumer fraud
13. Computer and internet fraud
14. Public sector fraud
15. Overview of the legal system
16. The law related to fraud
17. Bankruptcy (insolvency) fraud
18. Securities fraud
19. Money laundering
20. Individual rights
21. The civil justice system
22. The criminal justice system
23. Evidence
24. Testifying as a witness
25. Analysing documents
26. Interview theory and application
27. Covert examinations
28. Sources of information
29. Accessing information online
30. Data analysis and reporting tools
31. Digital forensics
32. Tracing illicit transactions
33. Reporting standards
34. Understanding human behaviour
35. Theories of crime causation
36. White collar crime
37. Organisational crime
38. Occupational fraud
39. Fraud prevention programmes
40. Fraud risk assessment
41. Fraud risk management
42. Management's and Auditor's Responsibilities
43. Corporate governance
44. Ethics for fraud examiners
45. ACFE Code of Professional Ethics
46. CFE Code of Professional Standards

The Audit Office has now set up a Special Audit Unit formed from its newly qualified Certified Fraud Examiners (CFE). Over the coming years, the Audit Office will recruit legal and police experience/expertise to join the Special Audit Unit. The Special Audit Unit will also make use of new audit laws effective from January 2014 with whistle blowing clauses facilitating the voluntary reporting of fraud and irregularities with legal protection and without repercussions. The Special Audit Unit will also set up a Samoa CFE Forum/Chapter to network and seek resources and expertise from ACFE when required. The Audit Office CFEs have received CFE training and qualification and now need the professional experience to translate theory into practice.

The special audit approach in the order of execution will be:

1. Risk assessment/profiling activities
2. Awareness activities
3. Education activities
4. Prevention and deterrence activities
5. Detection and identification activities
6. Investigation activities
7. Assistance to Prosecution of detected and investigated cases of fraud, abuse and corruption

The Audit Office believes that the success in the update of financial statements, audits and annual reports to parliament due largely to the cooperation and assistance from Ministries, Public Bodies, Constitutional and Parliamentary Offices and other Offices of the State will be applied again in rolling out its CFE reforms. This is why the Audit Office is starting with risk assessment, profiling, awareness, education, prevention and deterrence activities before moving onto the hardest phase of detection, investigation and assistance to prosecution.

CFEs have the ability to: examine data and records to detect and trace fraudulent transactions; interview suspects to obtain information and confessions; write investigation reports; advise clients as to their findings; testify at trial; understand the law as it relates to fraud and fraud investigations; and identify the underlying factors that motivate individuals to commit fraud. CFEs on six continents have investigated more than 1 million suspected cases of civil and criminal fraud.

The CFE initiative was organized and arranged by the Controller and Auditor-General, Fuimaono Papalii C.G. Afele after meeting and networking with a number of CFE professionals in his work attachment with the United States Government Accountability Office (GAO) in 2010.

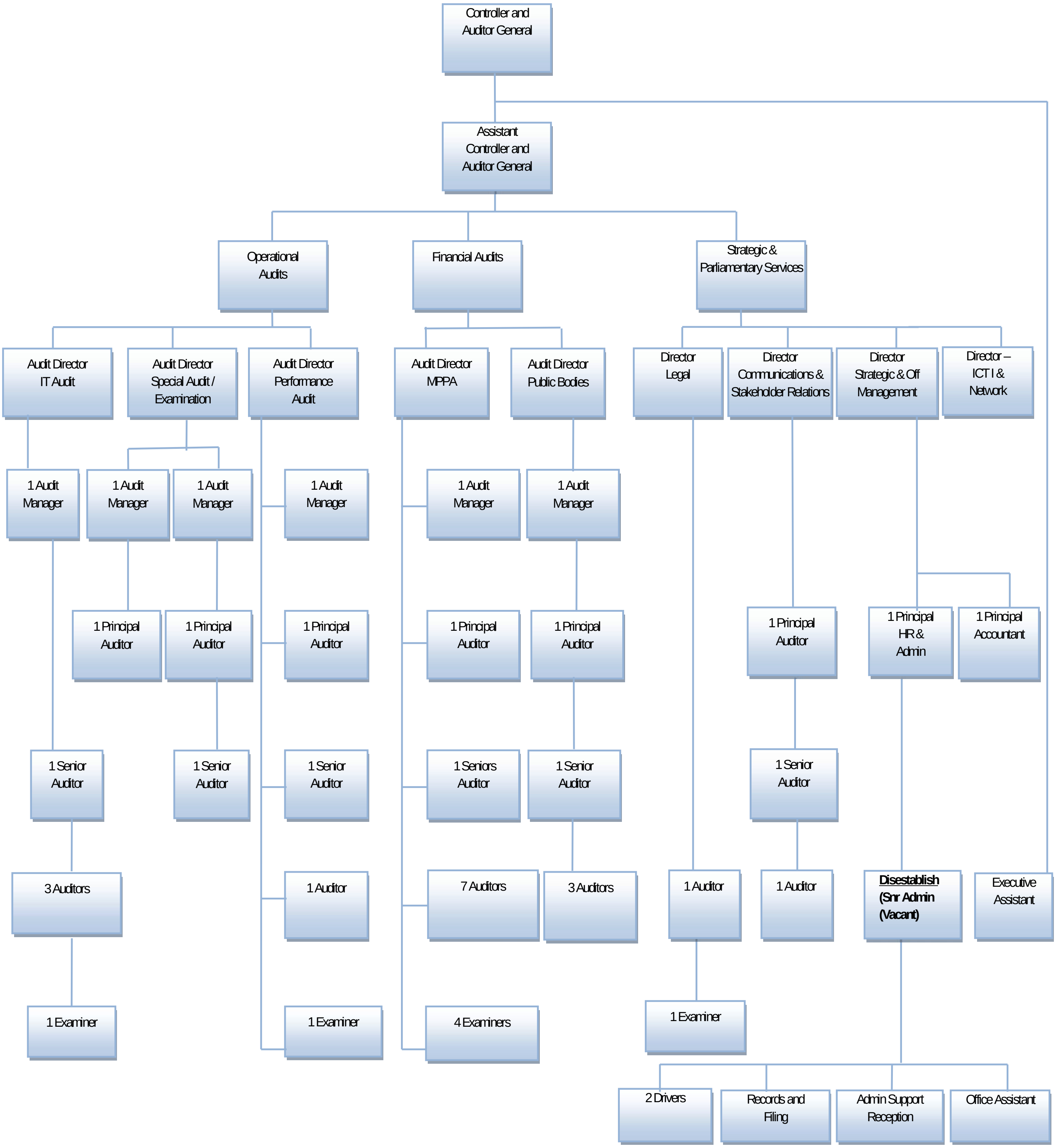
Founded in 1988 and with its global Headquarter based in Austin, Texas in the United States, the ACFE is celebrating its 25th anniversary as the world's largest anti-fraud organization and premier provider of anti-fraud training and education. Together with nearly 75,000 members, the ACFE is reducing business fraud worldwide and inspiring public confidence in the integrity and objectivity within the profession.

Completion of the first performance review as at 30 June 2015 for the first six months of the first performance management/review/appraisal period of eighteen (18) months

During this financial year staff of the Audit went through its first performance management/review/appraisal since becoming independent from the Public Service Commission. The performance review was undertaken for the first six months of the eighteen (18) months of the first performance cycle.

ORGANISATIONAL & HUMAN RESOURCE CHANGES

During this period a new organizational structure/chart was formulated under new 10 year Strategic Plan for July 2014 to June 2024. The new Organisational Chart is reproduced below and the main changes are being discussed under the highlights of the report:



ANNUAL FINANCIAL STATEMENTS

Audit Office

Output	Actual	Full Budget (including revisions)	Budget Remaining	Utilization %	2015
Strategic and Parliamentary Services	892,583	914,518	21,935	98%	936,181
Audit and Certification Services to the Ministry of Finance and all Ministries and Projects	1,093,169	1,111,188	18,019	98%	1,073,842
Audit Services to Statutory Public Bodies	867,022	897,105	30,083	97%	887,351
TOTAL	2,852,774	2,922,812	70,037	98%	2,897,374

Transactions on Behalf of the State

Output	Actual	Full Budget (including revisions)	Budget Remaining	Utilization %	2015
International Congress of Supreme Audit Institutions	0	5,000	5,000	0%	0
SPASAI	108,943	150,300	41,357	72%	266
INTOSAI	0	1,584	1,584	0%	1,446
APIPA	923	1,200	277	77%	0
Rents and Leases	154,308	179,575	25,267	86%	164,466
VAGST Output Tax	68,538	81,298	12,760	84%	78,511
TOTAL	332,712	418,957	86,245	79%	244,689

Cost Recoveries

Output	Actual	Full Budget (including revisions)	Revenue Budget Exceeded	Recovery %	2015
Audit and Certification Services to the Ministry of Finance, all Ministries and Projects and Public Bodies Enterprises	340,321	331,647	8,674	103%	560,935
TOTAL	340,321	331,647	8,674	103%	560,935

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 2014/15 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 tabled one report during the period July 2014 – June 2015. This report relates to audits and other assignments conducted between July 2011 – June 2012.
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 conducted five information technology audits during the period of the report. These audits are covered in this report.
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 and special audits during the period of the report. These seven audits are covered in this report.

Output 2: AUDIT AND CERTIFICATION SERVICES TO THE MINISTRY OF FINANCE, ALL GOVERNMENT MINISTRIES AND CONSTITUTIONAL OFFICES

Scope of Appropriation:

This appropriation is for the delivery of the following services:

- Audit of the quarterly statements of receipts and payments
- Audit of the annual public accounts
- Pre-audit of the daily cheque listing
- Audit of the accounts of donor and loan funded projects
- Audit of ministries, departments and office of the Executive Government;
- Audit of overseas missions
- Certifications of warrants for signature of Head of State to release funds
- Interim and special check/audits of Ministries
- 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 completed 4 quarterly statement audits during this financial year. Coverage of these audits are in the report.
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 one audit pertaining to Annual Public Accounts of the financial years ended 30 June 2014. Coverage of this audit is 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. Two pre-audit reports were produced for the period January to December 2014. Coverage of these pre-audit reports are in this report.
4. Percentage of Government Ministries & Departments to be audited annually	Targeting 70% of 20 Ministries to be audited during the year 2014/15 in line with staff numbers	OCAG/SAO completed 23 ministries audits which included the clearance of some backlog/arrears which are all covered in the report.
5. Percentage of	Targeting 70% of 7 Missions	OCAG/SAO completed one (1)

	Government Overseas Missions to be audited annually	to be audited during the year 2014/15 in line with staff numbers	mission audit or 14% 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 Chief Auditor 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 2014/15 in line with staff numbers. This is a moving number as projects have differing requirements every year.	OCAG/SAO completed 26 project audits during the year 2014/15. These are being covered in the report. In 2008/2009 there were 10 project audits completed. In 2009/2010 there were 9 project audits completed. In 2010/2011 there were 8 project audits completed. In 2011/2012 there were 20 project audits completed. In 2012/2013 there were 15 project audits completed. In 2013/2014 there were 12 project audits completed.
7.	Interim and special checks on Ministries	Targeting 50% of 20 Ministries to be interim/special checked or audited during the year 2014/2015 in line with staff numbers	OCAG/SAO completed 20 interim ministries audits which are all covered in the report.
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 2. Percentage of Public Bodies (beneficiary & trading) – Delegated	Targeting 80% public bodies to be audited out of 37 public bodies during the year 2014/15 in line with staff numbers of appointed Auditors and Public Bodies Unit of the Audit Office	53 public bodies audits were completed within financial year 2014/2015 including some arrears or outstanding audits. 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 of the 37 public bodies during the year 2014/15 in line with staff numbers of the Public Bodies Unit of the Audit Office.	21 public bodies interim/special audits or 56% were completed during the financial year 2014/2015. 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 Chief Auditor is required to conduct audits of:

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

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

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

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

The following table summarises the number of audits and other assignments undertaken during the financial year ended 30 June 2015.

Audits completed in 2014-2015

Type of Audit	Number of audits completed
Annual Public Accounts	1
Ministries Final Audits	23
Public Bodies Final Audits	53
Ministries Interim Audits	20
Public Bodies Interim Audits	21
Overseas Missions	1
Donor and Loan funded projects	26
Performance and Special Audit/Examination	12
Auction	3
Preaudit	2
Quarterly Statements	4
TOTAL	166

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
2013/14	1 November 2014	31 October 2014	1 January 2015	30 January 2015

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, 2013 and more recently 2014, 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.

PUBLIC ACCOUNTS, QUARTERLY STATEMENTS, PRE-AUDIT & AUCTIONS REPORT

1.1 Public Accounts 1 July 2013 – 30 June 2014

Schedule 2: Statement of Ministry Receipts by Reporting Category and Expenditure by Output

There were no explanations provided by several Ministries regarding variances noted between their actual and budgeted expenditures reported in Schedule 2 including the Ministry of Agriculture, Ministry of Communication & Information Technology, Office of the Clerk of the Legislative Assembly and the Ministry of the Prime Minister.

Schedule 3.2: Statement of Statutory Expenditure – Statutory Remuneration

There were variances from the comparison of Actual and Estimate figures reported under Schedule 3.2 for the Head of State Act 1965, Civil List Act 1964, Judicature Ordinance Act 1961, Audit Office Ordinance 1961, Parliamentary Under-secretaries Act 1968, and Ombudsman Act 1988.

MOF explained that:

- Head of State Act 1965 – (Under spent) The estimate of $557,795 being made up of salaries for Head of State ($198,500) and his three council of deputies (3 x $102,000) (plus PPF subsidy of 10% and ACC of 1%). For FY2014, salaries that were paid out of this were for Head of State and 1 council of deputy only, the other 2 positions were vacant.
- Civil List Act 1964 – (Under spent) The bulk of the under spent derives from the personnel (normal salaries) account - $290,385.12. This is due to one of the Members of Parliament from the Constituency Itu o Tane deceased during this year but was not replaced until the FY2015, and the readjustment to the former Minister of Finance salary to Parliamentary Under-Secretaries Act 1968. Both replacements were only realised in the FY2015. The additional savings were also from Statutory deductions and Committee allowance.
- Judicature Ordinance Act 1961 – (Under spent) Appropriated 9 judges (including Chief Justice) however, only 8 Judges were employed.
- Audit Office Ordinance 1961 – Overspent by $3,112. Salary increase 3% Supplementary was not loaded in FY14.
- Parliamentary Under-Secretaries Act 1968 – (Over spent) Salary increase 3% Supplementary was not loaded in FY14 and the over utilisation on the Committee Allowance.
- Ombudsman Act 1988 - (Over spent) by $16,679. Salary increase 3% Supplementary was not loaded in FY14.

Schedule 3.3: Statement of Statutory Expenditure – Other Expenditure

There were variances from the comparison of Actual and Estimate figures reported under Schedule 3.3 for PFMA 2001, Merit Award-Merit Act 1992/1993, Grant to the Public Trust Office-PTO Act 1975, Income Tax Refunds, VAGST Refunds, and Duty Drawback.

MOF explained that:

- PFMA 2011: An allocation utilised by the Ministry of Finance to assist in managing its bank account for both overseas and local. There was no need to fully utilise the full amount of the appropriation.
- Merit Award-Merit Act 1992/1993: Only one ceremony was conducted during the year under the Administration of the Cabinet / Ministry of the Prime Minister. The utilisation of the Appropriation was based on those who receive Merit Awards and the Administration Ceremony.
- Income Tax Refunds: Ministry of Revenue under their statutory requirements carries out the assessments for these refunds and put it through for processing. The estimate was based on expected refunds for that year and to clear off refunds from previous years. The over spending was due to several reasons: the delay of/or completion of assessments, and the increase of needed refunds during the period. Same for VAGST Refunds.
- Duty Drawback: Ministry of Revenue under their statutory requirements also carries out the assessments of the Duty Drawback. The under spent was due to delay in the completion of assessments or there were a few drawbacks needed to be assessed during this period.

Schedule 5: Statement of Cash Balances

1. There were journal entries noted that were incorrectly made which resulted in exchange rate losses and subsequently the Ministry and Government had to pay more than expected for foreign currency. Furthermore, most of these journal entries were prepared, posted and approved by one Officer without proper checking mechanism or management oversight to ensure any errors are alleviated. MOF clarified that the Journal Entries hae been reviewed and properly approved by the Principal Accountant. The entries in question were from a format that is posted from overseas mission postings. The financial year 2014 was the first year this process has been activated so that MFAT is responsible for Mission Postings. The Ministry of Finance is responsible in the checking and reconciliation. There is a clear segregation and approval process in place for these transactions.

2. The General ledger for several bank accounts either had transactions with invalid dates or transactions that were related to other financial years. One did not show transactions made during the financial year, and the whole posting was done through one journal entry, making it difficult for Audit to reconcile this particular bank account. It is very important that postings are done properly as information on the bank statements are not sufficient to verify the nature of each transaction made. MOF responded that this Special Account has a different process from all the other bank account because of its operations which is through an acquittal process. It is a self funding operation and no funding required from the Budget/Appropriation. This special Account consists of two bank account and most of its transactions and reconciliation are manually kept in a spreadsheet monthly. Only the movement is reflected in the Finance One. This is currently not an issue as all the documentation is kept for audit purposes.

3. A journal entry was processed to clear out a variance between the bank reconciliation and bank statement of the Ministry of Revenue's Income Tax account. However, audit found that the Ministry of Revenue was unaware of this entry and why such was paid from their VAGST account. Although the journal entry will clear out the variance, however, it will continue to

increase the prior year adjustment account in future years. The total amount below is mainly made up of bank errors. MOF said that the journal entry in question is a reconcilable amount that has carried forward from 2004 within the Ministry of Revenue reconciliation. The entry recommended a write off from its reconciliation and will advise the Ministry of Revenue on the new view of their reconciliation.

4. The unpresented cheques for the General Disbursement Account on 30 June 2014 added up to $14 million which was increased by $974,653 compared to the last financial year which was $13 million. The General Disbursement account also continues to exceed its overdraft limit of $12 million. The Unpresented cheque has been an issue over the years. For the last three years, work plans were allocated amongst the staff to resolve- this issue and recommended the using of EFT functionality. There is currently an action in place to resolve this issue although it is moving at a slow pace of additional task needed to clear this as well, the shortage of staff. The EFT payment system has also been in place since September 2014 to rectify this issue and since December 2014, we have enforced all Government Suppliers to move to EFT payment. The overdraft as at 30 June 2014 was mostly due to cheques printing during the year end process and second supplementary transaction. The year end Ministry rush of payment consistently occurred every year during this month although most of these transactions are not part of the Ministry cash flow allocation. We are currently putting in place Ministries' monthly commitments reminders, monthly payment policy circular and cash flow training to resolve some of these issues.

Schedule 6: Statement of Receivables

1. The only public Trading bodies with dividends payable to the Government of Samoa within the financial year under audit were Samoa Post Limited, Samoa Land Corporation and Samoa Housing Corporation. Dividends reported were the only ones that have been declared by SOES and reported in their financial reports, although Policy requires SOEs to declare 50% of NPAT as Dividends payable. MOF said it is ensuring that this is enforced through its overall report to Cabinet to recommend Public Trading Bodies to either declare the outstanding dividend or pay the outstanding dividends based on their cashflow. The Cabinet directive aforementioned includes all Public Trading Bodies that are required to comply with Dividend Policy and the respective dividend amount they owed.

2. The balance of dividend receivables continues to increase compared to previous years. Audit is concerned about the recoverability of these receivables and what action is taken by the Ministry of Finance to ensure that these amounts will be collected. MOF said that its office has taken the move to ensure that SOEs comply with Dividend Policy through our recommendation to Cabinet to direct profitable Public trading Bodies to pay outstanding dividend. So far, there has been a positive response by SOEs to the FK issued by Cabinet and PTBs have gradually complied with this. SOEMD are also currently drafting a recovery plan to ensure steps are taken to guarantee the receipt of outstanding receivables to Government by SOEs and what actions to be done should an SOE fail to pay outstanding debts to Government.

3. Some of the Ministry's receivable balances were overstated on Finance One or not recorded at all. A total debt of $12,824,046.37 reported on the MOR's ASYCUDA could not be traced and located on Finance One. Such has led to an understatement of debtors reported in Schedule 6. MOF said it had taken more than two years to work with responsible Ministries on their debtors and to ensure that the correct amount on the Finance One actual reflects the true picture of their Debtors. Each Ministry is currently responsible for its own ledger on the Finance One and if there are any discrepancies, they have to fix it. Ministries are also expected to advice Ministry of Finance to fix a balance if it is not within their authority. The Balances of Debtor reflected in the Financial Statement were outstanding as at 30 June 2014 as of the system. We will however follow up on these Ministries whether assistance is needed to clear off the variance highlighted through the Ministry Audit.

4. There were unfavorable movements in accounts receivable balances, with either no movements or increased balances. The Ministry of Finance is currently working on a submission to clear those Accounts indicated.

Schedule 7: Statement of Investments

There were no confirmations received from the entities to verify Government Investments. MOF said that the entities identified were not SOEs under Public Bodies Act 2001, and they do not have access to their financial information as well as absent of confirmation. It will forward confirmations once we receive it.

Schedule 8: Statement of Capital Subscriptions and Obligations

1. 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 organizations on their behalf. Discussions were made as per Schedule 8 "Operating Manual" (September 2010), to transfer this role to the Central Bank of Samoa, however it was again noted that it has still not been transferred. MOF said that the MOU was only approved in August 2014. Therefore, the official transfer of these IMF accounts and its transactions will be reported in the Financial Year 2014/2015.

2. Audit could not confirm several balances of accounts held by the Government due to absence of confirmations provided during audit. These confirmations have been requested for several times but there was still no response from the respective institutions at the time of compilation. The balance submitted were confirmation for the financial year 2013.

Schedule 9: Statement of Fixed Assets

1. It was again noted that the Apia land reported in Schedule 9 had not been revalued since 2007. IPSAS 17: Property, plant and equipment states that assets should be revalued every three to five years. MOF clarified that this Asset was captured due to a contra transaction to a debt from one of the Corporation. Revaluation will incur costs but will be reviewed as part of the Asset policy/IPSAS possible way to revaluate these Assets.

2. It was again noted that the Statement of Fixed Assets – Schedule 9 did not fully disclose all assets owned by the Government. Discussions noted that MOF is in the process of implementing the "Asset Management Module" that will enable the complete accounting of fixed assets in the future. MOF responded that at the time of the compilation, the Asset Module has only been implemented by some Ministries for one year and information is either incomplete or unreliable. To ensure accuracy of the information in the Asset Module, we are currently carrying out verification of these assets in accordance to the register. One of the issues that has been identified immediately, Ministries were not updating their register as they purchase new Assets or write off Assets. A process has now been circulated effective at the beginning of this Financial Year 2015 to ensure compulsory register and no new Asset is paid until they have a register number on the System. The ultimate aim is to record all the Assets in the Financial Statements through the Asset Module.

3. MOF has still not developed Accounting policies for accounting of fixed assets. As discussed before in the previous audit, these policies should cover the following:
   - The basis of recognition, which assets are recognised on a cost basis, and which are on a revaluation (fair value) basis
   - For those at revalue amounts, how often will revaluations be carried out, and by whom? For those years when a revaluation is not carried out, what is the policy for assessing whether the carrying amount is materially different from fair value?
   - What is the policy for depreciation? This requires an assessment of the useful lives of assets, and appropriate methods of depreciation. How will depreciation be accounted for given the current modified accrual basis of accounting?
   - What is the policy for assessing whether there has been any impairment in the fair value of assets?
   - Insurance of fixed assets, to provide the cover considered necessary, given the risk profile of assets, and the attendant cost of insurance cover.

   MOF replied that as the Asset Unit staff of the Accounts Division has only recently been established, one of their work plan is to review policy. However, the priority is currently focused on the existence and the accuracy of the Asset Register and some of the mentioned policies will be reviewed where practical and to be updated in the latest version of the Treasury Instructions.

   - Basis of recognition – most of the Assets in the register are currently recognised at cost basis. Issues only arises in the cost basis if there were transfer of Assets from Project to the Ministries and the cost of the Asset was not recorded before, or some Assets that are more than ten years do not have a recorded amount in the Ministry Asset Register. MOF currently uses the most practical way to assess its fair value in terms of market value, conditions of the Asset, determining from the date of purchase for a depreciated value.
   - Revalue Assets, Depreciation, and Impairment of the Fair value of the Assets – Assets are currently recorded as expenditure in the Financial Statement - Cash Basis (IPSAS) and in time where all are translated to Accrual Basis IPSAS then their policy are created where practical.

- Insurance of Fixed Assets – Insurance of Motor Vehicle is currently part of the expenditure under each Ministry. Because premiums are quite expensive for all Government Assets, there are selected Assets that are covered under this Scheme and is covered from the Insurance appropriation under the Ministry of Finance and all Insurance information under the Insurance Fund.

Schedule 11: Statement of Cash Receipts and Payments for the Government of Samoa Grants and Loans

1. Audit reviews of overall donor funded grants noted various overdrawn donor accounts. For individual project/loan balances, there were also various projects being overdrawn during the financial year under review. The overdrawn projects/loans are a reflection that reconciliation of funds used and funds remaining within projects by the Aid division was not done on a timely basis to detect whether a project is near or may be overdrawn which would suffice the need to halt any further expenses until funds are injected. Audit recommended for MOF to provide justifications as to why these projects/loans were overdrawn, assess and make known the recoverability of these overdrawn projects/loans to make up for Government funds utilised to cater for expenses, carry out regular reconciliation work so to flag the likelihood of a donor fund or project/loans to be overdrawn and to halt spending till injection of funds. MOF explained the following:
   - Some of the projects listed in the audit findings have several donors financing, therefore the balance for each donor code for each project number should be considered in the observation. Some projects accounts were written off in previous financial years, and a summary list of all the projects accounts was provided as supporting documentation to this schedule.
   - There were several projects overdrawn at end of the reporting period, awaiting advances requested to donors to finance ongoing projects activities, and funds were received after June 2014, as shown in the ledger print out attached. Four of the 26 projects listed are recommended to write off overdrawn balances as some of these were completed since the last several financial years.
   - There have always been reconciliation done within the ministry for each individual project kept by the ACDMD, a quarterly and six monthly reporting is required by donors for most projects. Also, annual audit is conducted for most of the individual funded project. MOF takes note the importance of having funds available to finance projects activities at any time, and continues to coordinate with the donors and implementing agencies to ensure funds available in any one project account to finance ongoing projects activities.

2. There were no reconciliations of records by both divisions to confirm that postings on the general ledger were correct. The absence of these reconciliations has made it difficult for audit to verify the correctness of postings and figures shown on Finance One. MOF said that individual projects had their own reconciliation available with the ACDMD, and also e-copies were provided as supporting documentation at time of audit assignment. All payment vouchers supporting payments paid from individual project are available with the ACDMD of the ministry, which are used to reconcile ACDMD ledgers with Finance One system. Also note that most of the projects listed also have individual project audit every financial year, therefore keeping complete records and regular reconciliation is a necessity. Print out of reconciliations for all the projects listed in the table above is attached for information. MOF has taken note to

ensure that correct donor code use for posting individual project transactions for accurate reporting.

3. Audit noted that one project was incorrectly posted under Australian Aid and UNDP when it was actually funded by the Asian Development Bank. Revenue that was funded by ADB has been credited under AusAid and payments incurred for the ADB project has been debited under UNDP. The ending balances for AusAid, UNDP and ADB on the statement for 2013/14 were misrepresented. According to Aid Division personnel, only upon configuration of the system can such adjustments be done. The IT division has responded that changes will be made upon configuration of the system. MOF explained that adjustments have been made to correct donor code on Finance one and reporting. The amounts referred to, were transactions for previous financial years posted to incorrect donor code. The ministry takes note of the audit recommendations for accurate reporting in future.

Schedule 12: Statement of Payables

1. Audit review of other payables reported under Schedule 12 noted some of these accounts should be cleared and have zero balances at year end.
   MOF replied:
   - Unclaimed Monies – The Unclaimed Monies are from the Unpresented Chq listing and is part of the explanation on Schedule 5 – Issue 4. The increase is from the Bank Reconciliation listing where this amount is allocated to this Account for a different personnel to assess and follow up on the chq whether it has been picked up, advertisements or to write off to the Treasury Fund. Most of the Unpresented Chq listing is where suppliers pick up their chqs but were not presented.
   - Fund Account – Sundry Clearing - Funding from Donors that were receipted at the last month of the FY2014 were not identified. These were identified at the beginning of the Financial Year 2015 and allocated to their appropriate Project Account. Entries and working papers were provided as part of the working papers.

Schedule 13: Statement of Contingent Liabilities

1. It was noted that the following balance has not been reported due to no confirmation received from UTOS. The bank confirmation from NBS showed that UTOS owes the relevant amount by way of promissory notes: Please refer email attached. Further confirmation from CEO-UTOS (if any major change) will be sent for review once she resumes work.
2. Confirmation from Westpac for SOE Loans guaranteed by government not yet received.

The confirmation from Westpac Bank listed balances that State Owned Enterprises (SOE's) owed to the bank as at 30 June 2014. From this confirmation, Audit could not determine whether these balances were guarantees issued by the Government.

MOF explained that a request has already been sent for Westpac to reconfirm the SOE related balances that should be reported in Schedule 13. However by the end of the Public Accounts Audit, the confirmation still has not been received.

Schedule 14: Statement of Write Off and Losses

There were no formal guidelines developed by the Ministry of Finance on the valuation of written off assets. Discussions noted that the valuation of written off assets was estimated based on the condition of the asset at the time and the market value of similar assets. MOF said that it will go through formalising these valuation guideline into the Treasury Instruction (Section 4). Some of these valuation methods are not comprehensive but are practical in assessing written off assets.

Schedule 15: Statement of Ex gratia Payments

The ex gratia payments and leave entitlements paid to the following employees due to death were all charged under the natural account 708101 for "ex gratia payments" instead of allocating them to their appropriate natural accounts. MOF said that the payments in question have no budget provision in FY2014, virements funds were loaded into Ex-gratia payments account, hence the postings as noted. Entries have been corrected as recommended,

Schedule 16: Special Accounts – Statement of Accounts

1. There were prior-year unpresented cheques and outstanding deposits. These issues have been reported in previous audits but still not been resolved. Audit recommended the Ministry of Finance to follow up these issues with the respective Ministries so they can be cleared immediately. MOF said these bank accounts managed by the Ministry of Justice and Courts Administration expected to be cleared in financial year 2015. The concerned Ministries are currently working on their submissions for the CEO (Ministry of Finance) to endorse writing off of outstanding deposits and cheques. Changes will be reflected in the later month's reconciliation.

2. The Agriculture Talomua special account was closed in 2012 with a nil balance noted on the bank statement; however audit noted that a balance of $350 still appeared on both the bank reconciliation and general ledger for this particular account. This amount is believed to have been carried forward from previous years. MOF said the Ministry posted the revenue in their General Ledger twice. The Ministry was advised to clear the issue before the end of this financial year. An entry will be raised to offset the outstanding matter.

Schedule 18: Insurance Fund – Statement of Accounts

1. There were no supporting documents to confirm one premium payment made
2. A journal entry narration regarding an exchange loss of $115,340 was incorrectly posted as an exchange gain on the General Ledger

MOF explained that the refunded amount was an unused portion of premium for policies due to schools deleted from policy as per letter from the insurance provider. The journal entry narration has been corrected.

1.2 Pre Audit Report for the period 1 January 2014 – June 2014

As part of its pre-audit role, the Samoa Audit Office is required to audit all government payments processed through the Ministry of Finance. This is to provide assurance that all payments processed were in compliance with all relevant legislations, policies, regulations, Instructions and procurement guidelines of the Government of Samoa.

For January to June 2014, a total 14,354 Payment Vouchers/Batches were pre-audited, prior to releasing a total number of 8,878 cheques representing a value of $132, 326, 001. As a result of our work, we also raised a total of 1,028 audit queries prior to releasing these cheques.

In addition, the Government payroll system was pre-audited through the use of computer-assisted auditing tools to ensure that no major discrepancies exist between the approved amounts for payroll compared to amounts within Finance One. The total amount of Gross Pay processed from January to February was approximately $65,477,398, representing an average of 5,500 government employees per pay period every fortnight.

Findings & Recommendations:

January 2014 : For the month of January, we raised approximately 128 queries and issues as a result of 2,022 payment vouchers received and pre-audited as part of our audit function. The most common queries and issues across all Ministries were;

1. Possible duplicate invoices within Finance One. There were 2,200 invoices with attributes of same supplier code, same invoice amount, same invoice date and same Ministry. There were also various payments of invoices for transactions that appear to reflect possible splitting of the invoice costs. A list of these invoices was sent to MOF for verification.
   Users have found a way to bypass edit/validation controls in preventing the processing of the same invoice more than once.

   Recommendation
   - To establish a procedural Policy related to entering supplier invoices so as to standardise any data entry conventions (and enforcing any edit/validation rules within Finance One);
   - The current procedures in place require tightening controls to prevent the possibility of invoices being processed more than once.
   - Investigate the List of possible Invoice splitting.

2. Invoices appeared to have been created on Finance One before the actual invoice was received. Audit recommended that all cancelled batch numbers must not be re-used again.

   February 2014: For the month of February, we raised approximately 212 queries and issues as a result of 3,228 payment vouchers received and pre-audited as part of our audit function. The most common queries across all Ministries were;

   i. An analysis of all invoices processed via Finance One within the month of February was carried out. The purpose of this analysis was to identify instances of possible invoices that have been processed more than once or duplicated within the system. From our Analysis we found the following:
   ii. There is currently a general lack of procedures in place to reconcile and detect the possibility of invoices which might have been processed more than once within the Accounts Payable Module. As a result a double payment of $2,000 was detected. This

cheque was returned to the Ministry of Finance and cancelled on the 25th February. Although the amount was immaterial but this demonstrates that there is a possibility of duplicate payments as Ministries are able to process a payment more than once.

Recommendation

- Carry out monthly reconciliation of manual payments to detect any double payments
- Review the list of possible duplicates provided by Audit Office
- Review the current procedures and processes in relation to detecting the likelihood of duplicate invoices being successfully processed

3. There were instances of forward dated invoices on the system, where invoices appeared to have been created on the system before the actual invoice was received. These include some invoices dated 10 to 12 months in advance which is impossible and not legitimate. This issue was raised in January and the same comment was also provided.

   Recommendations

   - All cancelled batch numbers should not be re-used again.
   - MOF should inform the Ministries to avoid using duplicate batch numbers even if they were previously cancelled.

4. During the month of February, there was follow up of a payment of cell phone bills of the Ministry of Education that was queried by audit on August 2013 as it is non compliance with the current policies. This was confirmed by the Principal Accounts Payable Officer that it was cancelled and referred back for the Ministry to settle these accounts. It is our recommendation to the Ministry of Finance that the current procedures need to be strengthened to ensure compliance with controls as well as to prevent unauthorized payments going forward.

5. We noted various payments of invoices for transactions that appear to reflect possible splitting of the costs to avoid limitation of authorisation. For instance, we have found two payments made to a supplier with the amounts of $35,000 each for the same activity. These payments were made for the renovation of Police outposts at Fagamalo Savaii but there were two separate invoices. We have informed the responsible Ministry about these payments as there should be a tender's board approval for the total value of this work as per Section 6 of the Treasury instruction (Procurement and Contracting). The payment was referred back to the Ministry for appropriate actions. There were also issues of the same nature arising in the use of Ministry Petty cash reimbursements. We recommend the Ministry of Finance to strengthen their monitoring of compliance with current policies, FKs and relevant Acts and Regulations.

6. An analysis of the 3% general increase has noted the following issues:
   Not all government employees are entitled to the 3% increase. Those paid under projects are not entitled unless authorised by the donor funding by way of correspondence to the Ministry of Finance; 17 employees with normal salaries NOT equal to 3%, sixteen (16) were verified and confirmed that they just got promoted and received their new salaries together with the 3% increase. One has been confirmed that it was a posting error by the Payroll Division with the salary grading on the system and was corrected on the next pay period ending 16th February 2014; 22 teachers under the Ministry of Education, Sports and Culture did not receive their back pay as well as their 3% increase in this pay period. According to MOF payroll, it was due to a posting error, again this was also corrected in the next pay period ending 16th Feb 2014; and there was a high risk with calculating the 3% increase for all employees. This is because the Payroll Division is manually calculating all employees' rates by salary grade. Without utilising the computer to automatically modify the salaries of everyone. It is recommended that MOF review the process of modifying key aspects of the Payroll System as well as

implementing independent reconciliation to ensure any posting errors are detected on a timely manner. We also recommend proper documentation of these changes for management reviews.

March 2014: Approximately 253 queries were raised and issues as a result of 2,627 payment vouchers received and pre-audited as part of our audit function. The most common queries across all Ministries were;

- Rendering of service before issuance of Purchase Order;
- Incorrect natural account used when posting payments to Finance One;
- Insufficient and inadequate documentation to support payments to suppliers
- Inappropriate authorization levels regarding amounts to be paid to suppliers;
- System errors causing miscalculation and delays to processing payments;
- Invoices created within the system that appears to be dated in the future;
- Paying for services/products prior to receiving and accepting them;

It is recommended that the Ministry of Finance strengthen the controls and procedures in place to ensure Government Ministries comply with procurement policies and procedures. Such as Treasury Instructions, Approved Estimates and Tenders Board Approval.

April 2014: 123 queries raised, and issues as a result of 2,405 payment vouchers received and pre-audited as part of our audit function . The most common queries across all Ministries were;
Majority of issues and queries raised are summarised as follows:

- Non compliance with Payment policies and procedures, in cases where the Purchase Order was only created after the Invoice was received from the Supplier for payment processing;
- Not following requirements as instructed by the Tenders Board where a supplier purchasing contract/agreement needs to be prepared prior to processing payment;
- Non compliance with contract terms and conditions
- Non compliance with Cabinet approvals
- Incorrect natural accounts used

It is recommended that the Ministry of Finance strengthen the controls and procedures in place to ensure Government Ministries comply with procurement policies and procedures. Such as Treasury Instructions, Approved Estimates and Tenders Board Approval.

May 2014: Approximately 207 queries were raised and issues as a result of 2,960 payment vouchers received and pre-audited as part of our audit function. The most common queries across all Ministries were;

- Rendering of Service before issuance of purchase order;
- Incorrect natural account used;
- Inadequate documentation;
- Inadequate authorisation;
- Manual/Clerical Error;
- Miscalculation;
- Client Confirmation

It is recommended that the Ministry of Finance strengthen the controls and procedures in place to ensure Government Ministries comply with procurement policies and procedures. Such as Treasury Instructions, Approved Estimates and Tenders Board Approval.

June 2014: Approximately 312 queries and issues were raised as a result of 4,072 payment vouchers received and pre-audited as part of our audit function. And of the 312 queries raised, the most common issues across all Ministries were:

- Inadequate and insufficient documentation to support payment vouchers;

- Incorrect natural account/Incorrect sub-output
- Ministry authorization/Confirmation
- Duplicate – Supplier/Invoice/Payments
- Forward dated invoices;
- Inadequate authorization
- System error/miscalculation
- Manual/Clerical Error
- Non-compliance with the contract terms/conditions

It is recommended that the Ministry of Finance strengthen the controls and procedures in place to ensure Government Ministries comply with procurement policies and procedures. Such as Treasury Instructions, Approved Estimates and Tenders Board Approval.

1.3 Pre Audit Report for the period 1 July 2014 – 30 Dec 2014

1. During July 2014, a number of payments with back-dated transactions were noted. Most of these payments occurred in the last financial year 2013/14, but were only paid out this month. There were also a number of payments made without compliance to standardise procedures eg. issuing purchase orders first prior to receiving invoices from suppliers. The same was noted for September 2014.

2. Various manual payments were miscalculated.

3. A number of payments were charged to the incorrect natural account

4. There were payments with identical supplier codes, invoice amount, invoice date and Ministry.
   - Various payments of invoices for transactions that appear to reflect possible splitting of the invoice amount;
   - Users can bypass edit/validation controls in preventing the processing of the same invoice more than once.

5. Audit identified forward-dated invoices on Finance One, where invoices appeared to have been posted on the system before the actual invoices were received. MOF response failed to address the issue.

6. There were a number of payments with inadequate/insufficient supporting documents.

7. Various consumable and capital items by Ministries were not obtained through the normal procedures as specified within Treasury Instructions, such as:
   - Issuing the purchase order to the supplier first, prior to receiving goods and services and invoice;
   - Provision of 3 written quotations for items bought at prices above $5,000;
   - Attaching invoices and receipts for payment vouchers;
   - Providing write-off forms and asset register for capital items; and
   - Providing relevant and reliable documentation to support payment vouchers.

8. There were a number of batches with inadequate authorizations such as:
   - Officers certifying payments beyond their authorised amount as per TY10;
   - Output Managers certifying payments for outputs that are not a part of their responsibility;
   - Failure to comply with Treasury Instruction procedures in obtaining initial authorisation from the Internal Audit and Investigation Division (MOF) relating to payments of vehicles spare parts and/or repairs & maintenance;
   - Batches not properly signed and authorised due to misunderstanding by Ministry Officers and Ministry of Finance as to who should certify payment vouchers; and
   - Having one officer preparing and certifying vouchers, without following Treasury Instructions on segregating incompatible duties to reduce the risk of fraud and misappropriation of Government Assets.

9. Some Ministries failed to pay their vehicle registration fees on time, which resulted in penalty fees, which is an unnecessary cost on top of regular and standard fees.

10. Various errors and miscalculation noted on payment batches. As a result it has caused delay in processing payment for Suppliers and general public. These included:
    - Failure to deduct withholding tax on Finance One;

- Removal of VAGST on payment vouchers;
- Deducting withholding tax both on system and voucher;
- Incorrect invoice number, and narrations; and
- Miscalculated amount.

11. The following summarises the common issues that were noted during pre-audit, and they were referred back to ministries for their appropriate action:
    - Lack of proper authorisation
    - Inadequate/Insufficient documentation
    - System error/miscalculation
    - Manual/clerical error
    - Incorrect posting of natural accounts
    - Back-dated/forward-dated transactions
    - Lack of Ministry authorisation/confirmation
    - Incorrect invoice numbers
    - Non-compliance with contract terms and conditions
    - No written quotes for payments exceeding $5,000 and above
    - Missing or incomplete TY11Bs
    - Incomplete postings of payment details
    - Exclusion of VAGST and/or withholding tax
    - Incorrect output and/or natural account charged
    - Purchase orders submitted after receipt of invoice
    - Capital items procured not accounted

1.4 Quarterly Statement of Receipts & Payments for the period 1 July 2012–31 March 2013

1. Audit continued to find variances between the Trial Balance and Quarterly Statement figures. This same issue was raised in previous quarterly reports as these were likely a result of either back-posting or delayed posting. MOF responded that they were still refining their processes and that it was continuing to investigate the variances in Finance One reports.

2. The first Supplementary Budget 2012/13 of $9.8 million was not reflected in the Quarterly Statement as it was excluded from Finance One. There were also variances between Finance One figures and approved Statutory Expenditure figures. In addition, there were no proper monthly reconciliations of receipts and payments to support the amounts reported. MOF explained that the Supplementary Budget 2012/13 figures of $9.8m has been reflected in Finance One.

1.5 Quarterly Statement of Receipts & Payments for the period 1 July 2013 – 30 September 2013

1. The actual figures as shown in the Statement for Statutory Expenditure did not agree with the General Ledger balance as at 30 September 2013, a variance of $7,892. Changes have been made as per audit recommendation.

2. The comparative figures for Schedule 1 did not agree with audited figures at 30th September 2012. The error has been corrected and the recommendation by audit has been implemented.

3. There was a variance of $3,389,495.24 between Finance One and estimates for the Ministry of Finance. The Schedule has been changed to account for incorrect budget figures.

4. There were a number of unpresented cheques in the General Disbursement Account for the financial years 2010/11, 2011/12, and 2012/13. MOF has taken action to clear these. The list was advertised in October 2012 and 2013 for suppliers to claim their outstanding cheques. Staffs have also contacted suppliers through phone calls.

5. The actual figures for Statutory Expenditure did not agree with the Trial Balance and General Ledger as at 30 September 2013. The Schedule has been changed to account for audit findings.

1.6 Quarterly Statement of Receipts & Payments for the period 1 October 2013 – 31 December 2013

1. The Statement of Departmental Receipts did not agree with the comparative figures for the period ended 31 December 2013 Audit comments have been noted, and comparative figures have been amended.

2. Approved estimates for the Ministry of Finance was not reflected in Finance One report. Audit recommendation taken into account and adjustments are now in place.

3. There were a number of unpresented cheques in the General Disbursement Account for the financial years 2010/11, 2011/12, 2012/13 and the first six months of 2013/14.

1.7 Quarterly Statement of Receipts & Payments for the period 1 January 2014 – 31 March 2014

1. The actual figures for Other Receipts in Schedule A did not agree with the General Ledger, a variance of $39,516. MOF has noted audit recommendation and figures have been amended accordingly.

2. The actual receipts figures for some Ministries in Schedule 1 did not agree with the General Ledger extracted by Audit due to back-posting of transactions. Recommendation has been noted by MOF.

3. There were a number of unpresented cheques in the General Disbursement Account for the financial years 2010/11, 2011/12, and 2012/13. Audit recommendation has been duly noted.

4. There were no comparative figures reported in Schedule 4 for this quarter under review. The Schedule has been amended accordingly to include comparative figures.

1.8. MOF Vaimea Auction 8 March 2014

1. There was no policy or formal guideline used by MOF in the valuation of government written off assets. Audit recommends that a formal policy should be established to ensure that assets are properly assessed and to determine their appropriate selling prices or minimum bids so there is fairness to the public whom have interest in bidding.

1.9. Vehicles Auction - Vaimea Compound 29 July 2014

1. The winning bidder is issued a docket that contains the winning bidder's number, item number and winning price to be paid to the cashier. This docket was the only one document available to confirm these details and is retained by the winning bidder until they present the docket for payment. Given that this is the only document available to confirm and verify winners there are risks associated such as errors and alterations to the dockets.

   Recommendation (s)

   The issue was discussed with MOF personnel concerned and we recommend that for future auctions:

   Dockets issued to winning bidders must first be verified and/or certified by Audit and MOF Auctioneer before issuance of the docket to the winning bidders; Introduction of triplicate docket(s) so copies could be retained by officials for verifications.

1.10. Public Auction: Written Off Vehicles 18 September 2014

1. Normal procedures require that all bidders should register with the Ministry of Finance at the deadline, the day before the auction. This also requires that only registered persons are allowed in the compound and can bid. However, it was noted that a number of people who turned up on the day of the auction were allowed to register and participated in the biddings even though the registrations had closed the day before. This breaches MOF's own requirement as advertised in the media.

   Audit recommends that: Processes should be followed so that all bidders must start on equal grounds. Only those that registered before the deadline should be allowed to bid.

2. AUDIT OF MINISTRIES

2.1 Agriculture and Fisheries for the period 1 March 2014 – 31 May 2014

1. A petty cash count for the Fisheries Division could not be conducted as the key was only brought in the next day. MAF stated that the petty cash can only be released upon authorisation by the ACEO. Remedial action has been taken up with the responsible officer, and the key is now locked in the Fisheries Office at all times.

2. Used receipt books were not returned to the main office. There was an issue where MAF had already paid for 50 receipt books with the delivery slip as confirmation, but only seven books had been supplied. The supply of receipt books is controlled by MOF where they only release a certain number of receipt books depending on the stock they have on hand at that time.

3. The dates on several receipts were altered manually by the responsible officers of Crops Division to cover up late banking. The cash was locked in the office over the weekend and was only banked on the following Monday. MAF tries to ensure daily mastering of sub-receipts to the main office before 2.30pm. The sales hours at Nuu Compound, however, run until close of business each day hence the banking problem. Any sales after the daily mastering are dated and included in the following day's master receipts. In moving forward, the Crops Division has been reminded once again of the importance of following set procedures to avoid reoccurrences.

4. Some of the new assets procured had no labels, and the fixed asset register was not updated to reflect all assets. All new assets acquired should be recorded upon arrival before distribution to various divisions. MAF has a newly recruited Asset Officer to address this issue.

5. The ACEO Quarantine signed the TY15 for payment of Higher Duty Allowance for his own acting duties as CEO. There were also missing TY15s for permanent staff and casuals. The Ministry should keep proper payroll records and to carry out a review of their personal files to ensure that they contain updated information.

6. The complete details for accountable forms were not recorded. The TY76 register only recorded books issued out but did not record details upon return. MAF has taken note of the deficiencies and will keep a manual register and ensure signatures from returning/issuing officers for all accountable forms.

7. Junior staff had access to social websites unrelated to work. This does not reflect well in relation to the use of government resources wisely, and can contribute to high internet costs. The IT division should closely monitor and control the access of staff to all non-work-related websites. MAF understands the power behind social media and why it accommodates and encourages its staff (ACEO to Principal level, and Senior Officers only upon request and approval from CEO) to fully embrace this free social networking service. MAF does not think staff access to social networking websites has an impact on its internet bill as it has a fixed unlimited internet plan. Every access to internet both incoming and outgoing is monitored and logged by its firewall. MAF also has a Facebook page which provides updates of what they do in terms of development, advisory and projects MAF is involved with.

2.2 Agriculture & Fisheries for the financial year ended 30 June 2014

1. The significant number of virements/transfer journals processed for the year suggests a lack of planning regarding output priorities. Audit is also concerned that these variations and adjustments do not reflect the performance indicators of the Ministry originally presented to Parliament through Annual Estimates. MAF responded that personnel savings resulting from unforeseen cessation of employment were utilized, and most of these transfers were for the payment of higher duty allowances.

2. The asset register still needs to be updated and improved. Most of these assets were either unregistered, or were recorded with another asset code already in use. This was also an issue raised in the previous audit. All new assets should be registered before distribution to various divisions. MAF has stated that the asset register was currently up to date.

3. Debtors aged more than 180 days had not made any repayments within the financial year under audit, and some of the outstanding amounts continued to increase throughout 2013/14. For the internal debtors at Nu'u Crops Division, direct deductions from their salaries have been implemented since the beginning of the previous year; however, their debts are still accumulating. MAF has noted the recommendation for future improvement.

4. No information was made available to assess ministry performance and whether objectives and targets had been achieved for the financial year under audit. This should be prioritised to ensure that ministry performance can be assessed, as well as the accuracy and reliability of budgets for each division. Currently the Ministry does not have an updated Corporate Plan. MAF responded that in the Sector Plan, all the ministry and sector indicators are summarised in the performance indicators which are published in the Approved Estimates for 2013/14. MAF intends to compile a new updated Corporate Plan in the future.

5. All vehicles for operations in 2013/14 used petrol in excess of their allocated budget of $5,000 per year. Some of the fuel invoices were still outstanding, and none of the vehicles had any running sheets. The outstanding invoices were project-related payments paid under the SACEP project account. MAF clarified that running sheets were currently used, and responsible drivers are reminded to present their log books.

6. Irregularity reports were not supported by documents, and some were not submitted on time. No action was taken for two laptops that were stolen worth $15,450 each.

7. There was a lack of information that should have been given to MOF for their assessment. MOF was not notified of some of the incidents, and some did not have irregularity reports. MAF stated that their reports for the vehicles had already been submitted. The recovery of laptops was suspended until further notice from MOF as the employee involved was no longer with the Ministry.

8. Most of the farmers involved in the stimulus package programme did not comply with, or were not fully aware of its implementation. One of the most common issues was that some plots did not have any plants at all and no proof of any work done on it. There was also a lack of communication between MAF and farmers, and no follow-up by the ministry as not all plants needed were supplied at the start of the project. There is a need for more regular meetings instead of checking up only during payouts. MAF has noted the issues and will address it to the appropriate committee for improvement.

9. There was no form of identification for fishing vessels that had been licensed, and therefore the register kept by MAF was difficult to match against the fishing vessels sighted. There was also a lack of compliance by each fishing vessel relating to life-saving apparatus which are required under legislation. Working together with the Ministry of Works should be emphasized to ensure all fishing vessels have the necessary equipment. MAF noted that this was an administrative requirement. Applicants present a sea safety and sea worthiness certificate from MWTI for their vessel before they are then issued with a certificate of registration. MAF executes joint enforcement operations on such requirements from time to time with MWTI, SPA and Police.

10. Some of the issues relating to receipts included: no bank lodgement receipts, no duplicate copy of sub-receipts for verification, differences in deposit dates, and copies of receipts were illegible. Treasury Instructions stipulate that when a Ministry hands over its cash books to MOF, all these documents should be complete.

11. The issues relating to accountable forms and its register need to be improved as these were also in previous audits. These include receipt books not registered and petty cash vouchers not approved by the certifying officer. MAF will provide copies of the sub-receipts and will prepare an irregularity report for missing books. The Ministry had kept an electronic register for the books, but has now reverted to a manual register to ensure important information needed for monitoring is captured.

12. Internet expenditure exceeded budget by $65,141.68, as the ministry changed its monthly internet plan for the purpose of improving services. There were five extra VLans installed. The old internet plan was not sufficient to cater for the whole Ministry network and internet connection. MAF noted that since then, internet costs have remained constant.

13. More than half of the issues raised in the previous audit still exist in the current audit.

2.3 Attorney General for the period 1 November 2013 – 31 January 2014

1. A total outstanding of $29,103.05 from two debtors were more than 90 days old. The proper procedures on the collection of government outstanding debts are clearly outlined in the Treasury Instructions where ministries are required to send out letters informing debtors. If the debtors do not respond after fourteen days from the date of the first letter, a reminder letter should be sent, and if there has been no satisfactory response after fourteen days from the date of the second letter, steps are to be taken to recover the debt by process of law. This issue was previously raised but remains outstanding at the date of the spot check. The AG Office has been following up with debtors to pay their arrears as per Debtors' Report. As indicated in the report, there were also debtors that paid their invoices within time frame as a result of follow-up action.

2. Some employees did not sign the attendance book, and some did not give their whereabouts on certain days. Audit could not find approved leave forms for employees who were on leave during the spot check. The Office has allocated responsible staff members to monitor the attendance book daily and it has also been reinforced through weekly management and divisional meetings that Leave Without Pay is actioned if staff members do not comply. Staff leave cards and electronic staff leave database are now updated daily as soon as approved leave forms by the Attorney General are received by HR staff.

3. Some purchases were not recorded in the consumables register, or could not be traced. The Office has a file where all delivery slips for stationeries are kept. The control of stationeries and consumables is based on payment registration system.

2.4 Attorney General for the financial year ended 30 June 2014

1. The majority of existing debtors were above 90 days old. This issue was also raised in the previous management letter. This increases the risk of irrecoverable debtors and debts written off. There were still debtors that had no/incomplete reconciliation to monitor the accuracy of their outstanding balances. Follow-up actions should be strengthened for the recovery of debtors' outstanding balance especially for those that are 90 days and over. AG replied that in civil cases where the Government is usually the Respondent, costs are usually awarded by the Court against the losing party. The payment of costs ordered by the Court is often dependent upon the income of the person who is directed to pay the costs rather than referring the matter back to Court. The follow-up letters are sent to those against whom the cost order was made, or to their lawyers with the threat of referring the matter back to Court. Not every cost order can be satisfied due to several reasons. There are also high profile and sensitive cases where it is more strategic to delay the collection of the costs. Currently the Office has completed the reconciliation for all debtors and an updated report is now available.

2. For petty cash, there was no register for payment vouchers and there was an inconsistency in the sequence of petty cash vouchers. The majority of vouchers were also not properly authorised. Currently, there is an existing petty cash voucher schedule, but the problem relates to the urgency of some requests for petty cash and cash is issued upon verbal approval with vouchers to be completed after.

2.5 Commerce, Industry & Labour for the period 1 November 2013 - 31 January 2014

1. The electronic registry is currently used to record all registered companies under MCIL. The system is partly ineffective as it cannot produce reports such as the register of companies, outstanding registration fees and annual returns. The Ministry in collaboration with the Private Sector Development Initiative under the Asian Development Bank will be reviewing the relevant Companies Act 2001 to address issues raised in the Auditor's Report. These reforms will include the temporary removal of a company from the Register of Companies in Samoa if it fails to file its annual returns. Another development that will ameliorate this issue is the launch of the Payment Gateway to allow the use of credit cards and other similar types of facilities to make payments online.

2. The previous management letter report for 2012/13 outlined the issue on outstanding debts not accounted for within MCIL accounts. It was noted again during this spot check. An important note to make is that the term "annual returns" which is traditionally associated with filing of financial reports, evidence of last AGM of Companies and their resolutions etc. under the current system filing annual returns is just a term referring to a company maintaining its details on its online account, that is registered address, shareholders, directors etc.

3. The Human Resource monthly report shows that quite a number of employees were reminded to fill in leave forms. This seems to be a regular practice for most of the employees, indicating weaknesses in internal controls over the monitoring of leave. HR Officers should strictly enforce the ministry to comply with the requirements of the PSC Working Condition & Entitlement manual. MCIL has in place a control mechanism, with flexibility applied to allow staff to take leave when their personal circumstances require them to. HR checks the attendance book at the end of each week to ensure all those staff are placed on LWOP if they have not provided their leave forms. At the end of each month, an attendance and leave report is sent to all managers and staff to inform them of their leave status. MCIL also provides reminders to staff of their leave, attendance and other HR issues to ensure compliance with PSC conditions. The Corporate Services Unit has also created the CSU Intranet portal where staff members can access check their leave entitlements on a daily basis, check their leave balances, their employment anniversaries, online leave forms and so forth.

2.6 Commerce, Industry & Labour for the financial year ended 30 June 2014

1. The electronic registry currently used to monitor companies' annual returns had some weaknesses that were also raised in the previous management report. The system was partly ineffective as it cannot produce necessary reports like the register of companies, outstanding annual return fees, and detailed history of registered companies. The Ministry in collaboration with the Private Sector Development Initiative under the Asian Development Bank will be reviewing the relevant Companies Act 2001 to address issues raised in the Auditor's Report. These reforms will include the temporary removal of a company from the Register of Companies in Samoa if it fails to file its annual returns. Another development that will ameliorate this issue is the launch of the Payment Gateway to allow the use of credit cards and other similar types of facilities to make payments online.

2. An average of 72% of companies did not respond to the follow-up process in filing annual returns. Under the Companies Act 2001, all registered companies should file annual returns. The Ministry has not implemented effective ways to deal with this issue. An important note to make is that the term "annual returns" which is traditionally associated with filing of financial reports, evidence of last AGM of Companies and their resolutions etc. under the current system filing annual returns is just a term referring to a company maintaining its details on its online account, that is registered address, shareholders, directors etc.

3. Ministry vehicles exceeded the allocated $5,000 per year on fuel consumption. This is not in compliance with Cabinet directive FK (08)06. The Ministry continued to strengthen its internal controls to ensure its vehicle fuel consumption do not exceed the standard provision. In the last financial year 2015/2016, with the exception of CEO vehicle MCIL01 and MCIL05, MCIL vehicle fleet petrol consumption did not exceed their allocated $5,000 provisions per year.

2.7 Communication, Information & Technology for the period 1 January 2014 – 31 March 2014

1. MCIT did not comply with Treasury Instructions in keeping complete record of accountable forms, with details were missing, and forms poorly handled. MCIT responded that proper care was given towards safekeeping and handling of all forms, and will ensure secure controls for these in the future.

2. There were no reviews conducted by management of fees and charges for public notices and advertisements since the separation from TV1. It is the responsibility of management to ensure that effective monitoring is in place to assess the quality of the system's performance over time. MCIT is still using old rates that 2AP Radio is using for services which were inherited from the Samoa Quality Broadcast in 2008. The new financial policy under Non Taxable Allowances assures that the Revenue Board will give its approval to all fees that the Radio 2AP has offered as essential services for the Government of Samoa.

3. There was no separation of duties, as the cashier was handling cash as well as ministry Accounts Receivables. The total debtors balance for the spot check period alone was $285,458, an indication of the lack of follow-up action taken by MCIT in collecting debts. There were also no Accounts Receivable reconciliation reports prepared, and despite repayments on some debts, this was not properly reflected in the remaining balance. Improved internal controls are needed, and reminder letters should be prioritised to follow up outstanding amounts. MCIT cited staff shortage as the only reason for the lack of reconciliations.

4. Overtime hours were incorrectly paid at, Commission and Public Holiday rates. The Ministry should ensure the calculations for overtime payment are in accordance with the Treasury Instructions, PSC Working Condition and Entitlements and Public Holidays Act 2008.

5. Some employees did not sign the attendance book, absentees not properly marked, and no medical certificates for sick leave of more than 3 working days.

6. There was no consumables register maintained to monitor and control the use and movement of items.

2.8 Communication, Information & Technology for the financial year ended 30 June 2014

1. There were receipt books that were exchanged with MNRE and MPMC as noted from the register of accountable forms. MCIT responded that the exchange was due to requests from MNRE and MPMC that the need was very urgent, but MOF supply was short at the time.

2. Leave application forms approved by management contradicted with leave recorded in leave cards but not noted in the attendance book. There were no supporting documents for amendments made to approved leave application forms, and there were employees who neglected to sign the attendance book. This practice is not in compliance with relevant PSC policies and procedures. The management should conduct a review on payroll records for accuracy before submission to MOF for payroll run. MCIT has already issued a stern reminder to the responsible officer. Although not an excuse, the Ministry also faces the problem of separate office locations where administration is based at the TATTE Building, while the attendance book for 2AP staff is at Mulinuu. This matter will be seriously monitored and controlled for future improvements.

3. Audit analysis of aged debtors noted one aged debtor with a balance of $34,000 going back several years has yet to pay the full amount. MCIT cited staff shortage as one of reasons for slow collection, and hence their re-structure proposal which is now with the Public Service Commission.

4. Issues from previous audit findings that had not been implemented include no register of consumables and phone calls, and poor maintenance of attendance book and leave records.

2.9 Education, Sports and Culture for the period 1 November 2013 - 31 January 2014

1. There was an oversupply of stationeries to schools due to lack of reconciliation and stocktake both at MESC and public schools. The excess stock has since been returned to the MESC, but there was lack of records to confirm that these were redistributed to other schools. As a recurring issue from previous years, it is important that MESC prioritise this area to avoid fraud, misappropriation and theft. Stock records and reconciliations should be continuous while stocktake should be periodic. MESC management has re-emphasised stocktake controls to record movement of school stationeries and pre-audit visits to schools are conducted prior ordering the new supply of stationeries.

2. Schools had no records or registers to record the movement of school stationeries. As a result, the schools could not recall their end of year stock. MESC has informed school principals to comply with the proper recording of internal movements and the utilization of stationery items.

3. From review of Schools visited, the audit noted that there were no proper and secure storage rooms for some schools. The Ministry has addressed this issue to school principals, and committees were already advised accordingly of proper storage for school stationeries. It will also advise school principals on the proper mechanism to safeguard stationeries to avoid theft, damage and loss.

4. Many school principals were not aware of the importance of registering of all assets received from various donors. All assets received by schools should be labelled and registered in a Fixed Asset Register. As schools were still conducting procurement at the time of the audit, assets previously unmarked were now labelled. All schools now have updated asset registers. The Team of Consultants continues to follow up these matters during their usual school visits. Schools will be advised to keep their asset registers within schools.

5. Some assets were recorded in the Fixed Assets Register, but the actual assets were not labelled. Some assets were not assigned with identification numbers and some had the same identification labels. Audit advised on conducting periodic asset counts. MESC stated that it conducts its quarterly asset count.

6. The supply of a set of 30 desks and chairs for a primary school purchased under the SSFGS did not have the required three quotes. The total value of the transaction was $23,100. The SSFGS and MESC are reminded of government policies and processes, and school principals must also be made aware of all policies including procurement. The SSFGS team has noted the recommendation for the way forward.

7. A sample review of leave return cards against attendance books noted that leave were either taken but not recorded on leave cards, or had been recorded on leave card but not marked on the attendance books. The Payroll unit has re-enforced process to ensure that staff comply with the attendance policies. MESC will relook at the monitoring controls on the update of leave cards.

8. The maintenance of attendance books and leave records in the main office and some schools were incomplete and did not follow proper procedures. Payroll and HR should update leave on a fortnightly basis. The School Operations Division, in their monitoring role, in schools should ensure compliance to submit fortnightly staff returns to the Ministry on a fortnightly basis for leave update.

9. The attendance book for one college was misplaced and could not be verified by audit. The Ministry should ensure that an official and proper attendance book is delivered for use. The Ministry has

noted the recommendation, and will continue its supporting role with school principals to ensure proper record keeping of attendance register.

9. Receipt books were not issued/used in sequential order and made it difficult to identify books and receipt numbers. All accountable forms including receipt books should be used in sequential numerical order to easily identify and record all books. The Ministry has noted recommendation for the way forward.

2.10 Education, Sports & Culture for the financial year ended 30 June 2014

1. The outstanding debtors had increased to $67,784 for the period under audit. MESC did not have a reconciliation of its debts, except a summary of overpayments. Sound and effective controls on the ongoing issue of salary overpayment particularly those relating to teachers should be prioritised.

2. There were issues in processing of payments where certain suppliers were selected without any justification on the TY11B, and incorrect natural accounts were charged. In some cases for MESC, the price was not the only determining factor, but also the quality of the product, support service and availability. MESC endeavours to clearly highlight this in payment vouchers as justification.

3. Stationery orders distributed to schools were not registered by the main office. Schools did not also register their orders received. The Ministry should ensure that adequate registers are in place to allow effective management and monitoring of stationeries, and that these records are kept up to date. According to MESC, the transfer of stationery supplies record to the hard cover asset register is an additional task for principals.

4. Internet expenditure exceeded budget for the year despite the Ministry arguing strong internal controls in place. It should be noted that most of the communication within the Ministry and to their stakeholders is now via email.

5. Irregularity reports noted a high number of break-ins during the period under audit. Audit advised the ministry to look into the matter of security for the premises and assets. MESC responded that an interim measure was limiting access to the building through the main reception area, and the provision of keypad locks to all divisions. The long term plan will be an electronic security system or outsourcing of security services.

6. The Memorandum of Understanding for the grant donated by Australia and New Zealand (signed in 2010) stated that the *"Office of the Controller and Auditor General shall audit this grant"*. There were no requests to audit this project after four years. The first audit for the financial years 2010 – 2015 was undertaken in January 2016.

2.11 Electoral Commissioner for the period 1 July 2013 – 31 December 2013

1. The audit noted that:
   - Invoice was received before purchase order was generated
   - The office avoided the normal procurement procedure with the Commissioner paying for the supplies to be later reimbursed.

   OEC responded that most of the office expenditures were previously unforeseen as a result of new management initiatives that come up as we progress along especially for things that we need immediately actions for the general election in 2016. The reimbursement to the Commissioner was for small work done within the Office of Commissioner that trades people who were engaged to perform, attached to this document dated the 5th December 2013 is a TY1 where payment was made and approved by the Audit Department for small work done in the Office. For that reason the OEC was not aware that this payment was not compliant with the procurement process.

2. There was no register for personal calls, nor were these reimbursed by employees. All personal calls should be reimbursed from the officers involved. OEC has put in place one telephone at the OEC secretary's room where all calls are registered in the log book. This will make it easier to monitor the usage for billing of staff responsible for payment of personal use.

3. Payroll issues included:
   - No formal approval from Commissioner of paying out camping allowance when teams were sent out to conduct surveys and collecting information for election purposes
   - Several leave cards were not updated
   - Some of the employees TY15 were not updated or missing from personal files.

   OEC has noted the audit issues.

4. Salaries for terminated employees were incorrectly calculated. OEC should prepare monthly reconciliation between terminated employees and Finance One to minimize the risk of overpayments, as well as TY15Cs to be forwarded in a timely manner to MOF. OEC responded that the overpayment of staff was an unintentional oversight, and will reassess its controls to ensure it does not recur.

2.12 Electoral Commissioner for the financial year ended 30 June 2014

1. Seven laptops purchased on February 2014 were not labelled and registered in the Fixed Asset Register. One of these was found to be damaged and only came to the office's attention when it was inspected, but no Irregularity Report was raised. Assets Register, both manual and electronic, are being reviewed and updated, and this exercise is scheduled to be completed by the end of February 2015. Internal procedures for assets management are being developed and IR for the damaged laptop is with the Ministry of Finance. Recommendation noted for further improvement of assets management and monitoring.

2. There was a delay in acquitting of an accountable advance. The acquittal report was submitted to the Ministry of Finance on 5th June 2014 but the work was completed on 5th May 2014. This was not in compliance with the Treasury Instructions to submit acquittal report within 14 days. OEC noted that the delay was due to management decision to reschedule the Registration Division fieldwork planned for Savai'i. Ministry of Finance was advised accordingly. Recommendation noted for improvement of our internal record system.

3. There was an inaccuracy in the treatment to a leave entitlement taken by an employee. Audit discovered that a Long Service Leave with full pay was approved and was taken by the employee. The employee was paid with pre-contract benefits before undertaking a contract position at his previous employment. The employee was taking long service leave with full pay for 23 days as it should have been taken as leave without pay. The above indicates that the ministry is not complying with the requirement under PSC Working Conditions Manual. OEC has issued an invoice for the recovery of public monies through deduction from fortnightly salary.

4. Invoices were received from suppliers before purchase orders were prepared and issued. OEC replied that an awareness workshop was conducted to remind officers of the financial policies and procedures, and that internal controls were in place to strengthen the procurement process.

5. There was very high spending on electricity particularly from March to May 2014. OEC noted that the high electricity consumption was due to maintenance of records where air conditioning is required to be turned on a 24-hour basis. The original proposed budget for electricity for the financial year 13/14 was based on the previous year actual budget, however the budget estimated approved was 50% less. OEC has looked into other ways to minimize utilisation of electricity. As a result, management has approved and implemented a two-hour black out Friday where all lights and air conditions are turned off for two hours to ensure the consumption of electricity is controlled.

2.13 Finance for the financial year ended 30 June 2014

1. The audit noted:
   i. The total amount of Account Receivables as at 30 June 2014 added up to $2,387,651.00 which included 57% receivables of more than 90 days overdue. This was also an issue raised in the previous audit, however no action has been taken to address it.
   ii. The majority of outstanding account receivables were rents and leases due from Ministries and State Own Enterprises as tenants for TATTE and FMFMII. There were no lease agreements with some of these tenants.

   MOF replied that:
   i. In terms of outstanding receivables as at 30 June 2014, MOF has issued all invoices to effect payment of leases and rents during the fiscal year under review to the tenants at TATTE and FMFMII. MOF has also exhausted all measures of both formal and informal communications to remind tenants of their obligations to pay rent.
   ii. Even in the absence of written lease agreements, tenants are obligated to pay the rent/lease. The rent/lease is still recognisable at law ("Tenancy at Will") despite these efforts, tenants have continued to ignore these communications and numerous reminders issued by the Corporate Services division of MOF.
   iii. MOUs have been executed with eight tenants at the TATTE throughout the first six month of 2015. Only one more tenant is to be completed. MOUs for FMFMII are currently being finalised with the tenants prior to execution. The MOUs that have been completed and executed provides the platform to ensure current rents/leases at TATTE and FMFMII are paid on time, and within 2014/2015. MOF will continue to liaise with Ministries and Public Bodies who have not completed their respective MOUs to ensure these are completed prior to the end of 2014/15. Cabinet directive FK (13)17 is now in place to provide the authority for MOF to direct debit any outstanding amounts owed by both ministries and public bodies. It can be applied to any rent/lease owed to the MOF for the financial year 2014/15 if rents/lease are not processed by the tenants. MOF will prepare a submission to seek Cabinet approval to formally write-off the outstanding receivables owed to MOF as at 30 June 2014.

2.14 Foreign Affairs & Trade for the period 1 November 2013 - 31 January 2014

1. Minutes of management meetings were not documented. MFAT notes that due to the sensitive and confidential nature of issues discussed, minutes are not kept to ensure written notes are not mistakenly or purposefully leaked. In addition, management only meets as necessary when there are important (policy) issues that need to be addressed. Moreover, the issues discussed in management meetings do not necessarily have financial implications. The audit issue is noted and will be discussed by management in the next meeting.

2. There were backdated purchase orders where invoices were received before the purchase orders were issued to the suppliers. MFAT clarified that while all the necessary steps are taken to ensure compliance with policies, there are special circumstances where urgent supply was needed resulting in backdated purchase orders. MFAT continues to review and refine internal processes to ensure compliance in the future.

3. The Samoa Consulate General in Sydney purchased alcohol and wine without obtaining the CEO's approval. MFAT has given instructions on the purchasing of alcohol and wine to the Consulate General in Sydney.

4. MFAT had its own asset numbering which differs from the numbering on Finance One. New assets that were procured between November 2013 and January 2014 were not labelled with reference numbers. There were also assets that could not be sighted during audit physical inspection and presumed missing. The responsible officer must ensure that both the manual and Finance One registers are consistent and updated. MFAT advised that their assets register is now updated manually and also into the Finance One Assets module.

2.15 Foreign Affairs & Trade for the financial year ended 30 June 2014

1. Vehicles with private number plates were refuelled at the bowser. MFAT had provided confirmation for all officials vehicles authorised to use the government bowser.

2. Petty cash vouchers and summary were not properly filled in, and a shortage of cash on hand was noted. The audit noted the need for responsible staff to undertake reconciliation on usage and issuance of voucher of the imprests on a scheduled basis in order to detect instances as mentioned above. MFAT had noted the issue and stated that proper measures have been put in place on petty cash handling.

3. Performance measures were not supported by appropriate documentation or proof of any progress that annual indicators had been achieved. MFAT has put in place appropriate systems to confirm progress in relation to meeting the Key Performance Indicators.

2.16Health for the period 1 January 2014 – 31 March 2014

1. The TY76 register was missing which made it difficult to account TY 76 books. Also TY76 books were not issued and used in sequential order. The HR Unit has now been able to ensure that all TY76 books are in place with the help of Transport Officer. The Principal HR is the responsible personnel.

2. Assets procured within the audited period have not been registered in the Fixed Asset Register. MOH responded that despite the approval of the position of Senior Assets Management Officer, MOF was not able to fund the position, so the Accounts Unit is continuing the responsibility of assets management. The Unit is still finding it a challenge to update assets register regularly due to time factor but have incorporated into their work plans the need to complete this exercise consistently.

3. The issue of missing receipts from a receipt book was also raised in the previous audit. This matter was now confirmed to be with the Internal Audit of the Ministry Of Finance for investigation. The Ministry should review its procedures for safeguarding receipts with the aim of strengthening controls to prevent a recurrence of this issue. It is also requested to keep the audit updated on the outcome of the Irregularity Report and Investigation. MOH had not received results of the investigation at the date of the audit. Internal Controls to ensure receipting is processed properly and correctly are in place. Moreover, Accounts personnel have been assigned to specific tasks to ensure there is segregation of duties as well as reassuring checks and balance procedures are at play.

2.17 Health for the financial year ended 30 June 2014

1. The significant increase in payment of salary of a particular employee which was raised in previous audits indicates an out-of-control situation in the management of overtime hours. This continuous routine is a major concern especially regarding the health and possible problems from an overworked employee. This is also in breach of the PSC Working Conditions in relation to overtime. MOH stated that the Schedule of Port Health duties is now in place. The Ministry had received PSC approval of new staff for Port Health Unit, however, MOF could not fund any new positions for Financial Year 2016/2017 despite negotiations.

2. A total $97,364 was collected in comparison to the estimated $33,300 in the budget. While the Ministry is commended on the achievement, forecasting annual collection needs to be reviewed. MOH has now incorporated better forecasting for all known potential sources such as, Hostel tenancy collection, Orientees' APCs collection at end of Orientation program and the like. Unfortunately, the Ministry stated they will not be able to determine exactly how many visiting teams are expected each year but they will continue to work with relevant entities/personnel to derive better estimates.

3. The Accounts Receivables balance of $38,378.38 included debtors with long outstanding balances that were at the risk of becoming either doubtful or bad. The MOH - Accounts Unit had been reporting on a monthly basis to Management on the Budget Utilization since July 2016, and slowly incorporating other aspects such as detailed commitments reporting, schedule of ARs and Revenue Collection update. This will ensure that payments and receipts are efficiently and effectively settled.

2.18 Justice & Courts Administration for the period 1 December 2013 – 28 February 2014

1. Issues relating to Receipts included:
    - There were alterations made on duplicate copy for some receipts. An amount of $5,600 being receipted on the General Receipt for public auction was not banked.
    - There were receipts sighted that had no confirmation for payments attached to them. The client should refrain from alteration made on duplicate copies of receipt and ensure that all amounts receipted are banked and properly posted. They should also follow up internal procedures in place and ensure that confirmations to payments are attached to receipts.

2. Issues relating to Special Trust Accounts included:
    - Unpresented cheques shown as presented
    - Late banking
    - All journals posted and approved by one officer

    The Ministry should comply with the daily banking process and avoid having cash in the office overnight. They should also ensure review of reconciliations of trusts account reports from MYOB and the bank statements to assure all movements of cash are correctly reported. Segregation of duties should be done, all journals and adjustments should be posted by the responsible officer and approved by superiors.

3. The Warrant of Commitments database needs to be improved. The Ministry should ensure that all warrants of commitment issued are posted and recorded as a way of assisting with the digitization project the Ministry is currently implementing. The Ministry responded that the warrants of commitment are prepared from the information/criminal charges filed by the Ministry of Police and Prisons which does not provide details suggested by audit.

4. Our review of non-payroll payments noted the following:
    - Two air-conditioning units were not recorded in the Asset Register. All public properties and assets should be recorded and noted in the asset register.
    - A photocopy machine procured in December and paid at a cost of $22,000 had still not been delivered by the supplier. At the time of audit spot check, five months had passed since the payment of this machine. MJCA explained that the photocopier requested was supplied in December when the purchase order was given to the supplier and the invoice was paid straight after. However, it was not the photocopier that the Ministry requested. It was delivered back to the supplier to await the correct one from overseas.
    - Invoices were received before issue of purchase orders. In some cases usually relating to the court proceedings, there are urgent requests which are submitted to MOF/Audit with letters of clarification.

2.19 Justice & Courts Administration for the financial year ended 30 June 2014

1. Revenue for some outputs were not achieved. Management should review the process for forecasting revenue in the Annual Estimates approved by Parliament.

2. Expenditure exceeded budget for various outputs. Management should regularly review its expenditures to avoid overspending.

3. Some of the issues relating to Accountable Forms included:
    - Accountable forms not recorded in the register
    - Tusi Saofai books issued twice with the same sequence numbers
    - Maintenance books not issued in numerical order
    - No record of returned books
    - No register for Warrant Bailiff books

4. Issues relating to Receipting included:
    - No confirmation of payments for manual receipts
    - No confirmation document for amount receipted with the cashier
    - Delayed lodgement of warrant collection
    - Receipts could not be found in bailiff book

5. There was an inconsistent warrant collection process for Savaii and Upolu. Moreover, the Savaii process was noted to be ineffective given that warrant records will trace back to old bailiff books in order to note the recoveries of warrants related back to previous years. The Ministry needs to be consistent with one process and/or use the process used by the Upolu Office.

6. Some consumable items were not registered by the responsible personnel. All items should be registered to ensure that controls are in place.

7. It was previously raised by audit that Ministry payments were not in accordance with the required procurement process whereby purchase orders were only raised upon receipt of the invoice. Purchase orders should be raised prior to receipt of goods/services in compliance with Treasury Instructions.

8. Issues relating to Fixed Assets included:
    - The fixed asset register was incomplete
    - Additional assets were not recorded in the register
    - Assets already written off were still used
    - Fixed assets did not have register numbers
    - Assets were marked with old identification codes
    - Assets transferred and relocated without any note in the register
    - Assets on register could not be located

- Fixed assets were recorded as consumables

  It is recommended that all assets should be properly recorded and accounted for in the Ministry's register. MJCA should locate certain assets or prepare Irregularity Reports if they are missing. The Ministry should ensure that all assets procured for office use are updated on Finance One and that capital items should be charged under their appropriate natural accounts.

9. Issues relating to Payroll & HR included:
   - There was overpayment of overtime due to discrepancies between overtime hours approved and overtime hours paid. Posting of overtime hours on the system should be well monitored to ensure hours approved on timesheet is reflected on overtime allowances paid out in payroll.
   - Timesheets for overtime of casual employees could not be verified. Proper record keeping should be in place and overtime allowances should only be paid out according to approved timesheets.
   - Leave forms applications could not be located for some employees. The Ministry should comply with the PSC Working Conditions on leave forms and records.

10. A number of vehicles exceeded the annual allocated $5,000 for fuel within the financial year 2013-2014. There were also outstanding fuel and petrol invoices for the month of April, May and June which could not be covered by the financial year's budget. The Ministry should comply with the Cabinet directive through regular monitoring of fuel consumption.

11. There was no register of Irregularity Reports kept by the Ministry to summarise all irregularities within the audited financial year. A register should be in place to record all irregularities for ease of reference and follow-up.

12. There was no signature on daily collection summary of Law & Trust Account receipts in Savaii. There was also no register to record all payments. The Ministry's system and controls should be properly implemented by responsible personnel.

13. Previous audit recommendations were not implemented.

2.20 Legislative Assembly for the period 1 November 2013 – 31 January 2014

1. OCLA did not comply with procurement procedures of issuing purchase orders first to the supplier before receiving the invoice. This increases the risk of unauthorised or inappropriate purchases, as well as actual payments exceeding budget.

2. Petty cash vouchers were not authorized or pre numbered, and some vouchers did not have supporting documents. Not all pretty cash money was stored inside the safe on the day of the audit as the Controlling Officer was on sick leave for two weeks, and the petty cash float was not monitored properly in accordance with normal practice.

3. In following up previous audit findings, office annual reports were still in draft form and needed to be completed and tabled. OCLA said that the first Annual Report for the Office was being prepared.

2.21Legislative Assembly for the financial year ended 30 June 2014

1. TY76 accountable form was noted with some pages missing and torn off. Some details were not properly filled out, incomplete or could not be verified

2. Issues relating to Receipts included:
   - Several receipts posted on Finance One were without any sequence number
   - Receipts summaries were not counter-signed before banking
   - The receipts did not appear in their cut off periods

3. Debtors were still outstanding for more than 90days.

4. Leave application forms for employees leaves taken could not be located. All leave should be posted on leave cards and properly reconciled against the Attendance Book. LWOP must be actioned accordingly.

5. There was no proper reconciliation of Acts/Legislation on hand. These were not stored properly in one location and were also sold at incorrect prices. Consumables were not registered and properly secured. OCLA stated that each division is responsible for their own consumables.

6. Some of the accountable advance acquittals were not submitted to MOF within 14 days. OCLA responded that in some cases, some Members of Parliament did not collect their allowances after the seminar. The Office signed, and OCLA has to wait until all the allowances have been signed by members.

7. The Office did not keep any running sheets for use of vehicles. Audit could not verify the usage of vehicles for official purposes and could not match and verify the consumption of fuel and petrol needed. OCLA also exceeded fuel allocation for vehicles as set by Cabinet.

8. Asset register was still incomplete. The Office should prioritize the updating of the Fixed Assets Register.

9. There was no evidence of previous audit recommendations being implemented including: underachieved target revenues, excess expenditure over budget, leave without pay not actioned, poor maintenance of stock register, lack of stock reconciliation, inadequate asset register, and excess of fuel consumption.

2.22 Natural Resources & Environment for the period 1 February – 30 April 2014

1. Audit noted the following issues in relation to Tafaigata landfill;
    a. Missing sub receipts that were not cancelled. During the spot check, a Ministry of Finance investigation was in progress regarding the missing sub receipts. MNRE stated that the Cashier at the time was provided with a Warning
    b. Collections at Tafaigata were recorded either on a cash or credit basis. MNRE notes that a weekly report of Tafaigata collection was now carried out by the finance section to ensure accuracy of collection and to monitor the flow of cash and charges as well as monitoring the timing for mastering sub-receipts. Daily checking is often carried out by the receiving officer upon receipt of Tafaigata sub-receipts. MNRE was also conducting an internal investigation into this matter and will inform MoF and Audit of the outcome. The Cashier at the time was provided with a Warning.

2. Treasury Instructions require sub receipt proceeds to be mastered-receipted at least daily. On various occasions, there were delays in mastering of sub receipts for four to five days. Current arrangements have been made by management to address this issue such as the establishment of the cashier position at Tafaigata in 2014 to deal directly with this and not the Waste Management Unit.

3. Reports can be filtered by the officer in charge to show only receipts to be submitted as cash (mostly understated). MNRE verified that no person can filter the system report accordingly. The system itself is still in its trial run since its establishment and it is currently seeking quotations for the system to be inline with reporting requirements. MOF was conducting an investigation at the time of the comprehensive spot check. Audit recommended that MNRE identify the full extent of the above issue, and to ensure that all amounts have been appropriately accounted for. Internal controls must also be implemented/strengthened to minimise similar incidents arising in the future. Full disclosure of all issued receipts should be made on summary reports and officers responsible for identified discrepancies to explain justifications and/or take immediate disciplinary actions. MNRE has brought in their IT Division to monitor the Weigh-bridge system by having a scheduled data extraction for reconciliation and verification purposes on a weekly basis or as the Ministry sees fit. MNRE will also adhere to recommendations from MOF at the conclusion of the investigation.

4. Reviews of Leases as well as Charges from the disposal at Tafaigata noted the need for the ministry to strengthen recovery actions for all outstanding balances. Lease balances noted that some leases were still outstanding in rent from 4-5 years with no evidence of recovery action taken by the Ministry. The Ministry should strengthen recovery actions for all accounts receivable balances by sending out reminder/demand letters to all Accounts Receivables concerning outstanding balances. MNRE responded that, they are continuing to follow up on outstanding debtors re Land Leases by providing the Land Leases Section the Accounts Receivable outstanding update in order for them to follow up directly with the Lessees. The Ministry also continues to provide monthly follow up with Waste fees at Tafaigata and from Valuation works for outstanding invoices. The Ministry has ceased issuing Invoices for Tafaigata Waste Services and Valuation works since 2015.

5. Some petty cash vouchers were not numbered and were not endorsed by the ACEO of Corporate Service Division. No register of petty cash was made available during the spot check, to indicate payments made as well as missing receipts for vouchers. The Ministry should have pre-numbered vouchers and each payment must be endorsed by the authorised officer. They must also ensure that supporting documents for petty cash are intact. The Ministry responded

that this is the current practice undertaken by the ministry, and acknowledged the lapse on the controlling officer's side on the absence of a summary at the spot check time. All vouchers are endorsed by the authorised approving officer, and in no event a voucher should be issued without proper authorisation by a certifying officer. All officers using petty cash are well informed of their duties to present a receipt for the funds utilised prior to issuance of petty cash. Sometimes some officers tend to get away from this process of bringing in a proper receipt immediately after disbursement of cash giving the controlling officer a hard time in her follow up process. This being one of the reasons for not presenting a proper receipt at spot check time, however, this has not stopped MNRE from their follow up process, because it is a "must do" to present a receipt for petty cash reimbursement. MNRE fully acknowledged the lapse and takes into account the recommendation for continuous improvement in handling of petty cash. They have enforced the policy of issuance of petty cash vouchers when disbursed by numbering of petty cash voucher and endorsed by the certifying officer (ACEO) of corporate service, it now also has a registered sheet of petty cash vouchers with relevant supporting receipts.

6. Some of the fixed assets procured during the period covered by our spot check were not recorded in the Ministry's fixed asset register. It was also confirmed from the Principal Human Resource officer that some of the items were not yet received such as saddles for horses costing $6,404.45 but were already paid. This was an indication that procedures for controls of fixed assets were not properly monitored by the Ministry resulting in an inaccurate and unreliable register of Inventories kept by Divisions. The Ministry should maintain an updated Fixed Asset Register and should not process payment until the item is already received by the ministry or a follow up with the supplier to supply a procured fixed asset. MNRE stated that, the unregistered of saddles was due to the order not received at the time during the audit inspection, hence payment were already made to the supplier. These saddles have been registered in the asset module when the order was received. Asset number NE001141 (Asau, Maota, Togitogiga, Vailima). Payment was made due to follow up from responsible division, however, MNRE acknowledged their lapse on inspection which had caused the inconsistency in advance payment.

7. Some of the division's consumables register were not complete and updated. Also the Finance division did not have a master register to record all inventories purchased for the ministry. The Finance Section should keep a master register of all inventories as part of its controls and to enforce each Division to maintain a clear, reliable and updated register of its inventories. A weekly or monthly counting of inventories should be conducted given that items are consisted of consumable and non-consumable in nature. MNRE replied that a register was in place but was incomplete due to staff shortage. They have also recently set up a spreadsheet to register all stationeries ordered for the ministry as recommended. It is also clearly portrayed in their internal Procurement and Payment Policy that all divisions should maintain a register of stationeries and consumables and regular spot checks for each division are conducted.

8. Employees leave cards had not been properly updated. Incomplete and inaccurate information stored in employee leave cards increase the risk of incorrect payroll calculations or other related staff remunerations and benefits/entitlements. The Ministry should carry out regular reviews and reconciliation of leave cards and attendance books to ensure these records are accurate and reliable.

9. Some staff did not sign the attendance book and some of the division's attendance books were not updated with the necessary details like employees' work locations/or on a site visit (eg. Savaii visits) as proof of the employee being on duty outside the office. The Human Resource should enforce the monitoring of all employees attendance thus complying with PSC Policy regarding the attendance.

2.23 Natural Resources & Environment for the financial year ended 30 June 2014

1. Audit noted with concern the issues of delayed banking, cancelled sub-receipts and missing information and documentations of monies receipted daily at the Landfill at Tafaigata. As previously raised, the ministry is again reminded to prioritise this area and take immediate action. Records and supporting evidence should be properly kept and internal controls should be strengthened. MNRE responded that the weigh-bridge system has been overhauled to address issues and gaps identified during the trial period. A proposal has been submitted to PSC for establishment of a proper cashier position for the weigh bridge who will be solely responsible for handling cash and preparing daily collection report. The collection of Tafaigata is now handed back to the finance section to be collected on a daily basis, to ensure that all monies received are receipted properly and accounted for on a daily basis.

2. The Receipting- weight system at the landfill at Tafaigata does not provide quality and reliable information as it is still in its trial version. This resulted in an investigation conducted earlier this year on missing receipts. MNRE confirmed that the trial period was over, and the new system was now in effect. The issue is duly noted and the Ministry has recovered the missing receipts immediately. At the moment the Ministry has enforced the control of receiving money on a daily basis and also the process of receipting money from the Tafaigata Landfill has been taken over by the Finance Section for usual process.

3. During our check on cash collection, we noted the cash was in an envelope but not in secured cash box. The ministry is recommended to keep cash in a secured and safe cash box. The Ministry procured 2 cash boxes and is locked inside the ACEO CSD office.

4. Accounts receivables were not updated and reconciled with Finance One. At 30 June 2014, the long outstanding debts that were 90 days overdue amounted to $1,522,883.19. MNRE duly noted the issues and have enforced the Debtors process by providing monthly regular reminder and follow up letters for long outstanding debts mainly with waste fees and Evaluation works. The Ministry has ceased issuing invoices for these services to date, and continue to provide follow up. The respective divisions are now enforcing the use of cash payment. The Finance section has also cleared the issue with double coding of same debtors which led to invoices being issued twice on the system.

5. Electricity and internet exceeded budget for the year. MNRE is advised to spend within estimates to ensure public funds are properly used. The issue is duly noted and justifications were provided by the respective divisions running 24/7 services such as the Meteorology Division, DMO, IT Section, and others such as the Water Resources Division and DEC.

6. Attendance books for some divisions were not available for audit review, and employees did not sign in on arrival. The Ministry should provide all attendance books used by each Divisions of the Ministry for audit review. All employees except for the CEO must sign the attendance book to authenticate their attendance and working hours for the execution of payroll payments, and employees who fail to sign the attendance book should be treated as Leave without pay. The concerns were duly noted and much improvement has been noted with the emphasis on monitoring and enforcement of the PS Working Conditions. Additional staff have been established (Administration Support Clerk) to support the 15 Divisions and provide daily

spot checks of Attendance Books, Updating of Leave Records, especially in submitting of Leave Returns on a fortnightly basis.
Internal Memo(s) were provided to remind staff to sign every day and the role of the respective ACEOs to manage their division staff and ensure compliance. The CSD continues to monitor and invoke disciplinary actions such as Warnings and LWOP where necessary.

7. Issues relating to Leave Records included:
   - There were no leave returns for all pay periods of the financial year 2013/14
   - Leave cards were not updated (unrecorded utilized leave)
   - Leave Without Pay was not actioned
   - No leave forms and medical certificates provided
   - Incorrect leave balances carried forward

   The Ministry must prepare leave returns fortnightly and update leave cards in order to show accurate leave balances. Application forms for annual leave should be filled in and properly filed. Management should take action to those who have already exceeded the limit of LWOP and staff should comply with Treasury Instructions on sick leave terms and conditions.
   MNRE responded that:
   - Leave Cards are now regularly updated and Administration Section is to continue monitoring of correct postings.
   - LWOP also actioned and posted on Finance One and are posted on a fortnightly basis. Reminders are sent to comply with the PS Working Conditions & Entitlements
   - Medical Certificates are provided on time. Staff are aware of the process and comply with the WC&E. If no Medical Certificate presented then absence will be treated as LWOP.
   - Incorrect leave balances carried forward was due to un-updated leave records, and the ministry worked hard to update leave records and ensure the correct balances of leaves are carried forward.
   - The ministry has the control for filling annual leave prior in three (3) days of leave taken. No leave is approved if any staff went on leave without leave form application approved. If someone went on leave without approval then absence will be treated as LWOP and only in special circumstances this is exempted upon approval from ACEOs/CEO

8. MNRE relies on the asset register on Finance One which is not accurately updated. There were also weaknesses on inconsistent labeling of assets and not updating location of assets. MNRE responded that only one officer was available to undertake the task and will proceed with improvements. MNRE duly noted the issue and the Administration Section staff will continue to update and monitor as well as matching the Assets Register in Finance One. They will also assist in Asset Monitoring and labeling of Assets to ensure compliance with Treasury Instructions.

9. Eight vehicles of the ministry exceeded fuel budget allocated for the year. MNRE responded that this overage happened mainly during the SIDS Conference. The normal usage remains to be enforced for all ministry vehicles by issuing only 50 liters per week. Extra petrol is only approved by the ACEO CSD with justification from the respective division.

10. Irregularity reports were not submitted on time. MOF was not advised to inspect the vehicle before referral to the mechanic for repairs. The issue was noted by MNRE and assured they will continue to improve on its reporting obligations as per compliance with Treasury Instructions.

11. Several divisions did not submit performance indicators and achievements in the Ministry Annual Report. The ministry is reminded of its obligations to comply with parliamentary approved targets and work towards achieving performances measures. MNRE stated that at the time of the Audit review, some of the Divisions reports were not available, however, the MNRE Annual Report 2013/14 approved by Cabinet in November 2014 contains all information and achievements.

12. There were no improvements from issues raised in the past for Tafaigata Landfill receipts, Weighing Management System, delayed postings, accumulated Account Receivables, absence of reconciliation, Fixed Asset Register not updated and status of performance measures. MNRE noted that the issues raised have been addressed by the Ministry, and to date, there is much improvement with the Tafaigata receipts, delayed postings, Updates with the Assets Registration, performance measures in the Annual Reports. Due to technical hiccups with the weigh bridge, which is currently out of order, the Ministry is using the approved manual rates with manual receipts to collect money from waste, provide the master receipt, posted in Finance One System and complete the banking in the following day. The Ministry is also continuing to provide the monthly update of outstanding report and forwarded to each division for their follow up re long outstanding. They have also reconciled the AR Ledger and identified double invoices and double coding of the same debtor and this double coding invoice has been cleared on the Finance One system. The Ministry is currently updating the Asset Register.

2.24 Ombudsman for the period 1 December 2013 – 28 February 2014

1. The Office Manager did not receive her backpay as a result of the 3% general increase for all public servants that was paid out on period ending 2 February 2014. The Office should negotiate with Payroll Division for action.

2.25 Ombudsman for the financial year ended 30 June 2014

1. Cabinet directives require that all vehicles used by agencies are registered with a Government number plate however; we noted that the Office's new vehicle was still using a private number plate. The Office responded that despite several follow-ups, no number plate has been received yet from LTA

2. There was no Contract of Employment for the Manager of Human Rights and Good Governance. A Contract of Employment should be established for all contractual positions. The Office responded that the position was still vacant at the time of the audit. The appointment was only made on 5 January 2015 and they fail to see the rationale of this observation.

3. The office did not achieve targeted indicators for the financial year 2013/14. It is recommended that the office set more realistic performance measures to be approved by Parliament. The office stated that the decrease in number of complaints lodged pointed at the improvement of promotion of good governance. However, the number of telephone complaints approaches and appears in person enquiries (not included in the Complaints Register) had increased considerably and rapidly to about 1,309. Most of these enquiries and approaches were attended to, and resolved, over telephone and oral discussions. Complainants prefer to discuss their cases over the telephone, particularly petty matters, hoping to resolve their complaints on the spot, rather than in written form which would take longer.

2.26 Police for the period 1 December 2013 – 28 February 2014

1. Despite several requests, Police refused to provide Minutes of management meetings for audit review claiming that these records were strictly confidential.

2. Money collected by the Police Band and Tafaigata projects was not accounted for as part of the Ministry's revenues and are not banked in the Treasury Fund. This was also raised in the previous audit. The explanation from Police of these cost recoveries was that this was operated independently and the overall administration lies with the Commissioner and the Officer in Charge.

3. Issues relating to Accounts Receivables included:
    - the register and ledgers were not up-to-date
    - debtor reconciliations were incomplete and not done in a proper manner
    - some debtors have not been recovered since the issuance of invoices
    - variances were noted between Police debtor records and Finance One debtor reports
    - there were staff debts that have not been fully recovered because employees had resigned

4. Invoices were received before purchase orders were issued to suppliers. Audit recommends the Ministry to comply with payment processes in place.

5. Issues relating to HR, payroll & leave records included:
    - Overpayments made to some employees as a result of delays in the actioning of TY15s
    - Missing TY15s in personal files
    - Leave taken by some staff were not marked in the attendance books and leave cards
    - Unreconciled attendance book and leave cards
    - Incomplete leave application forms.

6. There were a number of payments related to the last financial year that were paid within the current financial year. Payment policy states that the maximum number of days to process a payment is 15 working days. Police explained that most of the payment delays were due to insufficient funds in the operating budget and virement transfers had not yet been actioned

7. The Ministry did not comply with policies and procedures in place regarding the procurement of some of its assets. Assets were supplied without proper approval of virements from the Ministry of Finance. Police identified these as one- off cases

8. The asset register was not properly updated by the Ministry. There were assets sighted that were not registered and some assets had been recorded twice on the asset register.

2.27 Police for the financial year ended 30 June 2014

1. The armoury register was not updated. Several new guns seized by police (to be counted as part of police armoury) were not included. We also noticed the rise in the number of damaged guns which are now used as spare parts for other weapons. It is recommended that the armoury register be updated for safety reasons and for monitoring of weapons movement. It is also important to raise Irregularity Reports for any damaged or lost weapons.

2. The debtors ledger had not been updated, as the records presented to audit only covered the financial year 2011/12. Accounts receivables had increased, with some debtors outstanding for more than a year. The register of debtors for the financial year under review was also incomplete with no reconciliation or follow-up for some accounts. The Ministry should ensure an updated debtors ledger, and a monthly reconciliation to Finance One is carried out with any variances being investigated and corrected.

3. The Ministry was unable to achieve its forecast revenue during 2013/14. This has been a continuing trend for Police for the last three financial years. Current methods used to forecast revenue should be reviewed to ensure the most accurate forecast possible. Police has reviewed its current fees & charges under the non taxation revenue rebasing project. The forecast revenue is now based on volume which is an accurate forecast for revenue which will assist the Ministry to achieve its targets.

4. The Ministry transferred $682,437 from its personnel budget to support and fund other expenditures such as capital and operating. The Ministry should review spending on outputs that regularly exceed budget to identify and act on any potential cost savings. Police has noted the concern pertaining to the budget; however personnel budget was utilised due to availability of funds at the time to cater for other activities required within the Ministry.

5. The audit identified a significant increase in utility expenses compared to the prior financial year due mainly to expenditure carried forward into the current year. This was previously raised by audit, but continues to exist and impacts Ministry budget. The Ministry should investigate effective ways to ensure that all outstanding bills are paid within their relevant period. Police has noted the issue and will ensure these bills are paid in a timely manner.

6. Purchase orders were only submitted upon receipt of invoice. Such issues have had great impact on the Ministry budget each financial year and increase the risk of unauthorised or inappropriate purchases. The Ministry should ensure that approved purchase orders are raised for all purchases before items are bought and invoiced to ensure compliance with the Treasury Instructions 2013. Management has noted that all purchases are to be pre-approved as per Treasury Instructions, as the impact will flow in the following year

7. Issues relating to leave records included:
   - no signatures on attendance book
   - leave/ special time off entitlements with supporting documentation
   - full details were not recorded in the attendance book

   Audit recommended that the Divisional Head and HR Sections ensure proper monitoring of the book and maintain established controls regarding the attendance roll.

8. There was no approved organisational structure for the Ministry; however, recruitment of staff was taking place. This increases the risks of newly established positions not being endorsed by the Commissioner. This is also a non compliance with the Police Service Act 2009, section 34.

A review must be undertaken of the current implementation of the proposed Organisation Structure to ensure that it is complying with relevant laws and policies; and if needed, a separate opinion be sought from the Attorney General to ensure that the individual Employment Contracts for newly recruited positions can be ratified or whether they should be postponed. Police is currently working on this project by re-profiling the Ministry and working on its current structure expected to be approved by Cabinet in 2015.

9. The vehicle register was incomplete and did not contain other relevant information. Vehicle hire expenses alone added up to $95,183. The majority of irregularity reports of the Ministry were vehicle-related. This has resulted in overspending on vehicle spare parts and maintenance by $66,000. The Ministry should introduce steps to minimize the amount spent on hiring vehicles, and ensure all important details relating to the vehicles are recorded in the register and emphasize more controls on the use of vehicles to minimize the cost of repairs and maintenance.

10. The store room for inventory has limited space and no shelves for proper stacking of uniforms. There was also a need to update the inventory list that monitors the movement of the stock. There were variances between the physical existence of stocks compared to the registered form and quantity and prices were not updated. The Ministry should consider relocating the storeroom to another area to ensure appropriate storage space is available; and update stock records for proper monitoring of inventory movement.

11. The bank accounts used to deposit prisoners funds from their daily operations (selling vegetables, furniture, baking and monetary donations from outsiders) required more control to assure the use of such funds are transparent and properly monitored.
    - no supporting documents or narrations on bank accounts to explain deposits and withdrawals;
    - people who have resigned or terminated from Police were still signing withdrawals;
    - there were new bank accounts being set up without any formal approval from management; and
    - there were no records of monetary donations
    - One account was last used in the financial year 2011/12 but still had a balance of $2,144;
    - there was no evidence of any reconciliations done for such accounts;
    - prison funds had four bank accounts all with different reasons for setting them up;
    - use of funds for personal matters that do not link directly to prisoners' benefits.

12. There was no data available to assess the performance of the Ministry for the current financial year under audit. At the time of request, the Ministry monitoring and evaluation report was still in draft format and not finalised and approved by the management. This can also cause the delay of annual reports. Such information is very crucial to assess the Ministry performance, objectives and targets for the whole financial year.

13. More than half of the issues raised in the previous audit still exist in the current audit.

2.28 Prime Minister & Cabinet for the financial year ended 30 June 2014

1. The accountable forms register was not maintained properly.

2. The Passport System identified duplicate receipt numbers for different applications used in both the Passport and Permit system. These are two separate systems. This showed the lack of checking and postings by the responsible officer. MPMC responded that a software integrating the two immigration processing systems will then issue a singular verifiable receipt replacing the current manual receipting.

3. Total debtors' balance increased from $399,518 to $437,152, and monthly reconciliation was not updated. The majority of these accounts receivables were with the Savali publication. MPMC is considering submitting these unauthorized costs and irrecoverable debts to Cabinet to be written off.

4. Issues relating to HR, payroll and leave records included:
   - leave taken without leave forms;
   - leave cards were not updated to record days of leave taken;
   - Leave Without Pay was incorrectly effected on Finance One;
   - leave without medical certificate

5. Two irregularities relating to vehicle damages were not submitted or registered with MOF.

6. Irregularity Report records were also not organized or stored properly, with no solutions or action taken.

2.29 Public Service Commission for the period 1 March 2014 – 31 May 2014

1. Accountable forms were incomplete and not properly maintained.

2. There was an overpayment to an employee due to change in salary rates.
   PSC accepts that delays in their payroll reconciliation resulted in the overpayment. It will discuss with MOF to ensure they are made aware and will negotiate with the employee on recovery options.

3. Purchase order details on payment vouchers were incomplete.

4. Payments were not recorded in the manual payments register.

5. Audit identified issues of daily tardiness and leave not recorded on leave cards. There were also no approval forms for leave taken as well as no medical certificates for staff on sick leave for more than three working days. PSC has put into place procedures and controls for proper processes and monitoring.

6. Issues relating to fixed assets included:
   - Assets not labelled
   - Assets on manual register were not on Finance One and vice versa
   - Consumables purchased were not recorded in the PSC Consumables Register.

   PSC responded that they have noted recommendations and have put in place controls for proper procedures and monitoring. The registration for assets has been completed.

7. Issues from the previous audit of 2012/13 still existed. These included no debtors reconciliation, non compliance regarding debtor follow-up, and unlabelled and damaged fixed assets.

2.30 Public Service Commission for the financial year ended 30 June 2014

1. The register for accountable forms (TY76) could not be located nor sighted as it was misplaced when records were moved to another location. The register was kept by an employee on a computer but was not readily available for review by audit and it was not possible for people to sign the electronic form. PSC said that it now keeps a manual register for accountable forms used ad purchased which will be made available for future audits.

2. There were no follow up actions taken for outstanding debtors. Debts increased considerably from 2009 to 2014, with limited evidence of action to recover long outstanding debts. There were duplicate also debtor codes and debtor name to record the same type of transaction
PSC replied that it was unsure of receipts received as there was no confirmation for payments made. Sub-receipting was now done at PSC before it is submitted to MOF and has enabled reconciliation for debts. It has also initiated a Cabinet submission to write off these debts.

3. There were receipts noted on the receipt book as already issued but the dates were dated in 2013 and later on mastered in 2014. This reflects poor checking and monitoring of receipting area. PSC said internal controls were now in place to monitor accuracy of receipts. Monthly reconciliations are done monthly.

4. Issues relating to HR included:
    - Locations of employees were not noted properly on attendance book
    - Working hours not filled in daily
    - An increasing number of employees coming in late.
    - Time off of more than 5 working days.
    - Leave card details contradicted information on attendance book.

    PSC said internal controls are now in place to ensure attendance is properly monitored.

5. Issues relating to vehicles included:
    - There were no running sheets for use of vehicles to for official purposes and therefore the consumption of fuel and petrol could not be verified. - Vehicles also exceeded budget allocation for fuel.
    - Incorrect output charged for fuel consumption
    - PSC01 had a dent on the driver's side back door and another on the left corner of the bumper. There were no irregularity reports raised for this.
    - PSC04 had tinted windows.

    PSC replied that running sheets are now used. Fuel has been hard to control with prices increasing. Vehicles mentioned have been dealt with accordingly.

6. Issues relating to fixed assets included:
    - There were assets that were registered but were not yet labelled.
    - Assets were registered but not yet received.
    - There were also assets captured on Finance One that were not registered in the fixed asset register.
    - Written-off assets were not updated on the fixed asset register.

    Issues have been noted by PSC who says that it has implemented appropriate internal c controls for monitoring.

7. Some records relating to MOUs, reports and invoices for grants and aid were not provided. PSC will ensure these are provided for the next audit.

8. Issues from previous audits had not been addressed. This included poor maintenance of the asset register, and fuel consumption exceeding the annual limit per vehicle. PSC responded that it will improve asset registration, and has put into place running sheets for vehicles to record mileage and location of vehicle runs.

2.31 Revenue for the period 1 November 2013 to 31 March 2014

1. In relation to unpaid declarations, there was no documented evidence to confirm the approval of the release of goods without payment of duty to Custom Officers. Any duty owing should be paid before the release and removal of goods. However, in certain cases, customs officers may release goods in advance of the full payment of duty owing. This exception is largely intended for release in advance of payment of perishable goods (medical supplies, pharmaceuticals, frozen goods etc.) or to facilitate certain activities (government projects, aid agencies, relief of natural disasters etc.). Audit noted that there was no documented evidence of the customs officers' approval of the pre-release. MOR acknowledged that there was a need to facilitate release of certain goods perishable in nature (medicaments, pharmaceuticals, frozen goods) as well as facilitation for the purpose of import (government projects, aid agencies, relief of natural disasters). MOR explained that approval of pre-releases can only be given by the CEO, and in exceptional circumstances, an ACEO level officer. All pre-releases are recorded and filed in the pre-release file. MOR has suggested that the Audit contact the Technical Operational Management for these requests.

2. Audit noted that dutiable goods such as car parts, clothing, and building materials (most non-perishable and not subject to preservation needs) were captured in unpaid declarations. As such it is difficult to verify the validity of the release of such goods. MOR responded that goods may be released prior to payment of full duties only if a pre-release application is approved. Pre-releases are also done for some projects under incentives provided by government. These approvals have specified timeframes within which such items are to be imported. Given the timelines, pre-releases for these projects are sometimes approved to facilitate start-up operations where the Ministry of Commerce, Industry & Labour is required to sight and approve the entries, and the post compliance to be done by both MCIL and MOR. Regarding this issue, MOR is continually enforcing measures to ensure strict compliance with our governing laws and approved standard operating procedures.

3. A total $2,660,382.20 of unpaid declarations was from Ministries and SOEs while the others were owed by various companies. The audit concern lies with repeatedly authorizing the release of dutiable goods without payments of duty while most were not perishable.
   MOR replied that is was actively monitoring and pursuing recovery actions for unpaid debts as well as deferral and dishonoured cheques. It was also continuously reviewing its debt recovery plan in order to improve on debt recovery work despite a serious shortage of manpower to effectively review and follow up all the unpaid outstanding on a timely basis.

4. Audit raised the issue that the Customs Division should play a bigger role at freight stations. As a result, the inappropriate authorization of release of dutiable goods occurred at freight stations. Audit concern is that MOR is aware of this practice. MOR said this issue was currently being dealt with at the management level for goods identified as released in 2013. Its Customs Modernisation Project has developed, reviewed and endorsed both internal and external Statements of Standard Operating Procedures (SOPs) which clearly outline processes and procedures to be followed by staff and external stakeholders as well. SOPs awareness programmes and trainings have been completed for both internal staff and external stakeholders including freight station owners and were now applied accordingly.

5. While controls were in place for processes and procedures, there was a lack of enforcement resulting in increasing balances of unpaid declarations over the years. This impacts collection of revenue with some that could remain uncollectable, and incurring additional costs for the MOR. The Ministry stated that the debt recovery has improved considerably in recent years that has

resulted in the settlement of some significant long outstanding accounts as well as various Ministries which are now in the process of settling their unpaid accounts.

6. There were missing documentations to support balances of unpaid declarations: Out of the 40 sampled from multiple unpaid declarations documentations, only 18 were received by audit. This issue was raised in previous audit reflecting no measures in place to address the matter.
   MOR replied that it was unable to provide requested documentations on time due to an extremely busy operation coupled with a major shortage of technical staff, but will improve on this in the future.

7. Unpaid declaration balances revealed an amount of $1.7 million of customs duties outstanding. There was some dispute as the customer had already claimed payment, but this was not yet received by Customs. Correspondences sighted and interviews conducted by audit confirmed that the customer has indeed settled payments showing in unpaid declarations. MOR explained that debt recovery action has improved considerably since the review and proper re-structuring of the Ministry's recovery action plan at the beginning of 2014. This has resulted in the settlement of some significant long outstanding accounts as well as various Ministries which are now in the process of settling their unpaid accounts.

8. Issues relating to sub-receipts included:
   - Six sub receipt books were missing or could not be located. MOR acknowledged that this was a a lapse in effectively enforcing strict measures to safeguard receipt books. It expects that with the introduction of electronic printed receipts via Asycuda World, the use receipt books will be minimised, as manual receipt books will be mainly used for back up.
   - Receipted amounts were constantly delayed in submission to cashier which delayed posting to ASYCUDA and Finance One. Customs officers in receipt of sub-receipt cash must submit all receipted monies by day end to the Finance Division for storage given that it could not be posted to ASYCUDA and Finance One and therefore could not also be banked. MOR noted that all sub-receipted amounts from freight stations could only be posted and paid into ASYCUDA when manifests are prepared beforehand. Cash collected at freight stations are kept by custom assistants overnight. Reviews of controls over the sub-receipting process and cash handling are regularly carried out by responsible divisional heads. However, there are exceptions due to cases where customs officers receipting at the Airports, freight stations and wharf cannot return to the Main Office and can only come to the Main Office the next working day to handover collections. All these proper controls are factored into SOPs to ensure that best practices are adopted and Treasury Instructions and related legislations are complied with by the Ministry.
   - Audit identified inefficiency in accounting for sub-receipt proceeds. MOR explained that a sub-master receipt by the main cashier was now in place, as well as other internal controls to improve systems.

9. Issues relating to deferred accounts included:
   - Payments to deferred accounts paid into ASYCUDA were not shown on files.
   - There was a need to improve follow up of recovery of deferred accounts and overall debt portfolio. The Ministry only seemed to follow up accounts when there were overdue.
     MOR clarified that it was difficult at times to update files frequently due to the significant volume of case files as well as a lack of manpower to effectively handle all those cases. While it was following up outstanding accounts, the efficiency and effectiveness of recovery actions are constrained by many factors but that it was continually working on areas to improve recovery actions in order to minimize debt portfolio and improve collection. MOR was also undergoing a review of its HR Structure for Custom Services

with the expectation that its proposed new structure will be approved and established as envisioned. In respect of Customs Services debt portfolio, debts attached to long outstanding accounts were still recorded in ministry books but were mostly doubtful of being collectable, in particular the debts owing for more than 10 years given that there are very few records on hand to support them. The Recovery team was preparing a proposal for write-off. MOR was also regularly liaising with government Ministries and SOEs on making arrangements for payments of outstanding unpaid accounts with Customs from budget support. In addition, a significant correction will be booked at the end of the financial year to correct a number of unpaid assessment errors which should reduce the balance of the unpaid outstanding debt by about $5 million.

10. There was no register for petty cash or a schedule of voucher payments. Vouchers were not numbered nor authorized properly. MOR has noted the issues and will monitor closely.

11. Audit requested various documentations to be submitted for verification during the audit. All these were outstanding at the end of audit fieldwork. This included specific ASYCUDA extractions requested from the Customs Division, as well as files from the Taxpayer Division. MOR responded that the audit was carried out when MOR was undergoing extensive work internally which has caused the delay.

2.32Revenue 26 June 2014

1. There were instances of delay in the submission of monies from Customs Officers to the Finance Division. Some delays were up to 4 weeks. Discussions with the responsible Officers noted that it is usually a matter of transportation or a lack of urgency/priority over other operational tasks to meet their daily obligation of turning in cash collected to Finance Division.

2. The Finance Division used a cash vault to temporarily store cash/cheque payments received from Customers for certain Border/Trade related transactions that have yet to be formally recognised on ASYCUDA. The transactions however have already been recognised in the manual documentations/records maintained by the Finance Division. The current design of internal controls creates an unnecessary need and responsibility for the Finance Division to accept the risk(s) of keeping a large sum of cash on premises for an extended period of time. Furthermore, it was noted during our cash count that the vault had cash/cheques belonging to receipts dated as far back as in May 2014; and It was also highlighted in the Internal Audits report of 30 January 2014, and that receipts amounting to $30,000 were being kept in the vault.

3. Analysis also noted the inconsistency in accounting of sub receipted monies on Asycuda. The Asycuda generated reports showed that sub receipts were posted either according to sub receipt numbers or cheque numbers for payments already made to a certain sub receipt. This inconsistency had resulted in difficulties in verifying whether all sub receipts said to have been posted to Asycuda are accounted for. The consistency of data entry procedures associated with sub receipts/sub master receipts will strengthen the paper trail from ASYCUDA to Finance Divisions manual records.

4. The audit spot check noted instances of minor surpluses from our cash count. There was $8 surplus from the Petty Cash Imprest Account and a $5 surplus from one of the Sub Receipt Book held by one customs officer. Both surpluses were receipted back in the Treasury Fund.

2.33 Revenue for the financial year ended 30 June 2014

1. Issues relating to Customs receipting process:
   - The continuous delay posting of daily sub-receipts collections into ASYCUDA resulted in delayed posting to Finance One, as well as banking.
   - The Lady Naomi cash collection was still in the vault for a whole week. This was caused by employees on sick leave.
   - Valuable information on sub-receipts was not properly filled in. This information assists in the assessment of duties/taxes to be made. This has been a constant issue in previous consecutive audits.

   The delay in posting of sub-receipts to the ASYCUDA system was mainly due to the delay assessment of certain entries by border officers. In addition, there were a number of technical problems since the ASYCUDA World upgrade was launched which affected the assessment of entries and delaying payments of sub-receipts to the system. Most of the delayed posting of sub-receipts occurred during the ASYCUDA World system trial period. Most of the technical issues have now been resolved. Border Officers have been informed of cash handling policies and procedures and their revenue collection responsibilities. Officers who continuously do not comply with policies and procedures are sternly warned.

   The Ministry has taken significant effort and measures to improve internal controls to reduce cash held at the main office overnight at the vault. It has already implemented the electronic receipting component of the Customs Modernisation project which significantly improves the revenue accounting system and receipting processes at Customs.

2. The Ministry has a total of $12,824,046.37 of the deferral scheme that was not recorded on Finance One. This total of accounts receivable uncollected dated back to 1998 which reflected weak follow-up action. This amount was only recognised on ASYCUDA and Finance One when payments were made by the clients. Not recognising such information on both systems at the time of occurrence can have material impact on the Public Accounts. The Ministry also has the same issue with Unpaid Declarations. MOR recorded these transactions on its files and spreadsheet although this information needs to be captured on Finance One for proper accounting.

   MOR responded that the recommendation to post all deferral scheme operation on Finance One was time consuming, complicated and unnecessary. The ASYCUDA system was re-designed to cater for the customs deferral scheme operation. The Ministry of Finance should have a standard framework to capture the required information it needs from various Ministries who have their own debtors' ledger accounts instead of reposting all deferral transactions to Finance One; an unnecessary duplication of work and uneconomic use of limited resources. MOR has taken appropriate measures to stringently follow up all outstanding debts. The effective implementation of the debt recovery plan however has been hindered by the lack of manpower which is a key issue that will be addressed in the financial year 2015/16 with the implementation of the approved Customs HR restructure.

3. Operational expenses exceeded budget by $1,419,403. These are mainly attributed to asset maintenance (particularly vehicle repairs & maintenance), rents and leases, and catering. Some of these expenses were not budgeted for.

   MOR explained as follows:
   - Of the 16 vehicles under the control of the Ministry, ten were procured between the years 1996 – 2007. These vehicles needed to undergo complete full mechanical services every quarter or every two months and anticipated the need for spare parts. The proposed budget for vehicle maintenance took into consideration the conditions of its fleet. Despite the justifications provided to the Ministry of Finance, the proposed budget was reduced.

- Rents and Leases: The DBS lease included during this financial year was corrected in the financial year 2014/15.
- Stationery & Printing: These included revised costs of advertising packages by newspaper and television companies after the budget bid. There were also stationery expenses incurred in the financial year 2012/13 paid in this financial year.
- Catering & Entertainment: MOR will monitor these outputs in the future.

4. Audit noted the need for servers and IT equipment. Internet expenses exceeded budget by $142,931.05. This has been a consistent trend for the Ministry for the last three years.
   MOR explained that Internet funds were allocated together with funds for telephone usage because the Ministry's internet charges were included in its telephone bill. The mistake was identified and corrected in the financial year 2014/15. MOR had requested new computers in anticipation of systems upgrade and also for the increase in the number of new recruits but the proposal was rejected by MoF due to fund constraints. Capital expenditure incurred in 2012/13 were also paid during this financial year in addition to procurement of machine for staff ID, printers for outposts and heavy duty photocopiers for the Ministry. MOR had a major system breakdown this financial year partly because of the overload with our servers. This was unexpected and was not included in the proposed budget. MOR needs four servers to replace obsolete servers that house all systems. Due to savings availability, MOR could only procure two, hence the overspending. Given the system malfunction, other devices were procured for backup.

5. The audit was unable to sight vehicle MOR15 that was registered in the fleet of vehicles for the Ministry. This vehicle is being used by the Minister and had not been returned to the office for inspection. Overspending of budget for vehicle spare parts and fuel indicates a need for improved management and monitoring of these areas. There were no records of any running sheets or any information to keep track of vehicle usage and the fuel consumption per vehicle. A total of $10,610.22 was spent on vehicle hire, which was unbudgeted for the year. MOR said it had mistakenly deleted the allocation for vehicle hire during preparation of the proposed budget financial year 2013/14, which was there in previous budget for vehicle hire in Savaii. The hired vehicle serves the office in Savaii and all visits from the main office in Apia. The Minister had to hire a vehicle while his vehicle was garaged for services.

6. Performance targets for some divisions had not been achieved. MOR noted that some of these are beyond the Ministry's control such as the OECD Peer Review of Samoa which was delayed due to the backlog of other countries that the OECD needed to review. Similarly to the number of incoming vessels dropped for the year,. The reasons for non achievement of performance measures are all provided in the Ministry's Annual Report 2013-2014 already been tabled in Parliament. The Ministry has reviewed all its measures and is now reflected in the budget for 2015/16.

7. Some of the high risk issues raised in the previous audit were still outstanding. The Ministry needs to address these issues properly to avoid and minimise the associated risks.

8. There was no asset register as well as inconsistent asset labelling in Savaii.. A complete asset count/labelling was conducted late 2014 by the Corporate Services division to update the Ministry's Finance One Asset Module as well as its own manual asset registers for the entire Ministry including the Savaii office.

2.34 Samoa Bureau of Statistics for the period 1 December 2013 – 28 February 2014

1. Unused accountable forms were not properly stored in a secured place and the register of receipt books was not properly monitored. SBS said a register was now in place and accountable forms now properly secured.

2. There was no record of follow up action on accounts receivables. SBS replied that all outstanding accounts have now been settled.

3. A heavy-duty photocopier used by the office was not the same as the one ordered by the Bureau. The error was discovered only a week later when details of the purchase order were checked.

4. Issues raised in previous audits still existed:
   - Leave taken by each employee were not posted into their leave cards. SBS said leave forms were now updated and leave reports are distributed to staff monthly.
   - Assets were not properly recorded in the Fixed Assets Register. SBS said this has now been done.
   - Leave without Pay was not actioned. SBS said this was actioned every pay for those concerned.

2.35 Samoa Bureau of Statistics for the financial year ended 30 June 2014

1. Vehicles exceeded allocated budget for fuel consumption. It was also not using running sheets to monitor the use of both hired and government vehicles, as well as use of government vehicles for personal use. SBS has adopted new controls to ensure the usage of vehicles for official work. SBS currently uses running sheets.

2. Payments for broadband were incorrectly posted as telephone expenses. This misposting has been dealt with by SBS.

3. A contractual officer utilized her annual leave overseas without endorsement from PSC. SBS agreed that it failed to adhere to PSC procedures

4. There was no recovery of public funds regarding irregularities reported to MOF and the AG's Office. SBS said it was currently deducting from employee salary.

5. Receipts from birth certificates from overseas missions posted by MFAT were not accounted for in cashbooks and records. Regular reconciliation of cashbooks with Finance One should be done, and to liaise with the MOF and the MFAT on ways to account for overseas revenues collected.

2.36 Samoa Law Reform Commission for the period 1 December 2013 – 28 February 2014

1. Some consumable and capital items bought by the office did not comply with the formal procedure of issuing the purchase order first to the supplier before receiving the invoice. SLRC has provided verification for this.

2. There was no petty cash on hand at the time of the spot check as cash had been fully used and was in the reimbursement process at the time. One of the highest spending areas relates to taxi fares – when the only driver is on leave, the head of the legal division and the Manager CSU is the alternative drivers. Otherwise the officers catch taxis to destinations of their meetings from time to time using petty cash. SLRC said petty cash was now reimbursed monthly.

3. The fixed asset register sheet is incomplete as some of the assets details are blank and not included in the sheet such as value of the asset, year of purchase, and other valuable details. Such information is vital to be included to enable assessment of the value of assets and determining the time when write off is necessary. SLRC said the register has been updated and assets have been labelled and accounted for.

4. Issues with attendance and leave records:
   - All leave cards were saved on an Excel sheet without any back up
   - Employees coming in late were not noted accordingly on the attendance book,
   - Some employees were taking more annual leave than what they are entitled to

   SLRC said all leave cards have been reviewed.

2.37 Samoa Law Reform Commission for the financial years ended 30 June 2012 & 30 June 2013

1. The total virements for the last two financial years added up to $112,134. Most of these virements were for the purchase of office capital items and for its general operations. The transfer of funds is an indication of needing more funds to achieve certain activities or the office acquiring items that were not allowed for in the approved budget. SLRC explained that its resources are redirected/ reallocated based on requirements from the Prime Minister, Attorney General's Office and Cabinet (like the Sex Offenders Register and Alcohol Reform in addition to 8 projects at the current time) as well as their own operational needs that come up throughout the year.

2. Incorrect natural accounts were used for payments. This resulted in overstatement of some accounts, and understatement for others. SLRC has noted the issue for compliance.

3. There was no register for office consumables. SLRC explained that it now has an asset register in place for the release of stationeries, but is not consistently maintained.

4. Payment vouchers were incomplete, and lacked supporting documents. SLRC said it now had a register in place.

5. Invoices were received before issue of purchase orders.

6. Work permit for a Legal Research Analyst, who resigned before end of employment period, has not been reimbursed.

7. There was a total salary overpayment of $12,759 to an employee who was no longer with the office due to the late processing of payroll forms. This overpayment took place over 5 months. SLRC explained that of the $12,334.16 overpayment, only $2,213.59 remained outstanding and could not be recovered as staff had moved overseas. It will review its process to avoid any recurrence.

8. Leave taken by staff was not recorded on leave cards for the financial year 2011/12 making it difficult to verify leave entitlements. The only records that existed for most employees were the e-copy of leave cards for 2013/14. SLRC said e-copy of leave cards are verified by the system, and that leave cars have been updated.

9. Several assets in the register were missing during site visit. Some assets were not labelled properly. In addition, most damaged assets or written off assets were still in the office when they should have been transferred to the Vaimea compound.)

10. SLRC is required by legislation to submit its work plan to the Prime Minister and the Attorney General. Audit could not confirm this submission. SLRC responded that the Forward Plan was provided on 2 July 2014.

11. There were no running sheets to monitor the use of vehicles. SLRC has noted the issue.

12. Some of the targets to be completed for financial year 2012/13 were not achieved by the Office. SLRC cited many reasons for non-achievement including translation delays, staff shortage and external factors beyond their control, but that it continues to produce quality recommendations on law reform issues.

13. Issue relating to internet expenditure:
    - Internet expenditure exceeded budget for the financial year 2011/12.
    - Staffs were also able to access social networking sites.
    - The contract between SLRC and its service provider could not be sighted.
    - There was also no written internet policy in place to regulate use of internet. SLRC stated that it was developing an IT policy to be included in their Induction Manual. SLRC engages with the public as much as possible using various methods, including at times social networks; its Sex Offenders Register project was piloted through the use of Facebook which generated numerous discussions on this topic. Feedback as also received from local and overseas people on this topic. The social network was also a great awareness forum to publicise the Commission's work.

2.38 Samoa Law Reform Commission for the financial year ended 30 June 2014

1. There was no debtors' reconciliation and no source documents to verify the revenues received by SLRC. SLRC replied that it has relevant documentation relating to the Australasian Law Reform Agencies Conference which the Commission hosted in May 2014, and that records can be sighted for verification.

2.39 Women, Community & Social Development for the period 1 February – 30 April 2014

1. Issues relating to Printing services included:
   - Jobs were not charged in accordance with the approved price list. The Price List was not applied as it was outdated. This was an issue raised in the previous audit with no improvement.
   - There were discrepancies between the total costs recorded on the job sheets and the amounts on invoices issued to debtors. These job sheets were not properly endorsed by the responsible ACEO.
   - Requisition forms were missing and could not be verified
   - There were no controls in place regarding the printing and distribution of accountable formss for use in the Division
   - There were also printing orders that were placed and processed but were not invoiced. Audit was unable to obtain evidence of these jobs being cancelled.

   MWCSD explained that the Ministry proposal is still under review by the National Revenue Board and will be submitted to Cabinet for endorsement soon. The approved Prices List is still in effect. It also clarified that the process has been revised to ensure that any variations to jobs must be relayed to the customer for appropriate action before invoices are issued. Staff is again reminded of the risks associated with this. The ACEO has also taken appropriate measures to ensure all changes made are endorsed and communicated to staff accordingly to avoid having two different costing for the same job.

2. There were long outstanding accounts receivable balances from the previous year with no recovery. This issue has been consistently highlighted in prior years with government Ministries not making payment despite our follow-up action. Cabinet has endorsed the proposal for write-off and MOF is attending to this to ensure the AR is updated accordingly to reflect this. A special condition for payments also has been in effect for all private customers to furnish 50% deposit before job commencement, with the remaining 50% to be paid upon completion.

3. Invoices were received before purchase orders were issued to the suppliers. Most of these jobs and community development programs were waiting on approval of virements before the transfer of funds to cover these activities.

4. Several divisions did not maintain appropriate registers for consumables/stationeries. This issue was also raised in the previous management letter yet still not actioned.

5. Assets were not properly labelled and the fixed asset register was incomplete. The value of Plant and Equipments in the register were questionable as there was no explanation on how they were derived. Fixed assets amounting to $150,000 were recorded in the fixed asset register but were owned by Jotta Graphics. MWCSD explained that the Finance One Assets module was introduced recently and was only fully implemented at the beginning of the year under audit. The asset register will be distributed to the respective Divisions after the next stock take exercise which will take place in October 2014 to provide a more updated record. Most of the Heidelberg printers at the Division for Printing had been around for over 30 years and efforts to secure costs in which they were acquired for was not successful due to Division of Printing being previously administered by MOF and MPMC before it was merged under MWCSD. Staff has discussed alternative way to account for these machines for proper monitoring as well as for stocktaking purposes. Jotta Graphic's assets that were used by the Division under a Lease Arrangement at the time have been removed as repair work is now in progress for damaged printers. MWCSD suggests a proper revaluation of asset to be done based on audit advice to correctly ascertain their values.

2.40 Women, Community & Social Development for the financial year ended 30 June 2014

1. Operating expenses exceeded allocated budget for the year. This was due to unpaid invoices from the previous years that were only paid from the current financial year due to insufficient funds. The volume of printing and photocopying of training materials, divisional plans and reports, and others continue to increase and require a lot of printing and photocopying. Travel allowances were for attendance at international and regional meetings and trainings. The cost for the Toe Sasa'a Le Fafao program represents the bulk of the cost for advertisement. This is an important program as it draws the attention of the viewers.

2. Purchase issued by the Printing division could not be sighted and verified. All these should be intact with other relevant documents for justification of orders processed and audit purposes. The audit concern has been noted.

3. An incomplete fixed asset register was submitted for audit verification. The register was last updated in April and new assets procured were not recorded. MWCSD explained that this relates to the change of key staff in the Assets Management section. The Assets Module of Finance One system has just been fully utilised at the beginning of the year. The assets register has been updated and all the newly procured assets and those that have been written off have been captured in the register.

4. Running sheets for motor vehicle usage were not submitted for audit verification

5. There were a number of occurrences of delayed master receipting of monies from the Printing Division to MOF. This is an ongoing issue that needs to be addressed. MWCSD noted that there are overnight delays resulting from bankings that are received after close of business.

2.41 Works, Transport & Infrastructure for the period 1 February 2014 – 30 April 2014

1. Invoices issued in 2013 were still outstanding. MWTI is hoping that the inter-departmental payments systems now in place will assist with outstanding payments.

2. Excessive internet usage resulted in internet plan use.

3. There was delayed payment of creditors, with some outstanding since 2013.

4. The fixed asset register was inconsistent in recording assets, and damaged assets were not written off. MWTI acknowledged incompleteness and will work on issue identified.

5. Minutes of management meetings were not recorded.

2.42 Works, Transport and Infrastructure for the financial year ended 30 June 2014

1. There were instances of delayed posting of receipts. These delays were, in most cases, due to the absence of the cashier during the day of the receipt.

2. Payments were charged to incorrect natural accounts which impacts budgeted amounts for the year.

3. Four ministry vehicles exceeded allocated fuel budget for the year. There were no running sheets for ministry vehicles. MWTI stated that while they have controls in place, their work requires them to carry out inspections not only Upolu but for Savaii and Manono as well which require the use of ministry vehicles.

4. Two employees were still receiving their salaries after their services had been terminated. MWTI stated that the overpayments require an explanation from PSC and MOF who were given TY15s for salary cessation.

5. Leave cards were not updated accordingly, and leave forms for staff on leave could not be located. MWTI responded that this was due to employees' inability to come to the office, and that although leave was not recorded manually, they were already on Finance One.

3. OVERSEAS MISSIONS AUDIT

3.1. Samoa Consulate General in American Samoa

for the financial years ended 30 June 2011, 2012, 2013, 2014

1. Permits were not pre-numbered for proper accounting of these official properties. As a better practice, the use of a pre-numbering system for permits would ease the reconciliation of permits received by the Office and permits issued against revenues collected for better transparency and accounting. MFAT responded that a pre-numbering system was set up and used by the office for the issuing of permits and will be followed up with the Office.

2. There was no petty cash on hand as the Consular would use his personal funds to cater for petty expenses and would reimburse accordingly. This practice had defeated the purpose of the petty cash imprest and Audit recommended that a proper petty cash imprest be set up and operated as per normal Government procedures. MFAT stated that the petty cash was fully utilized during the time of the audit. It is also important to note that the office has been broken into before and the issue of keeping any cash in a safety box in the office was unsafe. The accountability for the use of this fund is handled by the Consul General and all relevant processes are followed as per the normal practice.

3. There was no secured strong safe for storing and safeguarding of the Office's daily collections. All revenue collections should be properly stored in a secured strong safe to ensure safeguarding of all public funds. MFAT had noted the audit recommendation, and the office had tried to secure a strong safe however with the current practice in place; the mission did not see the need to procure a strong safe as the banking was done at the end of each day and proper records were kept should this not be possible.

4. Issues relating to Leave records and Human Resources included:
   - There was no signed employment contract for the Consular for the period 2009-2012. Formal signed employment contracts should be in place for all contractual positions to ensure that proper terms and conditions are in place to bind both parties. This includes the certain types of employment benefits that the employee is entitled to for ease of reference. MFAT noted that all overseas posted staff signs a Terms and Conditions agreement as opposed to a contract as they are not contracted positions but rather they are treated as permanent staff. Cabinet directives are also in place to formalize any appointments and are taken as approval documents unless there is a change in the terms and conditions of employment then officers would be required to re-sign a new agreement.
   - Annual leave balance for the Consular was noted to be accumulated after each financial year which did not comply with Cabinet directives FK(08) 33 and FK(08) 43 that were issued in 2008 on contractual employees' leave entitlements. It was also included in the Consular's employment contract for the period 2012-2015 that no annual leaves should be accumulated, but was not strictly followed. The Office was recommended to ensure that all Cabinet directives; Government policies and contractual agreements were being strictly adhered to. MFAT replied that Foreign Service officer's going on overseas assignments are not contracted officers per se. The Cabinet Directive in 2008 to forfeit annual leave at the end of each leave year was also enforced for all posted staff at their overseas missions. This change in policy was followed and only sick leave from one leave year to another within a term could be accumulated as per policy and as per their records.
   - There were no approved leave forms filed by the Office for staff leaves taken. All leave forms should be completed and approved by the appropriate authority to document leave

approval for staff and should be properly filed for future references. MFAT assured that this was in place.

- There were no superannuation benefits paid by the Office accordingly with the American Samoa legislations for the local staff employed by the Office. The Office should make proper enquiries and arrangements regarding the American Samoa legal requirements to resolve this issue as it may have legal implications on our Government. MFAT had noted the recommendation and stated that the Samoa Consulate General's office in American Samoa was under the Embassy of Samoa to the United Nations in New York and any matters relating to benefits to local staff would have to be referred to the Embassy for their input and comments. According to the former Consul General, this was a matter that had been addressed by the office on a number of occasions with the relevant authorities in American Samoa and no advice had been forthcoming from them.

4. AUDIT OF PUBLIC BODIES

4.1 Surprise cash counts conducted for Public Bodies in January 2014

Below is a summary of surprise cash counts conducted:

1. Samoa Life Assurance Corporation – conducted 21 January 2014
2. Polynesian Airlines Limited (Faleolo Office and Cargo) – conducted 21 January 2014
3. Development Bank of Samoa – conducted 23 January 2014
4. Samoa Tourism Authority – conducted 23 January 2014
5. Samoa Water Authority – conducted 22 January 2014

Overall there were no issues noted and audit concluded that systems and processes pertaining to cash collections were well executed and internal controls were in place.

4.2 Accident Compensation Corporation Spot Check: 31 March 2015

1. Revenues were underachieved and expenses exceeded budgeted amounts. The management responded that in spite of variances, the majority of expenses and revenue are well controlled and achieved.

2. The accountable forms register was incomplete. A risk of fraud exists where an incomplete receipt book is not physically returned or verified by the appropriate/responsible officer. Remedial actions have been made.

3. A sub receipt book had missing pages and inconsistent sequencing. The management responded that the receipt book in question was used by the Levy Division when travelled to Savaii since 2013. It has aged and deteriorated and was the reason why 1 coupon sheet fell off and lost.

4. There was no indication that bank reconciliations were reviewed. The bank reconciliations are now signed as evident for work carried out.

5. ACC had fixed/term deposits of more than 70 million tala in various financial institutions, however the corporation does not have an investment plan. The corporation responded that processes relating to its investment planning are documented in the corporate plan, management plan, annual budget and financial accounts where constant monitoring reviews are carried out by Management and Board regularly.

6. Documents from Customs Department may not be sufficient to verify the actual amount of litre of diesel and oil imported because there was no ACC representative present during fuel measurement. The corporation responded that the ACC Principal Act 1989 section 53 provides for the Customs to collect and pay for fuel levy. Thus the corporation at present cannot go beyond the specified boundaries.

7. There was no proper system in place for general journal entries. Furthermore, audit could not verify that there was segregation of duties and that journal entries were approved before posting. There were also insufficient supporting documentations for some journal entries. Recommendation is noted by management.

8. There was purchase of alcohol without proper endorsement from Cabinet or the Minister, for Christmas dinner for Board & Staff and the Board farewell dinner with the former General Manager. The corporation responded that this was only a one-off and occasions of special significance such as the above mentioned that had involved the purchase of alcohol.

9. Issues relating to motor vehicles:
   - Vehicle policy in place does not cover all pertinent areas of motor vehicles. It only covers the usage and garaging of motor vehicles.
   - The registration book for motor vehicles was not properly updated.
   - There were no vehicle logs or running sheets to monitor vehicle usage.

   Management has noted the recommendation

10. There were no irregularity reports prepared for damaged assets. The ACC 03 windscreen was repaired and the payment voucher was not properly supported with an

explanation/irregularity report. The corporation responded that this was a one off incident that urgently needed to be fixed at approximately $200.

11. There were tenants renting ACC building without any signed agreement. In addition, there were tenants with agreement already signed but not yet renewed. The corporation has noted the recommendation for action.

12. A total of 13 million tala investment to various financial institutions were not properly supported with documentation. The Corporation responded that supporting documents of terms and conditions for each deposit are in file.

13. ACC did not have sufficient documentation for payments. All payments should be properly supported with relevant documents before General Manager's approval. The Corporation responded that supporting documents were filed to satisfy expenses.

14. ACC failed to abide by the decision made by the Cabinet as well as their policy in place, for the death of an employee. These payments/expenses were funded from ACC funds which was not in compliance with Cabinet Directive F.K.(13)06 and government policies in place. The corporation responded that only the wreath and travelling expenses are paid for some of the staff which were in Savaii.

15. There were payments made to an employee of ACC, for hiring his personal sound system to use at Fugalei Market. This is seen as a conflict of interest and a related party transaction, as there are insufficient supporting documents to verify such payments made to one of the employees. The corporation responded that the sound system they ordered had not been delivered on the opening of the Fugalei Market hence the hire of one of the employee's sound system at a cheaper price.

16. The Board of Directors approved the purchase of a new Toyota Hilux costing $98,000 for the Associate Minister but there was no submission given to the Cabinet before purchase. The Corporation responded that the new vehicle concerned is the replacement of the old vehicle transferred to the Ministry of Finance when Associate minister changed portfolios. Unless there is a different interpretation, a replacement does not need Cabinet approval but only a new vehicle to the fleet.

17. There was no approval on the payment voucher for the end of contract payment to Manager of Accounts. The Corporation responded that payment was approved by the Board at its meeting of 24/2/2015.

18. The calculation of shift workers' salaries were not in compliance with Labor Act 2013. In addition, rosters were not attached to payroll to support employee shifts. The Corporation responded that shift workers work on a roster basis for seven days a week. They are entitled to overtime payment whenever their hours of work exceed the total hours of weekly normal working hours.

19. Leave without pay was not deducted from an employee's salary. As a result, there was an overpayment of 6 days. Leaves have been updated and reconciled.

20. In relation to overtime, there were insufficient supporting documents for overtime and no approval from the General Manager for staff to work overtime hours. There was also miscalculation for one of the employees in September 2014. The corporation responded that the variance noted is not material and it was a one off case although it was an underpayment. Proper reviews for compliance with policies are still carried out through the payroll process.

21. Personal files were not updated appropriately. There were also employees without any personal files. The corporation has noted the issue.

22. The additional one-year contract and personal file for the former General Manager could not be sighted. The corporation responded that the contract is filed.

23. Issues relating to former General Manager's end of term benefits:
    - There was no signed contract of the 1 year (2013 – 2014) addition of his service as per Cabinet Directive F.K. (14)08, in place. In addition, there were no leave records of the General Manager during the term of the 3-year contract. There were insufficient supporting documents to verify the accuracy of the end of term benefit payment.
    - All untaken annual leave during the term of the contract were paid at the end of term benefit which is prohibited as per Cabinet Directive F.K. (13)06, Labor Act 1972 and Labor Act 2013. In addition, it has been clearly stated within the signed employment contract of 3 years that all untaken annual leave per annum shall be forfeited which contradicts with the attached Schedule for End of Contract Entitlements.
    - The end of term benefits payment has been overpaid due to incorrect rate used.
    - Inaccurate payment of 6 weeks bonus to the former General Manager's end of term benefit. The former General Manager's 3 years Contract does not contain or states any entitlement of 6 weeks Bonus at the end of the contract, but a 24 working days for every year of the Contract served, which has already been included on the employee's annual and sick leave. As a result, the end of term benefit of the former General Manager was overpaid by 42 days.
    - The former General Manager authorized his own payment voucher for the end of term benefit on 17 December 2014, ahead of the end of his contract on 31 December 2014.

    The corporation responded that the one year contract is in file. The 3years contract is dated 4th November 2010, hence it was in effect and in force before the new amendment of Labour Act 2013 and FK 13(06) came into effect. The conditions therefore still stand.

    The calculations of the two contracts were almalgamated. The Corporation also responded that the General Manager had the authority to approve payments. All payments are now pre-audited by the Internal Auditor before disbursement.

24. Audit has noted the following weaknesses on retirement benefit of the former General Manager:

    - Lack supporting documents for calculating retirement benefits
    - The payment of the General Manager's retirement benefit was based on the proposal to the Board on 19 Dec 2014. As a result, this questions the accuracy, transparency and the reliability of the Board's decisions because the Employee's Manual which states Retirement benefit (Section 29, Sub-section 29.2) for retired employees was not used.

    The corporation replied that the General manager is entitled to retirement benefits as per contract. The General manager also has the authority to approve payments.

25. Audit has noted the following weaknesses over attendance and leave records:
    - Employees neglected to sign attendance books
    - Inappropriate method used for recording and monitoring of leaves entitlements
    - No approval of utilized annual leave
    - Advance of both sick and annual leave which is prohibited under the Labor Act 2013.
    - Inconsistent leave records on attendance book and spreadsheet, Long service leaves not recorded on spreadsheet, but the majority of the staff were paid retirement benefits

    The Corporation has noted the recommendation for going forward.

4.3 Accident Compensation Corporation for the financial year ended 30 June 2013

1. The ACC board approved AUD $6milion to fund the redevelopment of the Samoa High Commission's office in Canberra in 2013. A total of $217,383 had already been expended which was later cancelled and is now listed in Accounts Receivables pending an agreement between ACC and MFAT. Audit discussed with management a more appropriate treatment. A letter from the ACC Board to MFAT stating its approval was provided but no confirmation that the Ministry will recover funds already expended. ACC management has the confidence that there is basis for the recovery of the amount. There is correspondence from the former Chief Executive Officer of MFAT to MOF informing them of the developments and what has transpired; and in which ACC advised of the $6 million for the continuation of the project with intention of recovering the initial costs incurred at the original phase of the project plan. ACC will ensure previously expensed funds and any further costs on this project are recovered from the relevant parties.

2. ACC is currently holding and maintaining bank accounts for minors who are beneficiaries from settled death compensation claims. While Audit understands the reasons provided by ACC as to why it was carrying out this activity, trusts accounts and activities are generally governed by the relevant Trust Acts and no provision for such is in the Accident Corporation's Acts (including Amendments). This matter was raised in the past audit of 2012 and was resolved that these would be clarified in notes attached in the Financial Accounts.

3. Some personnel files could not be sighted and reviewed. These were explained to have been missing.

4. Issues relating to HR & leave records:
    - Employee absences on the attendance book did not match leave records.
    - Leave forms were not properly approved

4.4 Accident Compensation Corporation for the financial year ended 30 June 2014

1. The Fugalei market contract was awarded to [Contractor 1], but there were also several sub-contractors involved in the building process. Audit is concerned that the contract was signed for a set amount, but now needs to reconfirm and make proper conclusion to the overall construction costs of the projects relating to road ways and bus stops, with the addition of new sub-contractors, as this may mean additional costs for the overall project. At this stage, audit cannot draw a conclusion on overall agreed amount until the project is completed. ACC replied that [Contractor 1] was the main contractor for the Fugalei Market project, but sub-contractors were hired under the assessment of the Project Manager as an engineer on the basis of inferior workmanship and quality which would put the safety of the house at risk. It also had records of all that has transpired which is available for audit verification.

2. An assessment on meeting targeted revenues and also management ability in controlling spending could not be completed because there was no information available on particular items and accounts. ACC has a Performance Budget for assessment of any particular item or controlling expenditures, and meeting target revenues and all these are reported in our monthly submissions to the Board.

3. There were no share certificates from some financial institution as formal confirmation of investments, given the nature and the significant amount placed in these portfolios. One only provided an email reminder note of the investment at maturity and the next possible action to be done. However, there was no formal confirmation of the investment.

4. Trust Funds created for beneficiaries under the management of ACC were not recognised in the financial reports. This issue was raised in the previous audit. ACC replied that its status as a Trust Fund technically means it is not part of the daily operations of ACC, and that at this stage, it was managed separately, with a performance audit conducted to review its administration.

5. There appears to be no evidence of check by approved or authorised personnel on bank reconciliations to ensure that bank balances are correct and is representing the true cash position. Given the significant amount of cash transactions involved and the regular collection in large amounts, there may be undetected risks arising if no formal system was in place to check and control cash transactions through bank reconciliations and proper checks. ACC explained that bank reconciliation were prepared by the Senior Accountant and checked by the Manager Accounts before submission to the Board in its monthly meetings. All these have been prepared and checked in full and confirmation including validation of everything is available for your perusal.

6. There was no System Recovery Plan in place for cases of major fire or earthquake that may damage IT infrastructure in place. ACC said this will be assessed as recommended.

7. There was no recent fixed asset count to present an updated fixed asset register. ACC claims that asset checking is continuously carried by its Internal Auditor with the proper register in place, and that there were also the spot checks conducted for cash.

8. No formal process was in place to ensure that all significant subsequent events were identified and accounted for at year end as they may significantly affect the economic decision making of users of financial statements.

9. For proper presentation, there was a need to show the prior year individual accounts in each segment instead of summary amounts. Proper conclusion cannot be drawn on this information because some data was missing for proper comparison. ACC replied that these were detailed and presented in the Notes to Accounts.

10. Long outstanding unpresented cheques for more than 12 months still existed. While the amount was immaterial, it still needed to be written off in order to provide the true cash position of ACC.

11. There were errors in the calculation of 3% pay increase. ACC explained that rounding to the nearest ten was used in the calculations made for rates in the Cost Of Living Allowance (COLA) as approved.

12. The night-watchman's hours were not in line with labour requirements for overtime hours, and the correct rates should be applied. ACC acknowledged that these may have been inadvertently miscalculated and will be corrected and paid if not in order.

4.5 Agriculture Store Corporation for the financial year ended 30 June 2012

1. Suspense Account
   Audit noted that the suspense account was set up to take into account total loss of $201,346 involved with the theft case against a former employee of the Corporation. This case was taken to court and the employee was charged with $103,486.75 only, therefore majority of funds recorded in suspense cannot be recovered. Audit recommends management to fully provide for the total suspense account of $202,166.16. ASC acknowledged recommendation to provide fully for the suspense account, however they ask if this cost can be amortised over a four year period thus the cost for financial year under review is $50,541.50.

2. Debtors – Credit Balances
   Audit noted that there were debtor accounts with credit balances which understate the trade debtors' balance at year end. Audit recommends management to ensure that any credit balance is investigated thoroughly and cleared in a timely manner. ASC responded that individuals' names with balances less than $100 credit were those of staff members. Fortnightly deductions are made and are also posted fortnightly into debtors system however invoices issued to staff members are posted monthly. Other debtors accounts are those donor funded projects that when payments arrives from donor, account is immediately credited then wait for the beneficiary to come in and obtain their supplies then invoice is raised for supplies and accordingly posted to offset credit.

3. Leave Cards
   Details of leave taken as indicated on leave cards were different from the payroll and also leave forms. Audit recommends a regular or monthly check of leave cards to be conducted by management as a control over the recording of leave information. Responsible personnel shall ensure that correct information is entered and updated accordingly. ASC noted the recommendation.

4. Provision for Doubtful Debts
   Audit review of trade debtors has indicated that total debts aged 90+ days was $140,509.92 however only $26,610 was provided for. Therefore an adjustment of $113,899 was proposed for increase of provision however was not agreed by the management. Audit recommends that although the increase in provision as proposed has an impact on the bottom line, the management shall provide for all trade debtors aged 90+ days. ASC explained that currently they have noticed the decline of overall debtors due to payments received from long outstanding debtors through the continuous staff effort in pursuing these debtors. ASC also acknowledged the effectiveness of their lawyer for contribution to the collection of debtors. Most of these debtors were listed under the 90plus days as at 30 June 2012 and ASC felt that there was no need for a provision as suggested, and that the existing provision of $26,610 was sufficient for any doubtful debts.

5. Provision for Obsolete Stock
   Review of stock has revealed that there was an obsolete stock balance of $456,254.33. The obsolete stock listing was made up of old spare parts and chemicals. Audit recommends that management shall fully provide for the total obsolete stock listing of $236,254.36. ASC responded that old and obsolete stock are those stock that they are proposing to put through a special sale and that the existing provision should be sufficient to cover for any old and obsolete stock that are left over from the special sale.

4.6 Agriculture Store Corporation for the financial year ended 30 June 2013

1. Financial position of ASC recorded increases in total assets and equity.

2. Financial performance of ASC recorded an operating profit despite a decrease in total revenues.

3. Cash outflows exceeded cash inflows which resulted in a reduction of cash and a bank overdraft as at 30 June 2013.

4.7 Agriculture Store Corporation for the financial year ended 30 June 2014

1. Materials Return

   Some materials return forms were not attached with supporting credit sales invoices to verify items that have been returned. Audit was not able to identify the new credit sales invoices issued as it denotes stocks that have been supplied to replace the returned item. It was recommended that all materials return dockets should be completed with reference of the supporting documents. This would ensure that items returned agree with the supporting document. All new credit sales invoices issued should be filed accordingly for audit verification. When a new credit sale invoice is issued for replaced stock, the number should be printed in the Materials return docket.

   ASC responded that all material returns should be completed with references to relevant invoices. The material return form has to be filled in with relevant details including invoice numbers before approved by authorised staff. Recommendations made has been noted, will place emphasis on future material returns issued.

2. Credit Sales

   Some credit sales have no supporting documentations. Audit recommends that all credit sales should be attached with supporting documents for audit verification. ASC responded that purchase orders are attached to the invoices to support that the credit has been authorised by the customer. The pink copies of all credit sales made are filed numerically.

3. Salaries and Wages – Non Accrual

   Audit noted that portion of accrued salaries and wages were not included in accruals. Audit recommends that the International Accounting Standards should be complied by ASC to ensure that the financial statements are true and fair. ASC responded that in the past 5 years this has been the practice, that it is immaterial to accrue salaries and wages and to reverse prior year accrual.

4. Depreciation Method

   The depreciation method applied for motor vehicles is the Reducing Balance method which is not consistent with the policy which is the Sum of Years Digits. Audit recommends the consistency of the policy and the method used in calculating depreciation of motor vehicles and propose using the Reducing Balance method and to change policy accordingly. ASC noted the recommendation.

4.8 Central Bank of Samoa for the financial year ended 30 June 2014

1. The external drive used for backup was no longer kept in the vault but was locked in the server room. It was recommended that CBS considered storing backup files in the vault to ensure the server and backups are not located in one place to ensure recoverability of important information should a disaster befalls. Negotiations are underway with MOF for a space so that both the SWIFT and hard drive backup can be stored at the Mt. Vaea Prayer House.

4.9 Development Bank of Samoa for the financial year ended 30 June 2013

1. There were loans either appraised without bank statements or bank statements have been misplaced and were not attached in the loan files. Some clients were full-time farmers who did not have bank accounts. . DBS stated that requirement is waived in the event the client's record is satisfactorily, the proceeds from the development is sufficient to service the loan or the loan is serviced by a salary earner to support the farmer. Supporting documents relative to these clients are complete and filed for record. This issue has been discussed with the loans division to be more thorough in their appraisal to improve appraisal of loan applications. In addition the Manager in charge is now responsible to conduct proper checks to ensure all documents required for loan appraisal are complete and properly filed. The Internal Audit division is also tasked to conduct periodic tests on implementation and monitoring of process for immediate remedial action.

2. Loan officers included overtime pay and unsupported income in calculating the borrowers' net surpluses which resulted in higher ratios. DBS responded that the calculation of a borrower's net income does not include overtime. Other income derived from other sources is included, when supported by verified by supporting documents. In addition, spot checks by the Internal Auditor reinforce compliance and timely checks on lending processes and policies.

3. There were several instances where loan accounts in arrears have been restructured upon Board's approvals through capitalizing interest and/or arrears. The restructure of a loan account depends on the circumstances affecting the ability of the client to maintain loan servicing obligation, and is done on a case by case basis to provide relief for borrowers in difficult situations to meet revised contractual repayments. The restructure enables the client and DBS to agree on an arrangement that will ensure the sustainability of loan servicing until settlement. DBS has reviewed its lending policies to address this issue and improve on account management.

4. There was an inconsistency in how the 20% exposure limit to one loan account was to be applied.
   In the *Development Bank of Western Samoa Policy - Chapter 1 - Statement of General Business Policies*, it states that 'The aggregate equity of the bank at any time shall not exceed twenty per cent of its paid-up Share Capital and Reserve Fund'. In the *DBS Policy Framework Guiding Loans Operating Department*, it is noted that 'Investment loans depend on the repayment ability and value of securities offered but limit to 20% of paid up capital' Audit noted the inconsistency between these two policy documents. The first document states "paid-up capital and Reserve Fund", and the latter states only "paid-up capital". The exposure limit of the Bank to any *one* client is 20% of paid-up capital. The DBS Policy Framework Guiding Loans Operating Department is currently used by the Loans Division. DBS stated that the policy that has been consistently applied is based on 20% of the aggregate equity comprising of share capital, reserves and retained earnings.

5. DBS financial results were not in compliance with European Investment Bank (EIB) ratio requirements. DBS explained that EIB agreed to waive the non-compliance of these ratios until June 2014. This waiver is subject to the receipt of a semi-annual update on the non-performing loans ratio and ratio of provisions for loan losses and comments on the development and projections until 30 June 2014. As reported in the Annual Report 2014, DBS has complied with these ratios.

6. No file or hard copies of invoices issued to tenants were kept by the responsible division. It was difficult to obtain the invoices so that they could be verified to the payments made by the tenants. Electronic copies were made available, though they were only on one computer without a back up. These documents are important as these accounts receivable are manually updated where no proper ageing system is implemented. DBS stated that a separate file for each tenant has been created and a hard copy of the invoice is retained in the file for record. Invoices are posted to each tenant's ledger before they are distributed to ensure income is accounted for on a monthly basis.

7. The DBS Act 2010 requires that all Directors of the Bank must sign off on the accounts. The Board endorsed audited financial statements and appointed a member to countersign the financial statements with the Chairperson. DBS stated that this does not impact the financial statements. The financial statements have been signed off by the Chairman and one other director selected by the Board. This issue will be addressed as part of the DBS Act review.

8. Audit submitted a summary of proposed audit adjustments for various account components. DBS assures that these have been incorporated in the financial statements for the year ended 30 June 2013.

4.10 Development Bank of Samoa for the financial year ended 30 June 2014

1. There were a number of new loans granted that did not meet the required borrower's debt service ratio threshold of 1.5: 1. The borrower's debt service ratio is a crucial measure of the ability and capacity of the borrower to repaying the loan. Not meeting the required debt service ratio places the Bank at risk and could lead to irrecoverable loans. The Bank was recommended that proper procedures be followed and loan applications be closely assessed to avoid any potential risks on the Bank. DBS replied that it had been their practice to accord special consideration on a case by case basis to clients relative to circumstances, credit history and ability to service the loan. It also assured that the associated risk will be properly managed.

2. There was a bonus payment of $6,500 for Savaii staff paid in December 2013 without a proper board approval as required by the Development Bank Act 2010. All staffing benefits and bonus should be subject to board approval before disbursements. The Bank responded that future staff bonus will be submitted to the board for prior approval.

3. Issues relating to staff personal files included:
    - Salary rates were not updated
    - No copies of contracts for contractual staff
    - No performance appraisals

All staff personal files should be updated with relevant staff information on a timely basis. The Bank replied that all staff personal files had been updated.

4. There were loans that were approved under the Cyclone Evan loan scheme that did not meet the required procedure. A confirmation of all affected businesses was issued by the Ministry of Natural Resources and Environment where some of the approved borrowers were not included. It was recommended that granting of loans for specific purposes subject to guidelines must be abided with. The Bank noted that the Cyclone Evan credit facility as approved by Cabinet to assist any business that was affected during the cyclone regardless of size and nature. The businesses referred to were either affected by the cyclone or the flooding around Samoa. This was a concessional credit facility outside of the normal lending policy of the Bank and the approved guidelines allowed for flexibility with terms and conditions to provide urgent assistance for businesses that were affected. Not all businesses were included in the MNRE report and given the urgency in facilitation; other measures were taken to ensure applications received were eligible for consideration.

5. A vehicle used as security for a loan was noted to be more than five years which was not in accordance with the Bank's security policy. It was recommended that where an exception applied over a policy, proper authority for a special waiver of the criterion should be obtained.

6. There were former DBS staffs that were still entitled to the Bank's staff interest rate benefit. All staff benefits for DBS staff that had terminated services with the Bank should be ceased once their services had ended. The Bank assured that the consideration and approval by the board of the interest subsidy to the former staff noted was vested under its power under Section 20 of the DBS Act and these will be addressed in the next review of the Act.

7. DBS in its nutshell and focus is on developments for the overall welfare of developers at concession interest rates. It is believed that the overall benefits are for borrowers' projects to

yield for the benefit of Samoa and the community on a wider spectrum. Having the Bank subject to Income tax contradicts with the development focuses and the interest rate charged to borrowers are minimal coupled with grace period given to non yield projects places the Bank in a rigid position to balance out the return on investments with the interest rate offers. It was recommended that an exercise be carried out to assess if the Bank was warranted to be subject to income tax given its dynamics, circumstances and purposes. The Bank replied that this issue had been raised with the consultant who was conducting the organisational review of the Bank at the time.

4.11 Electric Power Corporation Comprehensive Spot Check for the period 1 July 2014 – 28 February 2015

1. There was a lack of segregation of duties posing a risk of misappropriation of cash.

2. The manual register for scratch cards was incomplete and difficult to understand because the presentation was unclear and confusing.

3. The Disconnection & Reconnection Policy was not in accordance with EPC's system already in place. An interest rate of 1.5% should be charged to customers with arrears over 30 days, yet the interest rate currently charged by EPC is 1.15%. It was noted that 1.15% has always been used, and the percentage on the Reconnection Policy was likely an error.

4. There was no proper documentation to approve the withholding of electricity disconnection. Audit was told that the General Manager's approval was normally done through email or phone, but there was also no documentation of emails in files.

5. Electricity to customers with arrears of more than 30 days was not immediately disconnected. There was also no accurate list of daily disconnection carried out. EPC replied that the register had been misplaced.

6. A material balance was noted for active and inactive customers with over 90 days arrears. Active customers are mostly government ministries and corporations; an issue which has been addressed in a memorandum to MOF for a resolution to pay these debts. Inactive customers were explained to be in the provision for doubtful debts although there were no supporting documents for audit verification.

7. There was a variance between the Accounts Receivables register and General Ledger. This was also raised in the previous audit.

8. Employee personal files did not have complete and proper documentation to support increments. There was also no set policy for awarding increments.

9. The General Manager was overpaid at the end of his contract because of telephone allowances incorrectly calculated.

10. There were no signed contracts for current occupied posts at Manager level. EPC's Legal Unit is finalising these contracts with the Attorney General's office.

11. Personal files were either missing or lacking supporting documents and contracts.

12. Issues relating to attendance books and leave records:
    - Lack of proper monitoring of attendance books. This issue was also raised in previous audit.
    - Managers not signing in attendance books
    - No leave forms
    - Leave taken prior to approval
    - Inconsistency of manual leave cards and Daffron

13. Instead of applying only the current retirement policy, benefits were processed from both the 2002 Retirement Policy (using retirement benefit schedule for years of service) and Life and

Accident Benefit Scheme (LABS) 2013 (application of LABS benefit of 5% or 50% in recognition of years of service). Audit concerns in this matter are the following:

- The use of two separate policies to process retirement benefits instead of using only one
- Double-dipping: employees were paid twice for the same years of service

14. There was no approved revised Asset Management Policy to manage assets posing a risk of misappropriation to EPC assets. The Assets Management Policy was approved in 1987.

15. There was no approved policy regarding capitalisation of assets. Items below the threshold of $1,500 were expensed, thus understating fixed assets in financial statements.

16. There was a lack of segregation of duties in managing assets.

17. The Fixed Asset Register has not been updated. No asset count has been undertaken since 2009, several assets could not be verified or sighted, and assets written off were not properly documented. The lack of asset count raises concerns about the asset register which could lead in an overstatement of assets in the financial statements.

18. Specification for work laptops were based on employee preferences instead of IT expert recommendation.

19. There was no motor vehicle policy in place to particularly control usage of vehicles during and after working hours.

20. There was no policy in place guiding the use of the GIS System, but not limited, to tracking and locating EPC vehicles. There was no documentation or record of decisions made as a result of monitoring and control from use of this system.

21. Issues relating to fuel:
    - Lack of control over fuel usage
    - No documentation or form for authorisation necessary to refuel vehicles from browser
    - Lack of monitoring of fuel stock - heavy reliance on store unit supervisor to record, monitor and control fuel stock:
    - Store unit supervisor monitors fuel through use of dip stick for measurement and records fuel data on stock cards which do not get forwarded to Main Office;
    - Store unit supervisor is also the only one present when fuel is supplied from the provider with the assistance of his foreman to verify measurements from dip stick

    The EPC noted that Vehicle Diesel Refuelling Sheets (VDRS) are in place for fuel monitoring and controlling. This same form used by supervisor stores to update the stock cards is then forwarded to Finance for posting and reconciliation. This practice is done on a daily basis and has been in place for five years.

22. The following documents were requested for audit verification and were either delayed and had to be followed up several times or were not received at all:
    - GIS report requested but not received
    - Petrol reconciliation requested but not received
    - Payment vouchers requested but not received
    - Delay in receipt of Approved Annual Budget FY15
    - Delay in receipt of diesel stock cards
    - Delay in receipt of board minutes due to just having them signed around time of audit – note that only minutes from July 2014 to November 2014 were received

- Delay in receiving full organisational chart as it was compiled around the time we requested it
- Delay in receiving all of management's personnel files and this had to be followed up several times
- Delay in receiving HR Consultant's reports on Restructuring Plan 2014 and HR Need Analysis- this had to be followed up with different individuals before HR Consultant returned from her trip and gave us full disclosure

Delaying handover of documents and not receiving documents requested for audit verification not only prolongs audit work carried out but also indicates either poor record keeping or worse, lack of transparency due to not wanting to disclose information for audit purposes.

4.12 Electric Power Corporation for the financial year ended 30 June 2014

1. EPC had changed and upgraded their accounting system twice but have not updated their Accounting Policy & Procedure Manual issued in 1987. EPC responded that Finance will update this Manual through support and commitment from supervisors and management staff.

2. The following purchase order approval was not in accordance with the Government Procurement Policy adopted by EPC:

PO #	Date	Approved by	Supplier	Amount
5006700	20/06/2014	Not recorded	[Supplier 3]	399,842.00

The following issues were noted to be non compliance:

a. The EPC Board approved the 4000 hour service of Fiaga generators to Supplier1/Supplier 2 but not Supplier 3. Supplier 1 was the local company joint together with an overseas company Supplier 2 to install the Fiaga Generators. Supplier 3 is a local company owned by one of Supplier 1's Directors.
b. The Board approval was not in line with the approval level outlined in the Government Procurement Policy. This amount should have been referred to the Tenders Board.
c. There was no contract between EPC and Supplier 3 for the provision of Supplier 2 engineers to service the Fiaga generators. EPC should have dealt directly with Supplier 2 instead of using a mediator company for this procurement.
d. The Fiaga generators 4000 hour service cost of $1,345,603.47 was not included in EPC's annual budget. The Budget Management Section said they were not aware of this service cost as the arrangement of this service was done by the Project Management Unit under the Power Sector Expansion Project. Cabinet approval FK(14)29 dated 6 August 2014 and Tenders Board approval dated 14 August 2014 was issued to Supplier 1 as variation number 7 to the contract for an amount of USD1,590,407.72 was later provided as the approval for the above procurement. Supplier 3 was not authorised to perform the service as per Cabinet and Tenders Board approval.

EPC responded that this was submitted and approved by Tenders Board after EPC Board approved it. EPC procurement processes require every procurement above $50,000 to be submitted to the Board. Amounts above $200,000 are submitted to the Tenders Board with EPC Board's endorsement. Suppliers 1 & 2 authorised Supplier 3 to coordinate and carry out work on their behalf. This is a normal routine maintenance required of generators. The Budget Section did not make a provision for this in the budget because generators were commissioned in June 2013 and cost estimates for this work was submitted after the Budget was already approved hence the oversight. A provision of $1.80 million was included in Budget of FY2015 for service maintenance of Fiaga generators; however, the first 4,000 hour service was due on Feb/March in 2014. Supply of parts for 4k, 8k, and 12k hrs was tendered out and only Supplier 1/Supplier 2 submitted bid. It is critical that service is done to comply with 4 year long warranty conditions.

3. Invoices were received before the issue of purchase orders.
EPC cited various reasons for this process. Some works/services were already been contracted to EPC for 12 months like, the use of heavy duty machinery such as trucks, cranes, forklifts, trailers etc. This was similar to other works where contracts were signed between EPC and

winning vendors such as the service of air conditions, maintenance of EPC stations compound for 12mths period.

4. Purchases above $1,000 were not supported by the required three quotations. EPC explained that while it abided by this policy in most of its purchase order processing, there were times when exceptions could be made for valid reasons.

5. The current rate set up by the Community Service Obligation (CSO) Committee for CSO reimbursement is *1.2 million below the 100% cost as per CSO Policy*.
   The actual 75% claim EPC received was $367,000 below the approved budget; indicating that the CSO reimbursement was understated. The repair & maintenance of street lights are no longer claimable; however these costs were also included in the register of CSO Policies as claimable costs.
   EPC explained that these changes were made by the CSO Committee. It will discuss this issue with the Committee to claim full costs that EPC provided this service. Management already drafted New Connection Policy and this audit concern is included in this policy. The Policy is now with Board and will be discussed further with the CSO Committee for full reimbursement of all CSO costs.

6. The CSO reimbursement indicates that CSO Work order cost estimate is prepared at 100% (including labour& transportation) cost for CSO Committee approval. The cost estimate for materials approved by the CSO committee includes a 15% mark up.
   EPC responded that Management is now bringing this issue to CSO Committee and claiming full costs for CSO works.

7. CSO reimbursement claims are submitted to the Ministry of Finance without being audited by the internal auditor. EPC clarified that CSO claims will be submitted quarterly to internal auditors.

8. EPC does not have a stock costing file. Payments are instead posted to the General Ledger and quantities received and cost per unit are updated to the stock module. EPC explained that their procedures were changed in September 2013 through a recommendation from IT Analyst.

9. The Schedule of Repayment for the Power Sector Expansion Project provided for the audit did not comply with Schedule Two noted in the signed deed. According to EPC, the Ministry of Finance is aware of the amendment to Schedule Two relating to the extension of the interest grace period from 5 years to 7 years and the repayment schedule. However, there is no signed amendment between the Government and the EPC to formalise the changes. EPC will obtain approval from MOF through a revised signed agreement to comply with this provision of Deed.

10. The formula for calculating interest rates was inconsistent on the signed Minutes and the subsidiary financing agreement for the Power Sector Expansion Project. EPC will obtain approval from MOF through a revised signed agreement incorporating these amendments in order to comply.

11. PSEP loan reconciliation is not done on a monthly basis. The interest calculation was only booked at year end. This process have greatly affected the financial position of EPC at year end as the loan interest that should have been capitalized and expensed for completed projects on a monthly basis was only booked at year end. The total interest taken up as an expense at year end is $7,078,675.19 and with the capitalized amount$4,679,812.83. EPC

assures that reconciliations for the PSEP Loan will be done on a monthly basis improving internal reporting to management and the Board.

12. The work order module was not linked to a General Ledger account. It was also not reconciled on a monthly basis resulting in completed work orders not cleared from the module. EPC noted that Finance was still reconciling these work orders to ensure projects and works related to these work orders are properly completed for transfer to assets. Work orders are now reconciled on a monthly basis with the assistance of technical staff to update status of these projects/work orders.

13. The purchase order module was not linked to a General Ledger account. It was also not reconciled on a monthly basis resulting in cancelled work orders not cleared from the module.EPC will review the Purchase Order and Accounts Payable System and procurement staff will carry out monthly reconciliation of outstanding POS issues.

14. Issues relating to staff leave:
    - Leave balances were now recorded electronically (no longer manual)
    - Leave on the system were not updated properly
    - Leave forms were also not available during the audit and the provision for annual and sick leave could not be verified. Physical leave cards have been reintroduced to be posted manually after every payroll period while also posting to the system.

15. Attendance books were not properly marked and checked.
    EPC noted that this was a collective issue involving all divisions, and the newly established Corporate Governance division will put in place control measures to enforce internal control procedures on the attendance book as part of its payroll system process.

16. Review of new staff files indicated the following discrepancies:
    (i) No signed employee contract
    (ii) No application letter
    EPC replied that the application forms and contracts for the two apprentices were filed in apprentice files with the Training and Development Officer, but were not in their personal files.

17. Staff who have been terminated were still on the Employees Register.
    EPC said its new Corporate Governance division was working together with the ICT division to reconcile and update the staff system register against its manual registers/staff authorities and personal records to ensure the information posted on the system are accurate. Only the Manager Human Resources is authorised to add and remove any employee from the data base including adjustments of salary.

18. A total of 24 staff members were made redundant during the year without Cabinet approval.

Dates	Number of staff	Total annual salaries
31/10/2013	7	$52,209.00
1/11/2013	10	$100,935.00
9/5/2014	7	$63,546.00
Total	24	$216,690.00

19. The sweep procedure (counting according to the stock rolls) was not used to carry out stock count. As a result, some of the high value items were not counted, but were only picked up during the third recount. EPC management will strictly enforce and apply all control measures to avoid repetition of issues in the future.

20. There was no dip stick to measure diesel for generators in Savaii. EPC responded that the dip stick was still at Tanugamanono when physical stock take took place and has arranged for it to be sent to Savaii.

21. Director's fees and sitting allowances were paid without deducting the 15% withholding tax. Both Cabinet directives and correspondence from MOF confirm that these fees and allowances are subject to withholding tax. EPC said there was a misunderstanding and different interpretation of this directive, and it was also inconsistently applied by SOEs. EPC is now deducting 15% withholding taxes from all board fees and sitting allowances.

22. Minutes of Board meetings were not provided on time, nor complete, during the audit.

4.13 Land Transport Authority for the financial year ended 30 June 2014

1. The register for receipts books was incomplete. It is recommended that all required information in the register be properly filled in and completed by an independent officer who should administer the register. LTA replied that receipt books are overseen by the officer in charge.

2. There are no endorsed written manuals to guide the work of the Traffic Section. This is to ensure a standardised system is in place, and that standards and rules are applied consistently. The Authority responded that the Manual for Traffic Section was endorsed in 2015.

3. There was no proper guide in place for inspection of vehicles. Some vehicles were not brought in physically for inspection, and the state of some vehicles on roads called into question standards used by LTA. The Authority responded that the Motor vehicle Fitness Guide 2002 is used to guide the inspection of vehicles for safety.

4. LTA was recommended to further strengthen controls by requesting for additional works images and carry out site visits as evidence of completion of project before release of payments. The Authority responded that it conducts monitoring and supervision of all construction works before payment of claim is made.

5. The Construction of Aufaga Access Road was completed on 20 January 2014 but there was no certificate of Practical Completion nor a completion report, as required in the contract. The Certificate of Completion was issued on 31 October 2013 and the retention money was paid out before the due date. Any variations to works should be noted on file. The Authority replied that contractual works for roads have approved variations before processing of payments.

6. About 61% of total debtors had long outstanding debts over 90 days. Most of these were government ministries. LTA must undertake follow-up work to collect debts. Debtor follow up is performed on a monthly basis for debts aged 90days or more.

7. Expected recovery funds from Government for Cyclone Evan costs were not confirmed at the time of audit. This amount needs to be verified before recognition in the financial statements. Recovery of Cyclone Evans fund which was expected from Ministry of Finance was taken up by the Authority.

8. The balance of withholding taxes as at year end is $1,522,077. Our work shows that this is a drop from its opening balance of $2,138,058, with debits of $4mil and credits of $3.5mil during the year. Hence there is still large outstanding for withholding tax to be paid to IRD. Payments of withholding tax are done on a monthly basis. Moreover, we always take a conservative approach in payments of debts depending on our cash flow status especially when there are delays from Government budget allocation.

9. Management was not following correct procedures for attendance records. This issue was also raised in the previous year. Correct procedure for attendance records is followed by management team.

10. We noted that fuel levy is part of the contributing factor to the calculation of overall grant by Government. However, there is neither calculation nor a formula as benchmark for this amount. Hence, there is difficulty in determining the true value for provision in terms of fuel

levy. The Authority responded there is no formula for a provision levy and based on estimates appropriated and approved from time to time.

11. We noted that outstanding fines not paid are not recognised nor presented in the accounts. The only amount recognised in the accounts are those fines being paid. We need to assess the outstanding fines for follow up actions and to ascertain appropriate decision on concerned individuals. Fines are recognised in the financial statement.

12. LTA has not filed VAGST returns to MOR. The Authority responded that VAGST return has been filed.

13. An outstanding amount for VAGST payable was recorded at $2,247,184, but there was no assessment by MOR to ensure the accuracy of this amount. The Authority responded that VAGST return has been filed.

14. There was no lease agreement between LTA and Samoa Land Corporation on use of land at Vaitele. The Authority responded that the lease amendment is now signed between LTA and SLC for three years period ending 30 June 2016.

4.14 National Kidney Foundation Comprehensive Spot Check for the period 1 July 2013 – 31 January 2014

1. NKF does not use petty cash vouchers for the disbursement of its petty cash imprest but uses a summary which is inadequate as it does not provide a proper trail of the segregation of duties and lines of authorization.NKF believes that their current system is adequate for its purposes as all transactions are recorded together with supporting documentation.

2. There was no formal petty cash policy to govern the use and management of petty cash funds. A petty cash policy should state the limit amount of cash on hand before replenishment, limit amount of a claim to be made from the imprest, legitimate expenses that should be funded from the petty cash, and all other relevant information regarding the handling and management of the petty cash fund.
   Audit is concerned about the average number of approximately five reimbursements made within a month as this is considered to be high.

Months	Total	Frequency
Jul-13	4,000.00	4
Aug-13	5,000.00	5
Sep-13	5,000.00	5
Oct-13	6,000.00	6
Nov-13	7,000.00	7
Dec-13	5,000.00	5
Jan-14	7,000.00	7
Total	$ 39,000.00	39

4.15 National Kidney Foundation for the financial year ended 30 June 2014

1. Withholding taxes were not deducted from board sitting allowances. However the withholding tax portions were paid for by the Authority as an extra expense. It was recommended that sitting allowances should be paid net of withholding taxes. The Foundation responded that the recommendation has been implemented.

2. There were payments made without obtaining at least three quotes from suppliers to comply with the Foundation's Accounting procedures. It was recommended that the Finance department should obtain at least three quotes from suppliers of goods or services to assist in its decision on selecting the appropriate supplier based on the goods or services price, quality, reliability and to comply with the Foundation's Accounting Procedures. Furthermore, recurring services such as repairs and maintenance of motor vehicles and air conditions, supply of water and electrical installation and maintenance should be tendered out to have all parties bounded with proper contracts to protect the Foundation from any disputes. The Foundation responded that three quotes are sought from suppliers and documented to comply with accounting procedures in place.

3. Bank reconciliations were noted to be done manually without utilising the bank reconciliation module of the accounting system (MYOB). The Foundation was recommended that the MYOB Accounting software should be fully utilised as this would help to easily detect errors, reduce errors and speed up the preparation of reports. Moreover, MYOB Accounting Software is used to produce financial statements and doing bank reconciliation manually casted doubt on the correctness of bank balances in MYOB. The Foundation responded that Bank reconciliations are now performed in the MYOB system.

4. The Foundation's payroll deductions included staff's loan repayments to the National Provident Fund as well as repayments for advances on social club funds. This process was in contrast to the Labour and Employment Relations Act 2013 requiring that the only deductions that should be included in the payroll are the PAYE, NPF 5% and ACC 1% (statutory deductions). Payroll deductions should be made according to the Labour and Employment Relations Act 2013, this would also reduce paper works and reducing bank fees, printing costs and saves time for the Foundation. The Foundation replied that the approval of the CEO of MCIL in 2015 was sought for NPF loan deductions on behalf of employees.

5. The Foundation's General Manager, Finance Manager and part-time Physician had no employment contract agreements in their personal files. All contracted employees should have contract agreements detailing all the terms and conditions of employment including benefits that the employees and the Foundation agrees on. This should avoid any discrepancies or misunderstanding that may occur during or after employment that may result to legal conflict between the Foundation and its contracted employees due to misunderstanding of the contract terms and conditions which may result to unnecessary legal costs. The contract agreement should be kept in the contracted employees personal files. The Foundation replied that the amendments to the Foundation's Act cover the issue raised and currently working with the Attorney General's Office to finalize the contracts.

6. Names of some employees who have already resigned from the Foundation were still included in the payroll. This may cause confusion and lead to payments to these former employees' bank accounts. It was recommended that names of all employees who were no longer working for the Foundation should be removed from the payroll and the IMS Payroll System to avoid risks highlighted. The Foundation replied that former employees no longer appear on the payroll. Their

names cannot be deleted from the system. However, checks and balances performed by the accounting section will mitigate the risk of a payment to any former employee.

7. Some employees have been paid either shift allowances or risk allowances by the Foundation, but there was no written Staff Benefit Policy/Manual of the Foundation to provide guidance in this area. According to the Finance Manager, the calculation and payment of these allowances have been adopted from the Government of Samoa HRM Policies and Procedures. Such Policies and Procedures provided' a "factual and clear guide to working conditions and entitlements for all Public Servants in the Samoa Public Service," and was enforced by the Public Service Commission. The adoption of these Policies and Procedures contradicted with the NKFS Act 2005, paragraph 8(2) which states that "Staff employed by the Foundation shall not be regarded as officers or employees of the Public Service." The Foundation should update their Staff Benefit and Employment Policies in accordance to the Labour and Employment Act 2013 to ensure that the employment of staff and their remuneration were in compliance with the appropriate legislation. These Staff Benefits and Employment Policies should be carefully assessed by the management and submit to the Board of Directors for their final review and approval. The Foundation has noted the recommendation.

8. There were missing fixed assets noted during our physical inspection. It was recommended that the Finance department should monitor and conduct regular stocktakes of all registered fixed assets of the Foundation to ensure that all fixed assets are accounted for and to minimise the loss or theft of fixed assets. The Foundation has noted the recommendation.

9. The General Manager's benefit vehicle (Toyota Hilux Pickup) had a private license number plate number 10931. The General Manager's motor vehicle with the private license plate number10931 should use a license plate number starting with NKF just like all the other motor vehicles of the Foundation and to comply with government policy. The Foundation replied that the mentioned vehicle was affixed the NKFS01 number plate since 2015.

10. The Foundation's stock records that were used to control and manage the stock was not accurate. The quantity of most of the stock items in the stock records did not agree to the quantities on the shelves. Furthermore, the stock items were stored on the shelves in many different locations which resulted to our audit spot check being very difficult to be carried out and most cases we were unable to locate a lot of stock items. The audit team conducted a full stock count at the Foundations main office to ascertain the actual descriptions and quantity of stock as at the 30th June 2014 for accurate calculation of stock cost. The Finance Department should control, monitor and manage stock so that stock details including quantity agree to the actual stock on the shelves. The Foundation should carry out monthly stocktaking to ensure the stock list agreed to the actual stock on the shelves. The Foundation has noted the recommendation.

11. There were many expired stocks noted. This may indicate poor planning resulting in ordering too much of medical products causing waste and extra costs for the Foundation. It was recommended that Finance department should properly plan its orders to ensure stock would not run out and minimise waste due to expiry. This should also assist with the Foundations cash flows. The Foundation has noted the recommendation.

12. All medical supplies purchases were taken up as expenses throughout the year. Also, not all of these supplies were used up during the year. Consequently, there should be an ending inventory at year end. The Foundation was recommended that it should account and disclose an ending inventory figure on its balance sheet. The Foundation replied that the recommendation has been implemented in the 30 June 2016 Financial Statements.

13. The Foundation was paying directors fees and allowances to government ex-officios who were members of the board. The Foundation should pay its directors fees and allowances in accordance with government policies. The Foundation replied that the opinion issued from the Attorney General's Office provided that the representation by the NUS personnel did not make him a public sevant as according to the Public Service Act at the time.

4.16 National University of Samoa for the financial year ended 30 June 2014

1. Individual receipts for print outs/copies charges at the Mountainside library were not issued but were only receipted together at the end of the day. It was recommended that the University decide on the costs and benefits of purchasing a cash register vs the cost of printing the number of sub-receipt books used throughout the year.

2. Preparation of bank reconciliation was not done on a timely basis. The University was recommended to ensure timely preparation of bank reconciliation to assist in detecting any errors in a timely manner and to have an updated cash book balance.

3. There were payroll documentations that were not signed reviewed after preparation or when appropriate changes were made. The University should ensure all documentations were signed reviewed so the responsible staff would be accountable should any enquiries arise.

4. There was an overtime paid to a staff that was wrongly calculated resulting to the employee being underpaid. The University should ensure that all payroll calculations are reviewed before the processing of payroll for correct payments to employees.

5. There were some areas within the Finance department where segregation of duties was not being followed. This included purchase orders/invoices and cheques payments posted by the same staff. There was a concern that staff was not focused on their own roles and responsibilities (job descriptions) but were multi-tasked in all areas. This could disrupt work flow or slow down an individual's own work and responsibilities. The University should consider having support staff to efficiently manage the workload.

6. There were two bank accounts held by the University at one of the financial institutions that were not disclosed in its financial statements. It was prudent for the University to include these accounts in the financials for transparency purposes otherwise a separate report accounting for funds received and spent to be prepared and submitted for auditing.

7. Issues relating to fixed assets included:
    - The fixed assets register was quite a substantial work-paper as there was difficulty in calculating of depreciation due to the size and carried forward formulas. This issue was also reported in previous year.
    - There were difficulties encountered in the review of fixed assets due to recording of assets on the register and system.
    - Assets were not labelled due to assets.
    - Quantities noted in the register for some fixed assets did not agree with actual quantities of fixed assets that were physically inspected.
    - The removal of the old Finance building was not recorded in the fixed assets register. Although the value of the building may be nil, it was out of the ordinary that no disposal was noted on the register or an entry on the system to recognise this event.

    It was recommended for the University to review its register to ensure that all fixed assets are properly recorded and accounted for. NUS should also ensure assets are registered on a timely basis to avoid the risks of missing or stolen assets.

8. There were a number of slow moving items and obsolete stock in the bookshop inventory which were recommended for write off. These were the same items that were raised in the previous audit.

The University was recommended to review these items and any other similar items related to be removed from the bookshop inventory.

4.17 Oceania University of Medicine Comprehensive Spot Check for the period 1 July 2013 – 31 January 2014

1. Withholding taxes were being deducted from payments made to Clinical Rotation doctors but there were no records that these have been paid to the Ministry of Revenue. OUM will submit withholding tax to MOR as required under legislation.

2. There was no signed agreement between OUM and a waste disposal company for recurring services.

3. Employment contracts had not been signed. NUS Council decision in February 2014 approved another transition period to draft employment contracts for the transferred staff to be finalised and signed in July 2014.

4. There was no register for accountable forms purchased and issued for use.

5. Accountable forms in use were not in sequence.

6. OUM did not have a standard purchase order form for its purchases.

7. Cash from library printing jobs and laundry services was not banked daily. Delayed bankings were noted during the audit.

8. Some assets in the library were not labelled.

9. Petty cash vouchers were not prepared for some of the items purchased.

10. The approving officers were not clear on petty cash vouchers.

11. Financial Statements prepared since the establishment of OUM in 2002 have not been audited. OUM explained that financial statements of previous years could not be created as funds were controlled and managed by eMed overseas.

12. The Finance Division does not have any documented Accounting Manual and Human Resource Policy

13. No reconciliation was done on accounts payables, and invoices were not recorded on an accounting system.

14. Leave cards were not updated accordingly.

15. Attendance books were not properly monitored by responsible staff.

4.18 Office of the Regulator for the financial year ended 30 June 2013

1. The present accounting treatments understates the financial benefits produced by OOTR in invoicing and collecting license fee revenues. The Annual Estimates do not show licence fees as OOTR revenue. This issue was also raised in the previous audit. The OOTR replied that they had discussions with the Ministry of Finance and the annual estimates now reflect license revenues collected by the Office. The accounting treatment of revenue is now addressed in the Financial year ended 30 June 2015.

2. There were delays in the receipt of payments from license fees in accordance with the timeframe for payments specified in the Telecom Regulations 2007. Both telecommunications companies have given commitment to provide relevant information for OOTR to issue invoices for telecommunications fees in advance to comply with Telecommunications License Fee Regulations 2007. OOTR explained that it continues to follow up service providers to provide revenue information for the calculation of fees, and will ensure what this process will be done regularly and in a timely manner going forward.

3. Penalty charges were not imposed on the license fees unpaid within the time period specified in accordance to Telecom Regulations 2007. A surcharge of 10% of the license fees should be charged in addition to the license fees that are due. Failure to pay license fees may affect the issuance of licenses to the telecommunication providers. OOTR responded that it has implemented an aggressive process for collection of fees and the Regulator will apply the penalty fee late payment going forward.

4. Invoicing for license fees were issued based on telecommunication revenue estimates from telecommunication providers because the actual revenues figures and supporting documents to account for any variances could not be obtained by OOTR. OOTR explained that it issues invoices based on information provided by service providers, and any adjustments are made as soon as additional information is received.

5. Audit could not verify that invoices were based on actual figures. OOTR responded that supporting documents had been misplaced.

6. OOTR was not registered for VAGST purposes during the audit period and could not charge VAGST on its license fees. Consequently, it could not claim back any VAGST paid on its expenses but lists this as a separate expense for accounting purposes. OOTR became a VAGST-registered body in October 2013.

4.19 Polynesian Airlines Limited – Main Office Cash count conducted on the 21 January 2014

1. Audit noted that there were petty cash vouchers already paid yet were not properly authorised. Furthermore, vouchers numbers 12764 and 12766 were noted to be unauthorised because the Finance Manager was both the authoriser and the receiver of the funds. It is crucial that all vouchers be properly authorised before the actual payment of cash is made. Furthermore, in the cases where the officer responsible for the authorisation happens to be the receiver, it is recommended considering a separate Senior Officer to authorise such payment voucher as this will ensure that there is proper segregation of duty in place.

2. Audit noted that $US Dollars received from revenue operations at Fagalii Airport were used to replenish the $US Dollar imprest fund instead of banking them as per normal procedures. It was claimed that the current practice would benefit the company from purchasing the foreign currency considering the exchange rates fluctuations. However, it is strongly recommended that such practice should be documented in a documented policy paper to be approved by the Board to govern this practice and for ease of reference.

4.20 Public Trust Office Comprehensive Spot Check for the period 1 July 2013 – 31 December 2013

1. We have noted that the Office funds were used to pay for office end of year functions, and Christmas gifts for honourable guests. The Office's Operational Policies Manual, also did not cover the use of Office funds for such purposes. Further, the existing practice is such that the Board approves set amounts to be utilised for these one-off End of Year functions and gifts as reflected in the Office Budget Statements on a yearly basis.

2. The issue of the lone Administration Office handling many accounting and recording functions as raised before in the 2013 audit was again raised. Still PTO maintained its confidence in its people and system.

3. We requested for the fixed asset register of the 31 December 2013 and we were only given a register for the financial year 30 June 2013. In addition we found out that some existing assets were not allocated any identification numbers. PTO responded that they have incorporated this recommendation by updating their Fixed Assets Register and labelling several fixed assets.

4.21 Public Trust Office for the financial year ended 30 June 2013

1. The Administration Officer was found to be responsible for various accounting functions within PTO, indicating a lack of segregation of duties. PTO however remained confident that their current system which has been in place for several years and as part of their cost cutting measures ensures the prevention of theft and fraud. The reason for this assuring confidence according to PTO was the heavy involvement of Assistant Public Trustees in the supervisory, monitoring and evaluation functions.

2. There have been no current contracts or renewal of contracts signed for some key positions. Due to the level of governance that these positions held, it was important to have signed and written contracts outlining the current conditions and terms that these positions require.
   During the 2012/2013 audit, a copy of the Public Trustee's Employment Contract which was signed on 31 May 2013 was given to the audit team. PTO however was still awaiting a revised Employment Contract for the Assistant Public Trustee - Estates & Trusts from the Attorney General's Office.

3. The majority of the monthly bank reconciliation were not dated and signed by the person responsible nor was there any evidence of review. Bank reconciliation statements for the office's main operating account are now prepared weekly whilst reconciliation statements for other office accounts are prepared on a monthly basis. These statements are prepared by the Accounts Officer, checked by the Principal & Finance Investment Officer and endorsed by the Assist Public Trustee before submitting said statements to the Public Trustee.

4.22 Public Trust Office for the financial year ended 30 June 2014

1. There was no segregation of duties in performing various accounting function. One employee was in charge of administration, payroll, banking, receipting, preparation of cheques, reconciliation and postings. It is recommended that these functions be segregated and additional finance staff would need to be employed.

2. There was no document for land valuation in one of the files. It was not possible to assess the sufficiency of the security held for this secured loan receivable.

3. There were noted that no VAGST returns lodged with MOR.

4. An old liability with a balance of $22,535.98 remained unchanged for more than three years The account had no information pertaining to it.

5. During our inspecting for accrued rent we noted the accrued to be over provided by $13,929 and it does not conform to the MOU confirmation from MOF. We recommend the adjustment to book for correction to accrued rent balance as at year end.

6. Accrual for telephone bills was understated by $8,689.18 compared to invoice.

7. There were old accrued expenses amounting to $278,875.05 that could not be traced.

8. PTO used estimated values of estates even though there were no supporting documents to justify these estimates.

9. Expenditure was incorrectly classified on payment vouchers.

4.23 Samoa Airport Authority for the financial year ended 30 June 2013

1. A review of fixed assets noted that SAA did not comply with FK(12)29 which required the approval by the Tenders Board of all procurements over $200,000. The initial VIP upgrade was stated by the Authority, as per Board paper dated the 9th August 2013, as being approved by the tenders board in October 2012 at a cost of $442,000 to a local supplier/contractor. SAA could not locate or provide the Tenders Board approval.

2. The plan in issue 1 for the VIP upgrade was changed, nullifying the initial VIP upgrade contract, to include a new VIP building and an upgrade of the existing VIP building. This was not re-advertised by the Authority nor was it taken to the Tenders Board for approval but was awarded to the existing contractor through the utilization of the former approval issued by the Tender's Board in October 2012 (not sighted) for the initial VIP upgrade contract. The new cost of the VIP upgrade was then increased to $1,024,175 and the Board endorsed this increase yet there was still no Tenders Board approval located or provided to the audit team. SAA argued that these arrangements became necessary because of the urgency required to be ready to receive the SIDS guests.

3. We found from our review of fixed assets that the cost of the terminal upgrade, which started in 2012, reached $415,557 at 30 June 2013 and continued increasing to a total of $663,661.41 at the end of November 2013. This procurement was again in contravention of FK(12)29. According to SAA the upgrades to the Terminal Buildings were not undertaken as a single project as implied by the audit observation, but rather were implemented in different stages in response to urgent deterioration or negative impacts to airport facilities or services or due to outstanding requests from airport tenants who had been subjected to deteriorating airport assets that they were using.

4. We found from our review of fixed assets that there was no tenders board approval available for the upgrade of the coastal fence project which was awarded to a local supplier for $279,629.50 in 2013. This procurement failed again FK(12)29 but then SAA argued that the procurement for the new coastal fence was made in 2012 before the new procurement guidelines came into force.

5. We found from our review of fixed assets that an amount totalling $529,398.77 was paid for the new Ticketing Machine project in 2013, which was awarded to a locally owned overseas company, as approved by the Tenders Board. The total amount approved for the project was for $642,348 and so the amount paid by the end of the current audited financial period ended 30th June 2013 was 82% of the total project. Further investigation revealed a final payment made in October 2013 of $110,818.53 totalling $640,217.30. Investigation of work done on the Ticketing Machine revealed work has not been completed up until the date of the completion of this audit in December 2013. No contract was sighted at the time of the audit but was made available later. At the end of the audit, the Authority has yet to settle the 40% of the first variation but 100% of the initial contract was already paid. SAA responded that this machine had already been installed, tested and commissioned in 2014.

6. We found from our review of payments that there was a lack of supporting documents for a payment made to the company in issue 5 The supplier invoiced SAA in absence of the required documentations which they promised to provide later on. SAA noted the recommendation for future improvement.

7. We noted in our review of payments that quotes for purchases were either not sought or not filed for some payments. SAA is committed to obtaining three quotes from its suppliers.

8. An amount of $743,235 has been sitting in the current liability account as payable to the Ministry for Finance (MOF) of which, according to MOF, they have no record of (awaiting confirmation from MOF). It would be good to have a final determination on this unsupported liability.
   The audit discovered that the Ministry for Revenue has been receiving from the Ministry of Finance cheques to offset GST liability of SAA determined in an MFR audit for the period ended April 2009. The audit recommended that SAA takes note and investigate as it appeared the payments have exceeded the GST liability and SAA agreed to investigate further and action the recommendation.

9. We found from our review of Board Minutes that a number of Board Minutes were missing. None of the board minutes available were signed by the Chairman of the Board. SAA later advised that the minutes were available for sighting but the audit was not sure whether they were in fact correct. SAA stated that a new staff member had been recruited to assist with the Board with minutes and other Board tasks.

10. We noted that the airspace income was not paid by the MOF as per usual of $20,656 per month totalling $248,348 for the year but was paid in lump sum at$241,391.34 for the year. The payments were made as a portion of airspace usage paid by various airlines and the agreement was made about 10 years ago. MOF made these payments toward the Authority's loan with NPF where it was then identified via the NPF loan statement and posted into the Authority's system as airspace income. There was no record of an agreement with MOF on what constitutes this payment and what the reason for the decrease in payment was for this year. The recommendation was noted and SAA had advised that MOF had been updating its loan repayment for the past 2 years.

11. The audit raised again the issue of a withholding tax credit of $81,800 carried in the Authority'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. The recommendation was noted and the Authority already wrote to the Ministry regarding this amount.

12. Interest earned during the financial year on term deposits held with one of the Banks had withholding taxes deducted. The Authority already discussed this with the Bank and noted the matter for future reference and rectification.

13. We noted from our testing of long service leave cards that that long service payments were not recorded (ie. removal of the long service leave entitlement) in the long service leave card as was usual practice: The human resources overlooked the updating of leave cards even though the copy of the payment voucher was filed in the personal files. Recommendation was noted and the Authority has assured that the leave cards would be updated once payment was made.

14. The audit noted the confusion by SAA over the Labour and Employment Act and its own policies. The confusion arose on the policy to forfeit untaken annual leave where SAA argued the use of the Act as overriding the policy. The Labour and Employment Act is for all Employers not operating under its own Act or under the Public Service Act.

15. A lot of errors were noted in the calculation of provision for leave and even leave entitlements. SAA has committed to rectifying the problem and so it should because of its financial impact on its finances.

16. We noted that the fixed asset register has not yet been completed. As set out in the accounting policies s2.10, all fixed assets should be recorded in the fixed asset register and the details should include name, model, model number, classification, supplier etc. At present, the fixed asset schedule is updated on a monthly basis and reconciles to the MYOB General Ledger accounts. The recommendation on the Fixed Asset Register is noted and the Authority will ensure regular update of the Fixed Asset Register.

17. We noted that the White Toyota Hiace 15 seater van has not replaced its private license plate number "16061" with the Authority's license number as registered with the Land Transport Authority of "AA13". This van was purchased on the 29th June 2012 and has been used by the Authority since then. The reason why the private plates were used was due to the LTA running out of AA license plates. The Authority had just disposed an old van and its plate is now used to replace the private plate .

4.24 Samoa Airport Authority for the financial year ended 30 June 2014

1. Payments were processed without the required three quotes to support, and without the General Manager's signature of approval. Audit recommended that procedures must be complied with, or else review policies to relieve the General Manager from approving certain amounts, or an authority schedule with delegated authority to other members of the management to ensure compliance and proper maintenance of policies. SAA responded that, at the time, it was under immense pressure to complete its preparations for the SIDS conference in time. These included major refurbishment, building new structures and painting of the terminal and office buildings. Some of these works involved direct quotations from suppliers that had the necessary materials when needed, with some being the only suppliers with available materials at the time of acquisition. Some payments relating to runway lights and rescue fire vehicles could only be procured from usual overseas suppliers. Some were preferred for their specialist nature. SAA also explained that some were regular suppliers that were difficult to obtain quotes for especially since they supply regularly using their price lists. The quality of products and services are also used to determine the suppliers. SAA has noted the recommendations and the procedures in the manual will be amended accordingly to build in flexibility especially when various scenarios are encountered.

2. Payments were made to contractors without any signed contracts. None were available during the interim audit. Audit recommended that contractors must have signed contract agreements, and to have these filed securely. Contractors for SAA should also be registered with the Ministry for Revenue to enable SAA to claim VAGST, and for transparency purposes. SAA understands that the recommendations are very valid, and again cited SIDS conference preparations and, under time constraints, it was forced to adopt the methodologies of *single source selection* and *cost, quality based selection* with suppliers, with terms and conditions discussed and agreed to prior to start of their work. Costs were also assessed as significantly lower compared to market rates and the high quality of work produced. Nonetheless, contracts for works or services for SAA have been re-enforced.

3. Issues with payment vouchers:
    - Receipts from suppliers were not attached to payment vouchers. All payment vouchers must have receipts to confirm payments being made, or other source of confirmation. SAA replied that there were situations where suppliers did not have their receipt books on hand when uplifting their cheques. Given the distance of the airport from Apia, cheques were released to supplier who signed on payment voucher to acknowledge receipt of payment.
    - Payment vouchers were without proper signed approval. We recommend that all payment vouchers must followed appropriate procedures to prevent risk of making phantom payments to phantom suppliers. All payment vouchers are checked, certified and approved by authorized personnel before the cheques are uplifted by suppliers. In terms of general supplies, the initiatives to process payment are with the Finance Unit. The Finance Unit will process payment once the goods are supplied and all the documentation is done. For contractual payments, they will only process payment upon receipt of instructions to pay.
    - Payment vouchers were not properly filed. It costs both us and the Authority time in trying to locate files requested for Audit We recommend that all payment vouchers must be filed in a chronological order on a timely basis to avoid delayed matters or issues when requested by auditors or authorised personnel.

Management Responses: Most of the files were properly filed. however, at times, some files are pulled out for review purposes and got misplaced in the process. Recommendation is noted and our filing staffs have been reminded of their responsibility of ensuring the safe keeping of payment vouchers.

4. There was a variance between the Master receipts book against departure tax reconciliation. A fraud case Maota Airport Savaii, involving senior security where total collection recorded was $6,610 against the receipt book of $2,060. Audit findings verified the occurrence of fraud on departure taxes. SAA explained that this matter was reported by the cashier when he went to Savaii to collect the cash from Maota Airport. An internal investigation was carried out to confirm the people involved. The report identified the Supervisor as the sole culprit in this activity and was instructed to repay the full amount which he did within the same week. His services were also terminated at that time. Remedial action has been taken whereby all cash collected at Maota will now be banked directly from Savaii on a daily basis to eliminate cash being held in the office overnight.

5. Issues relating to the car park ticketing system:
   - There was no summary of receipts attached to the master receipt book. SAA replied that this was a one-off occurrence, and that receipts were now attached to Cash Summaries.
   - Cash count for the financial year ended 30 June 2014 noted a variation between the actual cash count and receipt summary printed out from the electronic ticketing system. All three machines' cash boxes actual cash count noted a shortage. SAA replied that the new car park ticketing system was operational in May 2014. There were some problems when the system first operated. Some of the problems included incorrect change to customers, incorrect reports generated by the system due to the system been cleared every time the door of the vault is opened to clear jammed notes, and problems related to the poor quality of our notes.
   - Weaknesses identified in the internal control and for management to raise red flag on these issues:
     - No daily collection of cash from the new ticketing system.
     - Jammed notes can only be receipted once they are replaced from CBS, two to three days after the collection date.

SAA explained that management made a decision when the equipment was first installed that it will be emptied on a weekly basis, not daily. The capacity of the equipment to hold cash can be up to 3 weeks. The keys to remove and open the cash vaults are with the AGM - Finance. The technicians only had the keys which open the door of the equipment. The technicians are responsible for the maintenance of the machine. They do not have access to the cash box but they do have access to the jammed notes. SAA said it could not receipt any money which they did not have on hand, otherwise the receipts would be more than the banking. They had to wait until the torn paper money was replaced. There was also no guarantee that all the torn money would be replaced by the Central Bank.

6. Cash receipts were not being deposited on a timely basis. The cashier accumulates cash receipts in a ticketing System and makes weekly deposits. SAA said that all their daily receipts were banked on a daily basis. The cash in the ticketing System was only receipted and banked when the vaults were opened once a week. No one has access to vaults without the keys held by AGM-Finance. AGM-Finance alone cannot access the vaults as keys to open the equipment doors are with the technicians.

7. Receipt summaries were not properly signed by appropriate personnel. SAA replied that officers may have missed signing the summary but that they had already checked and signed off on the Lodgement and Receipt books.

8. Although audit was advised that all bank reconciliations were approved by a responsible employee, no indication of such review was evident on the reconciliations selected for review. SAA replied that reconciliations were done quarterly, monthly and bi-annually. A review of reconciliations, as recommended, has been noted by SAA.

9. At present, the details of the bank reconciling items are preserved for three months and then are destroyed. Some are misplaced. SAA stated that bank reconciliations for the full 12 months of the financial year were filed in one file. Separate files contain bank reconciliations from past years, and that it kept its records for 10 years. SAA agreed that some are misplaced at times, but they do not any of their records.

10. Some cheques drawn on one account had been outstanding for long period of time; some for a year or more (stale cheques). Several of the long outstanding cheques require special attention. SAA has noted the recommendation.

11. Account Receivables Ageing did not match the General Ledger. Itemized statements for customers were requested, but these accounts could not be reconciled. This indicated no reconciliation on a timely basis of the General Ledger. Management should determine the underlying reason for the $15,652.85 difference and should take steps to correct current procedures. In addition, management should develop procedures to ensure that differences are identified, researched, and resolved on a timely manner. SAA responded that all subsidiaries including staff debtors are linked to the main General Ledger but because it has a separate General Ledger for Staff Debtors.

12. Audit discovered negative balances in the trade receivables ageing summary. This also shows no evidence of General Ledger being reconciled on a monthly basis. SAA said that these credit balances did not mean that accounts were not reconciled. The credit balances represent overpayment by customers usually those who paid their accounts through the banks. The variance was a result of the changes in the exchange rate. These credits can be used later to offset some of their outstanding invoices if required.

13. One accounts payable's records did not agree with confirmation from SAA. Audit sent out a request to the creditor to confirm the amount owed by SAA, and they disputed the amount on SAA records. This again indicated lack of monitoring and reconciliation on a timely basis. SAA stated that its payments were based on purchase orders issued plus the invoices on hand. SAA is aware of the variance but maintains their records are correct as the creditor could not provide the relevant purchase orders to justify their outstanding balance.

14. There were number of long outstanding accounts receivable balances. Management should continue to monitor accounts receivables on a timely basis. SAA clarified that its Debtors Balances and Debtors Report are provided to the Board of Directors' monthly meetings and also to its Audit Committee meetings. Audit recommendation has been noted and SAA will continue to monitor debtors' accounts as suggested.

15. Accrued interest on term deposit was overstated.

16. Discrepancies were found between the recorded balances of fixed assets and the recorded gains and losses on disposals and the amounts per the detail schedules maintained. SAA has

noted the recommendations and that adjusting journal entries and fixed assets reconciliations have been sent to the auditors.

17. There were variances between the fixed assets register and the General Ledger. This indicated that there was no reconciliation done on a timely basis. SAA replied that the reconciliations of individual Fixed Asset Ledgers were done on a monthly basis. However, given that expenses were tidied up during monthly financial reports, the Fixed Asset Ledgers were also updated. The Fixed Asset Schedule was updated to match the reconciled Fixed Asset Ledgers before it was submitted to the auditors. The audit recommendation is noted.

18. Recruitment of staff was done without following proper procedures. SAA explained that most of the employees noted by audit had been employed for more than 10 years and had come through the process of application, interview and approval. Since then, some had been transferred to other departments. Only one of those identified by audit was directly appointed on a request by the Board due the need for a person to translate, collate and write-up minutes, submissions and resolutions. This person had specific skills as a journalist and was seen as the ideal candidate for this position. There was only one Executive Assistant to the GM, one for Board communications and one for contingency needs of the GM's office.

19. Staff members previously terminated were reinstated by SAA. SAA replied that it had a robust recruitment process in place and that it's General Manager, as approved in the Administration Manual, had the final discretion in a lot of the recruitment and any lay-offs. One employee re-hired at SAA could not prove beyond reasonable doubt accusations against her and felt that she was unfairly treated given the circumstances of the case. The other employee was never terminated.

20. There were numerous adjusting entries in the accounting system at the time of the audit. These entries impacted on net income and retained earnings and resulted in changing drafts of accounts many times. These entries should have been done during month end procedures to save time. A review and evaluation of transactions and proper monthly closing procedures would expedite the year-end closing and reduce audit time and fees. SAA clarified that end-of- month adjusting entries were based on estimates, like depreciation and accrued interest. Correcting adjustments are made at year end to correct any over- or under- provision.

21. Many journal entries lacked proper approval by responsible employees. Explanations accompanying the entries were inadequate in many instances. SAA said that journal entries were only processed on the instruction of the Finance General Manager, and the recommendation is noted for clearer narrations.

22. While SAA prepared quarterly financial statements, all required adjustments were not always made in the quarterly statements on the same basis as in the audited year-end financial statements. SAA said that its quarterly reports were prepared based on the information in the system which they believe to be accurate at the time the report is prepared. It incorporates all the adjustments which are done on the monthly basis. Provisions and accruals are based on estimates for the purpose of monthly reports but adjusted again at the end of the financial year to reflect the actual amount for the year.

23. Close personal relationships exist within SAA. Management must take this issue into consideration and determine the risks associated. SAA clarified that it was an SOE and that it was not required to apply PSC requirements. SAA operates under the Labour and

Employment Act. In the cases highlighted by audit, the SAA Administration Manual approved in 2012 specifically prohibits couples, father, mother and direct off-springs to work together at the SAA. It must also be highlighted that the couples mentioned were originally recruited as individuals but married before the policy in the Admin Manual was put in place. It is management's view that as long as there were no adverse impacts to the performances of their duties, then they would continue to be employed together but monitored strictly for any unwanted work complications. SAA said it was proactive in other ways to prevent future cases from occurring.

24. Departure taxes collected by banks were to be credited into SAA bank account after they were checked and reconciled by the banks at the end of each day. The majority of unbanked receipts had no records of correspondence exist between the client and one of the banks. SAA said it was working with said bank to clear these outstanding deposits as soon as possible.

25. VAGST returns for the year 2014 were not filed until January 2015. SAA explained that VA GST Returns were file on time but since SAA had a VAGST credit, it notified MOR and made arrangements for the supporting documentation to be supplied at a later date.

4.25 Samoa Airport Authority Comprehensive Spot Check for the period 1 July 2014 – 31 January 2015

1. The landing fees calculations are required to be checked by the team leader before receipting the stated amount. There was no Team Leader's signature found on the some receipted landing fees calculations indicating such calculations were not properly checked and authorized. The recommendation was noted by SAA for follow up and action. Training was again provided for AVSEC Officers, in August 2016, to ensure that they are fully versed with the calculations of landing fees for different types of aircraft. Shift Leaders were again reminded of their role in checking and confirming the accuracy of the calculation of landing fees.

2. The following landing fees were incorrectly calculated, resulting in a shortage of revenue that should've been collected.

Date	Invoice #	Receipted	Audit Amount	Variance Calculation
06/08/2014	18542	$878.30	$1,607.13	$728.83
3 1/0 8/14	18544	$1,376.00	$4,398.75	-$3,022.75

   Training had been done for Senior VSEC Officer on the calculation of landing fees. The recommendation was noted by SAA and additional training was committed by SAA to be undertaken for those officers who were responsible for this role.

3. There were no Automatic Parking System interim reports attached to some daily receipts summaries. The automatic parking ticketing system (APS) interim reports were required to be attached to the daily summary of receipts to verify the accuracy of APS collections. SAA assured the audit that recommendation was being implemented. The printing of the interim report is now part of the procedure when the cash vaults are to be emptied.

4. There were discrepancies noted between the APS and the manual gate receipts. The observation was noted by SAA noting that there were issues regarding the equipment that they were still trying to figure out. SAA further lamented that their internal audit unit had assisted by witnessing and verifying the removal and opening of vaults and confirming torn notes if there were any.

5. The end of year/Christmas and farewell functions expenses, (including the purchase of alcohol (beers and wines), food catering, band hire), was proposed by management and approved by the Board of Directors to be funded from the Authority's budget. These expenses were not budgeted and savings were used, reflecting inappropriate spending. The funding of these activities from public monies are strictly prohibited under government policies as stipulated in FK 08 Faapitoa (06) and was further stressed in FK (92)50 and Cabinet Circular dated 27 November 2009. The Board of Directors had approved this activity to farewell retirees which had served the Authority for a long time. While management was aware of the FK which prohibited such activity, but they also argued that there was a Board of Directors who are tasked for making decisions. This decision was approved by the Board of Directors.

6. We noted that the Authority paid/donated $1,000 to one of the staff member to accommodate his needs because his house was damaged by a fire. This kind of support was not covered under any of the Authority's policies; hence the payment was approved and was

based on the General Manager's discretion. The Board after Cyclone Evans approved similar donation to staff members whose families were severely affected by the cyclone. The intention of the board was to show compassion and to provide some form of humanitarian support to those staff who faced severe impact of disasters such as cyclones, tsunami and fire. The audit observation was noted and SAA committed to incorporation when the Administration Manual was reviewed later during the year of the audit. The SAA Administration Manual had been reviewed and Donation for Staff under compassionate grounds is now included in the Manual.

7. From our review of payments, there was a payment of a donation for one of the director's father's funeral in December 2014. This type of support payment was not covered under any of the Authority's policies. Furthermore, these types of payments were prohibited under the FK 13(06). It was also questionable whether the funding of these activities was being provided for in the Authority's budget. This payment was approved by the Board of Directors. The funding was provided in the budget according to SAA under "Donation". The recommendation however was noted by SAAfor the information of the Board of Directors. The Administration Manual had been reviewed and donation of $500 is now incorporated into the manual for such activity.

8. From our review of the Authority's Administration Manual, it was noted that donations to staff funerals were allowed. This provision of the Authority's policy contradicts with the government policy stipulated in FK 13(06). SAA agreed and noted the recommendation for adoption in the next review of the manual.

9. Audit noted that director's fees were paid out in advance but not after the scheduled time for payment. Director's fees are paid quarterly and should only be paid after each quarter. Recommendation was noted by SAA.

10. From our review of payment vouchers, there were vouchers being processed with no Internal Audit stamp or signature indicating no check conducted by the internal auditors. SAA argued that there were times when cheques were prepared for urgent payment sometimes when no member of the internal audit unit was in Office. The recommendation was noted by SAA and will be looked at in the future.

11. The fixed asset register was not updated as it was last updated at 30 June 2014. All the new purchases and additions to fixed assets in the current financial year were not included in the register in addition to no labels/registration number allocated to each items as confirmed by the Senior Accountant during our assets physical sighting. Finance was now working in updating the fixed asset register. The recommendation was noted by SAA for future action.

12. From our review of the attendance books, it was found that there were employees that did not sign in and sign out to confirm hours worked each day. This has become a norm to these staff members as they were never warned or informed of such unacceptable behaviour. This also reflected very poor management of the staff attendance and the concern whether any absence from work was properly being taken up and accurately reflected in the employees leave records. The HR Unit were now tasked with checking the attendance book on a daily basis to ensure compliance.

13. We have noted several deficiencies in the monitoring of the Authorities overtime. These include staff working overtime without proper prior approval from AGM leading to the rising amount of overtime ($) and costs in excess of what was forecasted. SAA argued the importance of health but audit maintained that the argument was completely flawed because it would have caused disruptions and potential airport security breaches. Overtime has now

been replaced with “time off”. Any person working overtime is now rewarded with a time off instead of overtime salary. Approval for time off is the same as approval for overtime. That is, approval must be sought before overtime is taken.

14. We have noted weakness in the implementation of special leave policy. A former ACEO approved staff to attend a volley ball competition as special leave on working days because they were representing SAA.

15. Personnel files were found to be incomplete and not properly updated. The files contained no signed contract of the contractual staff and several files had no curriculum vitae, Job descriptions, application letters etc, in addition to related information's, such as change in rates and locations and whether they were due to promotions, internal transfers etc . Recommendation was noted by SAA for action.

16. We encountered payment of a risk allowance to the cashier of $500 per annum. We certainly agree with the allowance, considering the risk of the amount of money being handled by the cashier daily. However, the concern is the non provision of such allowance in the Administration manual. The cashier’s risk allowance is now included in the revised Accounting Manual.

17. Airport Authority has yet to complete and formally approve an IT Strategy. An IT strategy is a roadmap and guidance for the ongoing implementation of IT Services and related activities. It outlines the goals/objectives of the IT unit which should be aligned to support AA's vision, mission and mandates as outlined in AA's current Corporate Plan. It also addresses the risks specific to AA's IT environment, and ways to prevent or mitigate these risks so as to not affect the overall service delivery of the IT Unit. SAA now has an IT Policy with plans in the Corporate Plan 2017 – 2020.

18. SAA has only one full-time IT personnel who oversees all IT related services and activities of the Authority. This places the ratio of IT officer per User at approximately 1 to 45. In addition, the roles carried out but not limited to the following, includes: Network maintenance (wireless and cable), Servicing of Office PC and laptops, Email system administration; and Support for in-house computer systems. SAA now has 3 fulltime IT Officers.

19. Our discussions with management noted that policies relating to IT Security and procedures have yet to be formally approved by the Chief Executive Officer. These policies stress the importance of information security within the organisation, describe IT security standards and compliance requirements and formally allocate responsibility for information security management. The recommendation is noted and an IT Security Policy will be included when the Administration Manual is reviewed later this year.

20. Discussions with Management noted that users are not required to change their windows password on a regular basis. Agree with the recommendation and regular change of passwords will be encouraged for all those who had access the network. The continued changes in passwords is now included in SAA’s IT Policy.

21. There is no IT Asset Register and Software Register maintained by the Authority. These registers are very important to track and record all IT Equipments and software procured for office use. The register will also show the allocations and locations of these IT assets within the Office. Agree and a register, for all IT equipment and software will be set up as recommended.

4.26 Samoa Fire and Emergency Services Authority for the financial year ended 30 June 2013

1. There was no evidence that a senior member of Finance was checking the banking before and after it is done. Principal Accountant shall be responsible for checking the banking daily.

2. Several bankings had been delayed. Despite the fact that all these receipts were in the form of cheques, SFESA accepted that they should be banked daily.

3. The thirty percent sick leave entitlement for each employee balance was not properly calculated at year end. This miscalculation was duly noted by SFESA and SFESA committed to doing future calculations with caution.

4. The receivables reconciliations for financial years 2010/11, 2011/12 and 2012/13 noted that the individual balances of debtors did not have significant changes indicating a lack of follow up action to recover debts from these debtors. According to SFESA subsequent reply follow up letters would be issued to these debtors requesting payment and/or clarification of accounts with the Authority. SFESA committed to sorting the issue before the next audit.

5. There were still old outstanding creditors from 2009, 2010 and 2011 in the list of trade creditors. According to SFESA each creditor would be addressed separately to confirm status of accounts.

6. The payroll for SFESA was solely prepared and checked by the Principal Accountant before approval by the Assistant Commissioner. Even though FESA was a small operation, there was always a risk of error and misjudgement.

7. The payroll section had very limited time to prepare and finalise the payroll. The attendance book from Faleata Station and the timesheets from Salelologa and Asau Stations sometimes arrived late. The Principal Accountant usually had to do the processing to try and meet the deadline for the cheques to reach the banks. This issue according to FESA will be addressed when more staff are recruited in the Finance section.

8. Issues relating to leave:
    - Leave taken was not recorded in leave cards but was paid out as per payroll summary.SFESA is now performing a reconciliation of leave balances every pay period to make sure that the correct balances are being recorded on the leave cards, and that all leave taken have been taken into account.
    - Leave approved and recorded in timesheets and leave cards did not match leave payouts. Fortnightly checks are in place to make sure this does not recur in the future.
    - Approved leave forms could not be located to check proper authorization and compliance with approved procedures and policies. SFESA is being more vigilant in recording and checking these records to avoid this happening in the future.

9. Employee personnel files were not properly maintained to include relevant information to provide a sufficient profile or history on employees. Closer monitoring of the personal files will ensure all staff related documentations will be filed in the future.

10. Salaries and wages reconciliation (P6 & P6A) have not been filed with the Ministry of Revenue.

P6 and P6A are filed per calendar year. As this issue was addressed in reference to prior periods in the current year, we will be lodging our P6 and P6A after December 2013. This shall be done every subsequent year.

11. There was no separation of payments to distinguish normal staff salary from other payments such as higher duty allowance, end of year contract etc. This will be implemented as requested.

12. The fixed asset register showed that some vehicles were not insured. SFESA was in consultation with the LTA regarding registration of larger vehicles such as the ones in question. These vehicles were not registered pending an outcome of the consultation and as a result were not insured as well.

13. The renovation cost of the building at Asau amounted to $73,350 funded from the NAPA 4 Project Fund was acquired and implemented by the Authority without complying with tender procedures and processes. Audit observed that each amount of payments made was within the limit only requiring CEO approval. Approval will be sought for future contracts and projects from relevant authorities.

14. There were no VAGST returns filed with the Ministry of Revenue for the 2013 year. All VAGST returns for 2013 have already been filed with MOR.

15. There was a breach of Section 7 of its Code of Ethics in relation to a 'conflict of interest'.
    This will be further discussed by the Executive and also Board of Directors to clarify what is classified as conflicts of interest and to help avoid this type of situation in the future.

16. There was no Accounting Manual to ensure that there are proper policies and procedures in place to guide the work of the Finance division, and to assist auditors in identifying weaknesses in areas that need improvement. This is in the pipeline as one of our urgent documents to prepare in order to assist us with accounting funds for the Fire Service.

4.27 Samoa Fire & Emergency Services Authority Comprehensive Spot Check for the period 1 July 2013 – 31 January 2014

1. There was no approved Petty Cash Policy in place to govern and guide the petty cash operations of the Authority. A petty cash policy has been drafted.

2. Petty cash vouchers were printed without any voucher number. The current practice does not require pre-numbers but vouchers are manually numbered by the Principal Accountant when reconciling the petty cash to identify the distinction. This practice reflects lack of control over monitoring of expenses to ensure that all costs are properly recorded and accounted for. A petty cash policy has been drafted.

3. Petty cash summaries obtained and checked did not specify the expenses account classification to be posted on MYOB system. The Assistant Commissioner stated that this was due to lack of employees and that such process was time consuming. Without a summary to delineate allocated expenses with GL coding could delay postings to the General Ledger and difficulties could arise in tracing whether these expenses had been recorded in the financial statements. A petty cash policy has been drafted.

4. There were several petty cash vouchers with no receipts/supporting documents to confirm the amounts spent. This reflects poor monitoring controls and procedures in place. All expenditures should be properly supported with valid receipts to confirm all transactions are genuine. A petty cash policy has been drafted.

5. Lodgement books were not registered. Receipt books do not have book numbers to easily trace the receipt sequences contained in each receipt book. Noted.

6. There were frequent occurrences of delayed banking. The main cause of delayed bankings in the past was due to the Finance Division being short-staffed, and especially during the pay week when the payroll becomes a priority to make sure the pay is checked and reaches the banks on time. Also because of the infrequent nature of receipts, lodgements are not a daily event and therefore it is easy to overlook the undeposited cheques while the very small number of Finance Staff assisted by the Human Resource Officer struggles to perform all the required tasks.

7. There were inconsistencies in the cut off dates to the cheques on GL and the dates on the Cheque Butts; note is the inaccurate amount on the GL (MYOB) and bank reconciliations for the months of August 2013 and January 2014. Bank reconciliations may have been altered by changes made to the system. When a change is made it automatically unticks the previously reconciled amounts, which then reflects a discrepancy when the bank reconciliation statement is reprinted from the system.

8. The Accounts Receivable Aging report balances from the MYOB system could not be traced to proper supporting documents. Balances in the ageing report relating to prior years have been dealt with in previous annual audits. Most of these debtors have been written off in the 2014 Annual Report based on confirmation results and an approval from the Board of Directors. Currently accounts receivables control ledger has been implemented and is being regularly reconciled at the end of every month. Outstanding invoices issued are also followed up regularly in order to try and recover Authority funds.

9. We encountered the following issues to some payments made to suppliers: No Purchase Order and Invoice filed for some goods and services that were acquired; No requisition form and some are not endorsed by Assistant Commissioners when requesting for goods and services; No receipt attached from supplier to confirm payments for supply of goods and services received by the Authority; Invoice amounts different from amounts paid ;Incorrect GL coding used for posting whereby nature of payment is different from account charged; Unfamiliar authorized signature. This issue was noted by the Authority.

10. The Accounts Payable Aging report balances from the MYOB system could not be traced to proper supporting documents. Old outstanding amounts on the system have been written off as per Board of Directors approval based on confirmations received from suppliers confirming that the Authority does not owe any monies to these suppliers as of 30 June 2014. Only a few old accounts remain outstanding awaiting confirmation letters from these suppliers before any action can be taken, these should be cleared in the financial report for period ended 30 June 2015.

11. There were vehicles refuelling without authorization. Driver signature on the fuel voucher not clear (unrecognized). Incomplete filling in details of vouchers when refuelling vehicle. Audit could not verify accuracy of station statement as the vouchers were incomplete. Fuel voucher authorization in advance and open in a few days – e.g. Voucher approved today will be used to refill other vehicles tomorrow or the next day. Fuel books are now closely monitored by the Corporate Services by keeping these books in its custody after hours and the weekends as well. Staff have also been reminded about the process in refuelling vehicles in that each PO is to be used for one day only and have to be approved by the output managers. This issue should not recur with the implemented controls.

12. Audit could not obtain the Fixed Asset Register from the Authority upon request at the time of the audit. This is up to date and an e-copy is available.

13. Attendance book, leave records and leave forms were not properly maintained and updated. Some employees neither signed the attendance book nor have any leave description recorded on the attendance book or the leave cards. There were also employees with marked leaves on attendance book but were not accounted in leave cards. This has been an issue due to the short staffing of the Corporate Services Division. As additional staff are approved and hired, SFESA aims to reduce or even eliminate audit issues. The leave cards are now checked after every pay period to ensure that all leave taken are recorded and matches the records on the timesheets.

14. The Authority currently operates without any written and/or approved policies pertaining to the Human Resource Division. SFESA noted this and currently working on a Human Resource Manual.

4.28 Samoa Fire & Emergency Services Authority for the financial year ended 30 June 2014

1. The Authority's total written down value of its vehicles as at 30 June 2014 was $481,626. However, sum insured for these vehicles was $2,105,000. Recommendation noted and we are currently reviewing our vehicles sums insured.

2. The Authority's fixed assets are not insured except for the motor vehicles. Recommendation was duly noted by SFESA.

3. We have noticed unauthorised and unregistered journal entries throughout the financial year. Recommendation noted, for proper documentation of general journal entries. These general journal entries are necessary for proper accounting of payroll expenses and also other petty cash and project expenses where they were to be recorded in one account and then reallocated for proper classification. Also once reimbursements are received for project expenses, then they become re-allocated to deferred income.

4. According to section 33 of the Audit Act 2013, "An accountable Authority must forward to the Controller and Auditor General a copy of its financial statements for that financial year within 60 days from the end of each financial year". Furthermore, the Controller and Auditor General (CAG) in his letter dated 13th May 2014 stated "public bodies are now required to submit to the CAG financial statements for audit by or before 31 August of every financial year". However, the Authority submitted their financial statements on the 12 September 2014 which has breached the Audit Act 2013. SFESA noted this and looking for improvement for the 2015 financial year as well as the following years.

5. Under the Terms and Conditions of Employment 2012, part 3 Terms of employment, Division 2, 13 (b), "when operational staffs are absent from rostered duty without application or authorization, forfeiture of both salary and shift allowance for the period absent, will apply". However, audit noted that some employees continued to be paid their shift allowance whilst on 'leave without pay', which was contrary with the policies stipulated under the Terms and Conditions 2012. SFESA noted this and are now deducting a percentage of all allowances on a pro rata basis based on the number of days (hours) of LWOP.

6. We have noted that the Authority's payroll deductions include the employee's loan repayments to the National Provident Fund for short term loans and loans on entitlements etc. This process violates the Labour and Employment Relations Act 2013, Section 27 which basically state that the only deductions that should be included in the 'payroll are the PAYE, NPF 5% and ACC 1%. Staff have been reminded to arrange with lending institutions for their deductions to be deducted from the banks so that we can comply with the new Labour Act 2013, however it is mainly just the new borrowings that are being deducted from the banks or those that have made additional borrowings. Existing loans remain deducted from our payroll and to avoid our staff falling into arrears with their repayments we have kept these deductions until we receive a cease letter from the lending institution.

7. The Authority's Terms and Conditions 2012 contradict with the Labour and Employment Relation Act 2013. SFESA noted this and a review of the Terms and Conditions is under way.

4.29 Samoa Housing Corporation for the financial year ended 30 June 2014

1. Some loans issued exceeded the approved amounts. Loan fees were not included in the approval given but were paid out. It is recommended that borrower either pay the fees upfront or have these deducted from the loan amount approved. SHC explained that fees were previously deducted from the loan amount up until Cyclone Evan Recovery Program when all new approvals were debited with fees to allow clients to utilise the full loan for the recovery effort which in most cases is over, and above, the limits authorised. Since September 2014, SHC has reverted to the fees being deducted from the loan amount.

2. There was no proper filing room used for files storage due to the lack of building space. There were still a number of loan files left on workstations and almost all the filing cabinets were unlocked after working hours.

3. There was no proper control record to monitor all land loans that require paying the 30% deposit of land cost.

4. There was no record or file kept for all the Board of Directors' decisions on written-off debts. This can mean that debts that have not been approved by Board to be written off will also be included. Journal entries for write-off should include narration of Board meeting resolution.

5. The Rental Units Properties operation had no existing policies and procedures manual to guide and control its activities and processes at present. SHC explained that this policy was being developed as it was one of its major objectives in the Corporate Plan for 2015-2017.

6. The carrying values of some rental buildings appeared to be overstated, compared to their current and existing conditions which can result in overstatement of assets in the Balance Sheet. A certified valuer is recommended to record the correct values. SHC agreed that it was very important for these rental units to be recognised and correctly accounted using appropriate market values.

7. There were no narrations to explain the adjustment entries in the journal entry register. It was very difficult to understand the reasons for many journal entries. Having no proper journal entries narrations will lead to lack of accountability and transparency, and may even allow fraud and error to occur, that may not be easily detected. Journal vouchers are recommended to authorize, endorse and monitor every journal entry. Each entry must also have a correct and clear narration and to have the Chief Financial Officer sign off these entries as approved and properly prepared.

8. Bank reconciliations were not always done properly or on time. Incorrect bank reconciliations directly lead to misstatements of cash and bank and related accounts in the financial statements, and may allow fraud and error to go undetected. In addition proper bank reconciliations should be prepared by the Finance Division who should not rely solely on reconciliations from MYOB.

9. Double postings into accounts were also noted. Each payment voucher should be posted and then marked "posted" to avoid such errors. Bank reconciliations should also be properly prepared to ensure these errors are picked up promptly and corrected.

10. Christmas gifts of $5,000 for the Minister and $4,000 for each Board Member were quite excessive and contrary to the good governance and accountability objectives of governing legislations, as well and the general duty of care of Board Directors. Such significant payments pertaining to the Directors and the Minister of the Corporation should first be approved from Cabinet. SHC stated that these Christmas gifts have been an ongoing tradition during the festive season with amounts increasing over the years.

4.30 Samoa International Finance Authority for the financial year ended 30 June 2014

1. There were no proper job descriptions or guidelines for staff provided in each staff's personal files. The Authority was recommended to ensure all staff are well aware of and should be provided with detailed and clear job descriptions to provide guidance to each staff of what is expected of them and what their responsibilities were. Detailed job descriptions now included in all personnel files.

2. Bank reconciliations were not dated by the preparers and the reviewers. The reviewers and preparers should ensure that after signing the bank reconciliations must also date these as to when these were actually completed. SIFA is now testing its new computerised Accounting system called the Front Accounting system. This has been specifically developed and customised by the Authority's IT consultant to meet SIFA's accounting needs and to resolve all concerns raised regarding their manual Excel system.

3. The Authority did not have a formal policy indicating how often backups were to be performed, the retention period for these backups and a proper offsite location for storage. It was recommended that SIFA should have a formal policy to govern backups. An internal ICT policy has been approved which clearly states guidelines and procedures in carrying out backups for the Office. This ICT Policy is in line with the Government ICT Policy.

4. The Authority used Microsoft excel database as its core accounting software or General Ledger system and the following were noted:
    - Excel files were not password protected and could be accessed by anyone. It was recommended that excel files should be password protected to restrict access from unauthorised staff.
    - Without a comprehensive accounting system in place, all financial transactions were captured on excel spreadsheets. SIFA was recommended to consider using a proper accounting software package to record its financial transactions.

    SIFA is now testing its new computerised Accounting system called the Front Accounting system. This has been specifically developed and customised by the Authority's IT consultant to meet SIFA's accounting needs and to resolve all concerns raised regarding their manual Excel system.

5. Issues relating to payroll included:
    - Some of the excel files for payroll were not password protected like the payslips which were open to being edited by any of the staff
    - Payslips and time sheets for each personnel should be kept confidential and only the Manager, Assistant Manager and payroll officer should have access to these records.
    - The payroll officer access to payroll files was not restricted increasing potential risks of fraud

    It was recommended for SIFA to consider using a proper and secured payroll package to protect the Authority from the above risks. SIFA stated that a new computerised payroll system is used to process staff salaries.

6. SIFA's investment with UTOS was not disclosed in accordance with International Financial Reporting Standard (IFRS) 39. This was a first time investment of the Authority in this type of financial instrument and SIFA had yet to formally determine its proper classification. It was recommended that management should determine the proper classification of this investment and should properly disclose the accounting policy in accordance with IFRS. Recommendation has been noted and now implemented.

7. The Authority had a reserve for a retirement fund for its directors which was not in accordance with the liability recognition per International Accounting standards. SIFA should ensure that all its financial statements disclosures were in accordance with International Accounting standards and ensure that this retirement fund was in line with government policies. Recommendation has been noted and now implemented.

8. The chart of accounts was sequentially numbered from 1 to 88 resulting in difficulty when adding a new account as the next number in the sequence can only be used. Any new account created would be placed at the end of the chart regardless of its nature whether a liability, asset, revenue or expense. The chart of accounts should be redesigned to allow a minimum of four digits and the accounts for each category be placed in the same areas like assets to be from the range 1000 to 2000 and liabilities from the 3000 to 4000 series for proper accounting. SIFA is now testing its new computerised Accounting system called the Front Accounting system. This has been specifically developed and customised by the Authority's IT consultant to meet SIFA's accounting needs and to resolve all concerns raised regarding their manual Excel system.

4.31 Samoa Land Corporation for the financial year ended 30 June 2013

1. The core functions of the company are lands administration through their sales and leases operations. However, we have been experiencing major delays in audit works due to the office trying to reconcile LMS system to MYOB and especially in matching of the two systems for proper and final reconciliation. Such delays and differences in balances between the two systems may raise concerns as to the handling of land deals within the company. The Corporation recently completed its overall reconciliation of Land Leases and Land Sale through the current Lands Management System (LMS). The system is now fully integrated with the new Accounting System (Attache) and Land Balances now equals to balance in GL. They have also completed reconciling of accounts under lease to own 5 years/Outright purchase and pay within 10 years that was previously under land leases now transferred to land sale hence the reason for the delay. Currently the system is now live and information is now integrated to the Attache (GL) at the end of each working day.

2. Due to matters and issues surrounding the operation of SLC and what has been discussed in Parliament, it is crucial to obtain confirmation from Solicitors for possible litigation against SLC

3. Our check on Fixed Asset shows a number of differences between the fixed asset register and the audited count.

4. The company has provided code numbers for most of their assets. However, there are some new ones that are yet to be coded and should be recorded in the fixed asset register. There are quite a number of assets we counted but are not recorded in the Company Fixed Asset Register. This may indicate incomplete work on fixed assets, and such action should have been done immediately to avoid possible missing assets being unregistered.

5. The expenditure on Malifa Accommodation is not included in the accounts. A percentage completion must be accounted for in the reports, to recognise the transactions incurred during the reporting period, including a note to explain the disclosure and method of recognition.

6. Depreciation rate being applied for some building is still 10%. As raised in the previous audit, building last for more than 10 years and with continued maintenance can go onto 30 or more years. To be consistent with last year, and the correct accounting policy and rule, we need to bring all buildings depreciation to be in line with expected useful life. SLC are concentrating on large assets only, for now. Perhaps in the future they will change depreciation for the other buildings.

7. We see no documented system in handling of customer or general complaints especially for land transactions. Given disagreements as noted in circularisation letters, and as normal control procedures, well documented system should be in place to handle complaints or disputes in order for the company to deal with any issues in a professional and consistent manner.

8. We understand that the significant difference between the LMS balances and GL balance was due to close off of accounts and final reconciliation. However such differences need not be existed given reports are done monthly for Board information and accounts are prepared by

the finance team using MYOB. Hence the difference of $3,150,661 between the two systems is too substantial for reporting purpose.

9. There appear to be separate postings onto MYOB of all payments and receipts transactions, once they have been executed manually in terms of vouching. With available functions from MYOB, these additional works can be eliminated and be replaced by a mere press of buttons and both vouching and posting can be executed together at the same time. Hence the efficiency and reliability of information is improving as these transactions are executed by simply the use of the computerised system.

10. There is no share register as prescribed by MCIL. Need to provide update share register and share certificate for company shares. As required by law this register and certificate should be made available and be visible detailing the name of shareholders and their entitled shares. This is also important given the shareholders of the company are not fixed as it is based on political outcome. Hence the responsible shareholders as per the Company Memorandum are not the Government as whole but specifically named ministers.

11. There are no annual returns provided to MCIL in order to keep valid licensing for company as required by law. Further, such set up should also be done on MCIL set up for annual return submission.

12. There are some cash receipts with no evidence of check by way of signing by an independent person as required in the standard receipt form.

13. As per documented land procedure, deposits can only be accepted and record as Funds Held On Deposit(FHOD) when a land is issued and allocated to the customer. However, a refund to a debtor should be debited against Land Debtors for balance of concerned customer and not against the FHOD account, since it is an identified account. Hence amounts were originally written off against their balances and should add back to the balance when it was refunded

4.32 Samoa Land Corporation for the financial year ended 30 June 2014

1. The majority of Land Lease clients' files did not include application letters by clients and therefore departs from land policy 3.4.1.1 of the Corporation and proper practice. Files are being updated for any missing or misfiled applications. Many new accounts have applications. The subject land is a land sale back in 2010 when Samoa Land had no proper land policy but was considering offer of land to those with high deposits that was able to cover arrears of any land offer terminated. The new Land Policy is now strictly followed requiring application letter, letter of offer and fees to be completed and paid before Lands Division identifies land to applicant and before Accounts creates an account for the system. Any diversion requires a written note from authorizing officers (General Manager/Managers).

2. Land Lease Lessees are not treated equally in terms of application of interest charges. Some leases are not charged interest at all. The creation of the account is supposed to follow the agreement. The Estates and Accounts Sections will work on reviewing the accounting system to identify any fault in the system itself or its operation that could have caused the issue raised.

3. Based on our examination, the decision on the awarding of leases to some applicants appears biased and unfair to others on the waiting list. Example: An application in 2013 was awarded a lease in 2014, when there is a long waiting list that goes back many years. The leases were awarded by Management based on a number of criteria like the benefit of the project to the country, the likelihood to generate revenue to pay lease as well as the commitment of applicant to follow up on application but not necessarily the date of application. This has now changed with the recent formulation of a proper documented Land Policy (final draft to be approved) where all applications together with the list of available ideal land will be assessed by the Board of Directors on approved criteria.

4. There are leases that are over 4 years in arrears with no payment at all and thus violating corporation policy on recovery action that should have been taken. Example: PLAN6304 LOT2246 Management recovery action has now improved, especially with the addition of the legal officer to assist the Estates Section. New initiatives in place to be followed by Management. The subject land was issued with demand letters and family has now paid $10,000 in arrears. Arrangement is made for rest of arrears.

5. We have witnessed that there are leases awarded but with no documentation in accordance with procedure like an Agreement for lease. Example: PLAN 5416 LOT746, PLAN 762 LOT935 New leases now follow this procedure especially with the involvement of the legal officer. Same procedure by Lands Division as noted in response to Issue 1 where any new land will now only be identified and allowed for occupation by lessee when all documentation and fees are complete. Any old leases that have no deeds of leases are now being addressed by legal officer.

6. There are some organizations occupying Samoa Land Corporation land without approval and without paying rentals for land use. Note response to issue 1 and 5. Control now in place to arrange proper documentation and payment before occupation. Exemption was able to be granted by General Manager when both parties are in agreement by accepting SLC letter of Offer that lease will be effective from time of offer. The survey process to define lease depending on the size of land usually takes no less than three months which is why SLC

grants this special consideration to enable both parties to benefit by use and payment. Approval to occupy the subject land was issued by General Manager and it was in the process of completing documentation when Cabinet approval to transfer land to SSFA was issued. To date, lease has not been charged until matters are cleared between the two government Authorities identifying land to be transferred. However, there is an understanding by both parties that lease will be recovered from date of occupation recorded as Survey Plan approved date.

7. Management decisions in rewarding poor debt payment performance by some land debtors in arrears (by offering free rent for several months if arrears are paid up) in contrary to norm and that should be practiced in accordance with policy. Such practice tends to compound the arrears problem in the long term and the low return on investment the Corporation is facing. The initiative helped recovered payments that have been chased after for some time but is a one off action. Recommendation noted for future improvement.

8. We note with concern that all land sales monthly repayment terms amounts in the Deeds of Sale and Purchase Agreement between the Corporation and the land purchaser will not fully repay the debt by the end of the Agreement term, and nothing appears to be planned to rectify this miscalculation. Agreements for Felalauniu and Toamua Land Sale were a special consideration to assist low income people having $50 as minimum repayment. Clients were well explained of the effect of not paying more than the minimum payment and are encouraged to pay much more. Advance repayment is evident of many people understanding this. However, recommendation as discussed is taken. There will be consultation to update clients of balances and increased pressure and maybe a review of agreement within legal boundaries to allow for higher payments.

9. The Corporation is incurring significant administration costs in administering land debtors accounts annually and over the years, but when an account is forfeited or terminated, all the repayments made by the purchaser are refunded except $1,000 fee and $100 per month over the term of the failed agreement. Conditions of old agreements were adhered to. Legal Officer now to look at a way that will not negatively affect SLC legally that the company can retain more fees to compensate for use of land.

10. There is a need to significantly improve performance in the area of debt arrears follow up and recovery. The practice of repeated issue of 14 days notices is quite ineffective and a waste of Corporation cash resources in cases that are over 2 years in arrears. It also violates the prescribed Corporation policy. Noted for future improvement. The Corporation is considering sending out officers to collect payments instead of waiting at the office for people to come and pay.

11. There is unreasonable delay in executing agreements between the Corporation and the purchasers in some cases. Example: Land offered and approved for sale in 2012 but the agreement was executed in 2014. Noted for future improvement and process has already improved with the involvement of the legal officer.

12. There were payrolls with overtime paid with no evidence attached to show they were approved by the General Manager. We came across some payrolls that paid out overtime hours to some of the staff members but there was no evidence attached of approval from the General Manager to confirm that the specified employees were authorised to work overtime hours in accordance with the SLC policies. All of these except one or two were approved sometimes pre-approved for normal shift work. However, SLC will ensure in future the evidence is attached to payroll in all cases.

13. A number of short bankings had occurred during the year, and the pattern of these indicates the possibility of a lapping fraud occurring at the Golf Course Bar. The follow up with regards to short banking is on-going processes in which the Accounts staffs are reminded to make sure it is properly documented and follow up straight away. The 2 methods currently in place and has been for a while now are: 1. Shortage from Purchases: The overnight storage working paper notes the shortages if any from the day's transactions that have yet to recover. This sometimes happen when the Main Office Petty Cash is not enough at the time to reimburse the collection shortage or not enough time to process a cheque on that day to recover which is put through the very next day. 2. Shortage from Trading: These shortages are more on a serious note in which an internal memo "Irregularity Report" is put through for Management's information, and in our Finance Policy. This memo needs to be submitted within 24 hours of occurrence. We have these documented and in file. Depending on the situation, the shortage is recovered through cash payment the very next day, or payment through pay or even termination from employment.

14. Several payments made which require Board of Directors' and General Manager's approval were approved by the General Manager and Managers respectively. The GM level of authority in accordance with policy is up to $50,000 and Managers up to $10,000, but these have been exceeded. The majority of the above mentioned payments are SLC monthly loan repayment amounts that were approved by the Board at the beginning. Their executions which are fixed every month are signed off by the Executive to avoid delay and follow up of whereabouts of the SLC Chairman. However, the recommendation is well noted with immediate action. SLC levels of Authority have been consistently followed through. The Chairman of the Board's signature has been included in our operating accounts for transactions over $50,000.

15. Several payments made have no supporting documents such as purchase order, suppliers invoice etc. Recommendation noted with immediate action. Currently, we have no more payments put through without the mentioned supporting documents which is signed off and approved by Heads of Departments and or General Manager consistent with levels of Authority in place.

16. We have noted after sighting existing and additional assets that there were old fixed assets that no longer existed but are still recorded under Fixed Assets accounts. Recommendation noted. A first report was given to the Board for its resolution with regards to damaged and unusable items that are still in the Fixed Asset Register. This report was approved on its meeting of 9th October 2013.

17. We have noted that there is no annual procedure for assessment of provision for doubtful debts for all of the Corporation debtors, to ensure from year to year debtors are not overstated in the annul accounts of the Corporation. Annual provision for Land Sale and Leases are based on the aging report from the system except for market tenants that a provision will be provided in the current Audited Accounts for this outstanding amount. Usually for accounts that are over twelve months in arrears. Recommendation noted for future improvements.

18. There is a poor recovery and follow up actions taken on market tenants. Recommendation highly noted for future action. A report will be given to the Board to consider write-off for some of the old debts as most of these tenants are no longer with SLC.

19. We noted that the list of fixed assets supposedly damaged and unusable for Board approval to be written off included about half the value relating to good and operating assets in existence.

This is an extraordinary breach of controls by management when it prepared and submitted a list of fixed assets to the Board for write off, when the list was not properly checked and physically confirmed to contain only damaged and unusable items. Recommendation noted and agreed. The issue was noted after final reconciliation of Fixed Assets to be written off during the Audit. The Fixed Asset schedule together with the changes will be resubmitted to Board of Directors for information and final consideration. The management will also ensure that this will not occur in future.

4.33 Samoa Life Assurance Corporation for the financial year ended 30 June 2013

1. The loan interest charged of 12.5% contradicts the approved loan policy interest of 11% . The interest charged on the mortgagees' ledger cards differed from that charged per Quarterly/Monthly Board reports. The previous "Board of Directors" approved this temporary reduction in interest rate from 12.5% to 11% in July 2010. This temporary reduction is subject to review at the discretion of the "Board of Directors". SLAC responded that the management is currently reviewing the mortgage loans interest rates and will advice the Board to consider reverting back the mortgage loans with special interest reduction of 11% to their original terms and conditions.

2. Management to reconsider policy regarding land revaluation: The valuation submitted for land was done in May 2007 which was five years ago. Although the valuation policy does not clearly state this, it was management's discretion that allowed this land valuation to be considered in this loan application despite it being five years back.
   We will look into creating a land valuation policy so that the Corporation will use only the latest valuation reports. SLAC is currently using valuations within the time period of up to 3 years for their mortgage loan appraisals.

4.34 Samoa Life Assurance Corporation for the financial year ended 30 June 2014

1. The payments made by an applicant (total outgoings) were assessed against the gross income of that individual in respect of commitments by the individual. A better assessment would be made if the payments made were measured against the net income as the net income is the actual cash inflow into the bank balance of the individual.

2. The loan summaries were not prepared until the end of the quarter. This may be improved by updating the loans summary at least every month, if not daily. This will help reduce the possibility of errors and improve controls in the loans section. Also, it is recommended that more officers be employed or employees in the current staff be utilized to carry out functions such as updating the loans' files for the clients and preparing the assessment for the approval of the loan, as currently only one staff is carrying out all of these functions. This will help maintain segregation of duties as well as improve controls.

3. The loan balance in the Excel spreadsheet for individual loan balances had not been updated. This shows the problem with completing the entire quarter's loan balances at one single time. The suggestion is to complete the loans summary and the interest and repayment information simultaneously and periodically, such that the duration between updating these documents onto the loan card and the individual loan movement information is less than a month (preferably 2 weeks).

4. Case 1: Repayments have not been made for a subsequent period. It may be prudent to book a specific provision against the balance which remains at year end.

5. Case 1, still: There were missing documentations:
    - The loan is a large sum, solely for refinancing (not permitted SLAC)
    - The valuation used to assess the security held is not recent (dated 24 June 2013)
    - The net fortnightly salary was less than the fortnightly repayment required ($1,703 repayment required by the net salary is $997.07). The account was in arrears.

    There may be a need to book a specific provision for this loan.

6. Case 2: a smaller amount should have been permitted to remain in line with the lending policies. Other causes were later introduced to allow the approval of the loan. Missing documents also noted.

7. Case 3: The credit check from Westpac implies that the credit history of the individuals applying for the loan was not one based on which the loan could be disbursed. Additionally, the loan account for these individuals was in arrears and in default (only 2 payments made up to February 2012 since disbursement dated July 2010). A more effective utilisation of the credit check is therefore required. Missing documents also noted.

8. Case 4: A larger than permitted sum disbursed for vehicle purchase (disbursed $85,000 for vehicle where the maximum allowed amount was $60,000). A stricter assessment of the sums permitted to be disbursed may be required.

9. Case 5: No credit check or documents from any of the banks operating in Samoa was a major drawback as these documents test the validity of the assessment. Due to the lack of these documents, the assessment being an unbiased one could be questioned. Credit checks are an

indispensible part of the assessment process and exceptions must not occur such that the lack of these documents becomes a hindrance in the assessment process itself.

10. Case 6: Credit checks were not run for assessing the individuals before sanctioning the additional amounts. There is no evidence of credit checks in the file for the assessment of application for the additional loans. The procedure is required to add the requirement of credit checks prior to sanctioning of additional amounts as it is possible that in the duration between the approval of the last loan and the additional loan, defaults may have taken place, which can only be identified upon running the credit check each time an additional loan is requested.

11. Case 7: The loan commenced in December 2007. Approximately half the term of the repayment has finished (total term being 15 years), but the loan balance has barely decreased. In tracking the file, it is evident that the account fell in arrears from June 2011. However, it is also seen that repayments were being made (as per the loan card maintained on spreadsheet). This account was still in arrears. It may therefore be prudent to book a specific provision against the amount which will remain due at the end of the financial year.

12. Salary increment approval not attached in payroll file. There was no documentation in personal files to support salary increments were approved by authorized personnel.

13. When the Loans Officer is absent, the Senior Loans Officer carries out his tasks of completing the loans information and assessing that information. The Senior Loans Officer then, also approves the loan in those cases. Therefore, there appears to be no segregation of duty for the cases where the Senior Loans Officer assesses as well as approves the loans. Employment of additional staff may be required to prevent the lack of segregation of duties.

14. The Memorandum of Deposit is a document completed by Loans Officer and the Senior Loans Officer who acts as a contract between SLAC and the policy holder drawing the loan amount. The issue is that sections 1 to 6 (containing information regarding interest rate, repayment and term of the loan) were not completed in this document, either by the policy holder or the Loans Officer. These sections are very much required to be completed, for the knowledge of all those involved in the transaction.

15. No documentation exists of the method for calculation of the surrender value manually. This means that the staff is entirely reliant on the AS400 system to produce the numbers. There is no means of checking the values produced by the system for validity. It is recommended that there be controls in place such that an employee is made responsible for calculating the surrender value and check the validity of the system.

16. No cheque number was stated in the application form for loans on some policies. It is necessary that information considered essential is provided in the application forms.

17. The Memorandum of Deposit was not present with any of the loans for some policies. We suggest that due care be taken to complete the files of each of the policy holders.

18. For many policies, the premium was in arrears when the loan was approved. It is essential to assess these arrears and reduce the allowed amount accordingly. This was another factor (in addition to the ones already used for the assessment) required to be taken into account before approving an application for a loan.

19. It is recommended that rates apply for interest on mortgages should be properly checked to avoid errors on calculation and allowing falsified charges customers.

20. Audit noted growing of mortgage balance due to the high rate charge for interest for the clients at risk of repayment. The concern is that the contingency assets of this amount, considering the repayment made, are somehow lower compare to the steady high rate adding on the outstanding, making it difficult to reduce. These mortgages are seen increasing so significantly due to the penalty interest charges; the concern is how many years SLAC is expecting to allow these mortgages to only increase with a low and slow repayment, or no repayment at all. An alternative option available is recommended to expedite the collection of these mortgages or it will keep increasing with little turnover on receivable.

21. There was a variance in the records provided to the Accounted balances. There was a difference in the General Ledger and the list provided of all the mortgage holders. However it was immaterial to book but might need to find clarification of the differences. Audit recommended a brief history research by the responsible officer to identify the differences.

4.35 Samoa National Provident Fund for the financial year ended 30 June 2013

1. There were some breakdowns noted in the control process around the approval of short term loans. Control breakdown included:
    - The policy stated that the repayments could not be more than 30% of the applicant's net salary, however it was noted that there were loans approved, where this was not complied with.
    - No salary confirmation in loan file.

   Recommendation was duly noted.

2. Breakdowns noted in the controls process on the approval of right hand drive loans included:
    - Bank statements for the applicant were for four months or less, despite the policy indicating that 6 months of bank statements were required. (We note that there was a policy change from October 2012 reducing the 6 months to 1 month of bank statements. Two of the three loans noted were applied before October 2012).
    - There was a LHD vehicle finance under this scheme even though it was against the policy.

   Recommendation was duly noted.

3. There was one breakdown noted in the controls process around the approval of the cyclone relief loans which was the loan application form was not signed. Management was recommended to ensure that all loan approvals complied with the terms set out. Recommendation was duly noted.

4. There were variances noted between reconciliation and the General Ledger. This matter was discussed with the Finance Manager and she advised that the IT department was still working on identifying and clearing these variances. Summary of the variances indicated that some were dated back to 2011. Management was recommended to ensure that any significant variance noted from reconciling loan accounts should be followed up and cleared on a timely and effective manner to avoid over and/or understatement of loan accounts at year end.

4.36 Samoa National Provident Fund for the financial year ended 30 June 2014

1. The death benefit of $2,350 for a NPF contributor who passed away in August 1991 was paid out 22 years later in May 2014. However, there was a contradicting note that the death benefit was paid in December 1981. The dates of the death certificate and the note are at odds with each other. Audit was unable to verify whether the death benefit was paid twice given that the manual death benefit registration for the note is over 32 years and could not be located. Furthermore the wife's name of the deceased noted in the file is different from the one which the death benefit of $2,350 was paid to. There is no written consent from the deceased wife to credit the money to that person. Recommendation for improvement is noted. Member Services will submit to the Board an amendment to the existing policies for the time frame for these death benefits to be set at a maximum of 7 years.

2. Loans officers were not complying with Investment Policy 13.1 - RHD Vehicle Loan Scheme section (f) "The repayments must not exceed 30% of the net wages" when appraising loan applications. Policy has yet to be revised formally to be consistent with all Investment Loans at 35% of net pay, however, recommendation duly noted for immediate action.

3. In our review of Short Term Loans we notice that the following:
    - Loans that did not comply with investment Policy Section 12.1(f) Eligibility - to provide a most recent pay slip, bank statement previous 2 months and a confirmation letter from their employer, (g) Serviceability - repayment must not exceed 30% of net wage, (j) The Fund Officer appraising the loan must check every aspect of the policy before recommendation for approval to their superior;
    - There were two Short Term Loans in arrears noted. These loans have not paid since the loans were paid out. The system does not state that these loans are in arrears but shows an overpayment due to a previous short term loans paid off before due date. Therefore short term loans in areas report may not be correct due to the system not picking up the loan arrears on new/additional loans;
    - There is no offer letter for some Short Term Loans under our review and we are concern that the Short Term Loan application may not be sufficient as it does not state all the terms and conditions for the Short Term Loans. All Short Term loans tested from the Vaitele Agency did not have a letter of offer.

    Policy has yet to be changed to incorporate the change by management for internal assessment purposes to waive requirement for pay slip, bank statements etc if a top up (additional STL) is done with the resulting repayment being the same as the existing repayment which only needs to continue.

4. It was noted that the previous revaluation of land and buildings was carried out in 2005, or nine years ago. Land and Buildings per Fund's accounting policies are stated at valuation. The delay in the revaluation of the Fund's properties is due to the significant cost which will be incurred in revaluing all of our properties, as well as our financial commitment to current projects. Currently, the Fund is prioritising the additional top-up of its Blackrock offshore investment, the new Samoan Embassy Office project in Brussels, as well as a complete upgrade and revamp of the Fund's information system over the next 3 years. Recommendation is noted, and Management will ensure to include the revaluation project within the next 3 years with consideration to its cash flow commitments.

4.37 SNPF– Building Operating Expenses for the financial year ended 30 June 2013

1. One tenant occupying 3 different leases has yet to pay its rent for 7 months, totalling to $10,984 in arrears. Proper follow ups should be conducted to avoid tenants having accumulating arrears. Recommendation was duly noted.

2. Water expenses have decreased tremendously compared to the previous year while there is a major increase in service contract and repairs and maintenance expenses. Water rates decreased due to the disconnection of all male bathrooms urinal systems. Repairs and maintenance increased due to major upgrade works done for elevators for the year.

4.38 SNPF – Building Operating Expenses for the financial year ended 30 June 2014

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4.39 SNPF– Senior Citizens Benefits Scheme for the financial year ended 30 June 2013

1. There has been a tremendous increase in prepayments (11,653 %) and Sundry debtors (2,245%) under current assets and also Unclaimed pensions (75%) under current liabilities compared to the previous year. Prepayments increase relates to the July rent paid in advance to the landlord. Sundry debtors consist of pension cases confirmed as owing to the Scheme by trustees and pensioners who had illegally withdrawn pensions while overseas or have passed away. The average unclaimed pension on a monthly basis during the current year is $3,800. However, in February and March 2013, the delayed November to December 2012 lists from the SBS and all banks were instructed to return all unclaimed pensions to the scheme.

4.40 SNPF – Senior Citizens Benefits Scheme for the financial year ended 30 June 2014

1 There was a 66% increase in pension refunds. Consequently the increase of unclaimed pensions written back have increased by more than 50% compared to the previous year. An exercise was done for the active pension portfolio in order to terminate all pensions with expired stickers, or invalid IDs. The results confirmed that funds were still in pensioners' accounts but have passed away or had travelled overseas. All these funds were returned to the Scheme and recorded as pension refunds. For the pension write backs, many pensioners had been confirmed that they are not entitled to reclaim their unclaimed pensions hence the increase in the write back unclaimed.

2 Local travel have increased by more than 50% while water rates have decreased by the same rate with training expenses doubling its total, compared to the previous year. Local travel relates to increase in travel and accommodation expenses incurred during staff visits of pensioners' homes throughout Savaii. Reduction in water rates was due to significant reduction by monthly billing by the landlord. Training costs increased due to a training held in London that was attended by the Assistant Manager of the Scheme.

4.41 SNPF - Parliamentary Pension Scheme for the financial year ended 30 June 2013

1. Actuarial review was done every three years which contradicted with the Parliamentary Pension Scheme Act requirement for this review to be done annually. It was recommended for the Scheme to follow guidelines provided by the Act to ensure compliance with governing laws and regulations. The Act provides for this to be done annually. Given the absence of local actauarial expertise, an overseas actuary is hired every three years to minimise costs. An actuarial review is now in progress based on the 30 June 2016 financial statements.

2. The actuarial report on the 30th June 2011 financial statements of the Scheme was issued on 23rd February 2013. Note 17 to the financial statements mentioned that the actuarial report stated that the Scheme was in a sound financial position, but noted that the excess of assets over accrued past service liabilities was minimal at $336,000. The report also noted that the government's contribution rate should increase to 17.2%. However, because of the delay in finalising the report, the recommendation was to keep the government's contribution rate of 15.5% which was also noted as the rate for the 2008 report. Management should consider the Actuary's recommendation and the effect of not increasing the government's contributions according to the report on the Scheme's financial statements in the future. The Scheme did not increase contribution rates as recommended by the actuary.

4.42 SNPF - Parliamentary Pension Scheme for the financial year ended 30 June 2014

1. Our test on payments of withdrawals found that two cancelled cheques both had the cheque leaves missing from the cheque book. These cheques could still be presented to bank if they were not actually marked cancelled. Management should ensure that future cancelled cheques are crossed out or marked cancelled and attached to the cheque book for confirmation of cancellation. These were initially cancelled and attached to cheque butt. They must have been fallen off whilst the cheque book was being transferred from one level of the office to the next for reconciling and GL posting purposes every now and then. Staff will be more vigilant in the future.

4.43 Samoa Ports Authority for the financial year ended 30 June 2014

1. Payments made during the year were from the same suppliers without quotes from others. Enquiring suppliers quotes to support payments. At least three quotes should be obtained before any payment is made for goods and services. This issue was also raised in the previous audit. SPA has noted the recommendation but explained that some suppliers were the only ones with items needed, some were the only ones that accepted purchase orders and the urgency of work at any given time,

2. Staff personal cheques were cashed from daily cash receipts, and cash and cheques in receipt book did not agree with banking compared to deposit book. This issue was also raised in the audit 2012/13.

3. Non-statutory deductions were deducted from the employee's pay. These non-statutory deductions also create more administration work and costs. The only deductions that should be included in the payroll are NPF, ACC and PAYE. All other non-statutory deductions such as loan payments to financial institutions or insurance payments should not be included in calculating the net pay unless it is stipulated in the Labour and Employment Relations Act 2013, Section 27. SPA clarified that the decision to allow the processing of these deductions was based not only on the request by officers concerned, but also management concern for its employees having to leave the office to make repayments. Whilst the recommendation is noted, SPA intends to incorporate a provision in its Financial Manual to allow for deductions to government agencies [only] in its payroll.

4. Employees were hired without advertising positions. SPA's Employment Policy specifically states that vacancies should be advertised in the media for all interested persons. New recruits should also be approved by the Board of Directors and the General Manager. SPA said that the decision to hire the officers in the audit report due to the urgent need for expertise in those areas.

5. Contracted employees did not have employment contracts in their personal files. This issue was also raised in the 2012/13 audit.

6. Audit noted that VAGST Returns have not been filed since April 2011 as per confirmation from the Ministry for Revenue. VAGST returns should be filed on a timely basis to eliminate unnecessary costs on penalty fees imposed by the Ministry for Revenue. SPA admitted that this issue was currently under discussion with MOR, and that it has completed all its outstanding tax returns up to December 2014.

7. Lease agreements held by SPA with their tenants were mostly operating on expired terms and yielded much lower than commercial rates existing in industrial zones elsewhere in Apia. The renewal of these outdated lease agreements is recommended to incorporate any changes in the surrounding environment. SPA explained that it was working on updating all its lease agreements to bring them up to reasonable rates to be consistent with, and comparable to, those of current market value and commercial rates.

8. There were receivables that had outstanding for years, and there had not yet been a decision made towards writing them off. A proper analysis of these long outstanding accounts is recommended, and to seek the approval of the Board before they are written off. Some of the

receivables highlighted in the audit have been referred for legal recovery while one was under negotiation. The others will be considered for write-off as recommended.

9. Trade receivables have not only grown significantly to a more than 50% ($289,010.94 increase) of the total trade receivables compared to previous financial year, accounts outstanding more than 90 days have increased considerably by 25% (86,411.42 more) over the past 12 months. Much to this dismay is the contribution of one account contributing to not only more than 30% ($161,547.45/$434,020.99) of the outstanding exceeding 90 days but also 19% of the trade receivables in total. This is a clear indication of the inability of the Authority to put stringent measures on allowing sale on credit to avoid incurring extra costs for remedial actions with regards to trade receivables recoverability. We highly recommend the Authority to monitor its trade receivables on a more pro-active basis. Stringent measures such as developing a new credit policy that would improve their revenue collection reduce outstanding debtors; reduce the need for writing off bad debts should be incorporated into their accounting manual to take into account the issues above and to effectively follow up on the recovery of such deteriorating accounts. The Authority is currently working on finalizing a Credit Policy to address issues mentioned. It is also aggressively pursuing the collection of all receivables especially those over 60 and 90 days as directed by its Board of Directors. The account mentioned, has only $67,247.45 outstanding to date which, as agreement with the company, will be fully settled by the end of the Financial Year – 30th June, 2015.

10. There was no register for related party transactions. Recent developments in international accounting and financial reporting standards require the active registration and declaration of related parties and related party transactions. These include transactions between an entity and its directors, management, employees, customers, suppliers, financiers, and bankers. SPA is working towards establishing a Related Party Register.

11. The Fixed Assets Register was not updated. SPA stated that it had recently employed a Principal Asset Officer to address this issue as encountered in the past and as previously recommended by the Audit Office. SPA is also looking at suitable trainings for its officers.

12. Payroll reconciliation was incomplete as it only took into account the salaries and wages paid on a fortnightly basis, but not contract payouts, annual and sick leave entitlements. It was also not filed on time. It was not filed in on time as per tax legislation.

13. Cabinet directive for Board members only allows for payment of sitting allowances and annual directors' fees. However, SPA was also paying Board members for other events like:
    - attending courses at the Institute of Directors;
    - attending sponsored dinners or corporate tables on behalf of the Authority;
    - meeting between the Chairman and the General Manger prior to the Board Meetings;
    - inspections by the Chairman, apart from the Board's site visits;
    - entitlement of mobile phones and phone credits paid for by SPA on a monthly basis;
    - gifts for special occasions such as Christmas meal allowance of $50 tala

    This resulted in board expenses amounting to $110,727, an amount that would have been much lower had SPA followed Cabinet directive and legislation.

    The Chief Executive Officer of the Ministry of Finance in a letter to SPA on 19 September 2012 explained that these were not Board meetings and no entitlements should be paid out other than sitting allowances and annual directors' fees. This issue was also raised in the 2012/2013 audit.

14. Tender documents and quotes for the selection of SPA's insurance broker were not provided. Insurance services should be publicity tendered, with all tender documents to be kept by SPA.

This issue was also raised in the 2012/13 audit. SPA explained that it was initially seeking out insurance for its assets and was in discussion with a New Zealand firm. However, they were costly and had no in country resident representative; hence the decision to stick with the current insurer. Given the huge cost associated with advertising, SPA is of the opinion that new bids should be carried out every two to three years.

15. The classification of revenue and expenses, assets and liabilities was inconsistent on the system and financial statement. SPA note that, that was an area of concern in the past and has since worked towards improving its budget process. It will also continue to improve on this through proper consultation and by using proper codes in its Chart of Accounts.

16. There was extensive use of journal entries during the year which did not have supporting work papers for verification of accuracy. SPA has noted the concern for improvement.

17. There was no system in place to capture income received from bonds. Bonds invoiced and receipted during the year were immediately removed from the Excel spreadsheet once they were paid off. The accuracy and completeness of bond fees could not be ascertained due to the lack of information provided. SPA said it was working towards identifying those with the expertise in this field to see if bonds can be electronically recorded online.

18. While SPA's current ratio was far from achieving the benchmark of 2:1 and yet to meet its short term obligations with its currents assets, it has tremendously improved its current ration compared to the last financial year. It is recommended that the management continue reviewing SPA's financial position and advise the Board on appropriate ways in which they could better improve this in the next 12 months. SPA clarified that one of the notable improvement was the removal of the long Term Loan from under Current Liabilities loan repayments which were up to date and it was no longer using its overdraft facility.

19. SPA's debt-asset ratio shows that 36% of its assets were financed through debt which is a huge improvement compared to last year. The result indicated SPA's high borrowing capacity increasing its financial flexibility. It is recommended that the management continue reviewing SPA's financial position and advise the Board on appropriate ways in which they could better improve this in the next 12 months. SPA responded that its management and the Board of Directors will continue to work together to improve all its areas of operations.

20. Financial statements were not submitted on time. Legislation stipulates that financial statements were to be submitted within 60 days (31 August) from the end of each financial year to the Controller and Auditor General. However, SPA submitted their financial statements on 30 September 2014 with the final draft on 30 November 2014. SPA has noted the concern.

4.44 Samoa Post Limited for the financial year ended 30 June 2012

1. There were salary adjustments made to some of the staff salaries after the performance & planning review assessment. However these effects were not documented properly in the employees' respective personnel files. The absence of proper and sufficient documentation of salary changes may imply unauthorised changes resulting in unnecessary disputes. The changes may have been properly approved but documentation should still be in file and available for future references.

2. Some of the employees' leave requests/form could not be located. It was the Company's policy to have these properly filled in, approved and filed which was consistent with best administration and HR practices unfortunately this was not appropriately complied with. SPL was recommended that all employees:
    - Should complete a leave request form to be approved by the responsible superior in advance before taking any leave to ensure proper approval had been granted
    - Should follow and comply with their leave policy stated in their Human Resources Manual

   Audit also recommended the administration division to enforce the controls for leave by putting any employee who took any leave without the proper approval from the CEO on Leave without pay in order to mitigate the weakness of not following the company's process for leaves.

3. All employees leave request forms were maintained and kept in one file. This filing system wasn't an effective control to mitigate the risks of missing leave request form. The filing of these documents was also not in order whereby any of these documents could be easily misplaced. Audit recommended that Samoa Post should make use of employee's personal file to store all the relevant information pertaining to a particular employee. Leave request form for each employee should also be kept in their personal file. In that way, it would be easier to locate and find all the information about any employee in their personal file.

4. There was no proper method used to monitor the stock. For instance, the Infinity System was down during audit fieldwork and the stock file presented was not completely maintained as was noticed to have unsigned stock requisition form and also was all over the place which made it hard for audit to vouch. There were no monthly reconciliations for inventory. Audit was concerned on the nature of the stocks held by Samoa Post which could easily be obsolete or damaged. Not having proper controls in place to monitor inventory could lead to inventory being overstated or understated or undefined variances from the system. This issue was also raised in prior year's audit, yet no improvement or appropriate actions taken. Samoa Post was recommended the following:
    - A proper system should be in place to monitor inventory in order to mitigate any risks associated with stocks.
    - A proper file should be maintained and properly stored by the Samoa Post with regards to stock transfer to ensure all stock movements are monitored and documented.
    - Monthly reconciliation should properly be prepared for stocks to ensure actual stock matches the system balances.

5. The fixed assets register was not properly maintained and updated during the financial period. In addition to that, few fixed assets were wrongly registered under other fixed asset category. Despite the amounts being immaterial, the fixed assets register should be properly maintained and monitored by the client to ensure all government properties are properly safeguarded and correctly accounted for. For proper accounting, audit recommended that the fixed assets register should always be updated whenever a new fixed asset is purchased and when any assets were disposed. Also, all fixed assets should be classified under the correct fixed asset category for accurate reporting in financial statement.

6. Samoa Post did not have write off forms for disposed fixed assets. This made it difficult for audit to verify the proper approval for all the fixed assets that were damaged and disposed. For proper accounting, audit recommended Samoa Post to prepare a write off form for proper approval of all the disposed fixed assets. This will indicate the CEO/Managers proper approval for good controls and monitoring of fixed assets.

7. Audit noted that Samoa Post did not have a file for general journal entries. All general journal entries should be approved by the appropriate personnel or the CEO before any entry was made on the MYOB system. Due to the absence of this file, audit could not verify some of the entries made and the number of entries at hand. There was an increased risk of unauthorised entries as no proper process was in place at the time. It was recommended that proper process and procedures should be in place to monitor all general journal entries. The client should also maintain a proper register and file all documents related to all general journal entries to ensure all entries made were genuine.

4.45 Samoa Post Limited for the financial year ended 30 June 2013

1. The subsidiary module for accounts receivable (SALES) had not been properly updated. There were invoices already paid but recorded as outstanding on the system. Instead of updating the respective individual debtor accounts the payments for these invoices were charged against the Trade Debtors control account when these payments were posted for these accounts they were made through general journal entries rather than the SALES interface/windows. As a result, debtors' reports produced were inaccurate with unnecessary time and effort for further reconciliations and manual adjustments which could have been avoided should debtor payments have been correctly treated when posted. Samoa Post responded that they were working on reconciling the differences between the General Ledger and subsidiary ledgers as raised.

2. The VAGST return for the period May - June 2013 showed a credit (receivable) of $26,258.91 whilst the financial statements (Balance Sheet) reports a payable balance of $51,587. The returns were prepared manually (Excel) although the GST function of the MYOB General Ledger was still available and used during the posting. The difference could not be explained and the accuracy of this account balance could not be confirmed. Samoa Post responded that the variance noted was possible to be resulted from the accounts using accrual basis however VAGST returns were prepared on a cash basis and they were currently working on reconciling the variance in order to be more transparent in future audits.

3. Audit could not substantiate the accuracy of stock balances (purchases, cost of sales and ending stock) due to the following:

   - Infinity System (point of sale system) at each District Post Office (DPO) was not linked to the Main Office (801 – Infinity terminal). There was also no manual record or register of purchases maintained and the General Ledger was not properly updated.
   - Proper reconciliations to support the journal entries and adjustments made to the General Ledger were not made.
   - Stock take sheets were not located

   Samoa Post stated that stock reconciliations had been updated with minor variances to be reviewed further. At the time, stock was under Retail & Marketing Department and Samoa Post was working on handing it over to Finance Department again.

4. All the privileges to accessing every function and module including the system settings of the MYOB were with the former Finance Manager as she had the Administrator password. There was also another account (SPost) that was used by the former Finance Manager that was shared with other finance staff. Tracking of accountability and segregation of tasks was not facilitated where an audit trail of who did what was not effective to identify the processer of certain transactions. There were two user IDs other than the Administrator's access account; SPost and TS where the latter has not been used in any transaction of the year under audit. Audit also found out that the System Audit Trail and some other important functions were not used. Samoa Post in their response stated that currently only two of their finance team have access to MYOB system, and that their current Manager Finance & Administration and the Team leader were using only one MYOB account.

5. Issues relating to Australian Mail Services (AMS) and International Settlements (IS) receivables and payables included:
   - The amounts received and recorded on the General Ledger per month had been noted to be different from the amounts recorded on CN summaries.

- The receivable and payable balances under the two major classifications above (AMS & IS) and per the financial statements could not be specifically stated per country/administrator. The respective owing (to and from) balances by country could not be substantiated even through third party confirmations sent out, as some countries were still sending in various and ongoing changing figures compared to Samoa Post records up to audit closing date.
- Narrations in some journal entries were unclear, incomplete and confusing which did not help in understanding the nature of certain transactions.

All reconciliations of IS and AMS related accounts have been updated, the balance of reconciliations now in agreement with general ledger. All invoices are now posted separately to IS and AMS as recommended to avoid confusion.

6. There was no accounting file containing all work papers and reconciliations to support amounts disclosed in the financial statements. The major difficulty faced by the audit was the lack of proper and complete reconciliations for some accounts. These made it difficult to complete the audit in a timely manner. Samoa Post stated that they now have an audit file for our audit 2013-2014 and will continue with this for future years.

7. It has been noted from previous year that audit proposed adjustments were not properly posted into the system since the 2011 audit. Audit discovered that audit adjustments were posted in the backed up data in a separate data file which had no effect at all in the current/new year data. Discussions were held and a considerable amount of time was used to fix these errors. Samoa Post explained that audit adjustment for the year 2011 was submitted in 2013, audit adjustment for 2012 was submitted in 2014. The continuous delays were submitted while the financial system was rolled over at the end of each financial year. Samoa Post were confident that adjustments will be up to date moving forward and their current Manager Finance & Administration is now responsible for processing all journal entries including any audit adjustments.

8. The company did not have in place any written and documented procedures to guide how different business activities were carried out. As the business is expected to grow it is therefore expected that its activities will increase in volume, size as well as its complexity. Samoa Post stated that management will look into this important matter.

4.46 Samoa Post Limited for the financial year ended 30 June 2014

1. There were no signatures of the reviewer for bank reconciliations and were also not dated. Audit recommended that management ensure proper procedures of having the reconciliations signed are carried out.

2. There was no backup policy retained by the company, this should indicate how backup should be done, who is responsible and how often backups need to be done. In addition a restoration should also be tested on a regular basis to make sure backup works properly. It is recommended that a backup policy be in place for the organization.

3. It is recommended that Samoa Post put in place a disaster recovery policy of times when an emergency happens. Disaster recovery policy ensures that valuable information is properly stored and correctly restored when needed. Samoa Post does not need a complicated policy but just a simple one of how to restore the data and how to recover the data and this should be properly documented.

4. Samoa Post did not have a formal cash handling policy, which outlines procedure of the process that is done at the end of the day. This ensures all personnel who reconcile cash and checks at the end of the day ensure information is properly documented and checked. We recommend that a cash handling policy be formalised to document the process of cash management and reconciliation.

5. We noted that there was no external storage of data and it is recommended that Samoa Post ensures an external backup is in place so that any loss of data when unforeseen circumstances occur is able to be properly retained and restored.

6. Daily cash counts for Apia branch for the months of October, November, December, January and February had no signature of Team leader or appropriate personnel, indicating a check was made. It is recommended that appropriate personnel ensure all these daily cash counts are checked and signed to indicate review and proper checks were made.

7. The company cannot rely on the trade debtors and accounts payable amount as posting errors from previous years are shown on system (MYOB). We recommend that Samoa Post clean up the trade debtors and Accounts Payable report so that the system could be properly used.

8. There were no third party or independent personnel to check the company's banking before lodgements were made with the banks. Checking is critical to ensure banking is properly done and that errors are corrected. This will also ensure fraud is detected and that misstatements are corrected.

9. Bank statements were not reviewed or checked by appropriate personnel other than the person preparing the bank reconciliation. Checking of the bank statements were not done prior to reconciling the bank accounts. It is recommended that bank statements are checked by personnel other than person reconciling the accounts to ensure unusual transactions are detected and that fraud is minimized.

10. There was no specific person assigned to perform the delivering of payments, disbursing of cheques, delivering payroll cheques to the bank and reconciling of accounts. We understand that a new accountant was hired. However, that does not stop the organization from ensuring

the appropriate personnel carries out the work. It is therefore recommended that the Company ensures proper segregation is in place to minimize the risks of fraud which can occur.

11. The Acting Finance Manager at the time of the audit confirmed that she was able to post adjustments or journal entries. We understand that Samoa Post recently employed a qualified accountant. With the new accountant, it is recommended that Samoa Post ensures duties are properly segregated to minimize fraud.

12. Samoa Post does not keep a log of when backup is done and what time and who had done the backup. It is recommended that this be in place to ensure Samoa Post keeps track of when backup was last done.

13. There were no proper documentation of authorization from employees to deduct certain amounts from their pay. It is recommended that this properly be in place.

14. Personal files were incomplete and were not updated. It is recommended that personnel files contain proper and accurate information of each individual at Samoa Post Limited.

15. As a result of its international mail service Samoa Post has international settlement balances. Upon review of this account it appears as if the balance at 30 June 2014 is an estimation as we have not been able to receive any confirmations of the settlements due between the international mail service providers. There is a liability for and a receivable for international settlement. The receivable balance is made up of the net amount between the inward mail and outward mail (if inward mail is more than outward mail a receivable exists). Samoa Post should net off the receivable and payable for disclosure purposed where they are to the same party. Samoa Post responded that this was their recommendation in their management settlement customer accounts for each country that they deal with regarding international mail. At the moment, they group everything together in either a debtor or a creditor general ledger account.

4.47 Samoa Post Limited Comprehensive Spot Check for the period 1 July 2014-28 February 2015

1. The point-of-sale system at Salelologa was not directly linked to the POS system at the Main Office at Matafele nor was it linked to the accounting system in use. All sales collections records from the infinity system were manually posted into the MYOB system. Some sales collections did not appear on retail reports, and on office records. This was attributed to a technical fault of the system at Matafele, with frequent power shutdowns causing system errors. These weaknesses question the reliability and the accuracy of reports produced from the system. SPL explained that systems were costly to maintain and is considered not viable for operations from all its District Post Offices, considering the unreliability of connections and links.

2. Weakness identified regarding receipting of District Post Offices in Savaii:
   - No receipts from the system attached for verification of Infinity daily reports from Salelologa. Audit could not verify the completeness and the accuracy of reports.
   - No records kept by the DPO of Bluesky's related transactions. All transactions are recorded in Bluesky receipt books and such are returned to Bluesky upon completion. As a result, there were no records kept by the DPO, and audit could not confirm the accuracy of these transactions.
   - For the Fagamalo DPO, all e-charge transactions during the day was receipted on one receipt with the name of Samoa Post as the receiver. There were no sub-receipts or transaction listings to support and verify accuracy of the amount collected.
   - There were alterations/changes noted on manual receipts without any initials to signify proper approvals of such changes.

   SPL responded that the Infinity System was costly to maintain, together with the environment for its hardware. The system was down since 9 September 2014 and retrieval of respective receipts could not be entertained. Officers have been asked to retain another copy of the Bluesky receipt for company records. Operations officers at District Post offices in Savaii were advised to manually receipt single transactions for e-charge even for $1.00 as required. The issue of receipt alteration was the addition of the officer signature which was missing, but the actual amount receipted and banked was not affected. However, all operation officers have been informed that alteration of receipt copies will not be tolerated.

3. There were various instances of short banking, over-banking and delayed banking for all the DPOs in Savaii in addition to the Main Office, Matafele. The delayed banking was more frequent at the Sala'ilua DPO. These deficiencies have become a norm in DPO operations reflecting poor monitoring from the Main Office. This practice must be discouraged as there is a risk for staff to use the sales collections and returned the following day - these are fraudulent and unacceptable. SPL has noted recommendations and requirements have been relayed to all Savaii staff for receipt numbers to be included in daily sales submitted to the Main Office on a daily basis. Banking for Salailua and Fagamalo is on a weekly basis since the termination of NBS service with SPL.

4. Postal Services revenue was underachieved by 12% for the 8 months under review, particularly in the areas of international mail business, post shop retail, philatelic agent sales (photo prints) and internet cafe. SPL said that the Board and management continue to monitor and analyse its budget on a monthly basis and understands the rationale behind the forecast, financial achievement to date, and changes behind audit concerns. SPL believes that based on aggregate financial results, it achieved all its financial indicators in all areas on actual year-to-date results, except on total revenue. SPL also explained that given the fragile business

environment it operates in, various unforeseen circumstances and external forces were in operation, affecting the operations from time to time. The Company copes well under these circumstances and continue to meet all its social, legal and financial obligations at all times. Their focus remains in the achievement of their aggregate results in total revenue, total expenses, NPAT as well as dividend payment to Government.

5. Audit notice payment of cash cheques which pose a risk. SPL replied that making the cheque payable to the bearer of the cheque made it easier for both parties.

6. Withholding tax of 10% was not withheld from payment of services as required under legislation. SPL only deducted withholding from directors' fees and sitting allowances, but were not aware of tax on services. This has been noted and SPL has requested from MOR a list of all services for withholding tax.

7. There was non-compliance with Tenders Boards guidelines in the tender of constructions works:
   - the proposed construction renovation/maintenance was not publicly advertised to all interested contractors. Only the usual contractors hired to do work for SPL were directly contacted and engaged for this arrangement.
   - Quotes submitted from interested bidders were insufficient as there were only two quotes required SPL;
   - The assessment in awarding the contract to the best bidder was not in compliance with the Tenders' Board guidelines.

   SPL clarified that the renovation work was for three DPOs in Savaii. These were three separate jobs, and well below the threshold of $50,000. SPL negotiated with the construction company and the job was conducted at a lower budget than planned. It is SPL's experience that advertising results in not only higher costs but also attracts tenders beyond its budget.

8. A bonus of $15,000 was paid to the General Manager for the 2011 - 2014 term, which was approved by the Board. Audit understands that this was a result of a request submitted by the GM. However, this is in violation of the HR manual as the GM is not entitled to such a bonus. The GM is only entitled to benefits stated in the terms and conditions of Employment Contract. SPL explained that this was approved by the Board given that the GM was not entitled to any other benefits. The Board approval was also based on financial and non-financial achievements during this three year period. Secondly, funds were already accrued during the year, for staff bonus, and the residual was then utilised for payment of GM bonus. The current GM contract is now in line with all government corporations in respect to benefits.

9. There was no register for related party transactions especially on matter where a conflict of interest might exist. SPL responded that a register was now in place.

10. The Minister's related expenses did not comply with the approved procedures in place, and invoices were not validated by the Minister. SPL takes responsibility of this oversight and will ensure that requests from the Minister's Office will be thoroughly approved by the Minister himself.

11. Issues with HR, leave and attendance:

    a. Attendance Book
      - Staff did not sign in the attendance books upon arrival and at end of the day;
      - There was no indication of whereabouts of staff;
      - Leave application and attendance book were not consistent in the type of leave taken;
      - No set procedures for monitoring and reprimanding late comers.

SPL stated that staff will be advised to adhere with HR requirements moving forward, and that this oversight will be monitored properly.

b. Leave

- Staff taking leave without any leave forms/no proper approval;
- There were also leave files completed without CEO approval;
- Leave balance records were kept as e-copies without any backup;
- Leave cards were not properly updated. As a result, total balance of leave utilised/taken did not correspond with the total balance on Leave cards.

SPL has noted concerns and that approval will be sought before any staff takes leave. Leave cards were now recorded manually and will be updated accordingly.

c. Time-Off

- Time-off entitlements were not effectively monitored. The list summarizing actual overtime hours worked approved by the CEO was not provided.
- Staff working overtime was automatically entitled to time-off.

SPL said it will put in place a standard procedure to keep track all time-off that staff were entitled to, and that all time sheets are passed to CEO for approval.

12. There were two types of telephone allowances being paid to staff members: $75 standard amount per month for all staff, and $50 and $25 worth of phone cards/top ups paid separately for some staff based on their designated position per month. For general staff, there was no policy in the HR Manual for any entitlement to telephone allowances and cards. SPL clarified that the Board and management will review the HR Manual for this matter. The $50 and $25 phone top ups for operational staff were not considered benefits, but phone credit given as a work requirement due to the nature of their delivery responsibilities.

13. Deficiencies in the review process for performance ratings included:
    - Different review templates used, compared to the approved assessment template on the HR Manual;
    - Operation staff assessments had no ratings on their performances;
    - No supporting evidence of ratings used to calculate bonuses.

    SPL responded that bonuses were based on performance reviews done by department managers in addition to the GM's assessment. The staff assessment is uniform amongst all departments and the issues raised may have been an oversight. All managers have been informed of this matter and ratings are now included in assessments starting from the quarter ending 31 March 2015.

14. Increments for some staff were unjustified based on their level of performances, having not met the targeted revenue as indicated in their performance review. In addition, their individual rating from Performance review could not be confirmed. SPL explained that the salary increase was based on the increasing work load shared by these employees, when the Team Leader for Operation retired in December 2013. Assessment was based on delivery report from UPU on performance standards of Samoa Post. SPL adhered to HR manual which stated, that salary increase, should be based on its capability to pay (profitability), the inflation and market relativity as well as individual performance.

15. Personal files were not properly maintained, with no file checklist kept in files. SPL said that the checklist is a new issue, but will implement this. In relation to incomplete files, SPL will transfer all documents to personnel files.

16. There was no Asset Management Plan/Recovery Plan. SPL has assets which have been fully depreciated, without any plans for disposing and replacing them. It was clarified by SPL that the Asset Plan was included in its Corporate Plan 2015-2017. There was also a Fixed Asset special Term Deposit account specifically for this purpose with a current balance approximately at $500,000. SPL does not consider this an issue as it can replace its assets at any point in time, when the need arises.

17. Samoa Post does not have an Accounting Manual or a Finance Operational Policy to cover all its current business processes, systems and procedures. A formal accounting manual assists in ensuring that proper direction and guidance are available for existing staff and any new recruits. SPL said that the Board and management will look into this matter.

18. Fraud investigation cases that had taken place at the Sala'ilua, Tuasivi and Fagamalo DPOs in Savaii, were noted to have no case files or any documentation. In addition, it was noted from Board minutes that while it was reported that a prisoner was responsible for both the Sala'ilua and Tuasivi cases, SPL employees were also involved. A total $15,748 was reported stolen in the Sala'ilua, and $573.90 from Tuasivi. Two employees were terminated due to fraud case at Fagamalo without any documentation or a case file. There were also no recovery actions for the loss incurred from these theft cases because there was no proper documentation. SPL said that its files were now in order with all supporting documents required as well as Police reports.

4.48 Samoa Qualifications Authority Comprehensive Spot Check for the period 1 July 2012 – 31 March 2013

1. Accountable forms register was noted to be incomplete. There were important details that help in tracking the movements of accountable forms that were missing.

2. There was no segregation of duties noted for the Inwards cash and receipts process as all cash handling, MYOB postings, banking and bank reconciliations were done by the Principal Accountant posing the Authority to possible fraud risks.

3. Bank reconciliations were not reviewed by the responsible manager as evident with no signature on the reconciliations by the reviewer. SQA assured that their Financial Policies and Procedures Manual Section 7.3 sanction this procedure and management will be alert to ensure that this requirement is carried out thoroughly.

4. There was still no complete list of Post School Education and Training (PSET) providers available at the time of the audit. This could result in the understatement of debtors and no follow up of any outstanding amounts owed by PSET providers. This issue was also raised in previous audit. A complete list should be in place with approved fees to be properly determined and recorded to ensure proper accounting.

5. No payments were made to Ministry of Finance for the tenancy charges of the Authority for using the TATTE premises. Audit was concerned on the accumulating outstanding amount which could impact the Authority's current budget and future year's budget if remained unpaid. It was recommended that proper financial arrangements be made by the Authority to clear these outstanding liabilities to prevent putting pressure on future years' budgets.

6. There were no proper controls in place for processing of Journal entries. There was no formal approval documented to ensure that journal entries processed were properly approved by the appropriate authority. SQA responded that the principal accountant was advised to make hard copy for signing as entries were done electronically and could be accessed through their Corporate Services network file.

7. There were missing fixed assets from their respective locations recorded on the fixed assets register. Management was advised to investigate further on these missing assets and an Irregularity report should be raised if these were confirmed missing.

8. Fixed assets register was incomplete and was not updated. SQA was recommended to properly monitor and update its Fixed Assets Register. Regular asset counts were also encouraged to properly update and account all assets of the Authority.

4.49 Samoa Shipping Corporation for the financial year ended 30 June 2013

1. Attendance books were not properly monitored.
   i. Attendance books are not returned to the Main Office when completed.
   ii. Filling of the attendance book was not properly done, for instance, no signature but working hours noted; others have signatures but no working hours given; and some have been signed in but marked sick.
   iii. Leaves taken were not marked on the attendance book.

   The attendance and leave records of employees on vessels could not be verified to confirm entitlements being paid due to attendance books not being properly monitored. Recommendation duly noted. Management will carry out a complete review of the current system and make changes incorporating the audit recommendations accordingly.

2. There were no employment contracts for the CEO and also for all ACEOs of the corporation. The terms and conditions in addition to entitlements paid to these contracted officers could not be verified due to the absence of the employment contract. SSC responded that they have explained themselves during the audit especially the reason for not having these employment contract existed. As employees of Government, they are not obligated to draw up their contracts and sign it themselves as this is the responsibility for the Office of the Attorney General who has been instructed by Cabinet upon their appointment to prepare their contracts for signing. Up until now, they haven't signed contract hence the reason for its non-existence. The same also goes for their ACEOs. They acknowledged the concern regarding this issue and the Board and Management will proceed in obtaining some guidance from other SOE's in order to formulate a standard contract consistently applied to all CEOs and ACEOs whereby its terms and conditions are identically similar.

3. We noted the following weaknesses during the audit:
   - The preparation of the Corporation's payroll is done by the ACEO Finance. Audit's concern is that there is no segregation of duties in place for the processing of the payroll. As most of the tasks like calculation of deductions, changes of rates, inputs of new recruits and so forth are basically done by ACEO Finance. To simplify this situation, the ACEO Finance is performing both record-keeping and reconciliation/review of the payroll process; unfortunately these functions should not be performed by one personnel. This was raised before, thus it should not be an issue anymore.
   - The Manager of Marketing has been given the HR responsibilities but these fields should be separated. This indicates poor controls by no segregation of duties, and as a result the outcomes for both areas will be unsatisfactory since it's overloading and Marketing functions and responsibilities extensively varies from Human Resources functions and responsibilities.

   Management noted the concern with regards to segregation of duties and controls but with the process aforementioned and explained during the audit, Management feels controls are still intact and with the approved AGM Corporate Services position, this role will be removed from the AGM Finance. The resignation of the former Human Resource Officer prompted Management to make a decision on the HR role. The Marketing Manager has completed her Post Grad Certificate in Human Resource towards completion of her Master of Business Administration Degree hence the Management decision for her to take over this role in addition to her Marketing role. We note the concern with segregation of duties but the decision saved the Corporation money from not advertising for another HR specialist to take over and improvements in HR is evident since the move.

4. There were personal files found to be incomplete as they do not include all the necessary documents for recruitment such as the application letter, letter of offer, photos, Curriculum vitae, qualification, and interview results. SSC have recruited a HR Officer under the immediate supervision of the Marketing / HR Manager to address these issues. A new filing system is now in place for ease of reference and all of the Personal Files referred to have been updated to contain the necessary documents as raised by the Audit. Management is confident that the changes made will ensure all the issues raised are addressed immediately and to be adhered to for future improvements.

5. Time cards were inconsistent with the time sheets. The following weaknesses were noted:
    - According to the Payroll Officer, the time of the clock that is currently used in the Head Office is 5 minutes slower than the normal time, and no one knows how to change or correct the time besides the Supplier. The start hour given in the time card contradicts the start hour given in the time sheet.
    - Most of the time cards were handwritten instead of punching in the time clock which defeats the purpose of clocking timesheets.
    - Any employee can clock in another employee's time card which is an unethical practice to do. Using of a twink on time cards. Time sheets for all employees working on vessels are prepared by Captains.

    Management duly noted the issue concerned and all the Supervisors and staff have been advised of the need to comply. Management will look at changes required to be made in the process to avoid repetition of such practice in the future.

6. There were employees' with actual salaries paid that have exceeded their annual salaries budgeted due to overtime payments. *Management duly* noted the recommendation. The list above consists of only crew members and staff on the wharves and this is an issue that Management has been trying hardest to minimize overtime hours due to the nature of their jobs. These staff starts at 4 am and finish at 7pm from Monday to Saturday and that is their normal week. Management introduced another system where they work one week and off the other week during one pay period but the shortage of crew especially in the Officer levels due to many of them taking overseas job offers and the fact that the Labour and Employment Act is silent on seafarers working hours, Management decided to put this on hold and back to the old system where each crew must have at least 4 days off during one pay-period.

7. During our review of the physical existence of accountable forms, we noted that the following books were issued but not recorded on the register by the responsible personnel. Audit also noted that books were not issued in a sequential Order for ease of reference. Recommendation duly noted and Management will implement new procedures to ensure all books are properly recorded when issued and returned or closing.

8. The following payments did not have proper supporting documents for verification. There was also an inconsistency in the amounts paid noted. For instance, staff donations, one of the payments for funeral donation amounted to $2,004 while a payment for a wedding donation was only $1,120. These payments were paid from the Corporation's funds instead of funding from Staff Social Fund or personal monies as per normal government procedures. There was no policy to govern the basis of such payments thus increasing the risk of unauthorised payments. Types of Payments such as Staff Donations and Food Provision. Staff donations of $1,120.00 to one of our staffs wedding which was fully paid on pay period ended 20/07/13. Likewise staff donations for funeral confirmed were fully reimbursed on the next pay period. The amounts for these staff matters depends on the total amounts of staff donations and since we are aware that may be only 1% of staff will have cash like many other organisations in

Samoa, hence the approval by Management to pay out of the Corporations funds but are reimbursed immediately in the very next payday, therefore the funds are paid from staff personal monies. We raised the payment voucher for payment of vessels food provision for each vessel on duty every Monday. The calculation is based on the numbers of crew members onboard x $12.00 per person x the number of days each vessel will be running each week. (Example L/Samoa 3 - 20crews x $12.00 x 7days a week = $1,680.00. This issue was raised in the previous audits and the concern was the lack of supporting documentations and as a result, starting this financial year 2013/2014 we now attached lists of each division and each vessel and their weekly amounts to the voucher for supporting document.

9. There were stocks released and received after the financial year 2012/2013 stock take that were not recorded and updated on the system as per process in place. Recommendation is duly noted, and the Assets & Stores Division has in place the following process to ensure that stock are properly accounted and recorded.

10. We noted in the payment register a number of cheques totalling $298,336.3 in value for the months of July 2012 - June 2013 (audit period) that was paid to SSC. This is an indication of the amount of cash payments made out of daily collections which were later balanced by writing cheques payable to SSC increasing the risks of lapping and lading. Bulk of the amounts quoted is the weekly food provisions for crew and staff which is about $4,080 per week and the small portion of the quoted amount relates to the normal petty cash items.

11. The Corporation is paying for the CEO's cell phone bills, yet he is receiving a telephone allowance of $3,600 annually as per normal CEO benefits for all Government heads. Audit could not confirm whether this extra telephone payment is governed under the CEO's contract as the requested CEO's contract was not available at the time of the audit. The telephone allowance included as part of the CEO salary package was initially related to the CEO landline home phone. That was how the telephone allowance first came prior to the existence of mobile phones in Samoa. The CEO cell phone in relation to the previous CEOs of SSC has been part of the normal communication costs which now becomes a need for the effective and efficient management of the Corporation operations and its affairs locally and overseas. The same treatment is afforded to the current CEO and it has been the same for more than fifteen years. We have various plans from the current phone Companies we take up for our Management and Staff and this is part of the incentive we offer to compensate for their loyalty to the Corporation. Should this be required to be included in the CEOs contract we are obliged to do so and take it up with our Board but recommendation duly noted.

12. Petty cash vouchers were not pre-numbered. Thus, it will be impossible to check the completeness of vouchers and it will be difficult to track the existence of each voucher since they are not in sequence. Sequential pre-numbering of vouchers confirms the steps have been taken to ensure financial statements are prepared accurately by recording all such transactions which should have been recorded. Moreover, each voucher is a way of tracking expenses to make certain they reconcile with funds on hand at any time. Hence, not reconciling the petty cash can easily lead to petty cash variances between actual funds and supporting documents. Recommendation duly noted and Management will review and make appropriate changes.

13. During physical inspection of fixed assets, we noted that assets procured in the financial year under audit were not labelled with reference numbers for ease of identification. New assets acquired and located at the Head Office were just labelled during the audit while items at Vaitele (SSMA) were not. This issue was identified in previous audits and had continued on to this financial year which reflects no improvements at all. Recommendation duly noted and as explained during audit the Assets & Stores Division has started with the labelling of all the

Assets according to their locations. For ease of referencing for heavy duty machine we have initiated a photo shot labelling system whereby all the machines have a photo with the relevant details for register purpose.

14. There is currently an existing register used by the Corporation but does not reflect the correct locations of some assets due to not being regularly updated. We also suggest the following format with additional columns so that important information relating to receipt and issuance of assets are incorporated into the register for proper presentation of information and ease of reference. Recommendation duly noted and will liaise with our IT to modify current Register to take into consideration the suggested format. Also the Asset Manager will ensure all assets are properly monitored during periodical checks to avoid being removed from their recorded locations and amend register accordingly.

15. According to the Manual Policy of the Corporation, the limit for salary advance is $200 however there were salary advances that were more than the limit. All of the items referred to above are training assistance for staff doing part time studies relevant to their line of duties under the below quoted section of the Policy Manual. Management will consider a review of the mentioned section of the policy manual to be in line with the relevant legislations and Cabinet Directives.

16. There was no standardised write off form for proper documentation of items/assets that had been disposed or written off. As per Finance Manager and ACEO Finance, the Corporation does not have any standardised write off forms. As a result, audit could not verify whether the removal of assets from records or items that had been written off were properly authorised by the appropriate authority and the legitimacy of such transactions would also be questionable. Recommendation is duly noted and will work with Auditors on designing a suitable policy for assets write offs.

17. The Corporation does not deduct 10% withholding tax from payments made to their suppliers for services provided so as to comply with the Income Tax Administration Act 1974 (Clause 8, Third Schedule) and the Income Tax Rates Act 1974 (Clause 13, Second Schedule) and Ministry of Revenue Circular Memorandum MFR N-01 /2010. Additionally, the Corporation does not deduct withholding tax from Directors' fees which is a noncompliance practice to the Cabinet Directive F.K. (13)(06) "Faalaugatasia o Faamanuiaga mo Tagalafaigaluega a le malo i Faalapotopotoga Tumaoti ma le public service. " As stated by the Cabinet Directive (F.K. (13)(06)), withholding taxes are deducted from Directors' sitting allowances, which the Corporation has failed to comply with. This issue was raised in the previous audit report and had continued on to this financial year. Recommendation duly noted and Management will review current practice and liaise with MOR and make appropriate changes to comply.

18. There was no proper formal signed agreement in place to document the agreed terms and conditions for the Vessel Replacement Fund arrangement between SSC and Ministry of Finance for references. Recommendation duly noted and will liaise with the Ministry of Finance for a formal executed agreement as recommended.

19. The 50% of net profit after tax is no longer paid as dividend to the Ministry of Finance as per the government policy on dividends, but is transferred to a special purpose account established by the Corporation called "Vessel Replacement Fund" (VRF) as per special arrangement between the Corporation and MOF. However, there is no proper special purpose account established for the VRF so as to comply with FK (07)11. ACEO Finance explained that the VRF, is split into their various term deposits with various Financial Institutions to earn attractive interest rates. Audit is most concerned that no proper reconciliation of profits

earned within each financial year is done in accordance with funds in the various term deposits to ensure that all terms and conditions of FK (07)11 and the arrangement agreed by the Corporation and MOF had been fulfilled. Management duly notes the recommendations and will take this up for the current financial year ending 30 June 2014. We have also revised Note 13 of the 2013 Accounts providing the balance of the VRF and the breakdown for confirmation.

20. The Corporation has an Insurance scheme at an Insurance Company in New Zealand for all its employees (including Management). As per ACEO Finance, the insurance scheme commenced since the early 1990s, and was also approved by the former Board at the time. According to the Maritime Labour Convention 2006 which Samoa has endorse its instrument of ratification, it is indeed a requirement for Shipowner such as SSC (under Regulation 4.2 Shipowners liability) to ensure seafarers are protected from financial consequences of sickness, injury or death occurring in connection with their employment. The same risk shared by its entire staff during natural disasters whereby all staffs are required to work and assist the Corporation to minimise any damage caused to its vessels, properties and equipment. The financial security the Corporation see fit is the current Insurance Scheme which is the minimum requirement to ensure we comply with these International Convention whereby Samoa is a signatory of, As much as we have worked with most of the Insurance underwriter's locally, the Group Scheme is not locally available hence the appointment of Fidelity Life Assurance Company Ltd in New Zealand; Should the Auditors be pleased for Management to prepare a submission to Cabinet to endorse this scheme already approve by the Board of which the FK make exception for will be delighted to do so upon expiration of the current cover;

21. Some credit card expenses were not properly supported with relevant documents and no comment stated on credit card statement to explain the purpose or nature of such expenses. Entertainment and hospitality expenses were also noted but Board of Directors approval was not obtained prior carrying out such function so as to comply with the Credit card policy. In addition, no monthly credit card acquittal report and credit card Reconciliation thus therefore considered as non compliance with SSC Corporate Credit Card Policy & Guidelines: Part 5 and Part 8: Section 6. Supporting documentation have been furnished and sighted and explanations have been given regarding the nature of all the credit card payments.

22. Some information were not available for audit review such as; Income tax returns, CEO and ACEOs contracts and Vessel Replacement Fund correspondences and reconciliations, and Complete copies of all updated official policies/manuals. Management duly noted the recommendation and to be adhered with for the next audit.

23. Special meeting held on 15 March 2013 was called for the board's endorsement and approval for the utilization of insurance claims for Renovations. Unfortunately, there were missing documents for such special meetings, such as the motor vehicle insurance claim (discussion papers). Furthermore, the board meeting that was held on the 22nd February 2013, there were some missing discussion papers for audit review, such as the Insurance report – fleet. Management duly notes the recommendation and will follow up and have the mentioned board papers signed.

24. There was no formal signed agreement between the Corporation on behalf of the government of Samoa and the agent Polynesian Shipping Services to govern the operations of the Corporation handled and managed by the agent in Pago. This is of high risk as there are no formal terms and conditions in place to govern both parties in case any disputes or disagreements may arise. There is an agreement existed with the Agent since its inception

which is a very simple one that goes back more than twenty years. We tried to locate a copy but unsuccessful to date and we are not ready to draw up a new one since it will be an opening for the Agent to bargain for revised fees and other terms and conditions. Should we fail to locate a copy, we will request for the Agent to locate theirs and make us a copy.

4.50 Samoa Shipping Corporation for the financial year ended 30 June 2014

1. There was no Income Tax Depreciation Schedule maintained, properly calculated and updated annually, and only estimates using some unusual formula were being used. This has resulted in the calculation of income taxes payable, including deferred income taxes, in the financial statements to be misstated over the years. Subsequent extended audit work confirms that income taxes payable have been significantly overstated and overpaid over the years. It is strongly recommended that this important accounting exercise should be done for all years up to 30 June 2014 and have these income taxes corrected in the 2014 General Ledger and the financial statements for that year.

2. There was no proper and reconciled register for Plant and Equipment. A proper maintenance of a fixed assets register for Plant and Equipment was recommended to contain all the necessary details, both for items acquired and those disposed, and to agree with the General Ledger.

3. VAGST paid on transactions were not correctly recorded in the accounting system in a VAGST receivable account, and was incorrectly labelled an expense in the General Ledger. It is strongly recommended that procedures and controls are put in place to ensure the VAGST paid portion of payments are correctly accounted for.

4. A cheque for dividend of $56,737.60 received by the Board in August 2013 from UTOS was never recorded or banked by SSC. This is a very serious breach of internal controls and accounting procedures over cash received, as cash received must be immediately receipted and banked promptly and intact. SSC should pursue the recovery of this unrecorded income which has now been adjusted and taken up in the audited accounts for the year ended 30 June 2014. SSC said that the cheque was misplaced, but was recovered from UTOS in December 2014.

5. There was a cash shortage from actual total sales not matching expected sales, based on the numbers of tickets sold. Management should look into this matter to ensure that all expected sales agree with ticket sold. SSC confirmed the shortage and has taken action to avoid future recurrence.

6. Some sales reports for freights had no supporting documents for verification of freight charges. SSC said it will carry out procedural changes to comply.

7. Freight collection from Pago was not approved. Customers are required to pay freight for shipments from Pago to Apia through an agent, whereas an approval from Head Office in Apia can only permit a certain shipment without payments, but will later pay in Apia when uplifting shipments. It is recommended that the agent be advised on this matter, that freight collecting can only be permitted under approval from Apia. SSC said that the Pago agent is well aware of the procedure and have been reminded of this practice.

8. Credit sales associated with certain total receipts have not been listed or included on the sales report from the Pago agent and therefore not recorded. It is strongly recommended that appropriate reconciliation procedures be carried out so that all credit sales are properly recorded.

9. There was delayed banking and incomplete sales reports from Salelologa and Mulifanua. These branches take up two to three days before daily sales are banked. As a result of incomplete report, audit was unable to check whether cash receipts were being banked intact. This has been an issue in previous audits. SSC explained that the delays for Mulifanua banking were due to the opening hours of the airport branch. The Salelologa banking issue was from a banking system malfunction.

10. Some cash sales were used to pay for SSC daily expenses because of insufficient petty cash. Audit recommended increasing petty cash from $500 to $2000 as the petty cash system was better equipped to monitor such payments and strengthen control over cash. SSC should cease this practice of issuing SSC cheques to cover variance during bankings as this give rise to other unnecessary risks. As discussed during the audit meeting, SSC said it will increase the petty cash imprest to $2,000 from $500 as recommended.

11. Payment vouchers were coded with incorrect account codes.

12. Supporting documents like internal requisitions and purchase orders were not attached to payments voucher as confirmation that they have been properly approved.

13. Purchase order quantities did not match invoices. Responsible personnel must ensure purchase order items were all checked and that any variances should be noted. Excess supplies that were not properly approved affect cash flow and budget.

14. Invoices were not posted to Creditors Subsidiary Ledger.

15. Some payment vouchers were missing from records. All payments vouchers and other accounting records should be properly kept. SSC explained that some documents might have been misplaced during the relocation of Finance & Corporate Services Division after office renovations.

16. Supporting documents for invoices were missing. SSC said that sometimes copies of documents were copies to .file with the invoices since other items are filed separately.

17. NPF claims were rejected by NPF because of incomplete documentation by SSC. It is recommended that these be solved with NPF as unpaid claims increase yearly.

18. Personal files were not updated properly to ensure all approved terms and conditions of employment used in payrolls and payment benefits were properly approved.

19. Selling rates were inappropriately used to convert foreign currency for one account. All other foreign currency bank accounts conversions used the mid-rates. Audit recommended that the conversion rates used should be appropriate and consistent. The practice used in prior year on this account is inappropriate.

4.51 Samoa Shipping Corporation Comprehensive Spot Check for the period 1 July 2014 – 31 January 2015

1. We noted the continuance practice of cash payments and office daily expenses made out of daily cash collections. This issue was raised in the previous audit. Although the corporation has an imprest of $500, this does not appear to be sufficient to cover cash expenses. Recommendation is duly noted and a Policy Amendment has been drafted for approval. Will effect change once Policy amendment is approved.

2. During our cash count we noted the continuance of issuing petty cash vouchers without pre-numbering. Similar issue was raised by previous audit and yet ensues without any remedial actions from management. We recapitulate the possible consequences that may result from this such as; Impossible to check the completeness of vouchers, Difficulty in tracking the existence of each utilized voucher to ensure proper reconciling with cash on hand. Hence no proper reconciling of petty cash against supporting documents may lead to petty cash variances. As per discussion, will adopt the pre-numbered of petty cash vouchers system when Policy Amendment in Issue I above comes into effect.

3. Attendance books are not returned back to the Main Office when completed. Filling of the attendance book was not properly done, for instance, no signature but working hours noted; others have signatures but no working hours given; and some have already signed in but marked sick. We could not identify from the attendance books when the employee went on leave as there were no notifications recorded in the attendance book. As per Payroll Officer, Captains of each vessel have been given the responsibility of handling their own attendance book, and attendance books are not presented for processing of payroll since they only rely on the timesheets from each division. The responsibility for attendance books and the checking of timesheets for every pay period vests with the Captains and Payroll Staff / HR Manager will make periodical physical checks from time to time for improvements.

4. Time cards were not consistent with the time sheets. The start hour given in the time card contradicts the start hour given in the time sheet. Time cards are not properly monitored since some of the sampled time cards are handwritten instead of punching in the time clock which defeats the purpose of clocking time cards. Any employee can clock in another employee's time card since the clock has been moved down to the ground floor placing it next to the door, and there is no one monitoring the clock as per Payroll Officer. Using of twink on time cards and making amendments to time cards without indication of who made these changes. One person filling all timesheets for employees of a Division, e.g. employees on vessels Management notes the issue and recommendation and changes in process have been effected to ensure such practice won't be repeated.

5. There were employees with personal files that were not properly updated with appropriate documents. For the first employee listed, the personal file is in order but as explained during the audit, the employee had since resigned and the file was with the General Manager for final approval. For the second to fourth employees, these were graduates from the NUS Maritime school hired as Trainees initially when the need arose for new recruits at the Satitoa Slipway. HR Division now worked with the Maritime Division to obtain all the missing documentations as raised by the audit.

6. Payment of the General Manager's End of Contract Payout was made without a signed contract of employment clearly stipulating terms, conditions and entitlements. This is an inappropriate and unlawful practice given that there was no signed agreement between the

contractual employee and the Corporation. Furthermore, this is also noncompliance with the recent Cabinet Directive, F.K. (13)06 under Section 4 Clause 4.2; capitalizing of annual leaves is prohibited and enforces the utilization of all annual leaves before its forfeited. Also there were no contracts for all Assistant GMs as well as for his previous contract, and the Attorney General's Office is currently working on drafting and finalizing his current contract. This was also confirmed by the Attorney General's Office. The same will also be carried out for all AGMs' new contract once their current contracts end this year (2015). This indicates that these employees (contract employees) have received entitlements and have worked within the Corporation without any legal documents or agreements between them and the Corporation. Recommendation duly noted, as per discussion and recommendation, such matter will be raised with the Board for their information and action.

7. The inventory register we attained from the Asset Manager consisted of stock quantities only. Audit was unable to rely on this register due to no related costing associated with it to ease identification of stocks accounted on system. As per discussion with the Asset Manager and Finance Manager, Asset team only responsible for physical control of stock - i.e. movements, storage and count. The Finance team is responsible for then reconciling physical count with system. However, no complete stocks register available for audit purposes. Recommendation duly noted and changes will be effected before the end of the current financial year.

8. We noted the lack of proper policies and procedures put in place for management of the Corporation's assets. For example, no formal guideline in place for acquisition, operations, and disposal of assets, no accounting policies on capitalization threshold and valuation and depreciation methods used. Accounting Manual briefly covers Fixed Asset Register in the sense of those responsible for what parts of the process but does not cover management, policies or procedures for fixed assets. Management duly notes recommendation and are currently reviewing current policies and practices in comparison to the recommended Better Practice Guide to devise a revised set of guidelines for this purpose.

9. The fixed asset register made available to audit was only updated to 30th June 2014 and did not cover/record assets purchased for the period under audit (l July 2014 - 31St January 2015). This register also did not capture all necessary details affecting the assets such as labels/unique numbers given to identify each asset, location of asset on the master/combined register. There were also assets notated in register that were donated/aid-funded with either no values or values that were also equal to depreciation values (ie no figures to report in financials). We were informed that fixed asset register is currently being updated and will be ready before end of current financial year. Management duly notes recommendation and a revised version of the Fixed Assets Register being updated as explained during audit discussions.

10. There were several expenses that were capitalized under the cost of the SSC40 vessel with the reasoning that these expenses were necessary to bring the asset to the location, condition and state for it to be capable of operating in the manner intended by management. Among these costs was a HP Probook laptop purchased initially for tracking the asset location but is now being used by the GM as per confirmed during asset sample sighting by audit. As commented on during audit and our meeting, the new vessel has a modern technology that requires a laptop for communication and it is specialised equipment for the vessel communication software. Since it will be attached to the vessel due to the specialised function require for the communication as a safety requirement hence our view that it should be part of the asset cost. The laptop was moved to the Head Office for safe keeping whilst the vessel is going through final inspection before commencement of operation when the laptop will be taken back to the vessel. We can confirm that the vessel is currently on her first

commercial charter trip to the Tokelau atolls and we are communicating through email via this laptop from the vessel and it is the first for SSC.

11. No standard write-off / disposal form for write-off of assets. This issue was also raised in previous audit. This raises the concern of whether the removal/disposing of assets are properly endorsed and monitored by appropriate authority. Management duly notes recommendation and are currently reviewing current policies and practices in comparison to the recommended Better Practice Guide to devise a revised set of guidelines for this purpose.

12. We noted some additional assets that were not labelled accordingly. As per discussion with Fixed Asset Manager, the additional assets are not yet labelled by the Store man but have already been recorded on their worksheet for records. This issue was also previously raised by audit. Recommendation is duly noted.

13. Analytical Analysis was carried out pertaining to Revenue for the period of 1 July 2014 to 31 December 2014. Audit noted that the Main Services Revenue was underachieved by 6% for the 6 months under review - Slipway Revenue presented the highest underachievement of targeted revenue by 96% whereas Pago Passengers Revenue showed a higher than anticipated revenue by 40%. SSMA Revenue also showed revenue where it was not budgeted for. Other Income was underachieved by 4%. Vessels Other Revenue was underachieved by 84% - Domestic Revenue did not meet its anticipated target by 82% and Pago Revenue did not meets its anticipated target by 90% and the Overall Total Revenue was underachieved by 16% The major variance in Slipway Revenue of 96% was due to booked dockings proposed for the period that were later cancelled due to bad weather. The better performance by the Pago Service was not anticipated but the inconsistency in air travel schedules is one contributing factor plus the notable increase in the number of travellers and cargo transported which was unexpected based on the previous trends. Other Income under-budget of 4% is considered normal in business and is due to the below budget income from the courier and MEFS services. Vessels Other Revenue are only book entries which relates to the allocation of deferred income on a monthly basis to reflect the costs of aid funded vessels and the actual figures on accounts should be exactly the same amount budgeted. The error was a mis-post and has been fixed and should be removed from the Management Letter. The overall result was impacted by the above factors.

14. From the Vessel Expenditure Analysis, audit noted that the; MV Lady Samoa II - total operating expenditure underspent by 12%, MV Samoa Express - total operating expenditure overspent by 17%, MV Pasefika Express - total operating expenditure underspent by 62%, MV FOTU-O-SAMOA II - total expenditure underspent by 18%, MV Lady Samoa III - total expenditure underspent by 1%, and MV Lady Naomi - total expenditure underspent by 33%. The main reason for the underspent for all vessels was a slight drop in fuel prices in some of the months of the six months under review. The substantial variance for the MV Pasefika Express was the delay in commencement of operations due to the late receipt of registration certificates. All other vessels underspent are considered favourable.

15. Analytical Analysis was carried out pertaining to Head Office Expenditure for the period of 1 July 2014 to 31 December 2014. The figures used for this analysis was received from Finance team and reconciled to the system. The purpose of a Budget vs Actual Analysis on Expenditure is to assess how the Corporation is controlling its expenditure with limits/guidelines put in place. The following are comments/observations made from the Head Office Expenditure Analysis: Total Administration Expenses overspent by 14% - we noted that management allowances, office expenses, ministerial donations, electricity, entertainment, office repairs, general repairs, head office salaries, airfares and DSA for overseas travel were among the

expenditure that exceeded its budgeted control. Total Financial Expenses underspent by 176%. Overall Total Head Office Expenses overspent by 13% for the 6 months under review. Management allowances - due to the duty travel by the Major acquisition of new vessel and Acting GM was paid a Higher Duty Allowance as per policy, office expenses - item was under-budgeted whence Associate Minister's office expenses was not accounted for during budget process, ministerial donations - , electricity -due to the consistent upward electricity prices during the review period, entertainment - only $352 tala overspent or 0.03% of the total administration expenses, office repairs - unforeseen repairs due to wear and tear, general repairs -unforeseen repairs due to wear and tear, head office salaries - , airfares and DSA for overseas travel - due to the travel by Management and crew to Malaysia for the purchase of the new vessel and due to piracy history in the area, additional crew were needed and foreign crew were also hired from the Philippine, This item has been substantially impacted by the increase in Exchange Variations (a book entry) and the non-recording of budgeted loan interest for the period. The overspent was due to the items in 1 above.

16. The Accounting Manual (updated January 2015) audit received was also incomplete - table of contents inconsistent with the rest of the manual, no petty cash system, no fixed asset procedure, no stock take system and missing appendices. Recommendation is noted and as explained in several instances and previous audits, the Manual is a working document and changes are made when Management sees fit or new positions are created. The current version is under review and to be completed soon and Management may see the need to establish a new role to oversee all Policies and related regulations governing the work of the Corporation in all areas.

17. All employees (including Management and support staff) are covered under the insurance scheme resulting from Management decision to treat all employees of the Corporation equally. It is advisable to note for reference that there is a recent Cabinet Directive, F.K. (13)06 Clause 1.2, which enforces cessation and disallow having term life insurances for Directors, Management and employees of Government Ministries and Corporations. The same F.K. instructs all/any Ministry and Corporation that may be affected to prepare and forward submission(s) to the Cabinet for establishing personal accident insurance for situations where the Ministry/Corporation considers necessary and appropriate. This matter has been raised in previous audits and explanations have been furnished to justify the Corporation's position regarding this issue. Management duly notes the recommendations as presented and will review scheme current status.

18. The Samoa Shipping Corporation (SSC) does not have a formally approved IT Strategic Plan. As explained during discussion, IT Division of the Corporation is going through its development phase and devising a strategic plan for the short and long term strategies is one of the tasks to be considered for implementation given the resources available. Recommendation is duly noted.

19. Our review found that SSC has no formally approved IT Security Policy. As discussed, all ad hoc policies need to be well documented and formally approved to form part of an IT Policy Manual going forward.

20. The SSC had been using the IMS Payroll system for more than 10 years. The Corporation recently migrated to using Attache Payroll Module. Audit noted a number of concerns associated with this change such as; Lack of a formalized and/or documented system change process during migration of payroll system from IMS to Attache, No history of payroll data (and audit trails) available in the new Attache Payroll Lack of available manuals, and tailored user guides relating for the new Attache Payroll system. Incomplete information within key

payroll management report within the new Attache system. Possible loss of data due to inability to access IMS as a result of expired software license. Recommendation noted and as explained, all manual reports of previous payrolls under IMS are properly stored as back up.

21. We noted the general lack of formal monitoring activities associated with; Afterhours access to computer system and/or Remote access to the Corporations computer network. Management duly notes the recommendation and have discussed with IT staff process to monitor remote and afterhours access.

22. Audit noted that several controls lacking from the computer room. Recommendation is noted and a budget allocation will be included in the next financial year capital budget to fund the required security accessories and other requirements as Management fully agree with the need to upgrade IT room and boost security.

23. Audit's review found that the SSC does not have a formally documented IT Disaster Recovery Plan. Recommendation is noted and as admitted during our discussion, our IT division is developing and we welcome all the issues raised to consider for implementation of proper plans and procedures for improvements in our IT.

24. Audit found that there are no back up documentation prepared and maintained. SSC does not maintain secure offsite backups. Backups are not periodically tested for readability and verified for accuracy and completeness after they are created. Management duly notes the recommendation and necessary discussions with IT staff have been carried out for approach towards implementation of the recommended changes.

25. Audit review noted excessive numbers of users (user accounts) defined with Windows Network Administrator security access privileges. Management has actioned recommendation accordingly.

26. During review of Windows security controls found 8 active users defined to the SSC's Windows network with passwords set such that they never expire. That is, these users are never required to change their password. Management has actioned recommendation accordingly.

27. Audit review noted some active "generic", "test" and "training" user accounts defined to SSC's computer network. Collectively these are referred to as "Generic" user accounts, as they do not identify any individual employee or user. In many cases, generic user accounts are shared between many users/staff. Examples of generic, test and training user accounts found. IT staff are currently reviewing all users as per recommendation and will submit report for Management approval to remove and amend users accordingly.

28. Our review of the network windows account policy indicated that there is no automatic "lockout" of user id after a predetermined number of invalid password guesses when attempting to logon to the SSC network. This has the potential impact of diluting computer controls as it can allow for anyone to attempt to try and use someone else's user id and can possibly access the system as a super user and make unauthorized changes to system data and information. Management has acted on recommendation accordingly.

4.52 Samoa Shipping Services for the financial year ended 30 June 2012

1. There was a lack of segregation of duties between the accounts receivable, accounts payable and payroll processes. Only one employee did all these duties. SSS responded that due to FSII restructuring process, which was still ongoing, SSS management decided over the financial period ended 30 June 2012 to cease employing extra staff to save costs until the FSII restructuring process has been completed.

2. The invoice system used by SSS was a manual one, where an invoice was created by manually inputting the information to a Word document. Some of the invoices not yet marked paid on the invoices filed at the time of the audit did not appear on the outstanding Accounts Receivables listing for 31 March 2012. SSS responded that due to shortage of staff in the Accounts division, the required formalities to have these processes completed on time were not ready at the time when the interim audit commenced.

3. Only one username and password was shared among three staff members to access the MYOB accounting system. In addition, they also had access to the *editing and deleting transactions* options. SSS explained that their MYOB was a one-user version and cannot operate three different passwords for the program.

4.53 Samoa Sports Facilities Authority for the financial year ended 30 June 2013

1. Water bills were VAGST-inclusive on SSFA system, even though these are zero-rated. As a result, this affects the water bill and VAGST paid to MOR. SSFA has noted the concern for improvement.

2. Daily attendance of management was not properly recorded. SSFA responded that policy in place does not affect contractual officers, but will review and submit to Board for approval.

3. There was an inconsistency of employment numbers for employees on the system and on their personal files. This weakness in internal control could lead to likelihood of ghost employees on the payroll system.

4. There was no movement in debtors for the financial year. SSFA responded that their proposal will be submitted to the Board for consideration and approval of all debts whose recoverability are beyond doubt.

5. There were outstanding commitments carried forward from previous years putting constraints on the budget allocation for the current year.

6. Journal entries processed were not supported by relevant documents nor properly authorized.

7. SSFA has never filed VAGST returns with MOR. The VAGST receivable in the financial statements could not be confirmed.

8. Withholding tax is not deducted from Annual Directors' fees. This is required under Income Tax Act, similar to the current treatment of Board sitting allowances.

9. Audit is concerned with increasing unnecessary expenditure given that SSFA is heavily reliant on government grants for operation.

4.54 Samoa Sports Facilities Authority for the financial year ended 30 June 2014

1. There was no financial manual to guide administration and finance. As such, the different levels of approval and authorizations for transactions could not be determined.

2. There were no long term lease agreements for use of facilities by sporting bodies.

3. There was a significant increase in advertisement costs from $7,069 last year to $42,184 in current year, as well as a substantial amount of donations given to churches, organisations, villages committees, sporting clubs and old school students associations.

4. The requirement of three written quotes for purchases above $5,000 was not met by SSFA.

5. There were two benefit payments above $10,000 for staff without any supporting documents or Board approval.

6. End-of-contract payment for the CEO excluded statutory deductions like NPF and ACC.

7. A lease agreement needs to be in place given installation of EPC solar panels on SSFA land.

8. The night watchman’s working hours were beyond allowable labour hours, and rates used for his shifts were inconsistent.

9. 88% of total accounts receivables were more than 90 days outstanding.

10. The previous years' PAYE had not been paid and were not accounted for in the previous year's accounts. This should be treated as fundamental error as per FRS due to its omission from the accounts and be treated as adjustment to retained earnings. PAYE continues to accumulate and has not been paid to MOR.

11. There was a significant amount for VAGST receivable in the statement. SSFA needs to conduct a complete assessment and to obtain confirmation from MOR on VAGST. This issue was raised in the previous audit.

12. The transfer of land leased from Samoa Land Corporation, confirmed by Cabinet, needs to be properly quantified and recognised in the financial statements.

4.55 Samoa Sports Lotto Agencies Comprehensive spot check conducted in May – June 2013

1. There was no register for accountable forms purchased and issued for the Agency's daily operation/use. A register should be maintained for all accountable forms received and issued for the agency's daily use. This will further assist in safeguarding of these books/forms and monitoring of their use which in turn help in budget controls. The register would also assist the Agency in tracking the movements of all accountable forms. SSLA responded that they had developed an electronic recording system with coded references for each accountable form. This database was also backed up and secured.

2. Issues relating to surprised cash counts conducted at the Main office and Fasitoo branch included:
   - There was a variance (shortage) of $42.65 noted at the main office's count.
   - There was a variance (shortage) of $435.15 noted at the Fasitoo branch count conducted on 24th May 2013
   - There was a variance (shortage) of $483.70 noted at the second count at the Fasitoo branch conducted on 5th June 2013.
   - Collections for the Fasitoo branch were not banked intact daily but were only banked a week or even two weeks later.
   - Cash at Fasitoo was placed in a coin bag(s), wrapped with a poster card then submitted to the owner of the Toleafoa supermarket who would lock it in their shop's strong safe.
   - Cash when transferred to be locked in the Toleafoa's cash safe and when returned the next morning was not checked by both the shop owner and the SSLA's operator in charge to ensure funds on hand were correct.

   The above findings indicated a shortfall and a weakness in monitoring of the Fasitoo branch given the duration of the delayed bankings and not detecting the misappropriation of cash by an operator on spot. Management was recommended to investigate further into the matter and to enforce timely and tight monitoring to avoid fraudulent activities and behaviour not only for Fasitoo but also all other locations/branches. SSLA replied that two staff were dismissed for misappropriating money. Confessions were obtained that funds were used for personal use. Further investigation failed to identify any further collusion between any other parties although it was suspected that the two dismissed persons were colluding together to cover shortfalls. Steps were put in place for better cash handling practices at the agency as well as un-announced spot checks at random periods to ensure that all cash were accounted for. Tighter controls have been implemented around cash handling procedures between the agency and the safe storage within the shop where the agency operates from. They believed these measures will mitigate any residual risk that existed.

3. Petty cash vouchers were not signed or approved before payments were made to staff members. The payee did not sign the vouchers to confirm cash recorded was actually received. The absence of these important signatures may imply non-compliance of the existing procedures and policies and/or that petty cash was not properly controlled. All petty cash vouchers should be properly authorized by the appropriate personnel to ensure the correctness and legitimacy of the claims before disbursement. This requirement (and a normal practice) is clearly highlighted in the Accounting manual and we remind the responsible personnel to comply with certain procedures and policies. It was also recommended that the payees should sign the payout schedule as proof that they have received the petty cash funds. SSLA assured that the Accounting Manual procedures were being adhered to and appropriate signatures were being obtained.

4. Daily sales collections were used to pay for operational expenses. The use of daily sales to pay for petty items and normal operational expenses was not in accordance with best practices in accounting and SSLA was recommended with emphasis to refrain from it. SSLA noted that a practice had begun where rather than increase the float, which has led to dishonesty problems in the past, funds from sales have been used to pay prizes won from the previous week. They also assured that analysis would be conducted to determine the gap between current float levels and actual prize claim amounts each day of the week and floats would be adjusted to compensate.

5. There was a petty cash reimbursement amount of $4,514.20 which far exceeded the replenishment limit of $1,200. This was non-compliance with the applicable policy. SSLA was recommended to comply with the approved procedures to avoid unnecessary time and effort for any further reconciliations that could result. SSLA confirmed that this practice had been discontinued and compliance with the procedures as set out in the Accounting Manual was adhered to.

6. There was a significant number of delayed bankings noted. SSLA was recommended that the timely checks of lodgements for their remote agencies should be a priority to the officer(s) responsible for checking and monitoring, and any non-compliance or delayed bankings should be dealt with appropriately and promptly. SSLA replied that delayed bankings were due to reduced float levels as a result of past frauds. Measures have been put in place to make individual staff accountable for their own float rather than the float staying with the agency and staff rotating around and inheriting a float that someone else has had access to. New procedures included each person having their own float and nobody else has access to it. Therefore, accountability rested with the one staff member.

7. There was no indication of checks performed by the appropriate personnel and an identification of the preparer on bank reconciliations. The checks may have been carried out however it was important to document that such control had actually been performed and when it was performed. The preparer and checker of the bank reconciliations should sign and date all documents to confirm that reconciliations have been reviewed and approved by the appropriate personnel. SSLA confirmed that their accounting manual procedures will be adhered to.

8. There were staff using the Agency's vehicle(s) after hours which were a non-compliance with Government policies set through Cabinet Directives (FKs) whereby only the CEO is entitled to using the Government vehicles after hours. Management should ensure that all Government policies set through Cabinet Directives (FKs) are strictly adhered to. The vehicle in question was available to the Manager Finance and Administration as that person was the first point of call for any matter outside of business hours and may need to travel to an agency or to the main office. Additionally, there were no secured storage facilities for vehicles after hours, therefore, for security reasons that vehicle was safer with the person outside of business hours. Accordingly, the TAB Board had given permission for this staff to use and store the vehicle outside of business hours.

4.56 Samoa Sports Lotto Agencies for the financial year ended 30 June 2014

1. Issues relating to Inwards cash collections included:
   - Some operators did not tally up their cash on hand for both daily Samoa National Lotto (SNL) balance sheet forms and TMS balance sheets. These records indicate the accuracy of the operator's cash holding against their daily cash collection (computer-generated) printouts and further assist with the balancing of banking sheets by the Finance Manager. It was recommended that all operators tally up their cash on hand for both SNL and TMS balance sheets to provide accuracy of cash holdings.
   - The Finance Clerk did not sign on the TMS/SNL balance sheets to indicate that proper checks had been completed. It was recommended that the Finance Clerks sign on the Operator's TMS/SNL balance sheets to indicate that double checks were in place and any shortages must be immediately accounted for. Furthermore it was recommended to amend Signing Officers on the form from '1st person' to Operator, 2nd person to Finance Clerk and 3rd person to Finance Manager to clarify specific roles and responsibilities.
   - The Finance Manager did not sign on the banking sheets to indicate final checking of TMS and SNL balance sheets. This is one of the most important steps in the Accounting Manual for all sales, where the Finance Manager is to sign on the TMS/SNL banking sheet after double checking the operators' TMS/SNL balance sheets against the computer generated reports.
   - The Finance Manager did not initial on the deposit book to indicate pre and post banking checks were conducted. The Finance Manager should initial on the deposit book before and after the banking is made to ensure that no fraudulent alterations were made.
   - Operators signed the float cash holding sheet at the end of a day when all the daily sales have been tallied. The cash float must always be counted by the Finance Clerk in the presence of the operator and the operator after receiving the float must sign to confirm/acknowledge receipt of funds.
   - There were negative floats that were noted indicating that prizes payouts were more than sales. It was difficult to identify and/or confirm these in the absence of a proper cash float register.
   - There was a high number of delayed bankings. This issue was also raised in previous audits but no improvement was noted. All bankings should be daily.
   - Cash sales were used to top up floats for the outlets to compensate for winning tickets. Cash sales should not be used as "payouts or top-up float". Cash sales should be banked on a daily basis to avoid misappropriation of cash. If additional "payouts or top-up floats" are required then cheques should be issued to accommodate for these additional payouts if required.
   - There were a number of shortages in bankings noted. Proper controls and checking procedures should be followed by operators, finance clerks and finance manager to avoid this practice.
   - There was no evidence of any reviews conducted by the management on bank reconciliations, indicating a high level of reliance of the client on the system generated reconciliations from QuickBooks system. Management should conduct bank reconciliations checks on the system generated reconciliations, ensuring that the bank balance on the bank statement and the bank balance on the system reconcile. The bank reconciliations should be signed by the employees preparing them. Additionally, the Manager of the Corporate Services must also sign as an indication of approval. It was also recommended that proper reviews and supervisory checks be regularly conducted on the bank reconciliations, because it is a very important tool towards confirmation of cash balances held by the respective bank.

2. Issues relating to Payroll and Attendance records and Human Resources included:
   - There was no documentation of any verifying signatures by the designated officers responsible for preparing, checking and approving the payroll process for all payroll summaries in the year under review. For proper accountability and transparency of all funds relating to the events and activities of the office, the designated officers that prepare and check the payroll must sign all documents together with the approval of the Chief Executive Officer.
   - Contrary to the legally required 1% payment by employees of their ACC, no deductions for ACC from employees' gross salaries were identified. This resulted in the overpayment by SSLA of all its employees ACC amounts throughout the year. SSLA should ensure that they comply with the ACC Act.
   - No record of personal files being maintained for most employees including an update of any annual salaries adjustment, job description, police and medical reports and evidence of formal qualifications. SSLA should ensure all personal files were complete and updated.
   - Annual leaves and sick leaves for the financial year were not properly updated. SSLA should update the records for sick leave and annual leave, as it provides useful information for the calculation of the provision of annual leave and sick leave in the financial statement and to ensure employee entitlements were accurate.
   - There were employees who worked in excess of the normal 40 hours on a weekly basis but were not paid by 1.5 times of their ordinary rate of pay for the overtime hours worked as required under the Labour and Employment Relations Act 2013 (effective 5th April 2013). SSLA should comply with the Labour Act to ensure employees are adequately and fairly paid for their services rendered to the Agency.
   - Attendance book was incomplete and was not properly updated. All employees must sign the attendance book before and after their lunch break to ensure the necessary control and accountability of employees for their actual working hours.

3. The register for Pull tabs was incomplete as it did not record stock being received from the supplier. This issue was also raised in previous audit however, no improvement was noted. The Agency should improve its register to include recording of the pull tabs from the initial point from the supplier to recognise stock coming in and can be easily reconciled with movements of pull tabs. This would allow more accountability and transparency of pull tabs in terms of tracking the last order received, new orders received and so forth. This would also allow easier monitoring and reconciliation of stock.

4. Documented procedures in the Accounting manual were different from what was practiced as changes had been made but the Accounting Manual was not updated accordingly. This issue was also raised in the previous audit. The Accounting manual should be updated with all changes made to reflect the current practice. Having this guide is of great importance to the Agency itself but also other related purposes including the audit.

5. Issues relating to fixed assets included:
   - Assets with no asset codes
   - Assets codes being used twice
   - Asset codes/labels different from asset codes/labels actually used in fixed assets register (FAR)
   - Assets no longer being used by client but kept/stored at main office Savalalo
   - New assets not properly recorded in FAR

   A proper and complete FAR should be maintained by SSLA. The Agency should conduct a thorough asset inspection to ensure that company assets are accounted for in the FAR and that they are properly labelled and functioning given that most assets are old assets.

6. Issues relating to payments included:
    - Payment vouchers have no purchase orders and internal requisition forms. These documents/forms should be attached to payment vouchers to authenticate the amount/quantity of goods/services acquired on the Purchase Order forms along with the Divisional Supervisor, Manager and General Manager's signatures to verify what was requested.
    - The authorised personnel's signature for approval of payment vouchers was missing. The CEO must sign on the payment voucher in the space provided for approval to authorise payments as per the Agencies current procedures in relation to Disbursements and transfers.
    - The payment voucher system was incomplete and did not have a 'checked by' section for the Finance Manager to sign as proof of checking the payment voucher. The Agency should add a 'checked by' section in the payment voucher in order for the payment voucher to be in line with the Accounting Manual of the company.
    - There were payment vouchers that were missing from the payment voucher folder. All payment vouchers should be updated daily after payments are made and supporting documents should be properly filed for future reference and inquires from clients.
    - Some payment vouchers were not filled in properly. All payment vouchers should be filled in properly, so that the payment voucher system is in line with the accounting manual.
    - The Finance Manager signed cheques for payments that exceeded her authority limit.

7. The stock sheet sighted by audit did not indicate that there was a stock take carried out for beginning and ending stock each night to capture the stock movement. The stock sheet only contained the types of pull tabs bought hence no confirmation that all stock had been properly accounted for. Reconciliation should be made at the end of each night to ensure that all items sold have actually been paid for.

8. Reconciliation of the SNL prize account 58%, noted that the following transactions that were not in accordance with the provisions of the Accounting manual in relation to this account. These included:
    - Transfer of activity that did not relate to prize payouts
    - Administration expenses to be reimbursed from bank account operations

   Management should review the reconciliation of this account because the only transactions that should be included are the bank charges, interests received and the SNL prize payouts for Jackpots and prizes.

9. SSLA's working capital had decreased when compared to previous year and if this is not managed carefully, the agency can grow itself out of cash by needing more working capital to fulfil expansion plans than they can generate with its situation at the time. The agency must look at ways to improve its cash flow forecasting. As an innovative approach, combining operational and financial skills and an all encompassing view of the company's operations will help in identifying and implementing strategies that generate short term cash. This could be achieved by having the right set of executives who are responsible for setting targets and performance levels.

10. SSLA's current ratio when compared with previous year had dropped. The agency had the ability to pay off its short term liabilities with its short-term assets if they fell due. SSLA should review the current ratio to ensure that inventory turnover and accounts receivable turnover are monitored closely to avoid holding up liquid assets readily available for paying short-term obligations as they fall due in debtors and inventory.

11. A debt ratio of greater than 1 indicates that a company has more debts than assets. Meanwhile, a debt ratio of less than 1 indicates that a company has more assets than debt. Looking at the Agency's debt ratio, although this was increased compared to previous year but there was still a risk

to the agency because it had more liabilities than assets. The agency should review its liabilities so that they are able to fund and pay them with the assets they have.

12. SSLA had a negative equity ratio, and it was recommended that the agency should consider other ways to pay for their liabilities. A negative result indicates that the agency was relying more on external lenders to pay their liabilities posing a higher risk. Management should continue reviewing the company's financial position and consider appropriate ways in which they could better improve this ratio within the next 12 months.

13. Long-term solvency ratio for the Agency had decreased significantly from previous year. This was an indication that the agency was financially unstable and if this is not monitored carefully it could lead to insolvency. SSLA should look at ways to increase sales and decrease expenses in which the net profit margin should increase to guarantee coverage of all its long term liabilities.

4.57 Samoa Tourism Authority for the financial year ended 30 June 2013

1. Issues relating to payroll:
    - Personnel files not updated to include salary increment or contracted/agreed annual rate.
    - Signed contracts or letter of offer were missing from most personal files..
    - Time cards were not clocked in/out. Management time cards were not available.
      STA responded that signing was not compulsory for management as they are on contract and not eligible for overtime. STA has stated that they have addressed issues of supporting documents for personal files.
    - Payments not properly authorised were still processed.

2. Issues relating to cash receipts:
    - The receipt book for the Main Office was misplaced.
    - Receipts were not in a sequential order, nor banked daily.
    - No postings were done on MYOB accounting system for STA booking engine. STA responded that reconciliations were done monthly and reported to the Board.

3. Long outstanding trade debtors continue to be carried over every year. While the STA Board recommended that these be write-off, the Minister requested STA to continue follow-up for recovery of debts.
   STA responded that its Board approved the write-off for some of the debts

4.58 Samoa Tourism Authority for the period 1 July 2013 – 31 March 2014

1. The Registers for accountable forms, such as receipt books and fuel coupons, were incomplete. The responsible personnel for the issued accountable forms were not recorded. This information assists as a monitoring tool over the accountable forms as the responsible officer could be identified and/or held accountable for these when misplaced or missing.

2. There was a petty cash voucher without a proper receipt to support payment made. All petty cash transactions should be sufficiently supported by relevant supporting documents.

3. There were unpresented cheques aging more than six months and had become stale. Fraud (physical and financial reporting) could be perpetrated using unpresented cheques as a tool. It was recommended for the Authority to properly review all unpresented cheques before the write-back or reversals of these cheques are made.

4. There were accountable advances disbursed with no proper acquittal reports obtained to support utilising of advanced funds. All accountable advances should have sufficient documents to support the use of cash being advanced. The acquittal reports would also state whether there was a remaining balance from advanced funds which should be receipted and banked into the Authority's accounts. Management should also consider implementing proper policies over request and approval of accountable advances given the high frequency of such expenses.

5. There were no particular receiving officers for cash paid in advance and cheque payments for accountable advance could be cashed by any staff. The Authority was recommended to consider implementing and approving a list of receiving officers for accountable advances for proper monitoring of these funds. This practice would ensure that an officer a cheque is paid to is held responsible and accountable for gathering receipts and all supporting documents to support the expenses the advance was intended for. This person also will be held responsible for providing an acquittal report for the expenses on time.

6. Issues relating to Payroll, Attendance, Leave records and Human Resources included:
   - Staff leave cards were not properly updated. Leave cards should be appropriately updated to ensure the Authority is not paying its employees in excess of their legitimate entitlements. Accurate financial reports and effective management over Authority's cash flows and employees review would also be facilitated when such entitlements are properly recorded and accounted for.
   - There were no signed employment contracts between the Samoa Tourism Authority (the Employer) and the management (contractual) staff. It was recommended that all contractual employees should have complete and signed contracts of employment stipulating clear terms, conditions and entitlements. There should also be a set deadline on when these should be signed when an appointment becomes effective.
   - Some employee's time cards were noted to have not been clocked in and out. There were also time cards that were manually amended. These actions had defeated the purpose of the time clock to capture the ins and outs of staff and recording of accurate times of actual hours worked. It was recommended that staff comply with the procedures and policies put in place and that every employee should clock in upon arrival and clock out when departing from work. In the event where clocking was not necessary and impractical, a supplementary control procedure should be established to ensure worked times/hours are appropriately accounted and paid for and relating costs are properly monitored.

7. The fixed assets register was incomplete and was not updated. There were assets that were physically inspected but were not recorded in the register. Fixed assets procured by the Authority or by any other party for the use of the Authority should be properly registered to ensure all Authority's (public) assets and resources are properly safeguarded, monitored and accounted for.

8. Assets were not labelled. The Authority should label all their fixed assets to make it easier to identify assets that belonged to them. It minimises the risk of assets being exchanged, lost or stolen. Management should take a full count and review of all assets of the Authority to ensure all assets were completely and accurately accounted for.

9. Fuel and petrol supply for STA vehicles were being paid in advance rather than adopting the Purchase Order (PO) system. The risk that any other vehicle other than the Authority's could be refuelled under this prepayment arrangement was increased. Collusion (between Authority's officer(s) and the station operators or between the former and other third party people) could be easily performed at the expense of the Authority. STA was recommended to adopt the Purchase Order system for fuel and petrol expenses. This would facilitate easy control over this expense and to minimize the fraud risk discussed above. Where this type of refueling arrangement was in the best interest of STA, a proper written and signed agreement was required.

10. The treatment of assets procured under the Enhancing the Resilience of Tourism Reliant Communities to Climate Change Risks (ICCRITS) project was not provided for under the agreement and project documents. Ownership of these assets was questionable especially when the project was completed. The Authority should seek confirmation from the Donor or the relevant party(ies) on how such assets (administrative) were to be treated. STA should identify and register these assets separately so they could be monitored and accounted for accordingly.

4.59 Samoa Tourism Authority for the financial year ended 30 June 2014

1. Overtime payments were processed without approval. STA responded that the officers in charge are reminded that they need to approve and sign the overtime claim sheets.

2. Payments processed did not have complete payment vouchers and supporting documents.

3. Long outstanding trade debtors continue to be carried over every year. This was raised in the previous audit but was not included in the current submission to the Board for these to be written off.

4. No proper reconciliations were prepared on a monthly basis.

5. A new account opened in July 2013 to cater as an online shopping account was not properly accounted for in the General Ledger.

6. Withholding tax was not deducted from directors' fees and Board sitting allowances.

4.60 Samoa Trust Estates Corporation for the financial year ended 30 June 2012

1. A number of staff advances were approved by the CEO and paid out in the first half of the financial year. The Human Resource Manual was not clear in outlining the limit of staff advances allowable for each staff member. STEC replied that it has removed Salary Advances and Credit Sales from its Human Resource Manual.

2. Salary advances for staff were categorized under General Expenses instead of Staff Debtors. The risk is having these balances removed from the accounts if they are incorrectly accounted for. STEC said these were now transferred to the correct account.

3. There were no personal files for casual workers.

4. Payment vouchers numbers were numbered manually allowing for duplication.

5. There were payment vouchers that did not include a signature from payee as evidence of receipt of payment. STEC replied that it will enforce this control.

4.61 Samoa Trust Estates Corporation Spot Check 23 April 2013

1. There continues to be an increasing number of salary advances made to employees as well as one Board member. Most of the cash being receipted were salary advance recoveries. Due to its frequency, it is seen as a borrowing facility and not as an emergency process as it is the practice in the public service.

2. No proper register of accountable forms was maintained, and accountable forms were not stored securely.

3. For petty cash, expenses were paid prior to completion of internal requisition vouchers.

4. There were various delayed bankings of receipted funds.

5. Cash was not kept in a secure cash box but in a plastic bag.

6. Accounts receivables of more than 90 days remained outstanding.

4.62 Samoa Trust Estates Corporation for the financial year ended 30 June 2013

1. Accumulated untaken annual leave of two years was paid out to the CEO and CFO despite non-compliance with employment contracts that untaken annual leave at the end of the staff's leave year shall be forfeited, unless there was approval to defer leave for a period not exceeding six months. Contracted employees were not entitled to paid untaken annual leave during the duration of their contract but only at the end of each contract. There was no approval from the Board for accumulation of leave from the previous year, except authorization from the Chairman. STEC said there was no Cabinet directive to suggest otherwise.

2. The calculation of staff provision for long service leave was incorrect. The Human Resource Manual (HRM) states that 10 days per year were to be used for the calculation of long service leave for staff whose service has exceeded 20 years. However, the calculation used to calculate long service leave was from the PSC HR manual. A comparison of the STEC HRM and PSC manual in calculating long service leave was presented to the Board, which agreed with the PSC method as it was lower in cost based on the calculations given, and it was passed on 9 August 2013. A total 63,795.80 was paid out to the employee.

3. It was common practice to carry forward untaken annual leave from the previous year for all staff. This is against the policy according to Human Resource Manual 2012 stipulating that untaken annual leave at the end of the staff's leave year shall be forfeited, unless management has granted approval to defer leave for a period not exceeding six months.

4. Personnel files were not compiled for plantation workers on payroll and paid a wage for 80 hours paid fortnightly. It is clearly stated in the Human Resource Manual 2012 that STEC maintain personnel records for all new recruits. STEC has implemented the recommendation for the financial year 2013/14.

5. The production book showed that the average coconut per tonne of copra produced was inconsistent from month to month during the financial year under audit. There were some months that had large variances compared to the 5,000 average benchmark, such as in July 2012, which had a 17,789 average. There was no evidence that these figures were questioned by management which shows a lack of controls and monitoring of the process of the production of copra and other coconut products. STEC said that coconut report and stock-taking were prepared fortnightly.

6. Adjustments were made to retained earnings to adjust stock. The net effect on retained earnings was $7,730. Although immaterial, International Accounting Standards (IAS) section 8 stated that retained earnings should only be adjusted if there was a material prior-period error and that no other adjustments were to be made. STEC said it would consider the recommendation.

7. Withholding tax of 15% was not deducted from directors' fees and Board sitting allowances
   We noted during our audit that there were no withholding taxes paid on director's fees and board sitting allowances for the year. STEC said this issue was discussed in the Board Meeting on 21 June 2014 and that the Board approved to deduct withholding tax in the financial year 2014/15.

4.63 Samoa Trust Estates Corporation for the financial year ended 30 June 2014

1. Receipts for the first few months of the period under audit could not be provided as they were misplaced. Audit was not able to verify these receipts to confirm amounts posted in the General Ledger.

2. Production stock from Mulifanua was not properly booked, which can understate stock balance at year-end.

3. The fixed asset schedule did not match General Ledger balance.

4. There was no ageing of for debtors during the year due to the unavailability of the MYOB system that was used before.

5. Withholding tax of was not deducted from directors' fees and Board sitting allowances
   We noted during our audit that there were no withholding taxes paid on director's fees and board sitting allowances for the year. STEC said this issue was discussed in the Board Meeting on 21 June 2014 and that the Board approved to deduct withholding tax in the financial year 2014/15.

6. VAGST was continuously being filed with the Ministry for Revenue but not paid. STEC is negotiating with the Ministry of Revenue because of STEC's poor cash flow.

7. STEC was not using the MYOB accounting system.

4.64 Samoa Water Authority for the financial year ended 30 June 2013

1. Gross debtors have increased from $9.6m in 2012 to $11.3m in 2013 (17% increase). The provision for doubtful debts has also increased from $3.35m to $4.85m in 2013 (44% increase). The over-90-days balance is approximately $6.48m tala and this balance has increased over the prior year balance of $4.8m tala. The increase in the over-90-days balance is a deteriorating statistic for the accounts receivable. Furthermore, the debtors turnover and debtor days ratios reveal the difficulty in the debtor book i.e.: gross debtors of $11m versus gross revenue of $14m = turnover of 0.78 times a year i.e.: debtors turns over less than 1 time a year.

   It takes an average of 467 days to recover debtor accounts.
   - SWA responded as follows on the provision per account: It represents 43% of gross accounts receivables (nearly 50%).
   - SWA revenue collection efficiency (RCE) has been improved compared to previous years. In previous years, RCE was around 80% and below. In 2012/13, it was 91% (2012 - 78%) and continues to improve (July 13 - 105% and Aug 2013 -94%).
   - The average collection period is also improving when using net account receivables amount (i.e after provision) (2013 - 137 days; 2012 - 168 days; 2011 - 251 days). The net amount used will provide a more accurate turn over, as all accounts considered doubtful are excluded.
   - SWA provides on a yearly basis $1.5m to $2m for accounts considered doubtful. This yearly additional provision will also cover any increase in accounts receivables as noted above. We prefer this method instead of booking it all in one year as it will have a significant effect on that year's results.
   - In general, the increase in receivables can be related firstly to the monthly generation of bills commencing 2009/10, compared to prior quarterly and secondly wastewater in 2011/12.

   Work in Progress costs of $12.6 million differ from Finance Cost of $15.64 million. Discussions between parties discovered that this variance was a result of different treatments by the Technical and Finance Divisions.

2. No assets were written off following Cyclone Evan of December 2012. A note has been inserted into the financial statement as subsequent events after balance date.SWA explained that only temporary repairs were done in the financial year 2012/13 and was categorised as a $3.8 million loss. The $8.8 million damage was the estimate of permanent works to replace the damaged infrastructure which will be implemented 2013/14 upon arrival of materials.

3. Accounts Payable and expenses' findings:
   - Vouchers were not signed by payees as proof that they have received payment. There were many purchases that did not have any quotes or noted in the internal requisition.
   - Foreign exchange gain/loss account takes into account the local charges as well other local expenses such as (freight, handling, bank charges, wharfage, duty etc).
   - Bank reconciliations were not signed by the officers in charge.

4. Stock take findings
   - There was a water leakage in the store house during stocktake observation posing not only an electrical hazard but also rapid deterioration of stock.
   - Grouping and counting of non-similar items leading to confusion, and possible variance in the counts for both the stocks

- Haphazard piling or storage of stocks: Similar kinds of pipes were kept in different locations and posed some difficulty in counting since smaller pipes were intertwined and stored inside the larger pipes. SWA maintained their storage was reliable, and that there was not enough space in the warehouse.

4.65 Samoa Water Authority for the financial year ended 30 June 2014

1. The accountant prepared, checked and authorised the bank reconciliations at the same time. This issue was raised in the previous audit. A senior personnel should check and authorise bank reconciliations prepared by the accountant to strengthen controls relating to cash.

2. There were bank reconciliations for the Savaii branch that were not received at the time of the audit. All bank reconciliations and bank statements for Savaii should be sent to the Main Office in Apia after they had been prepared and reviewed.

3. The Team leader cashier had access to edit customer master records without having a senior staff approve the modifications posing potential risks of fraud for the Authority. All modifications done at the cashier level should be properly authorised by an appropriate authority.

4. The invoice number for an invoice reprint was different from the invoice number the billing system assigned to the original invoice issued to a customer.

5. There was an unpaid invoice that was missing from the Authority's liabilities. Although the amount was immaterial and was a one off event, these types of errors could accumulate impacting the financial statements and its compliance with accounting standards. SWA should be more vigilant with this process to ensure all are correctly disclosed in the Authority's records.

6. There were discrepancies between the SWA records and third parties confirmations from some suppliers on accounts payables balances. The variances between the records were immaterial but the main concern was SWA might pay their suppliers more than what was owed. Regular follow ups and updates of accounts payables should be made by the responsible staff.

7. Issues relating to end of year Stock count included:
   - There was a water leakage in the Vaitele warehouse and the concern was this could cause electrical faults which could be prevented
   - Vaitele warehouse is an open fenced house and stocks may not be secured in this area as wear and tear of stock could accelerate with these types of storage conditions
   - Some stocks were not properly stored posing the risk of over/under counting and time consuming stock counts
   - Containers used to store stock in Savaii were noted to be unsafe and unsecured posing risks of theft for the Authority

8. The sand filter treatment plant at Fagalii was leaking at the time of the assets inspection.

4.66 Scientific Research Organisation of Samoa Comprehensive Spot Check for the period 1 July 2014 – 28 February 2015

1. The bank account established at a financial institution to bank revenues/cost recoveries collected from technical services is unnecessary as such purpose can be served using the main operating bank account. Having one bank account would also avoid bank fees. Management has noted the concerns raised regarding the Bank account created apart from the main operating account and the minor bank fees accumulated. Furthermore, these cost recoveries/revenues are properly accounted for in our financial statements and reconciled regularly.

2. From our review of the Accountable Advance policies, it was noted that there is no due date required for acquittal reports to be completed and submitted. All acquittal reports for accountable advances must be submitted within the due date to confirm that the funds were properly used and any unspent cash is properly safeguarded and accounted for. Management has noted the issue raised and will be addressed in its financial process to incorporate a set timeframe for acquittal reports to be submitted to the Administration and Finance Division within a three-week period (or 15 working days) from the date the cheque/cash is released.

3. There were transactions, particularly on raising purchase orders, that were incorrectly posted on the MYOB thus pose a risk on the reported figures in the financial statements. Nevertheless, Administration and Finance Division will monitor this process closely to avoid Incorrect Posting and or overstating of expenses.

4. There were a few transactions that involved the purchasing of alcohol. This was during the Board's end of year function and one of the Organisation's farewell parties.. The funding of these activities from public monies are strictly prohibited under government policies as stipulated in FK 08 Faapitoa (06) and was further stressed in FK (92)50 and Cabinet Circular dated 27 November 2009, unless proper approval from the Cabinet is obtained. Management has noted the issue raised and will advise the Board accordingly. It is reasonable to record here that the funds expended for the farewell party referred to above (including expenses for alcohol) were not from public monies/budget appropriated to SROS, but from additional consultancy revenue generated by one of the persons that were being farewelled. Nevertheless, Management will comply with the above-mentioned Cabinet directives for future official and social events involving the purchase and consumption of alcohol.

5. We found from our review the purchase of items such as lace, wreaths and ribbons for staff relatives' funerals. Payments of such nature are not allowed under F.K13 (06) and so should not be funded by the organization. Management has noted the issue raised and will be addressed accordingly for future transactions.).

6. There were expenses that are considered inappropriate such as end of year functions, Corporate Tables, Dinners and Staff farewells, being funded from the Organisation's budget. The funding of these activities should be from a staff social fund and not from public monies as per government policies as stipulated in FK 08 Faapitoa (06) and was further stressed in FK (92)50 and Cabinet Circular dated 27 November 2009. Management has noted the issues raised and will advise the Board accordingly. It is reasonable to note here that the expenses incurred on most Corporate Tables in the past were invitations from either private sector organisations in which SROS is a subscribed member for work-related purposes (e.g., Chamber of Commerce), or colleges' fund-raising activities whereby one of the reasons for fund-raising include a science related development project (e.g., construction/renovation of a science

laboratory). Nevertheless, Management will comply with the above-mentioned Cabinet directives going forward.

7. We found an increasing volume of time off entitlements for employees which may cause work disruptions if staff decides to utilise such time offs in addition to their annual leaves. Management has noted the issue raised.

   In our review of the quarterly statements, we found overspent expenses beyond their allocated budgets.
   Management has noted the above-explained issue. The spending is monitored by Management through its' monthly divisional reports which provide overall spending of the operating funds per Output/Division.

8. Audit review noted that the Scientific Research Organization of Samoa (SROS) does not have a formally approved IT Strategic Plan. Management has taken the issue raised into consideration to implement a policy paper by the end of 2015 in close collaboration with the IT audit team.

9. Discussions noted that no separate IT Security Policy exists for SROS however a few general policies and/or sections on IT Security are available within the organization's approved HR Policy such as Email Policy, Internet Policy, Use of CD's, memory sticks, USB devices and external drives and IT Policy. Management has noted the much needed improvement to its current IT Security Policy to reflect the recommendations stated above.

10. SROS does not have a backup plan for its network data and documentations and systems backup in addition to offsite storage. Management has noted the recommendations provided and wish to note that backup drives are being procured for offsite backup at SROS.

4.67 Totalisator Agency Board for the financial year ended 30 June 2013

1. Financial position of the TAB recorded decreases in total assets and equity.

2. Financial performance of TAB recorded an operating loss made possible through a reduction in total income.

3. Cash flow requirements exceeded cash inflows which resulted in a reduction of cash and bank balances as at 30 June 2013.

4.68 Totalisator Agency Board for the financial year ended 30 June 2014

1. The Administration Manager did not sign on the deposit book to indicate that it had been checked after the banking was made. The Administration Manager should sign on the deposit book to indicate that proper checks were done after the banking has been made.

2. The Fixed Asset Register was not properly managed, monitored, and updated. The fixed asset register should include the following, Fixed Asset ID, Date Purchased, Description, Cost, Depreciation Method and Rate, Location and Date Disposed including the disposal information. In addition, fixed assets should be coded according to its ID in the register. This should help to easily identify the location of the fixed asset so that when they are damaged; lost or transferred internally the register is adjusted accordingly to ensure it keeps an accurate record of the actual fixed assets.

3. Declarations for pecuniary interest were yet to be completed by each member of the board as required under the Public Bodies Act 2001. Members of the Board of Directors should complete the Declaration of Pecuniary Interests and for the Board to file these forms to the Ministry of Finance in order to comply with the Public Bodies Act 2001.

4. Withholding taxes for director's fees and sitting allowances were not deducted in accordance with MFR legislations. To comply with MFR legislation, it was recommended that withholding tax should be deducted from director's fees and allowances of the Chairman.

4.69 Unit Trust Organisation Comprehensive Spot Check for the period 1 July 2013 – 28 February 2014

1. New and unused receipt books were not recorded on the Receipts register. There was also an advance payment made for 100 receipt books but only 20 were counted in storage. UTOS explained that the books that were on hand have been entered into the relevant register when this issue was raised. UTOS has also liaised with the relevant supplier and confirmed that only 25 were supplied with the understanding that the rest will be supplied as needed.

2. Withholding tax was not deducted from directors fees' and sitting allowances for interview panellists. UTOS responded that they have now adhered to the requirement.

3. Purchase order forms were issued without proper authorization. UTOS believes that the segregation of duties is unnecessary given their office size, but will have the CEO authorize purchase orders.

4. Requisition forms that were not properly endorsed by the CFO and/or CEO. UTOS reconfirmed its response in the previous issue.

5. There were payment vouchers without any requisition and/or purchase orders attached. UTOS emphasised that most of these payments were made upon either the verbal instructions of the CEO or an email instruction. It also responded that that strictly adhering to these requirements was time consuming and not necessarily the best use of its limited man-power.

6. Poor maintenance of attendance book was noted. UTOS replied that this task was now assigned to their new Accounts and Compliance Assistant. The CEO now periodically checks on the attendance book to ensure compliance.

7. There were employees taking annual leave without filling in leave application form for the CEO's approval.

8. There were some payroll payment vouchers which had no overtime approval. UTOS maintained that no overtime is paid out unless warranted.

9. Personal files were incomplete and not updated.

10. The employee benefit entitlement of 3% company contribution towards any unit purchase made during the financial year with conditions of achievement, does not comply with the requirements of Cabinet directive F.K. (13)06. UTOS Board made the decision based on the merits of the incentive package, and that it is performance-based instead of a given benefit.

11. The assets register was not properly maintained and updated with relevant details. UTOS agreed with the issue and has updated its register.

12. There was no proper process in place for damaged assets on premises.

13. General journals entries were solely prepared and posted by the Chief Finance Officer with no segregation of duties. Wrong entries posted for the payroll resulted in an overstatement of payroll liabilities. UTOS again cited that segregation of duties is counter intuitive in their office, but will now put in place a process to check.

4.70 Unit Trust of Samoa for the financial year ended 30 June 2014

1. Issues relating to Inwards cash and receipting included:
    - There was a missing receipt book. Receipt books being very important primary records of the Company should be kept secured in a safe location. All records of the Company that were used by third parties should be checked as returned to protect third parties from the possibility they may not be responsible for the receipt book being missing.
    - A short banking which was an immaterial amount occurred during the year. Every amounts receipted irrespective of materiality should be banked intact and promptly.

2. Issues relating to Payments included:
    - There were payments in excess of $1,000 and above that were approved by the CEO instead of the board of directors to comply with the set Level of Authority of the Company. The delegation of authority levels set by the board should be complied with at all times.
    - There were insufficient supporting documents for some payments processed and paid out to confirm the accuracy and/or validity of payments made. all payments made should have all necessary supporting documents to support its accuracy and propriety irrespective of their nature and to ensure compliance with the system of internal control requirements.
    - Most orders/invoices were not signed as evidence of receipt of goods/services ordered and paid for, by the responsible staff. UTOS was recommended that each invoice/order from suppliers is signed if goods/services ordered had been received to confirm that what the Company had paid for had been received. This is also to prevent the Company from paying goods/services that may have not been received and used for its benefits.

3. Issues relating to Payroll and Human Resources included:
    - Taxes were deducted on P4 schedules for positions that were vacant on payroll. P4 schedules should be prepared in accordance with payrolls. This would ensure that Company does not pay for mistakes as such. The responsible staff for checking these should ensure that the P4s are correct before submission for payment. These overpayments should be recovered by offsetting from future PAYE payments to MOR.
    - There were payrolls recording overtime payments to some staff but had no timesheets attached to confirm and support these overtime paid. Every payroll that pays out overtime hours should have copies of timesheets attached to confirm overtime hours were actually worked by staff and these overtimes were properly authorised.
    - There were overtime payments made without evidence of approval by the CEO to confirm authorisation of overtime work in accordance with UTOS policies. The Company was recommended that evidence of approval by the CEO of all overtime hours should be attached to payrolls to confirm authorisation of employees to work overtime and paid accordingly.
    - PAYE deductions were wrongly calculated and paid to MOR. P4 schedules should be checked by a senior finance officer against actual payrolls to ensure all are correctly calculated and paid.
    - PAYE for some employees were paid to MOR by the Company but were not deducted accordingly from their gross salaries. PAYE paid by UTOS should be recovered from employees concerned.
    - PAYE for one payroll had not been included on P4 schedule files thus had not been paid to MOR. UTOS should file an amended P4 return and make necessary payment to MOR. A senior finance officer should check all P4 schedules with payrolls to ensure its accuracy before filing with MOR.

- There were salaries calculations that were incorrect. The Company was strongly recommended that payrolls must be accurately prepared and checked by responsible personnel to ensure all employees are paid according to their contracted and approved rates.
- Employment contract for the CEO had not been executed yet though her reappointment was made in February 2014. The CEO's employment contract should be executed as soon as possible as a matter of administration and legal necessity.

4. Withholding taxes on directors' fees were being overpaid/over deducted by 12%. Withholding taxes should be 15% instead of 27% and this aspect is governed by the Income Tax Act 2012 and clarified by the Ministry of Finance Circular memorandum 2014/18 dated 30/07/2014. It was recommended that directors pay out should be done in accordance with prevailing policies and legislations.

5. AUDIT OF PROJECTS

5.1 Education Sector Program Phase II for the financial year ended 30 June 2013

Summary of Findings

1. Interest calculated from March 2013 to matured on the 2nd April 2013 and credited to the Special Purpose Account is understated by USD148.37 or SAT$335.75. We recommend that Ministry of Finance should ask the Central Bank of Samoa for the amount of interest that was understated to be credited to the special purpose account.

   The monthly interest earned is credited to the Project Special Purpose Account CBS06-043 in the following month i.e. Interest earned for month of March 2013 will be credited in the account beginning of April 2013. The interest amount of March 2013 was USD6, 047.47 but only USD5, 899.10 was reported in the April 2013 monthly statement and the difference has yet to be credited to the account. MOF will liaise with CBS on the understated interest amount and report in the FY1314 audit accounts.

2. Some payments do not have supporting documents.
   We recommend that all payment vouchers should have supporting documents i.e. supplier invoice, receipt etc. This is to ensure that only genuine payments are made.

   Project Management Comment - The payments with missing supporting documents were expenses paid from the ESPII counterpart funds which were petrol for vehicles used in monitoring visits and stationery for the secretariat.

   MESC Comment – Filing of supporting documents for the above payments were misfiled and attached to other payments but original copies were sent to MOF for payment execution, Secretariat ESPII has noted Auditors recommendation for future monitoring of filing.

3. Several payment vouchers are missing from payment voucher file.
   Examples:

Date	Payee	Ref No	Amount SAT$
05.12.13	Ministry of Finance	595	$2,929.18
06.03.13	Samoa Audit Office	681	$3,450.00

   We recommend that all payment vouchers should be kept in file. This is to confirm that these are genuine payments.
   Project Management Comment: The missing vouchers were for payments of audit fees and petrol for project vehicle which were paid from counterpart funds.

   MESC Comment – The abovementioned payments missing voucher copies were misfiled in School Net file but original set of payment vouchers were sent to MOF for payment under counterpart fund, Secretariat ESPII has noted Auditors recommendation for management monitoring.

4. Several payments related to School Net project were paid under the ESPII counterpart costs.

We recommend that all payments relating to School Net project should be made directly from project funds of that project.

Project Management Comment - School Net activities constitute sub component 6 of the ESP II Program. Given the fact that these projects are interrelated, the ESPII Counterpart allocation was used to pay for School Net outstanding payments as its counterpart budget was fully utilized before end of financial year.

MESC Comment – School Net Project is component 6 under ESP II Project and counterpart fund of ESP II is also allocated to component 6 activities.

5. During sighting of fixed assets we observed that Avele College School Building has some defects (i.e. roof was leaking during rain). We strongly recommend that Implementing Agency should ask the Contractor for urgent and appropriate action before the due date of Defect Liability expires.

   Project Management Comment - Avele College School building was completed in December 2013, defects liability period is twelve months and due in December 2014. Secretariat ESP II has advised the Design and Supervision firm for Schools building to liaise with the contractor to fix and solve these defects of water leaks accordingly. A follow up visit this month will be to double check and make sure the problem is fixed. Future visit is ongoing for any more defects before the defects liability period expires.

6. Minutes of meetings by the Education Advisory Committee and Informal Committee have not been properly kept by the Implementing Agency. We strongly recommend that all minutes of meetings by the Education Advisory as well as Informal Committee should be kept in file.

   Management Comment and Corrective Actions - Secretariat ESPII has noted the Auditors recommendation. Secretariat ESPII has kept separate files for Education Advisory Committee meeting minutes and Informal Committee meeting minutes. The transferring of these files under the new Education Sector Coordinator Division could lead to any missing paper but we have noted for further management monitoring and control.

7. There was no evidence to confirm that the following minutes of meetings were approved by the chairman of the Informal Committee.

Date of Meeting	Meeting Number
18th July 2012	Informal meeting no.01
30th May 2013	Informal meeting no.06

   We recommend that all minutes should be signed by the chairman and one of the committee, so that it confirms those are true records of meetings.

   Secretariat ESPII has noted the Auditors recommendation. The transferring of these files under the new Education Sector Coordinator Division could overlook the two unsigned meeting minutes as mentioned above but we have noted for future management monitoring and control.

5.2 Education Sector Program Phase II for the financial year ended 30 June 2014

1. There was no documentation to confirm that minutes of meeting held on the 28 February 2014 were signed and approved by the Chairman. The minutes were later approved and signed by the Education Sector Coordinator on 3 October 2014 on behalf of the ESAC chairperson as per copy in file. Audit recommendation is noted for future meeting of the Education Sector Advisory Committee.

2. There was a payment of $100 exceeding the $50 allowable amount under petty cash policy. The petty cash voucher was approved by MESC CEO with the recommendation of the ESPII Program Coordinator which was to be reimbursed by the Ministry due to the urgency of the payment for penalty fees. The recommendation is noted and will ensure to comply with petty cash guidelines in the future.

5.3 EPC – Power Sector Expansion Project for the financial year ended 30 June 2013

1. There is no proper format of how the Project Management Unit (PMU) should present the Statement of Expenditure. The Statement of Expenditure for the year ended 30 June 2012 presented some subprojects actual and accumulated costs in lump sum under one subproject name but for the year ended 30 June 2013, subprojects are presented individually with their respective actual and accumulated cost incurred. However, audit noted a few errors after the accountant reconciled and reallocated expenses to related subprojects the accumulated cost that was presented in lump sum in prior year Statement of Expenditure. These errors were identified and discussed with the accountant and adjusted accordingly. The Power Sector Expansion Project (PSEP) is estimated to be completed in 2016 and many more subprojects are expected to be carrying out and should be presented separately in the Statement of Expenditure to reflect their actual and accumulated total cost instead of being presented in lump sum under one subproject name. Audit recommends the PMU to document a proper format and procedures of how the Statement of Expenditure should present actual and accumulate costs incurred for each subproject. Inconsistency of presentation would not facilitate proper decision making of the relevant stakeholders. The above weaknesses were discussed with the PMU new accountant, recruited in March 2013, and agreed that there is no proper documented format for the Statement of Expenditure and also none is stated in any of the guidance provided by the Asian Development Bank (ADB). Furthermore, the total accumulated cost of these subprojects should agree to the total value transfer from work in progress account (WIP) to EPC assets account when such subprojects are completed. The completion dates of each subproject should also be included in the notes for the Statement of Expenditure for users to easily identify which subproject is completed from time to time as the PSEP progress towards its completion. Yes! The PMU has considered the above issue for improvement of the next accounts preparation for the PSEP project. We agreed that the above issue or findings from your office is helpful to improve the presentation of PSEP accumulation financial report for the next or new FY year. PMU has being working on to draft an Accounts preparation guidelines and procedures to be use for preparing of Statement of Expenditure. The next accumulated financial report should reflect the total of all completed projects that already transferred from the WIP account under the EPC fixed asset account. This new format or additional information will be highlighted inside the accumulated financial report of FY13/14.

2. Audit noted an improvement, if compared to prior year audit, of how the new accountant account/record and maintain PMU records in terms of reconciliation. However the following are the weaknesses that audit encountered and require the management to consider for further improvement of the Unit's accounting aspects. Current year accumulated expenditures not being equal to prior year accumulated expenditure plus current year actual expenditure. The percentage of some project cost allocation between Ausaid, JICA Loan, ADB Loan and Grant and to EPC as presented in reconciliation did not agree to the percentage stated on the Withdrawal Application (WA). Withdrawal Applications and Disbursements listed on ADB Loan report but did not appear in the PMU general ledger. Financial amounts stated in the Statement of Expenditures did not agree to amounts presented in the notes. The PMU accountant has prepared reconciliations to account withdrawal application for each subproject and cost paid to each contractor/subcontractor. However, audit's concern is that there are no documented accounting policies and procedures to guide how the accountant should account and maintain project records. Audit recommends the Project Management to document proper accounting policies and procedures for the project accountant to effectively perform his roles and duties as well as to mitigate any risks associated with the accounting and

recording of transactions and to ensure all records are properly kept and reconciled to MOF and donors' records. In addition, such would also avoid the inconsistency of record keeping and to ensure the proper retention of records even if accountant leaves the Project Office, or resigns. We also considered and take into account the issue number two.

- Improve the reconciliation of accounts between the PMU and EPC general ledger
- Maintain reconciliation between the PMU and MOF Accounts
- Maintain and improve the reconciliation statement for the PMU and the PSEP financier cohorts
- List of Disbursements or withdrawal applications should be available at the time of the Audit
- Letter from the MOF to confirm loan balances
- Records of Withdrawal applications for the Audit
- EPC general ledger and trial balances to confirm the accumulate balances of completed and ongoing projects under the PSEP
- PSEP loan schedule should be provided by EPC.

The above listed were the main focus subjects for the PMU/ Project Accountant to be available at the time of the Audit to expedite the inspection by the Audit Office.

5.4 Enhanced Integrated Framework Project for the period 1 January 2013 – 31 December 2013

1. Assets not labelled

Assets allocated to the Ministry of Foreign Affairs and Trade were not labelled. Given the recommendation, an asset register will be developed for the TCM unit and also ensure that the assets in MFAT are recorded in this register.

5.5 Integration Climate Change Risk & Resilience in Forestry Management Project for the period ending 2013

1. FINANCE

1.1 <u>IMPROVED PROCESS FOR FACE FORMS AND QUARTERLY CDRS</u>

Chart of account use by the MNRE-PMU for posting is not consistent with the CDR chart of account. According to the Corporate and Administration officer MNRE-PMU the Ministry is using the only parent code for posting and preparation of the FACE Form, however the CDR from UNDP uses a more detail coding creating a variance between some account names and account code. There is a need to harmonise the chart of account between the Ministry and the UNDP CDR to ensure the FACE Form and CDR reconcile. This will minimise posting errors and assist with budget monitoring to avoid budget over run.

Client comment and corrective action:

UNDP Response – The audit recommendation is duly noted and this needs to be addressed immediately starting with this quarter. Therefore, the 1st Quarter FACE Form to be submitted to UNDP should continue to report on parent codes or budgeted codes (ending with 00) aligning with the Annual Work Plan; and the Child Codes (very specific expense code) is now required to submit together with the FACE Form in the case of reporting expenditures and not necessary for requesting project advances.

UNDP will provide the list of account codes with the Child Coding template and assistance will also be available when needed. This would help to ensure the accuracy and consistency of financial data management between UNDP, MNRE and MOF. Henceforth, the FACE Form for the 1st Quarter 2014 should reflect the correct coding.

<u>2. ASSETS</u>

<u>2.1. FIXED ASSET – POSTING AND CAPITALIZATION</u>

Our review of fixed asset posting indicates that the Ministry uses the account Equipment and Furniture code 72200 for all assets including tools and equipment for the project sites. There is also no threshold amount for asset capitalization being followed.

The Ministry needs to set up sub asset account in accordance with the UNDP coding to differentiate office fixture and furniture, office equipment, motor vehicle and assets such as tools and equipments in the general ledger. This will ensure that all assets are properly monitored and that the asset register reconciles with the general ledger and CDR.

UNDP and the Ministry also need to set a threshold amount for asset capitalization and determine whether assets for the project sites e.g. nurseries tools & equipment shall be included as assets in the fixed asset register.

Client comment and corrective action:

UNDP Response – In accordance to UNPD Coding, 72205-office machinery and equipment (incl. Parts and tools), 72215-vehicle (transportation equipment of any kind or type) and 72220-furniture and fittings; these are all grouped together under a parent code 72200-Equipment and Furniture.

Therefore, the account code 72200 used by the Ministry is correct thus addressing the issue of harmonising the chart of account for UNDP CDR and FACE Reporting.

MOF: the threshold amount used follows that of the Government

2.2. FIXED ASSET REGISTER

Observation:

The fixed asset register provided by the MNRE-PMU is not consistent with the register submitted in the 2011 audit and is incomplete. The register provided needs to be in line with the 2011 register i.e to include all assets purchased in 2011 if they are not disposed off, the USD of each asset, the exchange rate used and the asset location. There is also a need to reconcile the fixed asset register with the asset general ledger accounts.

Client comment and corrective action:

MOF Comment: MNRE should use the government template and follow Government policies on assets as agreed in the meeting between UNDP, Auditors and MOF at the beginning of the audit exercise. The revised Assets register is submitted for audit purposes.

MNRE Comment: Fully concur to use government template

1.3. POSTINGS

During our review of expense accounts, we notice some posting errors in the general ledger for the FACE form. We recommend that the Ministry inputs the correct general ledger code according to the expense. Correct posting of payment will ensure the information on the financial report is accurate for use by the relevant stakeholders.

Client comment and corrective action

UNDP Response – UNDP posted expenditures in ATLAS (UNDP System) based on the FACE Form submitted by MOF of transactions which have been requested by and chart of account indicated by MNRE. *The parent code 71600-Travel for recording transport fares (e.g. taxi and bus fares) is correct and the child account is 71635-Travel Other.*The parent code 75700-Trainings, Workshops and Conferences for recording newspaper ads is NOT correct, 72500-Supplies is the correct one and the child code is 72510-Publications (incl. Subscription of all publications such as newspaper, magazines, newsletter, etc). *The parent code 72300-Materials and Goods for recording boosts is correct and the child code is 72399-Other Materials and Goods.

MNRE: the posting is conducted by UNDP and MOF based on information provided by MNRE. The recommendations of the above are noted .

5.6 Japan Fund for Poverty Reduction for the financial year ended 30 June 2014

1. The statement of expenditure presented for audit covered only expenditure paid under the Treasury Fund but excluded those paid under the Project CBS Imprest Account. Accounts were revised to include missing payments.

2. Payments made from the CBS Imprest Fund Account did not have any purchase orders issued. Purchase orders are not required for payments processed from CBS using the Imprest Account, as CBS does not issue purchase orders on behalf of Government. However, MNRE still obtained three quotes and demonstrated on the TY11A their assessment and reason why they preferred a certain supplier.

3. Interest to CBS amount was not taken into account in the Grant Proceeds available for the project displayed on top of the statement of the expenditure presented for audit. Accounts were revised to include interest earned on the Imprest Account. Interest earned is also treated as funds available for project works.

4. Payments made from the Project CBS Imprest Fund Account included some taxes which were not allowable under paragraph 9 of the Letter of Agreement dated 29 August 2012 for the project. The Statement of Expenditure for the period however is appropriately prepared and discloses separately the VAGST taxes involved. Tax was included because it was paid as such. The tax amount will be labelled as ineligible when acquitted to ADB. The Government will reimburse tax amount back into the Imprest Account.

5.7 Pacific Island Law Officers Network for the financial year ended 30 June 2014

1. The Pacific Islands Law Officers' Network (PILON) Project shares the same project/GDP account number with Pacific Prosecutors Conference on Finance One. Audit noted one transaction from the period recorded on Finance One Ledger but not recorded in MOF Manual Ledger for PILON Project. Upon further checking and sighting of payment voucher, it was discovered that this transaction was instead incorrectly recorded in the MOF Manual Ledger for Pacific Prosecutors Conference and therefore not acquitted in the PILON Acquittal Report. Audit recommends that this transaction be included and acquitted in current period under audit. The recommendation was noted.

2. Audit noted that the sum total of personnel expenditure reflected in the Project Acquittal Report was understated by $45,832.74 while operating expenditure was overstated by $45,615.34. The responsible officer should add up different categories of expenses properly and correct figures reported in acquittal report accordingly. The audit recommendation was duly noted.

3. Audit noted one transaction posted as a capital item under MOF Manual Ledger and reported as such in Project Acquittal Report yet posted under natural account of an expense in Finance One Ledger. Audit recommends to correct posting to ensure Finance One Ledger figures agree with MOF Manual Ledger figures and what is reported to donors in Acquittal Report. The audit recommendation was noted for future references.

4. Approval of certain expenditures :

   4.1 Reimbursement: Audit noted that reimbursement of personal monies for previous Coordinator that was under SAT$1,000 and also authorised by said Coordinator. This leads to breach of coordinator's employment contract clause 4.5 where prior approval of reimbursements must be attained from PILON Executive Committee and AGD Contact Officer. Audit recommends that responsible officer(s) of both the Attorney General's Office and the Ministry of Finance must ensure that approval of reimbursement of personal monies for Secretariat Coordinator has been attained from PILON Executive Committee and AGD Contact Officer prior to processing of reimbursement. The audit recommendation was duly noted.

   4.2. Payments in excess of SAT$1,000: Audit noted that certain payments exceeding SAT$1,000 did not show evidence of approval by PILON Executive Committee and AGD Contact Officer as per Memorandum of Understanding clause 6.1.4b Audit recommends that responsible officer(s) of both the Attorney General's Office and Ministry of Finance must ensure that approval of any expenditure in excess of SAT$1,000 has been attained from PILON Executive Committee and AGD Contact Officer prior to processing of such expenditures. The audit recommendation was duly noted.

5. Fixed Assets

   5.1 Fixed Assets were not labelled: It is recommended that fixed assets should be labelled and that internal reference used to identify assets according to asset register. The PILON office and AGOs should use and follow Government policies on maintaining project assets to ensure accountability and transparency of data available for donors and stakeholders.

   5.2 Replacement of Assets: Damaged keyboards were not written off. This could lead to lack of control in the purchase of assets. It is recommended that responsible officer should ensure that new assets are purchased to replace existing assets and that a write-off form is attained for the approval of writing-off of damaged assets. The recommendation was noted for compliance with government procurement policy and national procedures.

5.3 Physical Security of Assets: The PILON Secretariat Office is situated at the reception area of Samoa Law Reform where it is accessible to anyone that walks in. Partitions are used to divide it from reception area but apart from that, no doors or cabinets with locks to secure assets. At times, both the Coordinator and Assistant Coordinator travel overseas for work and no one is left to man the open office. This open area could lead to theft of assets. Audit recommended that action be taken to ensure the security of assets and files of PILON Secretariat. PILON responded that since there was no available space at OAG office, and approval of funding was required from the AGD to fund a highly secured space, PILON will make do with the current space at SLRC office. It will also look into the purchase of a cabinet to lock away equipment based on the approval of our Executive Committee.

5.8 Public Sector Improvement Facility for the financial year ended 30 June 2013

1. We were unable to review all minutes of management meeting of the project for the year audited. Minutes of meetings were prepared and stored on the Financial Management Unit's (FMU) server that crashed. A new server was purchased in June 2013unfortunately the Ministry's IT support have not been able to upload/retrieve the data off the old server FMU & Administration Officer to review hardcopy filing of minutes and all project related documents.

2. We were unable to obtain the Project Agreement for Ministry of the Prime Minister and Cabinet PSIF End of Program Review. A project agreement was not prepared and signed for this activity. This review was the result of a directive from the Facility Coordinating Committee (FCC). The Review proceeded without a Project Agreement in place where payments were made directly against the Contract signed between the Minister and the Consultant.

3. Salaries and wages reconciliation had not been filed with the Ministry for Revenue. This is the first time the FMU has been made aware of this requirement. The said employee to whom this applied no longer works for the FMU (resigned Feb 13). Nevertheless the salaries and wages reconciliation (P6 & P6A) forms will be completed and submitted to MfR.

4. Monthly P4s were filed late to the Ministry for Revenue. The Officer to whom this applies is no longer employed.

5.9 Public Sector Improvement Facility (PSIF) for the year ended 30 June 2014

1. From our review of payments, we noted that a recovery of cost of air fare for official overseas travel was not obtained due to a course being cancelled by the organisers in the last minute. For example, cheque number 1157 (SAT$7,758.20) was made out to the travel agent for air fare for a Samoa Bureau of Statistics (SBS) employee to attend a course overseas. This course was cancelled in the last minute by the organisers, but the airfare had already been paid after endorsement from cabinet. The related cheques for allowances for this particular travel were also cancelled. We recommend that PSIF liaise with SBS and the Ministry of Finance in order to determine if cost of this travel could be recovered through the government's travel insurance policy.

2. The current Memorandum of Understanding (MOU) for the Office of the Regulator (OTR) states that the period of support from the PSIF should be completed by 30 April 2014. We have noted that a payment after 30 April 2014 was made that do not relate to expenditures incurred during the period of the MOU. For example, cheque number 1173 for SAT 10,104.48 was for the purchase of power meters for OTR. We recommend that all payments made after 30 April 2014 relate expenditures incurred during the period from the commencement of the MOU up until 30 April 2014. All expenditures incurred after 30 April 2014 should be subject to an approved variation to the memorandum.
   A 2nd amendment to the MOU signed between the OTR and the PSIF is being prepared to extend the completion date to the 19th December 2014. This will coincide with the end date for the PSIF and will cover the endorsement given by the Ministry of Finance to the OTR to use some of the savings for additional capacity building.

3. We have noted from the review, that some project reports have not been submitted. For instance, the OTR has not submitted their 2nd Progress and Project Completion reports (based on the completion date of the MOU of 30 April 2014). We recommend that PSIF follow up with the Office of the Regulator the provision of reports before any additional variation or funding is approved or paid to them.

4. From our review of payments, there were a number of cheques (cheque numbers 1103 to 1106) for a total of SAT$105,864.40 for reimbursement of costs incurred by the Office of the Regulator which was eventually paid in to the Ministry of Finance's bank account. This payment was for reimbursement of OTR's costs as stipulated in each of the cabinet directive to support the cheques. Therefore should have been a reimbursement to OTR. We recommend that all reimbursements to OTR should be made out to them rather than the Ministry of Finance as stipulated in the cabinet directive.
   Initial reimbursements were made into the Ministry of Finance's account upon their (MOF's) instruction. MOF then clarified later that reimbursements should be made directly into the OTR account. This has been the practice since and therefore consistent with the Audit's recommendation.

5.10 Samoa 400KWP Solar Project for the financial year ended 30 June 2014

1. The weekly project management team meetings minutes have not been signed. This will be addressed by the chairman of the meetings.

5.11 Samoa Agriculture Competitiveness Enhancement Project (SACEP) for the year ended 30 June 2014

1. It is noted in the Financial Advisor's Inception Report format/June 2014 that the Internal Auditor should be involved in control issues or risks identified and actions of SACEP . The internal auditor explained that does not have sufficient resources to cover SACEP. It is recommended that there should be involvement from the Internal Auditor and Management should address the needs required. .

2. Payment testing issues:
   a. There were payment voucher of $415.97 on 2/8/2013 for reimbursable expenses for consultant (ref SAC14018). An excess baggage expense of $350 did not have supporting document-receipt for evidence of payment made, only boarding pass was attached and ticket which did not state amount for excess luggage.
   Receipts submitted to MOF without making a copy

   b. Payment voucher $15,278.18 on 1/5/2014 for reimbursement of reimbursable for consultant (ref SAC14267) included reimbursable total of $30.65USD had no receipts/supporting documents, only total was stated down.
   Receipt submitted to MOF without making a copy

   c. Payment voucher for petty cash reimbursement of $483 had payment voucher #1 of $168 for boat fares to Savaii had no receipt attached.
   For urgent petty cash monies release directly to respective division as per approved request to purchases ticket on wharf for travelling staff, hence the absence of ticket copies from payment voucher.

   d. Payment voucher for reimbursement of petty cash funds $462.60 had payment voucher #5 of $48 for boat fare to Savaii had no receipt attached.
   Same as response in (c) above.

5.12 Samoa Agriculture & Fisheries Cyclone Response Project (SAFCRP) for the year ended 30 June 2014

1. Fixed Asset sight visit noted that "2 VM Servers, a Rack Cabinet & 24 Port Switch" was not accounted for in the Fixed Asset register. We recommend that these assets are added back in the FA register for the Cyclone Response Project.

2. From the payroll testing it was identified that the fortnightly returns were not prepared and submitted to the leave/payroll officer as per payroll process. The payroll officer explained they had never checked the attendance book during the payroll ever since the Project started. It is recommended that fortnightly returns are prepared on time, checked and approved as per payroll process and that staff leaves are updated accordingly by Leave/Payroll officer.

3. Repairs to the fence for the Crops Division of $18,000 should be included under the FA register by CRP officers. We recommend that repairmen made of such significant costs be capitalised and included in the fixed asset register.

4. Asset sighting identified that most assets in the register have not been properly marked updated accordingly. It is recommended that assets acquired under the Project funds are marked accordingly and that the fixed asset register be regularly updated.

5. Two chainsaws purchased were not included in the fixed asset register. Recommend that these chainsaws be included in the fixed asset register and state the custodian/division which they are held under. The items in questions will be included under fixed assets register. These items were bought in Jan 2013 under SACEP register under SACEP, later transfer to AFCRP in late 2013.

6. We noted that the project has been slow to achieve its targets against set plans. Implementation of the projects was delayed due to a late recruitment of Staff in February 2014. Development of E-voucher system is the main contributing factor to the slow achievement of planned targets as in Component 1&2. A company from NZ pulled out from upgrading POS Systems to operate E-voucher, hence the late implementation of e-voucher system to distribute grant as required under Component 1 & 2.

5.13 Samoa Agro Forestry & Tree Farming Project for the year ended 30 June 2014

1. The Project did not have a Fixed Asset Register.

2. Payment for morning tea and lunch for M3 training from 16-20 June had no list of participants attached. Although it was noted that the same participants from last meeting were present there should have been a list of the 25 participants and should have signed their names that they were present for the day. It is important to have a list of participants for each day of the training and have them signed that they were present for the training to justify the costs incurred for the training.

3. There was a transfer of the said AUD $90k in April transaction was cancelled. Confirmation to be obtained on why this transaction was cancelled and not shown on the Acquittal Report but there was a MOA signed for transfer of funds. The Cancellation of transfer of funds to MCIL was a decision by the Project Steering Committee as a result of an advice by the donor for the Program to formally explore integration of SATFP with ICCRIFS Project as a strategy to sustain SATFP activities and resources. The Mid Term Review of the project also recommended that this option was not feasible.

4. Termination of the METI component for the overall project due to the lack of progress and non-compliance to the MOU. The decision by the SC to discontinue assistance to METI was mainly due to the non-compliance of METI with the conditions and reporting requirements in the signed MOU between METI and Government (through MNRE). METI was advised several times by the SC to provide evidence and figures to demonstrate stated success in their reports and also to submit proper financial reports and receipts to which METI never responded. This issue was raised in SATFP Steering Committee meetings as well as Development Partners Meeting between MNRE and the donor (DFAT). Apparently the existence of the concerned Program relies heavily on its stakeholders. Therefore the success of SATFP is to be reflected through performance of its stakeholder and in this case, METI.

5.14 Samoa Health Partnership Project for the period 1 September 2010 – 31 December 2014

1. One General Ledger Account in Finance One was used for 18 different Australia-funded projects including the Health Partnership Project. All transactions of the 18 projects were posted into this one account. MoF should create separate accounts for separate projects. This should simplify reconciliations. The partnership program funded by Australia is implemented by various agencies/ministries. In an effort to consolidate reporting for this particular program from the start was the rationale behind the set up of an individual project code as well as single project bank account set up with CBS. The Health project under the program is completed, so as other 5 projects under the program. The ministry will continue to monitor the implementation of the program and utilization of funds under the program to completion, and will ensure to have annual audit of each project under the partnership program to help simplify verification and reporting purposes. Audit recommendation is noted and considered for future programs of similar arrangements.

2. Two cheques valued at $7,360 each were paid out to two separate suppliers. Audit noted that these two separate suppliers was actually one person. These payments were made out on 30 August 2011 and 14 September 2011. Recovery action should be initiated. The project unit was reminded to be more cautious in preparation of payments and to properly reconcile records. MoH will liaise with the payee to arrange for recovery of the amount of SAT7,360. Both cheques were presented to the bank on 20 September 2011. The Ministries have taken note to ensure no repetition of similar incidents in the future.

3. The project had overspent $16,264.00 of its funds and had drawn from the Government of Samoa Disbursement Account for transactions/payments for 2013.

Last grant in ANZ:	$407,000.00
Payments processed for 2013:	$423,263.93
Overdrawn amount:	($16,264.00)

   MoF is recommended to ensure proper reconciliations of funds withdrawal are updated, and to process a request for reimbursement from the CBS Account to recover the Government of Samoa Disbursement Funds. All payments made for this project used the Treasury Disbursement Account and regular reimbursements of GoS funds have been made from the project account with CBS.

4. Some transactions on the MOF Excel ledger/Acquittal were not reconciled against the reimbursement transactions requested to the CBS for Government funds.

Such include:	9/9/2011	Guest Fales	$18,009.00
	30/6/2011	Reimbursement to SWAP	$305,001.05
	30/6/2011	Reimbursement to SWAP	$23,598.00

   The Ministry of Finance is recommended to ensure proper reconciliations of funds withdrawal are enhanced and updated. Proper checking is highly recommended to confirm the accurate balance left of the project. The amounts $305,001.05 and $23,598.00 were transactions originally paid under the Health SWAP 2039-89-120, and later reimbursed and transferred to 0330-03 in June 2011. There was no need for reimbursement of GoS funds from CBS06-052 as funds received in November 2012 in ANZ1200033 of $407,000.00 already set off this total amount.

   The amount $18,009.00 was payment made on the 9 September 2011 and posted on Finance One system reference #11376. There is no need for reimbursement of GoS funds from the project CBS06-052 account, as the amount was transferred to WHO project 0192 in September 2012.

5. Audit noted a payment made to the Samoa Netball Association of $23,000.00 for sponsorship with an agreement for recipient to provide transparent acquittal reports and any other type of requested report of total sum being utilized. However there were no reports submitted for verification. We recommend following up and obtaining acquittal reports as stipulated under the agreement. It is also recommended to review these agreements and arrangements. The agreement was signed between the association and the Ministry of Health. he MOH would liaise with the netball association to obtain records of the acquittal. The ministries noted to improve on the monitoring and follow up of such arrangements in future.

6. Minutes of the Main Steering Committee were not provided to the audit. All minutes for committee meetings should be made readily available to the audit. MOH responded that there were no minutes of meetings regarding the Project.

5.15 Samoa In-Country Training Programme (SICTP) 2014 for the financial year ended 30 June 2014

1. There was no endorsement on time sheets for employees working at SUNGO and Chamber of Commerce. For proper accounting, we recommend that all time sheets be endorsed by the supervisor of head of SUNGO and COC as this is the basis for the calculation of payroll cost. This will also assist in determining whether the employees were utilizing their leave. SICTP explained that timesheets for both program coordinators were received through email from their supervisors; showing implied approval. The two coordinators have now been advised to have their timesheets signed by their supervisors for implementation of a proper payroll process.

2. There were a few instances where the statutory deductions such as PAYE, NPF, and ACC calculation were incorrect. The amounts should match the balances shown in the returns being lodged with MOR, NPF and ACC on a monthly basis. SICTP said that the miscalculation of PAYE tax was a result of an unfortunate error in the payroll formula, and that it will calculate any back pay using the 27% tax rate as recommended.

3. Payroll deductions paid to the relevant authorities were higher than the amount deducted from the employee. Audit recommended that the payroll deductions lodged with MOR, NPF and ACC be checked and reconciled against the actual payroll summaries. SICTP stated that this was a one-off matter reflecting an adjustment made to correct PAYE tax payable to ACC.

4. Employees only filled out their leave form after leave had been utilized. There were also employees who did not sign the attendance book. These assist in preparing the payroll as well as updating leave balances. SICTP said that staff had been reminded to ensure they sign the attendance book on every working day, and it is the current practice for those that do not comply to be given Leave Without Pay.

5. Payment vouchers and related list of employees' net pay being lodged with the bank were not stamped by the relevant bank. Stamp from the bank authenticate that the transaction has been lodged to each employee’s account and is the correct list used by the bank. This is important for protection from any disagreements with employees and the bank. SITCP has noted the recommendation and will be implement this in its next pay run.

6. Most of assessments of Tender files were still in electronic format and not printed out to be signed by the assessment panel. These should be printed and circulated to the assessment panel for signature as part of their final decision, to be filed together with each panel member’s scores, as well as the tenders received and when it was all opened. Orderly filing should be maintained to insure proper control over all supporting documentation. SICTP has noted the recommendation.

7. Certain expenditures did not have the required number of quotes to determine each proposed supplier's price and products. At least 3 quotes for expenditures are required, where applicable. Furthermore, tenders of more than SAT $50,000 should be in accordance with the Tenders Board guidelines to ensure transparency and fairness to all local suppliers. This was also raised in the audit for 2012/13. SICTP said that it implemented these recommendations after the completion of the audit in December 2013.

8. Purchase orders for some payments were not attached. SICTP replied that it now used purchase orders for ordering stationeries as part of the implementation of the previous financial year audit recommendation.

9. Some payments did not have a worksheet to allocate certain expenditures (such as printing, advertising and stationeries) among the various courses in the General Ledger account. This helps to determine the correct allocation of costs to different courses. This allocation can be included in the payment voucher when charging to account codes. SICTP has noted the recommendation.

10. Vendor statements were used to make payments given that some invoices were misplaced. The invoice or the copy of the purchase order should be signed and dated when the goods are received and services have been provided, with any discrepancies documented. There should also be a proper file for all invoices for payment. SICTP said payment vouchers had been prepared and submitted for approval as soon as original invoices were received to prevent any misplacement of original source documents.

11. Bank reconciliations were not approved. These should be signed and dated by employees preparing them. SICTP said that the audit recommendation will be implemented starting in the November 2014 bank reconciliation.

12. The accounting file pertaining to the previous financial years have not been closed and rolled over on MYOB after each audit. There was a risk that transactions could be backdated to prior period, thus changing the previously reported financial statements. Management should close all prior period accounts starting from the last rolled over period right up to the completion of the current year's audit. The Project needs consistent accounting information. Adjustments to prior periods negate the validity of historical information. SICTP replied that the Project Accountant will work closely with the external auditor in closing prior financial years and verifying closing balances to accounts already audited.

13. Training courses expenditure exceeded its approved budget. Management is recommended to monitor and perform periodic reviews of expenditures against budget.

14. A few contracted trainers exceeded their agreed amounts per contract. It is recommended that contracts be drawn up in Samoan tala so that the project is not affected by foreign exchange differences or changes in the rate for daily subsistence allowances. It also needs to ensure that the Samoan tala exchange rate is given when the invitation for tender is sent out. Final exchange rate used should be the date of the signing of the agreement (contract). SICTP said that it will advise all interested trainers to have their budgets converted into tala using a locked exchange rate (to be reviewed on a weekly basis) on its website. Trainers will also be strictly informed to complete all budgetary requirements including travel fares and per diem rates from the NZAID website.

15. Internet costs exceeded its monthly entitlement. Management should consider whether to move to a higher plan that covers the excess and is a realistic plan for the project to work with for the whole year. SICTP explained that internet usage was sometimes excessive depending on the number of training-tenders due for a period, and that it will make a review of the current internet plan and make changes where appropriate.

16. The latest minutes of the Project Coordinating Committee shows that the project will move towards funding from the Educator Sector Project, with the financial year 30 June 2015 being the last time it will be funded directly by AusAID and the NZAID Programme. This funding

from the Education Sector Project will be transferred to the National University of Samoa and the project will come under the umbrella of the National University of Samoa. It is recommended that SICTP liaise with NUS (including Ministry of Finance) to determine the next course of action such as sustained financing, utilization of skills and knowledge of Project Management Unit, and the utilization of remaining funds. The SICTP - PCC at its recent meeting on the 11th November 2014, approved the set up of a sub-committee to look at implementing the approved recommendations of the SICTP Impact Study in line with the proposed transition to budget support funding under the OCPD-NUS, for the implementation of the Education Sector Programme (ESP), starting in 2015/16. The sub-committee will include Sector Coordinating Agencies (PSC, CoC& SUNGO), MOF and representatives from the SQA, ESP and the NUS Finance Department and will be meeting on the 10 -11 December 2014. MOF states that SICTP will remain under ESSP, and budget allocation will be through the resource package channelled through NUS as one of the three lead agencies of ESSP. The only difference is that funds will be channelled through the budget and not through a separate project account; the right step towards sustainability.

5.16 Samoa Infrastructure Asset Management (SIAM) Phase II for the year ended 30 June 2014

1. Minutes of the Steering Committee Meetings were not signed approved by the Chairperson. All minutes of the Steering Committee Meetings must be signed approved by the Chairperson to confirm true resolutions of the Committee.

2. A fixed asset register could not be provided by the responsible officers of the LTA and the MNRE when they were asked by the audit. There should be a fixed asset register to confirm the accounting, existence and location of all project assets.
   This is not correct. Fixed Assets are maintained by the Implementing Agencies. In this case, it's MNRE and LTA.

5.17 Samoa Law and Justice Sector for the year ended 30 June 2014

All issues had been discussed and satisfactorily cleared.

5.18 Samoa Parliamentarian Support Project for the year ended 31 December 2013

1. There were no quarterly financial reports submitted to UNDP per i) Letter of Agreements (LOAs); and ii) since opening the bank account with ANZ Bank in August 2013. UNDP has taken actions to ensure all direct cash transfer (DCT) advances are reported in a FACE Form in conjunction with OCLA's acquittal reports of which, must be submitted to UNDP before the end of the relevant quarter the DCT advance is requested and disbursed. UNDP has on forwarded a "statement of cash position" to OCLA to assist in recording all financial transaction undertaken from the SPSP project account at ANZ Bank which will be verified, agreed and signed by both OCLA and UNDP at the end of the year.

5.19 Samoa Pilot Program for Climate Resilience Phase 1 for the period ended 1 October 2011 – 31 January 2014

Issue 1: Assets not labelled

A number of assets from the project have not been labelled.

- 7 swivel chairs
- 2 HP Mini Laptops
- 1 Epsom Projector
- 1 Dell Vitros Laptop
- 2 Cooler Master Personal Computer Set (including UPS)
- 1 Fujifilm Digital Camera

Recommendation:
All assets must be labelled.

Management Comment:
All assets have now been labelled/coded which can be sighted at any time and an asset is also available at MNRE.

Issue 2: Classification of some payments in the financial statements
Some payments made out to a consultant were classified in the financial statements as "Goods" when the actual service was Consultancy and should be classified as "Consultancy Services"

Recommendation:

The Ministry of Finance should liaise with the donor on classification going forward

Management Comment:
Will ask the World Bank Financial Specialist if this Interim Financial Report template can be tailored to reflect the actual expenses and project activities for transparency.

5.20 Samoa Post Tsunami Reconstruction Project for the year ended 30 June 2014

1. Minutes for the Steering Committee meeting were not signed by the Chairman. It was also, noted that only the progress for the SIAM II. There was no discussion of the Post Tsunami Reconstruction Project's progress. The Steering Committee should discuss the progress of the Post Tsunami Reconstruction Project and the minutes should be signed by the Chairman to confirm authenticity of issues discussed. Most of the components for Post Tsunami Project were completed in FY12/13 except for Aleipata Inland Route which only started in FY14/15. This is why it was not mentioned in the Steering Committee meeting minutes as there was nothing to report on. Minutes are usually not signed but point taken for future Steering Committee meetings of the Project.

2. We were unable to verify a payment voucher as it was not provided to us during the audit fieldwork. All documents related to the project must be properly filed. Please provide the voucher for verification.

5.21 Samoa Tourism Support Programme for the financial year ended 30 June 2013

Observation 1: Withholding taxes not deducted from Consultancy services performed

There were no withholding tax deductions made from all payments to overseas contractors for consultancy services performed under STSP. It was noted in their respective contracts that they are subject to taxation in Samoa which includes both VAGST and withholding taxes.

Recommendation:

Audit recommends the responsible personnel to take appropriate actions and comply with contract requirements.

Management Comment:

MOF: The consultancy fees were paid accordingly to the approved Schedule of Payments and overseas Consultants are not subject to VAGST only withholding tax. However, as stated in Clause 4 of their contracts, the Consultants are responsible for checking with the Ministry for Revenue as to its own requirements to pay tax. But we take note of the audit recommendation for way forward.

Observation 2: Variance noted between the Bank Statement and financial statement

A variance of $11,155 was noted between the Bank Statement and the Statement of Receipt and Payments at 30 June 2014. The variance was due to two project payments (audit fees) that were paid from the Treasury Disbursement Account instead of the project's special account at the Central Bank (CBS). The Treasury Disbursement Account was later reimbursed by the Central Bank on the 27th February 2015.

Bank Statement ($)	Statement of Receipt and Payment ('financial statement') ($)	Variance ($)
886,313.01	875,158.01	11,155

Recommendation:
Please comment on why only these two payments were processed differently from other payments made under this project.

Management Comment

MOF: The method of processing payments can be made either way depends on the nature of payment and kindly note that all SPA established with CBS must have a GDP output with our Accounts division thus payment can be processes through this system as per the above mentioned payments and with the intention to be reimbursed from the project CBS Special Purpose Account.

Observation 3: Non compliance with the Funding Agreement – Variation 2

STSP did not comply with the requirements of the funding agreement regarding the completion of an Annual report for the period 1st July 2013 to 30 June 2014. The Annual report was due on the 30th June 2014, however there was no report provided at the time of the audit.

Recommendation:

Audit recommends STSP to ensure compliance with the Funding Agreement by completing the above report as a matter of urgency.

Management Comment

MOF: The annual progress report is from the Implementing Agency (STA) as MOF prepares financial while IA prepares narrative reports. The audit recommendation is duly noted for future improvements.

STA: Noted. STA submitted report for the above phase to MOF and normally MOF action this on behalf of STA.

Observation 4: Minutes of meetings for the Tourism Sector Committee

Minutes of meetings for the TSC for the financial year under review were not provided for audit review.

Recommendation:

All minutes of meetings for the TSC should be properly filed for ease of reference and audit purposes.

Management Comment

STA: We will provide all minutes of held meetings soon please.

5.22 SchoolNet & Community Access Project for the financial year ended 30 June 2013

1. There were some payments without TY11B forms. It is recommended that payments policies and procedures are followed and that all the documentations are complete and attached to support payments funded under the SchoolNet Project.

2. The withdrawal application of USD$214,314.46 had disallowed claims of $48,610.51 representing salary deductions from project funds for the position of Project Manager. It was explained to the audit team that this was a misunderstanding with ADB. It was accepted that although ADB had no objection to the position, it did not agree to fund the position. As a result, the funds were returned back to the Project Imprest account.

3. The learning centres at some schools were in very poor condition such as leakages, untidiness and visible dust on computers. During site visits, computer rooms were locked and responsible teachers did not leave keys with the Principal. Equipments were also missing, and responses from the administrators showed no sense of responsibility in keeping assets secure and in good condition. Computers were taken home for personal use and equipments were removed from the learning centres and were used for other school purposes. Assets were not registered or marked properly, and some were not accounted for. The asset register was not updated at the time of the audit visit.

4. Equipments were missing due to break-ins at schools as well as the SchoolNet office. Audit received the Police Report on 25 July 2014 regarding the items that were stolen, with some that had been recovered and returned. Equipment stolen from the SchoolNet office on 22nd February 2014 were recommended to be insured as soon as possible. Audit also recommended the following:
   - Secure the building(s) where the assets of the SchoolNet project are located;
   - Perform regular checks/verification exercises on assets to ensure that the equipments were properly taken care of and/or continue to exist;
   - Provide insurance on equipment;
   - Mark assets appropriately before they are handed over to the schools;
   - Only register assets that exist, and not assets yet to be received or paid for.

5. Most schools did not have policies in place in using ICT facilities. Principals and administrators explained that there were policies but were not documented or displayed prominently. As this is part of Project Components to be achieved, it is recommended that policies are in place and documented for the use of the SchoolNet equipment in each Learning Centre.

6. There were no advocacy programs and plans to engage the community in using Learning Centres. As this is part of Project Components to be achieved, it is recommended that programs to engage the community are developed and implemented.

5.23 Sector-Wide Approach Program (SWAP) for the financial year ended 30 June 2014

1. Employee's attendance could not be verified as the National Health Services (NHS) were unable to provide the attendance book during the audit. Employees did not sign the attendance book, therefore no indication to confirm whether working or not. The HR section has been made aware of their responsibilities to update the attendance book consistently. MoH has requested if the NHS attendance book could be resubmitted for sighting as HR had been busy in December with the launch of the new phase of the hospital.

2. Payment to consultant could not be verified due to no signed contract.

3. The fixed Asset register was incomplete. Also faulty assets procured without irregularity reports. NHS will respond to irregularity reports for damaged medical equipment.

5.24 Small Island Developing States (SIDS) Conference 2014 for the period 1 April 2013 – 31 December 2014

Part 1: Multi-donor project

1. We noted during our audit that funds received from NZAid and Turkish Embassy were not used during SIDS operation, however according to the agreement from NZ Foreign Affairs, it specifies the employing of NZAid fund for the purchase of a water tank, meanwhile this fund remains unused. Similar to the Turkish fund, this is also unused. The government's budget was appropriated for the SIDS Conference. Any additional funds that came as pledges to the Government ought to go into Treasury Fund.

PART 2: EUROPEAN UNION FUND SCB ACCOUNT #101041159-003

2. All payments to residents for personal (including professional services) are required under Section 95 of Income Tax 2012 to deduct withholding tax. However the majority of expenditure under European Union Aid were noted to be remunerated without charging the 10% withholding tax. The Division has taken note of the recommendation and will comply with the Income Tax Act for payments of future aid-funded projects/programmes.

3. There were disbursements made to suppliers with VAGST not indicated on payment vouchers during our audit. According to letter delivered from the European Delegation to the former Minister of Finance, the project officers should have records in their accounting software to notify the exact total amount of VAGST that the Government will eventually reimburse at the end of this project. However this was not particularly identified to us when requested thus we assumed that they were not properly charged. The European Delegation letter clearly states "for project officers to have records of VAGST inclusive and VAGST exclusive prices on their accounting software and not strictly on the payment vouchers". The division is keeping records of the amount of VAGST on excel to determine the reimbursed amount of VAGST to the development partner on the completion of the project and audit by EU.

PART 3: TREASURY FUND

4. Narrations used during posting of SIDS payments were not very clear and made it more difficult to reconcile data especially when attempting to reconcile contract payments to Finance One. _Recommendation duly noted.

5. During payment testing, we noted that a special purpose account for SIDS Conference Preparations was created in FY2014/2015. It appears that the funds for this account is made up of the remaining balance of the appropriation for MOF Below Line 1-9052-N26 from FY2013/2014. The reason given for the creation of this account was so that SIDS remaining/outstanding payments can be paid off in FY2014/2015.__The Special Purpose account was initially setup to prevent any further commitments on the next financial for SIDS related expenses and utilise the large amount of funds remaining at the end of the Financial Year 2013-2014. However, recommendations proposed will be put to action to reduce any adverse affects on the Governments cash flow.

6. Accountable Advances taken out for SIDS were not acquitted until February 2015. This is non-compliance with Treasury Instructions 2013, Section 3 – Part G, G.27.2(1); acquittal report with relevant receipts to be supplied within fourteen (14 days) after cheque has been issued. Recommend that SIDS Secretariat / MFAT comply with relevant legislations governing controls and use of public funds from here on forward. Recommendation duly noted.

7. Unpaid retention for completed contracts on building construction and renovations for SIDS amount to SAT $1.6m. Audit noted that the Aquatic Centre has been taken apart for the planning and preparations of the Commonwealth Games and yet retention to contractor for renovations to Aquatic Centre for SIDS has not been paid out. Also, Practical Completion Certificates received and sighted by Audit Office pertains to only three of the fifteen contracts with unpaid retention – lack of practical completion reports on building renovations works carried out for SIDS makes it difficult to not only assess when retention to contractors are due but also whether works were completed and in good condition prior to take-over of facilities by Commonwealth Youth Games. Recommendations duly noted and appreciated.

8. Outstanding utilities payments awaiting final re-negotiation with suppliers amount to SAT $1.2m. We were also informed that another $600,000 claim from EPC has yet to be made and documents were not available for audit verification. Audit concern is the lack of remaining funds in SIDS budget to cover these payments seeing that appropriation for this financial year had been reduced by $2.6m in first supplementary and SIDS still have unpaid retention of $1.6m to account for. Recommendations duly noted. The Secretariat advised of the intention to settle all outstanding utility costs using the special purpose account #445187 after renegotiating with suppliers, and to appropriate the $1.6m in unpaid retention in the upcoming budget for financial year 2015-2016.

PART 4: ASSET RECONCILIATION

9. Reconciliations showed several variances of both over and under accounted for assets. This means that for some items the actual count is either below the pre-count or above._The Pre-MOF Count used in the Audit report included only assets which were used and on-site during the SIDS conference. There were a number of unused assets which were stored off site and were not included in the count. These unused assets remain in storage on site._In addition, there were a lot of last minute changes and movements of assets between buildings that took place closer to the meeting when the UN Secretariat arrived in order to meet the specific UN meeting requirements, which could not be captured in the Pre-MOF count. And before the Aquatic Centre was renovated by the Chinese in October/November 2014, and the Gym 1 used for other events in December 2014, all the assets therein were moved also to both Gym 2 and the Hockey Stadium for storage.

5.25 Support for 2011 National Census Project for the period 1 April 2010 – 31 December 2014

1. There were 18 AUSAID projects grouped in one General Ledger account within Finance One, including the Support for the 2011 National Census Project. MoF should create separate accounts for separate projects to simplify reconciliations and provide more accurate figures within Finance One. The ministry will continue to monitor the implementation of the program and utilization of funds under the program to completion, and will ensure to have annual audit of each project under the partnership program to help simplify verification and reporting purposes. Audit recommendation was noted and considered for future programs of similar arrangements.

2. In our review of the project agreement No.62406, we found the following arrangements not being followed:
   - The fund was lodged in the CBS account rather than the Treasury ANZ account as stated under Clause 19;
   - The CTSC held two donor meetings. As per Clause 24, the CTSC and Government of Australia will convene six monthly Donor meetings unless an alternative time interval between meetings is subsequently agreed;
   - There were no six monthly progress reports as provided under Clause 31;
   - The funding has not been audited on an annual basis as provided under Clause 40 of the agreement.

   Audit recommends proper compliance with the provisions of the project agreement to ensure that the expectation and reliance of the Donor in executing of funds to meet the project objectives are attained.

3. Variances occurred between the acquittal summary and the Finance One System. Audit recommends checking and correcting the payment amounts. The variance has been noted and will be amended to report the over-expenditure to donor.

4. Calculation of camping and overtime allowances could not be confirmed due to absence of hourly rates ($) of pay; only timesheets hours were filed. The project division should ensure that all documentation must be filed including approved hourly rates.

5. The Census division did not maintain a proper and updated fixed asset register pertaining to the project. There was no register kept separately since from the start of the project and so all project assets are registered under the ministry's asset register. This made it difficult in identifying assets under the project. Audit recommends the Census division to maintain a separate register of fixed assets funded by the project for proper accountability. SBS responded that the current practice is that the Corporate Division is fully responsible for registration of all the office fixed assets including all project assets. Therefore the Census division did not have any registration system of its own so as to adhere to the usual operations by the Corporate Division and to avoid the overlap of roles. SBS will take into account for future project undertakings.

6. The Census division did not keep a record of all fixed assets written-off pertaining to the 2011 Census project. SBS noted recommendation for future project undertakings.

7. The Minutes of Steering Committee were not signed by the Chairman of the Committee. The Minutes should be signed to confirm authenticity of issues discussed. SBS responded that it will ensure that the minutes will be signed by the Chair of the Steering Committee.

5.26 Technical and Vocational Education and Training for the financial year ended 30 June 2014

1. The Road Map phase which was scheduled to be completed in December 2013 appears to have continued into 2014.

   SQA stated that the road map phase was continued under TVET Road Map 2 (DFA No 69061) with the completion date of the Accountable Cash Grant Agreement 59178 (agreed to be) amended to 30 June 2014.

   The 5th Progress Report reports on the activities from the last six months of financial year 2012/13 and new activities identified in the TVET Roadmap 2. However, new activities in the Roadmap 2 were on hold until the Direct Finance Agreement (DFA No.69061) was signed which took place in November 2013. As a result, activities were deferred for implementation starting January 2014.

   DFA No.69061 was the continuation of funding from DFAT which was previously under the Cash Grant Agreement No.59178. It was agreed that the completion date for the Cash Grant Agreement No.59178 of December 2013 be amended to June 2014.

   The 6th Progress Report reports on the progress of activities from January to June 2014. While Stage 2 of the Roadmap now guides the implementation of the TVET Programme much of the wok for the last six months has been the completion of activities under Stage 1. This followed confirmation from DFAT in April that Stage 1 funds will be returned to DFAT by end of June 2014 if not utilized.

   In the absence of the Amendment to original Agreement to extend the project 20 June 2014, MOF had asked SQA to submit the relevant minutes of the SC meeting in which the decision to extend was made and endorsed by the members (including DFAT).

6. PERFORMANCE, COMPLIANCE AND ENVIRONMENTAL AUDITS

6.1 Performance Audit – Ministry of Works, Officers of Parliament Committee (OPC) Follow up of Recommendations 2015

Issue	2015 Status
1. Accounts Receivables	Partially Implemented

A

Audit Issue 2008: There was weak control over the collection of rental and tenants fees and as a result one of the tenants had already left Samoa before settlement of the outstanding debt balances of $8,720.

MWTI Response in Annual Report 2009/10: Efforts by the Ministry on behalf of the Government Housing Committee to recover the outstanding debt of $8,720 from the tenant responsible were futile when the tenant moved overseas. We consider it proper to request the Attorney General (AG) to take legal actions against the former tenant upon returning to Samoa.

Audit Verification: From review of correspondences between the Ministry and SAO, we noted the transfer of this matter to the AG and is still pending upon the return (from overseas) of the involved debtor. This decision was drawn from the Housing Committee meeting before this function of the Ministry was devolved to SHC. Therefore, there is no more obligation of the Ministry to follow up the debtor. However, the CEO is adamant the debt remains as this occurred when the operation was still with MWTI.
2014 Observations: Audit was advised that reviews have been done in the past by Technology One /MOF Management. Audit was unable to obtain any evidence of any such review(s) to address issues raised in our 2010 report

Audit Finding: The MWTI has no more obligations however it will defer for the return of the concerned tenant to recover the money. It has been outstanding for almost 7 years.

Issue	2015 Status
2. Termination of Employment	Implemented

Audit Issue 2008: Termination through resignation for one particular employee was effective on 30th April 2008, but the staff member was still being paid up to 1st June 2008, with an amount owing to the Ministry of $733.34

MWTI Response in Annual Report 2009/10: The overpayment of $733.34 in our view requires some explanations from the Ministry of Finance (MOF) given that proper documentation for the employee's resignation with effect from 30th April 2008 and was processed on to MOF in advance and his salary and resignation entitlements were paid out on 6th May 2008. Once final payments were made for salary and resignation benefits, termination of further payments should have been effected by MOF's Payroll Section.

Audit Verification: From review of correspondences and documents provided by the Ministry, we noted that this issue has improved since the reporting period.

Financial Year	**Remarks**
2008	Issue and recovered
2009	No issue
2010	No issue
2011	No issue
2012	Issue and recovered
2013	No issue
2014	Issue and recovered

The above timeline of the issue indicates that the issue was reasonably dealt by the Ministry. It was also noted in previous management letter corrective actions that the major cause of the issue was due to MoF cessation function of the pay of the terminated employees. The relevant documentations and dates for action were provided and it was noted that what remains was beyond the control of the Ministry. This was also provided to both MoF and Public Services Commission (PSC) for further explanation.

Issue	2015 Status
3. Attendance Book	Implemented

Audit Issue 2008: There was no proper Attendance Book to record work attendance in order to verify salaries, wages and benefits for employees as well as evaluation of work performance thereafter, as in the case of the Transport Control Board, Civil Aviation, Housing Division and the Roads Division.

MWTI Response in Annual Report 2009/10: The Ministry has implemented a new control system for the attendance book. Since July 2009 all Ministry employees (permanent, temporary and contract officers) are required to sign one attendance book whereas before each division has its own attendance book with the Corporate Services Division (CSD) being solely responsible for monitoring the staff attendance records. Reminders have been sent via internal memorandum about attendance issues and all employees who have failed to apply for leave or notify their immediate supervisors have been treated as absence on leave without pay.

Audit Verification: From audit observation of attendance book, MWTI had completely implemented the recommendation as raised by audit. As noted from their response, all staff of the Ministry signed one attendance book. The attendance book is given to the CEO on a daily basis after 9.15am for monitoring of his staff. The staff that signed after his daily checking were noted as being late. HR personnel is also responsible for fortnightly reports to the CEO for the attendance overall of staff. We also noted that all the attendance books since the beginning of the change in controls were well kept by the Ministry.

Issue	2015 Status
4. Fixed Assets	Implemented

Audit Issue 2008: Quite a few expensive assets funded from the Ministry budget went missing from their respective locations. Most of these items were washing machines, refrigerators, stove, swivel chairs and filing cabinets, digital camera, dining table with chairs and so forth. These could not be found and status never reported by the Housing Inspectors. There were no reports on such items mentioned in Minutes for the Housing Committee meetings as missing or being used anywhere.

MWTI Response in Annual Report 2009/10: The recommendations on assets and asset registers are well noted and proper actions will be taken accordingly. A fixed asset management policy is now in place and assets previously reported as missing were found transferred from house to house without the proper transfer documentation but still being used by tenants.

Audit Verification: This issue is no longer with the Ministry as this function was transferred to SHC in 2011. The Ministry had undertaken a massive overhaul of the government housing with regards to asset administration, building status and other related management before the function was being transferred. Therefore the issue raised with assets was cleared before the transfer and any risk associated had been mitigated.

Issue	2015 Status
5. Irregularity Reports	Implemented

Audit Issue 2008: Traffic Accident – Vehicle Number MWTI02. The driver went to Vaitele Uta to take a gas bottle for the Chief Executive Officer (CEO) and went over a hump on the road resulting in the rear fibre glass canopy falling off without his knowledge of how it happened.

MWTI Response in Annual Report 2009/10: The Ministry of Finance recommended the damaged canopy to be written off and the Ministry to pay for replacement of a new fibre glass canopy.

Audit Verification: A report for the Irregularity Report (IR) was provided and recommendation from MoF was given. However, audit noted the replacement for the written off canopy was not implemented due to the unnecessary need of the replacement. In addition, the vehicle involved in the accident did not need any rear fibre glass canopy as the car was about to be written off at the time. Audit checked the employee pay transaction report of the driver as well as the transaction listing of the proposed supplier and confirmed that no payment was made or any recovery of the cost involved.

6.2 Performance Audit – Rubbish Collection & Litter Maintenance Services 2014 Ministry of Natural Resources & Environment

Audit Objectives

The initial audit objectives developed for the audit were:

1. To assess whether MNRE was effective in monitoring and managing the services supplied by the contractors;
2. To assess whether the collection of rubbish and litter maintenance services provided were carried out regularly and effectively and in accordance with contracts' provisions.

Audit Scope

The audit focused on the monitoring and regulating role of the Ministry in overseeing the process whether contractors provided the services in a satisfactory manner and that payment of funds reflected the actual services provided. Audit also reviewed the assessment of contractors' performance specifically whether in compliance with terms and conditions under existing approved contracts. The audit covered financial period starting from July 2013 to June 2014.

Audit Findings and Recommendations

1. To assess whether MNRE was effective in monitoring and managing the services supplied by contractors

1.1 Lack of enforcement of the Waste Management Act 2010

We found that rubbish was discarded at public as well as unoccupied areas. This indicated that there was no enforcement by the Ministry of the Waste Management Act 2010. According to section 22 of the Act, enforcement could be exercised by police officers, environment officers and any other person approved by the Chief Executive Officer (CEO).

Recommendation: We recommend that the Ministry enforce the Waste Management Act 2010.

Management Comment: The enforcement of the Act is a huge challenge to the Ministry. The Ministry has been airing numerous publicity media campaigns with the intention of stopping illegal dumping and to change the mindset of the general public. The Ministry had also conducted training programs on the enforcement of Waste Management Act 2010 as well as other legislations that we are responsible for. There are about more than 40 authorised officers who have the authority to enforce the Act any time if any person commits an offence such as illegal dumping. These initiatives are part of our efforts to ensure that we fully implement the requirements of the Waste Management Act 2010. In addition, the Ministry relies on its partners and the public to work collaborately through reporting of any illegal practice to the Ministry. We will continue to work extra hard to ensure the requirements are fully complied with.

1.2 National Waste Strategy 2008-2018 not finalised

It was noted during our audit that the National Waste Strategy 2008-2018 was yet to be finalised and approved. The Strategy should address how the Ministry assess the progress and performance of rubbish collection and litter maintenance services.

Recommendation: Audit recommends that the Ministry finalise and approve the National Waste Strategy 2008 – 2018.

Management Comment: The Ministry through the DEC is currently reviewing the National Waste Strategy to ensure all aspects of waste management are addressed. Given that there is an approved National Chemicals and Hazardous Waste Policy 2012 in place, the DEC through the Solid Waste Section will review its Solid Waste Strategy 2008-2018 to avoid duplication. The Ministry through the DEC is planning to submit the revised Waste Strategy to DCD for official approval.

1.3 Absence of a monitoring and managing policy

The monitoring and managing roles of MNRE of rubbish collection and litter maintenance services provided by the contractors were being carried out without a documented policy. The functions such as service inspections, responses to public complaints, public awareness and monitoring reports should be outlined clearly in a policy to ensure their roles are well documented and properly implemented.

Recommendation: We recommend that the Ministry formulate and approve a clear documented policy and procedures on the functions of the Ministry for rubbish collection and litter maintenance.

Management Comment: The management of all waste contract services are governed by the contracts. The Waste Management Act 2010 clearly reflects the main roles and functions of the Ministry through the DEC on the managing of wastes. We strongly believe, that the next step forward is the reviewing of the Waste Strategy/Policy and the formulation of the Regulations to guide and regulate the implementation all waste services and operations.

1.4 No contracts for variation

The rubbish collection contracts were extended by six months upon the Tenders Board approval. However, there were no signed contracts prepared for this extension. As a result the Ministry did not comply with business best practices and legal requirements.

Recommendation: We recommend that the Ministry have proper contracts to comply with legal requirements.

Management Comment: The Tenders Board has already approved the extension of waste contracts particularly the Litter, Maintenance of landfills and collection services. The AG Office has already formalised the variation of current contracts while awaiting finalisation and assessment of the PPP framework for integrated waste management in collaboration with the IFC and MoF for Cabinet consideration and approval.

1.5 Limited awareness for the public

The Ministry had initial public awareness programmes since commencement of rubbish collection and litter maintenance services. From our interviews with the public, most families had limited or zero knowledge of the following services and responsibilities:

- Types of rubbish allowed for the contractors to collect
- Scheduled dates of collection of bulky waste
- Households can lodge complaints on poor performance of contractors
- Proper and secured rubbish bins/platforms should be in place;

Recommendation: We recommend that the Ministry run ongoing public awareness programmes.

Management Comment: The Ministry is conducting its ongoing awareness through the Pulenu'u Fono, communities and media outlets. Most families are now aware of the scheduled collection dates during the week. There is still a need to conduct more awareness programs for the public to be fully aware of such collection and enforce the construction of platforms and bins for rubbish collection. Moving forward, we will continue to strengthen our collaboration with the MWCSD in terms of working with their established networks and structure such as the Pulenu'u Council, Sui o Tina ma Tamaitai through the Village Committee and the Youth. Furthermore, promoting working together with the Minister's Advisory Committee so that we have the support of the community and in turn filters down to all households. The Ministry believes that media campaigns do not provide the full solution to responsible waste management and to create awareness amongst the general public. Working together with the community will go the extra mile in promoting open dialogue and more awareness for our people.

1.6 Incomplete information for reporting

The Waste Management Unit (WMU) of MNRE reviewed the performance of contractors through their assessment visits however there were no proper records and reports to verify these visits. At the end of the month reports were prepared as required for the payment process. As a result of incomplete records during visits, there is a risk of inaccuracy of information.

Recommendation: We recommend that the Ministry strengthen record keeping in the areas as mentioned.

Management Comment: The Waste Management Unit has now provided reports of their monitoring in every payment since the beginning of 2014. Payment will not be released if the waste is not collected from the zones. There is a need to increase budget allocation for petrol costs and increase of personnel to conduct the monitoring all throughout Samoa. The Ministry is working closely with the MoF and IFC-World Bank on options to resolve this problem to ensure effective and efficient solid waste management in 2015.

1.7 No records for access after-hours by contractors at Tafaigata Landfill

The office staff at the Tafaigata Landfill had no records in the log book for contractors that accessed the land fill after working hours. The log book was used to confirm whether the contractors collected the rubbish as per approved agreements.

Recommendation: We recommend that the Ministry review access time at the Tafaigata Landfill to ensure effective monitoring.

Management Comment: Opening and closing hours of the landfill is now formalised from 8am-4pm and hardly any vehicle transports its waste to Tafaigata since the new schedule became effective in 2013. The DEC still maintains on this schedule unless there is an urgent or an unforeseen case that requires the need to open the gate for disposal.

1.8 Zone B2 was not properly serviced

The zone B2 covered villages from Lepea, Vailoa Tai, Tulaele, Talimatau, Elise Fou, Vaitele Tai, Vaitele Uta, Vaitele Fou, Siusega, Saina, Faleula and Falelauniu. From interviews with households we noted complaints of poor services provided by the contractor. Moreover, our observations confirmed that this zone is quite significant for the contractor to service using only one compactor truck for collection.

Recommendation: We recommend that the Ministry review and monitor the responsible contractor to ensure that rubbish collection is effective.

Management Comment: This zone was tendered in 2010 when there were not so many families who settled in part of Vaitele. There is a significant increase in the number of families who have settled and purchased new lands all around Vaitele and Nu'u etc. The Ministry has considered this an important issue and we are working with the contractor on appropriate ways to resolve it while awaiting the new arrangement through the PPP for integrated waste management in 2015.

1.9 Complaints not properly addressed

We noted that there were complaints from the public on the poor service from contractors however this information was not properly used by the Ministry. The process involved the Ministry completing the complaint template with information from the public, printing and filing of the template. There were also complaints publicised in the media during our review. However, there was absence of any documentation of the Ministry's comments or actions undertaken to resolve the complaint.

Recommendation: We recommend that the Ministry strengthen their procedures in managing complaints from the public.

Management Comment: The Ministry through the DEC noted the concern by the Audit Office and is now putting in place proper record keeping for all complaints.

2. To assess whether the collection of rubbish and litter maintenance services provided were carried out regularly and effectively and in accordance with contracts' provisions

2.1 Incomplete provision of services

The contractors failed to provide the services as required for rubbish collection under the contracts' terms and conditions. According to the contracts (clause 5) these services were:

- Separating waste collected for disposal and recycling;
- Collecting bulky waste four times a year provided the Ministry broadcasted the collection dates on television and radio.

Recommendation: We recommend that the Ministry enforce the services provided by contractors as per approved contracts.

Management Comment: In terms of way forward to address segregation of waste, the Ministry is currently implementing a pilot project (Dec 2013 – Dec 2015) on segregation at source in the town area (ZONE A) only. An MOU between the MNRE in collaboration with the JICA and Jaffa's Sanitary System Ltd and the Pacific Recycle Co. Ltd was signed in Dec 2013 for one year and it has been agreed by the three parties to be extended for another year until Dec 2015. The extension of the MOU is yet to be finalised and signed by Dec 2014.The objective of this pilot project is to segregate and collect the recyclable wastes from the households' wastes including the commercial wastes in the Zone A. The lessons learnt and successes from the ongoing pilot project will be practiced and piloted in other zones with the overall aim to mainstream into the collection system for way forward. The Ministry are working closely with JICA to support this project through awareness campaigns and educational programs, technical and financial assistance for the success of this pilot project. We are looking at the re-wording of this clause (5.1.1.a) above to reflect the current situation that segregation cannot be implemented at this stage. This is due to the fact that lessons learnt from the current pilot arrangements will be used to develop a strategy and way forward to address this issue.

2.2 Application of penalty fees

Under clause18 of the contracts the principal is entitled to retain 10% of the final contract price if the contractor failed to complete the services satisfactorily. However, we examined and found that some contractors did not provide complete services as required and that the penalty fee was never applied.

Recommendation: Audit recommends that the Ministry apply penalty fees for non compliance.

Management Comment: The Ministry respectfully request if you can provide the methodology that you implemented to determine that the contractor failed to complete services satisfactorily. The Ministry as a standard practice retains the contractors' payments when they do not comply with the scope of the works as per contract during monitoring. The Ministry also inspect and assess the nature of the complaints whether it is the fault of the complainants or the contractors. Furthermore, there have been new residential areas that have not been developed and settled during 2010 particularly in the urban area and until 2014, it was obvious that many new families have purchased vacant lands and settled therein, which definitely was not accounted for during the planning phase of the tender for waste collection.
The Ministry will make sure this is enforced and applied for those contractors with poor performances.

2.3 Non compliance of contractors

From our observations, we noted that there were some rubbish collection contractors that failed to comply with the provisions of the contracts as follows:

- Unable to cover the entire responsible zone;
- No proper safety gear used when collecting rubbish;
- Scattered rubbish not properly collected under the platforms and placed onto the compactor truck.

Recommendation: We recommend that the Ministry strengthen their monitoring role to ensure the contractors fully comply with provisions of the contracts.

Management Comment: This is a collaborative effort by the Ministry, the households and the contractors. The Ministry has been carrying out awareness programs since 2006 until now. Households have a responsibility to ensure their wastes are safely packed and stored on appropriate platforms. The contractors are responsible to collect waste that are safely packed and stored on the platforms or bins but not waste lying around on the ground. Waste scattered around the ground are usually a result of stray dogs and irresponsible households who do not packed their rubbish properly on the rubbish platforms. The Ministry advise the contractors to make sure to collect all waste on the platforms and compact properly in the trucks to avoid falling off the road. The Ministry is working closely with the MCIL through enforcing and strengthening the Occupational safety and Health of the worker of contractors. The Ministry is carrying out its regular monitoring and make improvements on the services from time to time.

2.4 Poor litter maintenance service of town areas

The litter maintenance service was poorly performed by the responsible contractor and the service needs much improvement. The following shortfalls noted were:
Rubbish around the sea walls and roundabout at Mulinu'u;
The contractor collected only the rubbish visible to the eye and maintained only the common public areas;

- Rubbish disposed behind Vaiala seawall;
- Weeds growing on the seawall as well as thick soil and dry leaves;
- Litter at Apia Flea Market bus terminal.

Recommendation: The Ministry is advised to review the performance of the litter maintenance contractor.

Management Comment: The Ministry is continuing its monitoring role on the performance of the litter maintenance contracts and enforcing the Waste Management Act 2010 through Television, Radio and Newspaper with fines and penalties if anyone is caught. New rubbish bins have already been installed in the town area for the public to dispose their waste. The Ministry is working collaboratively with the Samoa Tourism Authority through awareness programs on TV advising the public to stop littering. Going forward, we will continue to strengthen our monitoring roles and working with our partners on littering programs including the monitoring of the contractors. This is a collaborative work among the public, stakeholders, communities and the Ministry to ensure we have a clean environment. The Ministry relies on the collaborative efforts by all partners through reporting and monitoring.

Conclusion

This part we draw together overall conclusions at whether:

- MNRE was effective in monitoring and managing the services supplied by the contractors;
- The collections of rubbish and litter maintenance services provided were carried out regularly and effectively and in accordance with contracts' provisions.

Waste generated by households has grown over the years and has been a challenge for Small Developing States including Samoa. The Government through the MNRE had initiated and implemented measures to ensure that the risk posed to our environment was well managed and contained. Such measures including the collection of rubbish covering both urban and rural areas on all 4 main islands of Samoa as well as litter maintenance throughout the Apia town area. These services were contracted out to private companies and the successful contractors were selected through the approved Government tendering process.

While recognizing that progress has been made in the management of rubbish collection and litter maintenance in Samoa, the audit highlighted areas requiring further improvements. Overall the Audit concluded that the Ministry's managing and monitoring role as well as the performance of the contractors was not effective.

In order to improve, the Ministry's priorities should be more focused on the effective implementation of the legal and policy framework, finalise and approve key documents such as National Waste Strategy 2008-2018. There is also a need to formulate a Monitoring and Managing Policy for rubbish collection and litter maintenance.

Provision of adequate service by the contractors should also be constantly and thoroughly reviewed and monitored to ensure that the high quality service is provided to the public.

6.3 Performance Audit – Effectiveness of Managing Special Bank Accounts 2015 Accident Compensation Corporation

Overall Recommendation

We noted the need for ACC to improve on effectively managing the Special Accounts scheme. There exists the need to implement improved internal procedures and ensuring that existing internal procedures portray best practices, and exercise independence, good governance, transparency and accountability. It is clear from the opinion of the Attorney General that there is no legal mandate to transfer the custody of these special bank accounts to the Public Trust Office. Previous experience of such an arrangement also did not end well as far as the best interests of ACC and the dependants or minors were concerned.

In consideration of the legal opinion of the Attorney General, the Audit Office is of the view that:

1. ACC did not have to create this many special bank accounts which it has not been able to cope with as far as proper accounting and record-keeping are concerned;
2. ACC could have just created one bank account for all these compensation funds, subsidiary ledger accounts for each creditor or payable and a general ledger control account for reconciliation purposes;
3. ACC legislation is silent as to when compensation is to be paid. This is left to the discretion of ACC which also inherently obligates ACC to handle with care the safeguard and custody of the compensation funds (i.e a moral obligation) from when they are payable to the point of payouts and complete disbursement;
4. Management and operation of the one special bank account recommended for compensations as well as the general ledger control and individual creditors subsidiary accounts can then be made part of the normal accounting and finance processes of ACC. There should be segregation however between the oversight and custodian of the special bank account and individual subsidiary accounts on one hand and the control account in the general ledger on the other;
5. ACC could use the guidelines under the PFMA 2001 on special bank accounts to assist with the new set up. ACC should consider based on a cost/benefit analysis whether to use independent software for the maintenance and operation of the individual creditors subsidiary accounts or use the software currently in use for its accounting and financial reporting needs. Whatever software is used it is important that a proper file is set up for each creditor as well as a proper filing system for the whole operation;
6. It is up to ACC what the implementation timeframe is for the proposed changes but it should be sooner rather than later as the status of the record keeping and accounting observed and noted during the performance audit was far from impressive;
7. A special audit by the Audit Office Special Audit Unit of all the special bank accounts is now recommended by this performance audit.

Having said the above, we <u>recommend</u> for the Corporation to:

- Establish a creditors control account in the General Ledger (GL) to be reconciled regularly with subsidiary creditors accounts and records for the payout of compensation funds under section 9 subsection 7 of the ACC legislation;
- Establish a single bank account for all such funds;
- Disburse funds from one bank account while using the special bank accounts GL to monitor the movement of each individual creditors subsidiary ledger;
- Written procedures of establishment of the individual creditor subsidiary account. This guideline may include (and other necessary procedures where the Corporation see fit):

- *Whom the signatories of the establishment are;*
- *Provisions in the event where the signatories cannot perform duties as per initial agreement or establishment.*

- Written procedures of withdrawals from the special bank account and individual creditors subsidiary ledger. This guideline may include (and other necessary procedures where the Corporation see fit):
  - *The extent to which monies are to be approved/disapproved of withdrawal (specifying which needs to be catered for and to what extent);*
  - *The extent and clear grounds to which monies can be totally withdrawn.*
- Procedures or fundamental controls for the effective monitoring of the one special bank account and all the related individual creditors subsidiary ledgers and records. Monitoring controls such as:
  - *Perform regular bank reconciliations;*
  - *Obtain and keep all relevant information/documentation pertaining to the one special bank account and all the related individual creditors subsidiary ledgers and records.*
- Due to the extent of responsibilities tied to the management of the one special bank account and all the related individual creditors subsidiary ledgers and records we recommend for the Corporation to consider including the management of this operation as a core function of the Corporation. We recommend and as discussed with appropriate personnel of the Corporation:
  - *Creation of staff position(s) that would specifically manage the one special bank account and all the related individual creditors subsidiary ledgers and records;*
  - *This person(s) should be responsible for performing bank reconciliations;*
  - *Responsible for the preparation of submission of claims;*
  - *Responsible for reporting balances of the one special bank account and all the related individual creditors subsidiary ledgers and records to the Board on a regular basis;*
  - *Responsible for all record keeping responsibilities.*
- For the Corporation to ensure that their moral obligations which have yielded the need to establish this operation as a core function are in line with the responsibilities set and outlined to each responsible employee.
- Implement other recommendations as discussed in the foregoing paragraph.

Overall Conclusion

Overall; we conclude that the Corporation has not been completely effective in the management of the many special bank accounts under its care as far as record keeping and accounting are concerned.

The one reliable control is that only the GM or CEO of ACC was a signatory together with the guardians. The savings books and other records are all kept with the accounting and finance personnel and there have been cases of fraud and irregularity with people attempting forgery and other fraudulent activities to access funds.

The above conclusion is guided by several objectives as well as from our audit findings.

The objectives of the audit were as follows:

- To assess whether the Corporation in managing the many special bank accounts was complying with relevant legislations and financial regularity;
- 'To assess and determine whether the internal procedures established to manage special bank accounts ensured that best practices were followed; and whether internal procedures exercise good governance, transparency, accountability, independence etc;
- 'To assess and determine whether current practices of managing special bank accounts by the Corporation was in the best interest of beneficiaries (i.e. the minors).

Key Findings

- The balances of special bank accounts are not reported in the financial statements of the Corporation at year end except through a note disclosure. Although the presentation of accounts are in line with the International Financial Reporting Standards (IFRS) we wish to bring to light the Corporations' moral obligation or requirement to be accountable, transparent and independent etc in its practices.
- We have noted various weaknesses of existing internal controls and procedures imposed by the Corporation in managing the special bank accounts. Such include:
- Poor controls in place for monitoring special bank accounts;
  - Inconsistencies in internal procedures;
  - The absence of a written guideline that specifically manages special bank accounts;
  - The establishment of internal procedures that are not based on any legislation; financial regulation or policy that govern special bank accounts;
  - The use of judgement in the management of special bank accounts (specifically in the case of withdrawal) instead of developing clear guidelines for such.
- Lack of documentation and record keeping duties performed by the Corporation in managing the special bank accounts.

The above findings are further detailed in the latter course of this report.

Detailed findings and Recommendations

1. Compliance with relevant legislations and financial regularity

In this part, we:
Assess whether the Corporation with its current practices (i.e. acting as custodians of special bank accounts) was complying with relevant legislations and financial reporting framework such as:

- Accident Compensation Act 1989;
- Accident Compensation Act Amendment 2003;
- Accident Compensation Act Amendment 2009;
- Accident Compensation Act Amendment 2012;
- Public Finance Management Act 2001;
- The Public Trust Office Act 1975;
- International Financial Reporting Standards (IFRS);

Assess the activity against relevant legislations and financial reporting frameworks

The use of the term 'trust' means a trust has been created under a legal instrument. The agreements of establishing trust accounts being signed with guardians is not within the legal meaning of trust(s) as stipulated by the PFMA sections[1]60-62. In the legal opinion of the Attorney General (AG), monies held by ACC as trust is not covered under the definition term 'trust money' under section 60 of the PFMA. The PFMA sections 60-62 would also then not apply to monies held by ACC as trust. Therefore for the purpose of this report, we will refer to the trust accounts as denoted by the Corporation as 'special bank accounts'.

The Act and Amendments' relevant sections within [2]Part 3, [3]Part 4 and [4]Part 5 regulate who and how much claimants should be compensated. From our analysis of claims made and

[1] PFMA Section 60: Trust Money; PFMA Section 61: Establishment of trust funds and trust accounts; PFMA Section 62: Operation of trust accounts

[2] Part 3: ELEGIBILIY FOR REHABILITATION AND COMPENSATION

[3] Part 4: COMPENSATION AND BENEFITS

[4] Part 5: PROCEDURE

approved of compensation, we noted reasonable compliance of the Corporation to the relevant sections of the Act. Relevant sections include (but not limited to):

[5]Section 15; and
[6]Section 17; and
[7]Section 24; and
[8]Section 26; and
[9]Section 27; and
[10]Section 37; and
[11]Section 40; and
[12]Section 41; and
[13]Section 42.

- Overall assessment of the Act confirms no section of the Act specifically allows for the Corporation to use special bank accounts as part of their compensation and rehabilitation objectives. This assessment is also supported by the view of the Corporation regarding the operation of accounts as stated on its Annual Report 2011. However and in contrast; the Act also does not specifically outline the timeframe in which compensations are to be paid out to minors. The analysis now suggest that although there is no specific allowance in the Act to operate these bank accounts; given the absence of a timeframe in which the Corporation is to pay out compensations to minors; yields the moral obligation of the Corporation to safeguard monies and protect the interest of its beneficiaries (i.e. minors) until they are completely disbursed; that is, establishing these special bank accounts until the minor reaches18 years or over.

- According to the Corporations' 2011 Annual Report published, an advice was issued by the Ombudsman regarding procedures used by the Corporation in the management of special bank accounts. The advice given by the Ombudsman in the 2011 Annual Report denoted procedures used as justified and fair. However, this advice is not considered in the findings of this report due to no documentation of the Ombudsman advice provided for audit verification and confirmation.

- Inquiries with the Corporation noted that the Board in the early 1990s had allowed for the operations of special bank accounts. This decision however could not be provided to audit for verification and is therefore also not considered in the findings of this report.

- The accounts administered by ACC were previously kept with the Public Trust Office. Due to extensive fees charged by the PTO as well as other factors which hindered the Corporations moral obligation to its concerned beneficiaries the accounts were then transferred back to ACC for operations. In the legal advice of the AG, the PTO Act 1975 and its relevant sections concerning monies paid to minors does not apply to monies held by ACC in special bank accounts. Furthermore in the legal view of the AG; such section of the PTO Act only covers damages awarded in a court action to a minor or a person with disabilities.

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[5] Section 15: Specified Conveyance accident victims
[6]Section 17: Special provisions for work-related accidents
[7] Section 24: Compensation schedule for permanent injury or impairment of bodily functions
[8] Section 26: Compensation in the case of death
[9] Section 27: Medical and funeral expenses
[10] Section 37: Notification of accidents
[11] Section 40: Submission of claims
[12] Section 41: Limitation of submitting claims
[13] Section 42: Consideration and determination of claims

- The Corporation in compliance with IFRS does not have an obligation to disclose balances of special bank accounts in its financials. However; given that the Corporation has justified the use of special bank accounts as a moral obligation rather than an obligation by statute, we highlight its moral obligation to disclose such balances based on fundamental and ethical principles of accounting and best practices. That is, transparency, accountability, good governance and independence.

Assure internal procedures of the activity are in line with government legislations, best practices of accountability, good governance and independence

In this part, we:
Assess internal procedures inclusive of:
Investigation Department Divisional Manual. Generally the manual includes procedures for:

- Investigating, submission and approval of claims;
- Establishment of special bank accounts;
- Withdrawals from special bank accounts;
- Signatories of special bank accounts.

The complexities of assuring internal procedures are in line with government legislations and best practices:

i. Due to the absence of a specific legislation, regulation or policy that regulate internal procedures established by ACC for operating special bank accounts, it was difficult to determine an exact [14]benchmark or audit criteria to verify internal procedures against.
ii. Difficult to audit professional judgement
iii. Lack of records available for special bank accounts limited audit verification(s).

Assessment of internal procedures against government legislations, financial regulations and internal policies

The Internal Procedures

- It is important to note that the Corporation does not have written guidelines of internal procedures that specifically manages special bank accounts.
- The establishment of special bank accounts was approved by the General Manager of ACC.
- The establishment agreement includes the signatories of the accounts being the GM/CEO and the appointed guardian of the minor, the amount to be deposited as establishment and the allocation of the funds to be deposited (whether to be deposited in both a fixed and/or savings account). The GM is to approve withdrawals of funds from the savings accounts as well as approval of transfer of funds from a fixed deposit to a savings. All approval is to be made through submissions prepared by the Investigation division to the GM.
- Withdrawals from the accounts according to the Corporation are based on the *needs* of the minor. Withdrawals can only be done when a written claim from the guardian of the minor is made specifying the need for withdrawal. According to reviews of files there are two types of withdrawals:

  i. Withdrawals on occasions

  For occasional withdrawal from the accounts; the legal guardian is required to submit a claim for withdrawal in writing. When a claim is submitted, the officer then makes a

[14] For the purpose of this report - any legislation, regulation or policy that requires ACC to formulate certain internal procedures

judgement (after inquiries made into the claim) based on various factors whether to recommend to the GM to approve/disapprove the claim.

ii. Total withdrawals of accounts

Total withdrawals of accounts are warranted when:

- The balance at bank falls below $1000 – the basis to warrant this decision (according to review of files) is to prevent the travelling costs of the guardian to the office and fees charged by the bank on withdrawals of minimal amounts.
- The minor intends to permanently move overseas – according to the investigation division manual, information to be provided are the overseas passport with permanent stamp, legal adoption documents and so forth..
- Reaches 18 years of age or over.

Strengths of internal procedures

Only the GM/CEO is to be the signatory/trustee together with the guardian of the minor. Therefore, any movement of monies in and out of the account is to be authorized by the GM/CEO of the Corporation after necessary inquiries have been made into the claims.

Weaknesses of internal procedures

- We note the internal procedures as highlighted above are not based on any government legislation or financial regulations that govern special bank accounts. This means that the existing internal procedures are established and regulated by the Corporation without any overarching statute that govern special bank accounts to empower and enforce internal controls and procedures.
- The judgement as exercised by the investigating officer for occasional withdrawals is not based on any written guideline. For example; a guardian may request to withdraw on the education needs of the minor. There is no specific guideline which states how much a minor would be entitled to if in primary, intermediate or college. It is also not in any written guideline how often a guardian would be entitled to withdraw on the education needs of the minor. This would mean that the judgement (to approve/disapprove) deemed appropriate in one case may be inappropriate in another as judgement of one person cannot be interpreted as the judgement of the other. Where judgement may vary, inconsistency in procedure(s) may arise.
- Poor accounting procedures.

  We found that bank reconciliations of special bank accounts were not performed. The impacts as we have noted during our analysis are as follows:
  - Delay detection of irregularities when and where they occurred. An irregularity was noted in which the guardian of the minor and the teller of the bank had withdrawn funds without the approval of the ACC. Such irregular actions began occurrence from 2011 which was only detected and enquired by the Corporation in 2013. Another irregularity we noted has not been investigated by the Corporation. The special bank account however has been totally withdrawn due to migration of minor(s) overseas. There was no record in the file and the bank statement to indicate whether monies were recovered before total withdrawal of funds.
  - The ACC held no record of current balances of each individual special bank accounts
  - The ACC kept no records of interests earned on savings and fixed deposits
  - No records of total monies been paid into these special bank accounts since operation.
  - Poor record-keeping
- It was noted in reviews that the Corporation in managing the accounts kept files for each dependant. Such file(s) included various information. The file contained the details of the investigation into the claims, the identities of dependants and concerned person(s),

withdrawal submissions from the trust accounts, information for weekly compensations (not directly related to trust accounts) among other information. There exists too many and too much vital information with the only copies containing in these files that it should be centralised into one electronic database as a backup strategy for when copies cannot be located from the files.

- The files contained withdrawal claims from the accounts submitted to and approved/disapproved by the GM/CEO based on recommendations made by the Investigating officer. In verifying withdrawals made from the accounts as per bank statements obtained; we noted that some withdrawals made from the accounts were without documentation of approval of such found in the file. Audit has been informed that the files are the only means of record keeping performed by the Corporation and where such documentation is misplaced/missing, audit cannot verify whether such withdrawal from the account was authorised by the GM/CEO as per procedures.
- The files should include proof of identity (birth certificates or passport copy) of relationship of minors to the deceased in the course of investigating any claims made. Review of sampled files noted that some dependents' identity could not be located within the files. Therefore audit could not verify the existence of person(s) whom public monies are paid to.
- In verifying the list of special bank accounts held by the NBS with the list kept by the Corporation; audit noted and discussed with personnel the discrepancies with the two lists. As according to discussions, the list by the Corporation was only recently put together and that if some names are missing then it could be because the accounts have been totally withdrawn and therefore would not appear on the list kept by the Corporation. We highlight the fact that had we not sought for a list from the bank, audit could not have identified that some accounts exists or existed but are not registered by the Corporation. The Corporation is reminded that whether the account is active/inactive; the Corporation should still keep it registered as the file for the account still remains with ACC and for audit to verify monies paid into such accounts there needs to be a record with the Corporation that the account exists or had existed. As a result; audit was not able to verify whether the list of accounts from the bank does in fact contain all accounts established under the activity. The list also was not updated to the date the audit commenced so accounts established within the financial year 2014/2015 were not reflected in the list provided by the Corporation.
- The ACC does not keep nor request record of monthly bank statements for all the accounts.
- The ACC holds no record of fixed deposit accounts – information such as:
    - List of holders of fixed deposit accounts
    - Fixed deposit certificates supposedly issued by the bank upon establishment
    - Information for when the policy matures,
    - Interest earned (the rate to be applied as it can vary for all fixed deposits),
    - e. current balances etc
- The advice by the Ombudsman as printed in the Corporations 2011 annual report was not provided by the Corporation in the course of the audit. Correspondences in seeking the advice as well as official documentations issued by the Ombudsman stating its advice (which are very vital information to the audit) could not be found within records kept by the Corporation.

Inconsistencies in internal procedures

- The minor as according to internal procedures is entitled to totally withdraw funds in cases where the minor(s) intends (with proof) to migrate overseas or they have been adopted and intend to migrate overseas.
- In analysing such cases, audit noted that a minor whom on record has migrated to the USA still has a large sum of funds remaining in his account. Discussions with personnel

revealed that the minor had been adopted and migrated overseas without the knowledge of the Corporation. Although in the extent where such reasoning is true, we comment on whether correct and appropriate information on the conditions of the accounts held by the Corporation were properly communicated to the minor and the guardian at the time. The account was established in the year 2002; as of 26th February 2015 monies amounting to $15,489.69 remain in the account. Audit could not verify whether the Corporation had attempted to contact the current guardian of the minor concerning the funds which remain in the trust of the Corporation.

- Another case of adoption involves a baby whom at the date of claim submission to the board was not yet born. The Board had approved compensation funds for the claimed unborn baby. The concerned child at birth was said to have been illegally adopted (with the knowledge of birth mother) and taken overseas by the new caregivers. The compensation fund approved by the Board for the unborn child was later disbursed equally to the accounts of the other siblings and not taken by the migrated child as per existing procedures. There exists no proof of identity for the concerned child in the file reviewed.
- Audit also noted a case in which the minor had already permanently migrated overseas and a letter by the minors' guardian authorising a relative to withdraw funds on their behalf. The funds were directly paid out after the approval from the Board although it remains unclear of who had withdrawn the fund and the basis of total withdrawal as there was no record in the file to prove permanent migration of the minor and in addition the minor has not met the legal age requirement of the Corporation. It is also important to note that no provision exists in this internal procedure to allow other relatives other than the guardian or the minor to withdraw funds or be paid of compensation funds approved by the board for the purpose of compensating the concerned minor.
- Due to poor internal procedures and insufficient record-keeping; the Corporation in the course of the audit could not provide for various records required. These included:
    - A complete and updated list of special bank accounts;
    - Balances of special bank accounts to date;
    - Interest earned on both savings and fixed deposits.
- Overall; we note significant need for the Corporation to improve and implement internal procedures of best practices and fundamental controls to effectively manage special bank accounts. Current internal procedures allow for decisions to be made on judgement rather than being based on documented guidelines and there exists the possibilities of inconsistent decision making should judgements vary. In addition, there exists the need to implement improved internal procedures which in this report we will recommend.

Assess together legislation compliance and current internal procedures of the activity to determine whether such portrays the best interest of the minor(s)

In the course of the audit we noted that the employees had the mindset that the Corporation is not by any statute responsible for managing special bank accounts; that justification behind the operation of such is to cater for their moral obligations to its beneficiaries. In our opinion, this has impacted greatly on responsibilities carried out by the Corporation to operate the activity.

From observations above, the divisions responsible do not apply fundamental controls for managing the special bank accounts. Practices and procedures such as:

- Performing bank reconciliations;
- Keeping up to date information on the movements and balances of individual minors' accounts;

- Preventing of irregularities from occurring and early detection through regular reconciliation of balances;
- Absence of a specific written guideline that guides and controls the movements of the accounts
- No records kept by the Corporation for fixed deposits. Due to the absence of proper records on fixed deposits; the accounts have incurred high bank fees for breaking fixed deposit policies.

We have therefore in this report recommended for improved internal practices to be implemented by the Corporation to effectively manage special bank accounts in the best interest of the minor.

Response from Accident Compensation Corporation

Introduction
The Audit Report on the exercise carried out for the above subject matter is acknowledged and we wish to record our appreciation for the comprehensive analysis of issues and matters that have been highlighted for the attention of ACC in improving its systems as well as the managing of funds approved as compensation for victims under the Accident Compensation Corporation legislation.

The Report has endeavoured to clarify the numerous activities that have transpired and some of the conflicting definitions that have surfaced albeit different interpretations yet addressing and serving the same purpose in helping victims receive compensation under ACC laws.

Foremost, the issues raised for which management focus had been called to put into effect, have now been given priority pertaining to its execution within the guidelines of best practices and the stipulations of the relevant Acts : Accident Compensation Act 1999, Amendments 2003, 21009,2012; Public Performance Management Act 2001; Public Trust Office Act 1975; and International Financing Reporting Standards (FRS).

In addition, the findings in the Report have been seen to define and strengthen what we believe in that what we are doing is in the best interest of the Victims. it has also given confidence to the Accident Compensation Corporation in fulfilling its moral obi igation as Trustee.
The findings had also highlighted what the strengths are of the relevant legislations that have been calculated as giving depth to our work, and identifying where their boundary in their jurisdictions ends.

This we believe has a huge impact on the direction of consoll dating the most appropriate actions some of which have now given rise to initiating and formulating policies and procedures for the sustainability of our service.

We are touched that the findings of the Report saw a system branded as without any legal founding element in the Act as per findings, It had been concluded however as to have been taken on as a duty by ACC to beneficiaries based on virtues of goodness and faith, the willingness to take the responsibilities and the moral obligation of doing what is right.

Lastly, it has been noted that despite all that have been coveted In this dialogue, and in spite of the numerous laxities and shortfalls pointed out in the opinion of the Auditor, nothing however had been found wanting in the integrity of the staff nor the empathy of their efforts put into it.
There has not been an incident reported of any misappropriation nor dishonesty by any of the ACC staff. This is what is most pleasing about this exercise.

Adjustments and recommended improvements to the systems have been fully taken and noted.

Actions Implemented

In taking steps to accommodate the essence of the findings and proposed steps outlined in the report, Management had moved to put in place procedures and policies that it deems appropriate for the successful implementation of improvements recommended.

- ACC has now completed the establishment of a Manual Procedures and Policies for managing of Special accounts approved for victims, and this Manual has been prepared by Management and its Auditor for the endorsement of the Board
- An officer has also now been appointed specifically in the Investigation Section to handle all issues relating to the bank accounts of the victims and to reconcile accounts monthly for the respective individuals. Likewise in the Finance, an officer of the Division has been assigned the overarching responsibility to recheck and verify reconciliations from the Investigation Division. A report to this end, would also be prepared and submitted monthly to Management as part of its monthly reports.
- It follows that these Monthly Reports will be submitted to the Board. This will inform the Board on the status of these special accounts and the obligation that ACC have for these beneficiaries.
- There have been inferences as to the absence of any provision in the ACC Act specifically to legitimise or give legitimate reasons as to the setup of Special Accounts as part of the ACC Core function specifically, Compensation and Rehabilitation.
- Mention had also been made of the difference between Trust Accounts and special Bank Accounts, and the application of these under the present regulations and legislations. All these have been taken collectively and deliberated with considerable measure, and has been resolved that an Amendment of the ACC Act is warranted and should be proposed to specifically address all these issues.

  This amendment will be given high priority and will place these accounts in a more structured and proper legal view point for future mention.
  - Special Accounts would be an integral part of the Annual Report to Parliament with all the vital information for the perusal of Parliament and the public.
  - ACC is now taking steps to establish one Bank Account for the implementation of managing Special Accounts for all beneficiaries. This includes subsidiary ledgers, reconciliations processes and reporting as required.

  It may take some time to complete this but it is now a commitment to see it through within the new financial year.

Issues and Matters raised/mentioned in the Report

Granted that for better clarity, best practices under the principles of transparency, accountability, good governance and consultations, these have been observed diligently from our end although seen slightly differently from an Auditors' point of view on the issues reported.

This is not lightly said as these issues have been under the constant scrutiny of the audits in the past. and now for the first time had been delved into and examined in depth.

The seriousness of these issues are not by any means trivial nor do not need responding to. We wish however to respond and to clarify these matters in detail and to put on record the clarifications that we feel would give this exercise a balanced feel and a level playing field of opinion.

Clarifications

1. The original approval by the Board to commence this part of the Compensation core function of ACC by initiating and putting in place of Trust Accounts for victims under 18 years of age, was made 30 years ago and although relevant documents pertaining to it cannot be located at this stage, it should be taken fully into consideration that the respective Boards from the past to date were and still are, exercising and continuing this duty in approving/ decline new cases submitted including the granting and allocation of funds to claimants.

   This procedure confirms their legislated duty carried out to date.

   These Trust Accounts have been managed and administered by ACC for more than 30 years without any complaints from victims and their families and is a testament to the proper and well looked after of these beneficiaries by ACC.

   It was mentioned in passing that Public Trust could be seen as another point of managing these compensations. Yet Public Trust saw it as a duplication of their work. If this is referred to them, imposition of an administrative fee is compulsory, something that may contribute to additional costs borne by the beneficiaries, and would be seen as a source of their displeasure lot alone time consuming.

   For Information, these Trust Accounts came under the scrutiny of audit repeatedly and were aware of their existence and seen as satisfactory.

2. In the victim's personal file kept by ACC. filed in it are :

   - Submission made to the Board by Management for consideration,
   - The Board's approval for the case and date of decision,
   - The allocated amount or the Principal amount approved for the victim to be deposited to his Trust Account,
   - ACC as Trustee sets up the Account at the National Bank as the principal account signatory together with guardian/parent of victim as co-sign. This also serves as confirmation of lodgement date of full funds approved
   - Accompanying letter in duplicate sent and advising NBS of new Trust Account with all the details. Both copies are stamped received and original is kept by the Bank and copy brought back for filing.
   - Fixed Deposit Certificates have now been submitted from NBS as it has been enforced in the procedures and made compulsory as other important additional documents to be filed in ACC victim personal file.

3. Once in the year, reconciliation for Savings Accounts and Fixed Deposit Accounts are prepared annually by the Senior Accountant and submitted to the General Manager for his information and directions. This is the only point in time at the end of the year that all Trust Accounts for all victims are reconciled parallel side by side, and was established as a control by Management which prompted the provision of a Summary of facts and findings for the final checking of the General Manager.

   However, it should be remembered that throughout the year, the individual Trust Account of each victim while still In operation, and if making a request for withdrawal of funds from the account, this Is the point where the account becomes the responsibility of the ACC Investigation Officer for full reconciliation and checking thoroughly for its completeness and the account should be emphatically free of any irregularity.

It follows that a submission is then prepared by the investigation officer for the approval of the General Manager.

The reconciliation for both Savings and Fixed Deposit as currently carried out is prepared and the responsibility of the investigation Division.

4. Irregularities mentioned were discovered through reconciliat.ont made by the ACC Investigation Officers responsible for the Accounts. it was found that NOS Bank Staff member(s) had embezzled the monies In the Trust Accounts

In terms of procedures to be followed by the ACC staff in bringing to light of these fraudulent actions, a submission reporting these irregularities is prepared straight away for the information of the General Manager and his decision inducting recovery action, mainly demanding the Bank in writing to reimburse the money instantly.

These are the procedures in place still in use, and is followed to its full extent.

Conclusion

ACC Management again wish to convey its appreciation for the work carried out by the Audit Office and much have been accomplished in this short space of time. ACC has now taken steps to implement steps to adjust and improve its policies and procedures with the aim of fulfilling its obligations to the community especially the beneficiaries.

6.4 Performance Audit – Public Debt Management 2014 Ministry of Finance

Audit objective

The overall audit objective was: *"to assess whether public debt management was effective and efficient to achieve long term sustainability and financial stability."*

We conducted a preliminary review of the public debt management processes within the Government of Samoa and focused primarily on debt servicing activities. In particular, to assess whether the database (CS-DRMS), which records the debt servicing transactions, is complete, accurate and consistent to provide reliable financial information.

Audit scope and criteria

The audit scope concentrated mainly on external debt servicing activities of the DMU within the Ministry of Finance and to review all government loans as at 30 June 2013.

In particular the audit procedures conducted included the review of loans in regards to repayments and the update of their reconciliation, accuracy of information in the CS-DRMS, interviewing key personnel, and analysis of data within the CS-DRMS to answer the following key questions and criteria:

Have scheduled payments been acted upon?
Criteria: All payments should be made on time as per the pre-determined schedules:

Does the payment amortization schedule maintained in the CS-DRMS agree with the actual payments made from the Ministry of Finance?
Criteria: Debt repayments from MOF should be made according to the requirements of the amortisation schedule.

How can we assess the accuracy of the CS-DRMS system?
Criteria: Match the balances and transaction on each loan on the system against the billing statement, the loan agreement details and reports kept by the DMU.

Is there a plan for safeguarding the information in the CS-DRMS system?
Criteria:-There should be a plan for safeguarding the information in the system in terms of natural disasters.

Audit Findings & Recommendations

1. Adequacy of debt servicing activities

1.1. External loan repayments are sometimes delayed

The DMU together with the Accounts Division within the Ministry of Finance and the CBS are involved in the process of repayments of government external loans.

All billing statements issued by the lenders are received by the DMU. The DMU officers check the accuracy of the amortization schedule which comes from the CS-DRMS and is based on authorized loan agreements. The DMU monitors regularly the repayments due and if a billing statement is not received close to the due date they are proactive in obtaining this information from the lenders.

All external loans repayments are paid through the Treasury Fund Account maintained with the CBS, and operated in US currency. The authorized signatories to the account is the Chief Executive Officer of the Ministry of Finance and (usually) several other Assistant CEOs of the Ministry. When the repayments are due, the DMU prepares the payment advice documentation which is authorized by two authorized signatories to the account, and this is forwarded to the CBS to settle the payment.

Through reviewing repayments for 50% of all government external loans, the audit team reviewed the process of repayments of government external debts. The loans were randomly selected and the payments were compared to the forecasted due dates from the CS- DRMS and the actual dates the payments were made by CBS. The following results as shown in Table 1 (below) highlight instances where delays had occurred. After further discussion with the parties involved, there is a need to coordinate the involvement of both parties as there was no formalized arrangement between both parties; repayments have been done in good faith and good relations with CBS.

Although there are no penalties charged for overdue payments, the analysis in Table 1 show that late payments may result in variances that could be costly to the Government of Samoa.

Audit recommendation:
Audit recommended that MoF establish a formal agreement between the Ministry of Finance and the Central Bank of Samoa to clearly articulate what their respective responsibilities were in relation to debt servicing and should be reviewed from time to time as part of the internal control systems of the ministry.

Management responses
Clarifications: The debt service payment advice for the first 4 loans listed in Table 1 were processed by the Ministry of Finance 5days in advance and passed to CBS for payment from the Treasury Fund maintained with them. The last two loans listed in Table 1 were due to an oversight of the staff involved at the time because the DMU had not yet been set up to carry out these specific functions

Actions and progress: The MoU between MoF and the CBS for the government accounts maintain with CBS was signed and became effective on August 2014, which was in draft negotiation during the audit period. Some of the details include the operationalisation of the accounts such as the number of processing days for payments, number of days for MoF to receive confirmation letters and bank statements from CBS. This is to ensure efficiency in operation where MoF needs to submit any payments advice to CBS in advance so that payments are made on time and intended due dates and CBS to provide confirmation of payments to MoF and monthly bank statements after end of each month for timely reporting.
A similar recommendation in the area of formalising arrangement with CBS in a MoU was discussed and recommended in the debt reform follow up mission by World Bank in March 2014 to also help clarify responsibilities and functions of the respective parties.
With the absence of a formal MOU with CBS at the time, the DMU has been processing debt service advice and sent to CBS, usually 2weeks in advance to give sufficient time to CBS to process the transactions. However, there is always the presence of human error and operational risk face by the DMU because of staffing capacity.
Also, the Ministry has started developing written procedures and schematic for critical debt management activities including the debt service payment process, recording and reporting of debt data, to minimize operational risk. This task is expected to complete by end of 2014.

1.2 Under-utilising the functionality of the CS-DRMS

The CS-DRMS is an integrated tool used by the DMU for monitoring, recording, analyzing and reporting public debt. It contains critical data such as details of loan agreements, amortisation payment schedules, details on the principal and interest amounts, forecast information and other related data. The system can be used across the entire cycle of debt operations and transactions starting from loan negotiation/issuance through to full repayment. The CS-DRMS adheres to international standards and conventions in the way debt data is recorded, including aspects of reporting, accounting, compilation, classification and valuation.

To assess the accuracy and completeness of the data recorded in the CS-DRMS, the audit team reconciled all external government debts disclosed in the audited Public Accounts as at 30 June 2013 with the details in the CS-DRMS. The following observations were noted:

The DMU staffs were using an Excel spreadsheet, Debt Outstanding Disbursements (DOD), to prepare quarterly debt reporting and to update details of all loan repayments at the end of the quarter. The spreadsheet is a duplicate of all the information contained in the CS-DRMS in terms of the loan details. The external DOD and CS-DRMS reports used period-end exchange rates in the indirect quotation format. Such information is recorded into the CS-DRMS using a foreign exchange rate as at each quarter. This data is used to develop the Quarterly Public Debt Bulletin as well as the Annual Debt Report submitted to the World Bank every year.

The DMU also maintained another separate Excel spreadsheet called Government Loan Accounts (GLN) to record all the information regarding loan repayments to reconcile with the details posted in Finance One. The transactions on Finance One system are converted to Samoan tala using the transaction date's exchange rates in direct quotation format. This data is used for compiling Schedule 10 (Statement of Borrowings) of the Public Accounts at the end of each financial year; and

1.3 Domestic debts are not recorded in the CS-DRMS.

Audit is concerned that the extra workload required to maintain these spreadsheets is an inefficient use of time and valuable human resources when this data can be recorded directly into the CS-DRMS. There is a potential risk that these spreadsheets can be changed inadvertently due to human error and can also be accidently lost or deleted. To increase efficiency within the DMU, the CS-DRMS can be linked to integrate with any financial information system such as Finance One.

Audit recommendation:

It was recommended that the ACEO ACDM consider the capabilities of the CS-DRMS to streamline the processes of debt servicing activities and to also include domestic debts.

This will increase the assurance over the completeness and accuracy of data relating to public debt recorded in the CS-DRMS and the in-built computer controls will minimize the risk of human error.

Management responses

Clarifications:

The DMU uses the DOD spreadsheet for quarterly debt statistics reporting as it is simple and captures the reporting format that is disseminated to other agencies such as the CBS and the Samoa Bureau of Statistics (SBS). Also the DMU uses the CS-DRMS report 880 in parallel with the DOD spreadsheet every quarter to reconcile and verify the loan balances on the system.

The GLN spreadsheet was necessary and only used for public accounts preparation at the end of each financial year. The format is simple and captures information that supports the public account statements for Schedule 3 and Schedule 10.

There is only 2 staff in the DMU that has had formal training on the CS-DRMS, mainly on the external debt module of the system and none on the domestic debt recording and reporting.
Linkage of the CS-DRMS with the government Finance One system can be done, and it has been done for other countries. This is a function to be done in collaboration with the Systems and IT Divisions of the Ministry and the Commonwealth Secretariat.

Actions and progress
The DMU has developed a revised spreadsheet for the purposes of quarterly debt reporting and public accounts, taking into account the issues and recommendations raised in the audit of PA FY1213. This spreadsheet was used for debt reporting to support the PA FY2013/14, and is now used for quarterly debt reporting. However, the CS-DRMS880 report will continue to be used in parallel to validate and double check balances, until such time in future when these shadow reporting will be completely replaced by reports generated from the system. The revisions also consider the data requirements for the MTDS review and update, the quarterly debt bulletin and the DSA exercise.

Entering of domestic debt data in the CS-DRMS had started during the period of this audit and is now completed. The DMU is now focused on validating and verifying reports generated from the system if they suit the data and reporting needs of the government. The exercise is also an opportunity to build capacity for the unit staff in forecasting rules for domestic loans, entering actual transactions, validating data and understanding features of domestic debt instruments.
Linkage of the CS-DRMS with the government Finance One system is an option that has been discussed and explored in the past and the Ministry will continue to look into. Integrating the two systems would need the technical expert from the Debt Management section of the Commonwealth Secretariat to visit the country to understand the environment before recommending solutions for integrating such data. Its advantages include the elimination of double data entering, and improving system and data validation processes.

The ComSEC has released the new version of the system, Version 2, an upgrade from the Version 1.3 which Samoa currently uses. The new version introduces the public debt analytical tool (PDAT) which would help assist countries in its debt analysis and risk assessments of public debt portfolio from time to time. However, the DMU staff would need to be trained and familiarised with the data requirements, and interpret reports generated from the system, as well as how to perform this new functionality of the CS-DRMS.

1.3 Lack of regular review of the information entered in the CS-DRMS
The DMU is responsible for the administration of the CS-DRMS and this includes ensuring that the control environment surrounding the database is robust, and that risks related to unauthorized access and incorrect data during data entry is reduced.
Audit noted there were only two DMU officers with access to the CS-DRMS database which is password-protected. Both users have different access roles. The Principal Officer has the administrator role with full access to the database and functions such as editing, posting approval, deletion and amending where necessary. The Senior Officer only deals with the user interface of the system which involves posting of loans, retrieving reports and exporting data. These controls ensure the integrity of the data entered in the system. A disaster recovery plan is in place and database backups are conducted regularly.
Audit selected a sample of loan agreements and checked the data posted in CS-DRMS to the signed authorized loan agreements to check the accuracy of the data entered into the CS-DRMS.

Incorrect interest rates on the CS-DRMS can affect the calculation of forecast interest amounts which are automatically calculated by the system which ultimately provide inaccurate forecast report for the budget estimates. Furthermore, audit was unable to reconcile all loan details posted in the CS-DRMS against the signed agreements as the DMU failed to submit loan agreements:

The loan agreement is the legal document between the Government of Samoa and the lender and will be referred to should there be any disputes or questions raised by the parties involved. These agreements are also the only documentation available to verify the accuracy of the details in the CS-DRMS. In the event that the Government of Samoa loses the data in the CS-DRMS, the loan agreements would be critical to obtain related information. Audit acknowledges that the risk of the data in CS-DRMS being lost is reduced given that the database is backed up regularly and there is a disaster recovery plan in place.

Audit recommendation

The accuracy of the data entered into the CS-DRMS is critical to prevent over/underestimating of debt service payments of all debt. The CS-DRMS offers an auditing module that offers an extensive tracking facility of all database operations carried out by system users. Audit recommends that the Principal Debt Management Officer carry out a monthly review of all loans terms and conditions utilizing this CS-DRMS audit function or by another monitoring method.

We also recommend that all original signed and authorized loan agreements be securely filed to support the accuracy of the information entered into the CS-DRMS.

Management responses

<u>Clarification:</u>

There are different levels of access roles in the CS-DRMS that each DMU staff has access to, to ensure integrity and accuracy of the data enter. The principal debt management officer has the administrator role whereas the senior and debt management officers have Editor roles. The Administrator role has higher level of access and can perform more functions of the system than the Editor role such as deleting any loan instruments on the system, running the period end processing (PEP) and revise/amend loan amounts on the system, whereas the Editor role limits to entering data and processing loan instruments, generating reports and data export functions. Also note that the DMU staff has no knowledge and have no training on the auditing module of the system.

There are several types of data entries done in the system and at different periods.

Monthly data entries for actual transactions for disbursements, principal and interests. Also includes monthly exchange rates.

Entering and recording of new loans contracted whenever they are signed and become effective, usually one new loan every year. The loan terms and conditions are in the signed loan agreement which includes the loan number, loan name, loan amount, and currency of loan, repayment schedules, interest rates, disbursements period, effectiveness conditions and others.

The missing loan agreements listed pertain to loans contracted in 1980s and 1990s, and failure to provide copies during audit assignment were due to the fact they were either misplaced or misfiled.

<u>Actions and progress</u>

The monthly review of CS-DRMS data recommended can be done in parallel with the monthly Period End Processing (PEP) run by the principal debt management officer. However, with an average of 20 actual transactions per month, and about one new loan every year, in addition to the access roles for each DMU staff, quarterly review or even annual review is preferred as the data entered in the system is less likely to be changed.

The access roles for each DMU staff continue to remain. However, in light of the operational risks faced by the Unit, capacity building is required for both the senior and debt management officers so that they understand and perform the functions of administrator roles when required. The training on the CS-DRMS is one of several capacity building needs of the DMU staff that will be implemented in the first six months of the financial year 2014/15.

An inventory for all the loan agreements was undertaken by the DMU in February and March 2014 and now completed, reconfirming the missing loan agreements listed. The Ministry sought the assistance of the respective lenders to provide copies of the missing loan agreements for information and file. All of the missing loan agreements are now on file, except for one loan agreement awaiting a copy from the lender The Ministry has also implemented measures to avoid loss of loan agreements, by having all agreements scanned and electronic copies saved, and procuring a new locked cabinet for safekeeping of hard copies of loan agreements.

2. Management of foreign exchange risk and proper forecasting

2.1 Consistent source of exchange rates and proper forecasting

For the last three years, there has been a consistent significance difference between budget and actual for the repayment of external debts. The difference continues to increase by a million each year. The continued increase of the variances between the budget and actual payments requires the need to review the baseline of determining budget and the reasons that contribute to such increase. (Refer Table 4 below)

The CS-DRMS system provides a forecast for the Budget Division of the loan repayments that is due each year. This information is extracted from the system based on the amortisation schedule of each loan. When determining the forecast amount for each loan repayment, the system uses the exchange rates on the cut-off dates which are usually at the end of April or May. Because of the high exposure to foreign exchange risk, the Budget Division has a provision which caters for such risk, a certain amount of funds are allocated aside to minimise the impact of exchange fluctuation on repayments. The two main sources that determine the exchange rates are ANZ Bank (Samoa) and the Central Bank of Samoa .

The variances in the budget forecast of debt service costs compared to actual debt services payments made were due to the different exchange rate used from different sources for forecasting and actual transactions, and the fluctuation in the exchange rates from time to time due to factors that are outside the Ministry's control.

Audit recommendations

More accurate budget projections and forecasting will assist in better-informed decision-making relating to public debt management. In particular, a more consistent approach in determining the foreign exchange rate to be used during the repayments process should be considered to mitigate these variances.

Management responses

Clarifications:

The Ministry has projected an expected increase in total debt servicing; hence the increased appropriation in the budget over the last several years. The cost will continue to increase due to increasing outstanding debt as shown below Chart 6.1.4: External Debt Maturity Profile (millions of Tala) of the published MTDS 2013-2015.

The external debts of government are all denominated in foreign currencies such as USD, CNY, JPY, EUR and SDR. The total external debt at end of June 2013 was 96% of total public debt portfolio; hence the government exposure to high risk of foreign exchange rates fluctuation.

A provision for foreign exchange rates fluctuation is appropriated in the government budget every financial year by the Budget Division, based on the projections from CBS and SBS on what to expect in the following year. Despite the increasing external debt and exposure of government to foreign exchange risk, annual budget appropriation for foreign exchange rates fluctuation is based on estimated and forward looking movement of exchange rates, whether the Tala appreciates or depreciates against certain currencies.

This appropriation is a buffer and will only be utilised when the exchange rates used to formulate the debt service forecasts is lower (cheaper) than the exchange rates used for actual payments. The observation of "off target"...of "more than a million each year" is not entirely accurate. The forecast debt service versus actual should only be considered, as the exchange rate fluctuation is out of the ministry's control.

The forecast for external debt service prepared for the budget every year is generated from the CS-DRMS Report 300, using the exchange rate at the cut off date on the system. For example, if the cut off date on the system is 31 March 2013, then the exchange rates entered into the system and used to generate report for budget forecasting are the exchange rates of the 31 March 2013, sourced from the CBS and ANZ Bank (Samoa) Limited (ANZ Bank).

Note: The exchange rates sourced from ANZ Bank are the standard currencies such as USD, EUR, JPY whereas the non-standard currencies such as SDR and CNY are sourced from CBS.

The actual debt service payments are converted to SAT using the CBS USD/Tala daily mid-rates, as all external debt services are paid from the Treasury Fund Account in USD maintained with CBS.

Actions and progress

The variances in the budget forecast of debt service costs compared to actual debt services payments made, were due to (1) the different exchange rate used from different sources for forecasting and actual transactions, and (2) the fluctuation in the exchange rates from time to time due to factors that are outside the ministry's control.

As a demonstration, Chart 1 shows that ANZ Bank sells USD currency at higher rates compared to the CBS rates all throughout the period depicted. These ANZ rates are used for the forecast and conversion to SAT for the USD denominated loans, whereas CBS rates are used for SAT conversion of actual debt service payments of the same USD denominated loans.

As recommended, the DMU will use the CBS exchange rates for forecasting debt service and converting actual transactions into SAT so that the variances such as those identified in the audit would be minimal, taking into account the fluctuation of exchange rates from time to time. This has been implemented in the debt service projections for the budget financial year 2014/15, and appropriate notes to disclose the changes would be made in the debt reports.

6.5 Performance Audit – Non Local Workers, Businesses and Investments 2015 Ministry of Commerce, Industry & Labour, Ministry of the Prime Minister & Cabinet (Immigration), Ministry of Revenue

Objectives

The initial audit objective developed for the audit was: *"Non local workers, businesses and investments."*

In particular, the audit was to assess whether:

1. The presence of non local workers, businesses and investments was properly documented;
2. The number, identity and locations of non local workers, businesses and investments was known;
3. The presence of non local workers, businesses and investments were properly authorised and according to legislations and Government policies.

Scope

The audit covered a period of 18 months commencing from 1st July 2013 to 31st December 2014. The activity under review involved the following divisions within the respective ministries. These were:

Industrial Relations, Work Permits, Occupational Safety and Health Division (IRWPOSH) – MCIL;
Industry Development and Investment Promotion Division (IDIP) - MCIL;
Immigration Services Division - MPMC;
Inland Revenue Services (IRS) - MFR.

Audit Findings and Recommendations

From evidence collated via documents analysis, interview sessions and file verifications, we summarise the audit findings under the respective Ministry (i.e MCIL, MPMC and MfR) with the appropriate recommendations as follows.

1. Ministry of Commerce, Industry and Labour

1.1 No records of work permits during transition from Immigration Services Division to MCIL

Foreign Employee Employment Permit (FEEP) was transferred to MCIL from MPMC via Immigration Services Division on 22nd March, 2014. This change became effective at MCIL via Industrial Relations, Work Permits, Occupational Safety and Health Division (IRWPOSH) on 23rd March 2014. None of the data transferred from the Immigration Services Division were recorded or filed with MCIL. The manual registration of FEEP at MCIL started on 28th March 2014.

Recommendation:

Audit recommends MCIL to coordinate with Immigration Services Division to ensure that all records for non local workers are complete and correct to assist with follow up and inspections for both ministries.

Management Comments:

Recommendation noted. The shift of employment permit function from Immigration Services, Ministry of the Prime Minister and Cabinet (MPMC) to the Industrial Relations and Occupational Safety and Health Division (IROSH), Ministry of Commerce Industry and

Labour (MCIL) has been challenging given there is only one Officer level position at the salary grade of A8 responsible for assessing, registering, provide information /advice, and the issuance of employment permits. The Ministry is working on developing an internal data-base system that will integrate employment permit data from MPMC with data procured under MCIL since the shift. A structure review proposal for extra staff is currently with the Office of the Public Service Commission.

1.2 Erroneous data in work permit (access) database

Audit found various instances of erroneous data in the work permit (access) database. Examples include :

- Dates posted were different from dates on applications;
- Inconsistencies with employer names and industries;
- Incorrect gender; and
- Non sequence permit numbers.

This database was utilised by MCIL to input details on the foreign employee employment permit identification. Following this process, information on the database would then be printed on FEEP IDs.

Recommendation:

Audit recommends the IRWPOSH Division to perform a complete data overhaul and review data validation controls of the system.

Management Comments:

Recommendation noted. The Division is putting in place check and balance mechanisms to eliminate human error(s), such as errors identified above:

Dates posted were different from dates on applications – development of procedural guidelines to guide employees

1.3 Incomplete records on work permit (access) database

Audit noted 12 Foreign Employee Employment Permits s that were not registered in the access database. However these were manually recorded in the manual register. *(Refer Appendix 8)*. We also noted 10 FEEPs not recorded in both registers hence were not recorded as damaged or cancelled FEEPs. *(Refer Appendix 9)*.

Recommendation:

We recommend to record all FEEPs in both registers and cross check after posting to ensure that all issued and approved FEEPs were accounted for in both registers for monitoring and reporting purposes.

Management Comments:

Recommendation noted. The Division is reviewing internal processes to ensure data entries in the system are mirrored with the manual system to avoid human negligence.

1.4 No reports generated from work permit (access) database

During our audit, we noted that there were no reports from the work permit (access) database. However, reports were prepared by the Labour Inspector in the past but were not approved by the former ACEO of IRWPOSH Division. As a result, it was difficult to confirm the updated number of non local workers in Samoa.

Recommendation:

We recommend the IRWPOSH Division to establish monthly reports that are endorsed by the CEO. These reports should then be forwarded to Immigration Services Division, Inland

Revenue Services and other related Government entities for updating their records. Furthermore, these reports should be used by the Division for measuring their performance as indicated in the Ministry performance framework.

The report should cover the following:

- Number of FEEPs issued;
- Number of FEEPs expired / to be renewed;
- Number of FEEPs damaged;
- Number of FEEPs revoked;
- Number of FEEPs inspected and issues noted.

Management Comments:
Recommendation noted. The Division is developing a Reporting Framework which will cover the above areas of reporting.

1.5 Work permit manual register not updated (2 months delay)

From inspection of manual register, we noted 2 months delay in records whereby 116 FEEPs were already issued on the access database. The manual register was received by the Audit team on 3rd March 2015 and the last registration was on 18th December 2014. *(Refer Appendix 10).*

Recommendation:
The IRWPOSH Division is recommended to register applications on a daily basis to ensure the completion of process. This will reduce the risk of unrecorded or unaccounted FEEPS in the event the access database fails to operate properly.

Management Comments:
Recommendation noted.

1.6 No inspection reports

From files reviewed, audit found that there were no inspection reports. From discussions with the Labour Inspector, we noted their comments that there was no time for inspection as the Inspector had to check, assess, register and post applications as well as serving customers.

Recommendation:
The IRWPOSH Division is recommended to establish inspections of issued and approved FEEPs and file them properly. We also recommend the Ministry to review the structure of the IRWPOSH Division in order to perform their monitoring functions effectively.

Management Comments:
Recommendation noted. The Division is developing an Industrial and Employment Framework inclusive of a Monitoring and Evaluation Policy that will cover M&E of Employment Permits. A structure review proposal has also been submitted to the Office of the Public Service Commission for approval of two positions under the Employment Permits to ensure the Division has the manpower to carry out its regulatory role.

1.7 Applications (FIC/FEEP) approved without complete requirements/ documentations

Audit noted instances of FIC/FEEP approved with incomplete requirements/ documentations provided by the investors/applicants. For instance, certified copy of passport and current passport photos were not attached with FIC applications; and monthly payroll and business license were not included with FEEPs.

Recommendation:
We recommend MCIL to strictly adhere with the requirements established for foreign investment certificates/foreign employee employment permit to ensure consistency and completeness of information required under legislations and policies.

Management Comments:
Recommendation is noted. Both divisions are reviewing internal processes and procedures to ensure data is consistent and accurate prior to issuance of Foreign Investment Certificates &employment permits.

1.8 Target of 90 FIC to be issued in FY 2013/2014 for IDIP was not achieved

The IDIP issued and registered only 62 FIC including 39 new certificates in FY 2013/2014. The targeted number of 90 FIC to be issued in the reporting period was not achieved.

Recommendation:
Audit recommends the Ministry to set realistic and achievable measures and ensure that these targets were achieved in the approved timeframe.

Management Comments:
Recommendation is noted. The target for the reporting period was based on previous achievements. The decline in the number of FIC applications received is beyond our control.

1.9 No status reports for FIEs

According to Section 11 of Foreign Investment Act 2011, foreign investors need to provide a report of their operations including an audited financial report to the CEO, MCIL no later than 6 months after the end of each financial year. From our review of MCIL Annual Reports to Parliament we noted that this issue was also raised in FY 2012/2013 and FY 2013/2014.

Recommendation:
We recommend MCIL to strengthen its follow up on status reports for FIEs.

Management Comments:
Recommendation is noted. The division carries out inspections twice a year of all registered FIC cases, and newspaper ads not only to monitor compliance but also to remind FIC holders of the reporting requirements, including follow up letter and phone calls where relevant. Work towards the review of specific provisions of the principal Foreign Investment Act to address this issue is progressing.

1.10 Non compliance to the terms and conditions of FIC/FEEP issued

Instances of non compliance with the terms and conditions of foreign employee employment permits were noted during FIEs inspection. The most common cases were non local workers employed under reserved activities i.e. cashier in retail shops of food/drinks that are reserved for citizens only. *(Refer Appendix 11).*

Recommendation:
We recommend MCIL to strengthen its monitoring role to ensure that non local workers are not employed in reserved activities as defined by the Ministry.

Management Comments:

Recommendation is noted. FEEP - The Division is working on developing an Industrial and Employment Framework inclusive of a Monitoring and Evaluation Policy that will cover M&E of Employment Permits. FIC – Both divisions are reviewing internal processes and procedures to ensure data is consistent and accurate prior to issuance of Foreign Investment Certificates & employment permits.

1.11 Limited coordination between the responsible ministries

Instances of non local workers working in Samoa without employment permits were noted by MCIL. However, these non local workers were contracted with Government through the Ministry of Foreign Affairs and Trade (MFAT) for aid projects or partnership arrangements.

Recommendation:

We recommend MCIL to coordinate with Ministry of Foreign Affairs and Trade (MFAT), MFR and MPMC in relation to inter government sponsorship or aid project partnership to ensure all non local workers are accounted for.

Management Comments:

Recommendation is noted. It is the intention of MCIL to strengthen professional networking with relevant stakeholders, such as MPMC, MfR and MFAT.

2. Ministry of the Prime Minister and Cabinet

2.1 Incomplete requirements/documentations for temporary residence permits

From our verification, we noted that some requirements/documentations for temporary residence permit were not complied with and yet approval was still granted. We also noted FEEP issued by MCIL was incorrect however temporary residence permit was still released by Immigration Services Division.

Recommendation:

We recommend Immigration Services Division to strictly comply with the requirements set for issuing of temporary residence for employment as well as for conducting businesses in Samoa. Audit also recommends reporting any discrepancies on FEEPs/FIC to MCIL prior to approval.

Management Comments:

Much of the findings and recommendation provided have indeed enlightened our Permit officers with better awareness of things needing much attention as at times might have been taken for granted but much to our appreciation, these issues have been brought back to our attention. We are therefore willing to improve these areas and work to the best of our abilities to ensure total compliance with the requirements set for the Permit Section.

2.2 No overdue temporary residence permits report

From discussions with Principal Immigration Officer, we noted that overdue temporary residence permit reports were in the pipeline for implementation. However this was never completed due to shortage of staff.

Recommendation:

Audit recommends the Immigration Services Division to develop overdue temporary residence permit reports on a monthly basis and forward these reports to MCIL and MFR for updating their records.

Management Comments:
In regards to overdue Temporary Resident Permit Reports, we are currently monitoring overdue/expired permits by retrieving lists of permit holders from our Border Management System on a daily basis instead of a monthly basis as mentioned in your recommendation.

2.3 No regular reports generated from Permit System (Border Management System)

During execution, audit requested reports from the Permit System called Border Management System. Data was retrieved directly from the system by IT of Immigration Services Division. As a result, it was difficult to confirm the updated number of temporary residence permits for employment and permits for conducting businesses in Samoa that were issued by Immigration Services Division for the audited period.

Recommendation:
We recommend the Immigration Services Division to prepare monthly reports and endorsed by the ACEO for Immigration Services Division. These reports should then be forwarded to MCIL and Inland Revenue Services for updating their records. Furthermore, these reports should be used by the Division for measuring their performance as indicated in the ministry performance framework.
The report should cover the following:

- Number of permits issued by type;
- Number of permits expired / to be renewed;
- Number of permits revoked /cancelled;
- Number of permits inspected and issues noted.

Management Comments:
Please be advised that all monthly reports are being referred to the MPMC's CEO for endorsement on a monthly basis except the fact that we do not forward copies of these reports to MCIL and Inland Revenue Services as mentioned.
We have therefore taken into account your recommendations and we are determined to work together with the above mentioned Ministries to ensure that all of their records are updated.

3. Ministry for Revenue

3.1 Limited coordination with MCIL and Immigration Services Division

We noted that there was only minor coordination of the Ministry for Revenue with Immigration Services Division and MCIL with regards to the audited activity.

Recommendation:
Audit recommends the Ministry for Revenue to liaise and coordinate with Immigration Services Division as well as MCIL to ensure that information required is shared accordingly.

Management Comments:
Auditor's recommendation is duly noted for further future improvement in this area. We would also like to advise that as part of our upcoming Ministry Compliance Improvement Plan we endeavour to ensure closer co-ordination with our third parties in terms of data

sharing and integration especially with other agencies like MCIL etc who we have a common interest with in relation to areas like non-citizen investment in Samoa.

7. Special Audit

7.1 Special Audit - Finance One Payroll Review Follow-Up Report 2014

Detailed Findings

Issue	Risk	2014 Status
1. Duplicate employees within the system	High	Implemented

Audit Issue 2010: There were 19 employees were duplicated and given 2 or more different employee numbers within the Payroll system.

Recommendations 2010: Management review all employees defined to the Finance One / Payroll system and ensure no duplicate employee details exist under different Employee ID numbers. Deactivate all old and unused Employee ID numbers, before activating any new Employee ID numbers.

2010 Management Response: Agreed. This has arisen as the result of "people / typing errors". We will review and rectify the above errors, where appropriate. We will also periodically review the employee database every 6 months to look for possible new duplicates. Finally, we will remind staff to check for the existence of existing employees before creating new ones. Agreed. We are also asking for additional validation rules such as PSC number or NPF number

2014 Observations: Overpayments were recovered by MOF after the 2010 review. A general improvement in processes and procedures to detect multiple pays was noted, however these rely heavily on the Principal Payroll Officer to manually review system generated reports. These additional procedures have not been properly documented.

Additional Recommendation 2014
MOF document these control procedures to reduce reliance on the Principal Payroll Officer.

2014 Management Response: In 2011, PSC Human Resource Management Information System Project (People One - HR Module) was completed and this involved the devolution of data entry and updating role of employee personal details to HR Coordinators/HR Officers of all line ministries. Therefore, the responsibility of maintaining the accuracy and integrity of the information lies with the ministry. PSC role is to facilitate, monitor and perform system configuration on the HR side and MOF-Payroll on their side. The main cause of having duplicate employees is that when new employees come from another ministry or outside the service, the ministry needs to check if this person had worked in the service before. This will need to be validated and checked by the Ministry to ensure they do not have a current ID number. The problem is that due to security policies in place for the system, a ministry can only view their own current employees, hence, they cannot verify if the new employee has the same ID number in another Ministry.
For way forward, we will request the system vendor, along with assistance from MOF-System Support Team to review possible way to create a new query tab on the system HRC roles, for employee search and verification purposes only. Security settings for this tab should be restricted to view ONLY employee details and personal details and nothing else. Also review processes if this configuration will be effective where ministries are able to advise (MoF/PSC) of any new existing ID numbers already allocated.

	Issue	Risk	2014 Status
2.	Employees Receiving Multiple Wages/Salaries	High	Implemented

Audit Issue 2010: Various instances of multiple wage/salary payments were found being made to the same employee (in the same per pay period under different Employee Ids). Whilst we are aware that some people receive multiple payments in the same period (e.g. Village Pulenuu) we found various employees that are not in this category and have received multiple pays for the same pay period end date.

Recommendations 2010: Management investigate possible overpayments and where feasible recover any overpayments from individuals involved. Management thoroughly investigate the reasons why overpayments where able to occur and take steps to prevent any further overpayments from being made.

2010 Management Response: Agreed. Recovery Action must be done.

2014 Observations: Overpayments were recovered by MOF after the 2010 review. A general improvement in processes and procedures to detect multiple pays was noted, however these rely heavily on the Principal Payroll Officer to manually review system generated reports. These additional procedures have not been properly documented.

Additional Recommendation 2014: MOF document these control procedures to reduce reliance on the Principal Payroll Officer

2014 Management Response: Similar to Issue 1

	Issue	Risk	2014 Status
3.	Invalid/Inappropriate Employees Defined to System	High	Implemented

Audit Issue 2010: Instances of inappropriate and/or "test" employees were found defined to the live payroll system.

Recommendations 2010: Management review and where appropriate completely remove test and invalid employees from the live system. Management review all transactions associated with these ID numbers to ensure invalid / inappropriate employees have not been paid.

2010 Management Response: Noted. Recommendation will be implemented

2014 Observations: All Inappropriate Employees identified in 2010 have now been removed from system. We also noted improvements in procedures since 2010 to manually identify/detect instances of inappropriate employees being entered into the system. However, a general lack of documentation was noted regarding these procedures

Additional Recommendation 2014: As above

2014 Management Response: Will review and develop documentation on the procedures used for test environment and the production environment.

	Issue	Risk	2014 Status
4.	Invalid Dates of Birth	Moderate	Partially Implemented

Audit Issue 2010: Our analysis of the payroll employee database found 31 active employees with invalid dates of birth. Invalid dates of birth impact on an employee's eligibility for employment, long service leave and retirement age. As such, this date is critical to the effective operation of any payroll and personnel system.

Recommendations 2010: Management review and correct errors in dates of birth. Edit and validation controls be established within Payroll system to prevent further instances of invalid dates of birth being data entered; and Management periodically review employee master file data for integrity and completeness by distributing lists of employees to each Ministry for review and checking. (E.g. Quarterly)

2010 Management Response: Agreed. The control file settings have since been modified to prevent future invalid dates. We will correct as recommended. Some of these functions are now part of Human Resources.

2014 Observations: While some of the invalid dates of birth were corrected from 2010, we again found various invalid dates of birth.

Additional Recommendation 2014: Outstanding recommendations 7,8 & 9 be actioned by management

2014 Management Response: All issues regarding the existing active employees Date of Birth are fixed. However, controls and configuration of this field to avoid wrong data entry is currently reviewed by system support Division and the vendor. Ongoing monitoring to ensure accuracy of data will be part of the Payroll Section quarterly review.

Issue	Risk	2014 Status
5. Invalid Marital Status Codes	Low	Partially Implemented

Audit Issue 2010: Our review of Payroll employee details noted various invalid Marital Status codes have been entered into the system. For example:-

Recommendations 2010: All employees with invalid marital status codes be reviewed and corrected to ensure that this field is meaningful. System edit and validation controls be established to prevent future invalid marital status codes from being data entered.

2010 Management Response: Agreed – this is due to a people and system error, as the system is not fully validating these codes when being data entered. We will review and correct invalid codes and investigate with Technology One how to prevent future errors. This function is now with the HR (PSC) department.

Additional Recommendation 2014: Management advise that they have reviewed and corrected these codes. However, we again found various invalid marital status codes entered into the system, indicating a general lack of edit/validation controls.

2014 Management Response: These fields are currently not mandatory through data entry and missing data entry field are not flagged immediately. Will discuss with System Support and vendor for a possibility to flagged missing data entry and make the blank code remove from the option available.

Issue	Risk	2014 Status
6. Duplicate employees within the System	High	Implemented

Audit Issue 2010: Various instances of negative and nil tax payments were found. We also noted instances of salary advance recovery payments being processed as negative deductions - which effectively increased the employees pay (instead of decreasing it) with no taxation withheld/deducted

Recommendations 2010: All future upgrades to the Finance One system, be thoroughly tested prior to being implemented into the live system. System be modified to prevent any negative deductions from being entered.

2010 Management Response: Noted. Errors occurred in upgrade from version 10.3 to 11.4 where we failed to change tax and NPF settings. Agreed. Further Discussion with Technology One is required regarding this issue

2014 Observations: We were advised that all upgrades are now fully tested and documented. We were however unable to obtain evidence of this testing. 4 instances of negative tax were again noted in the system. These errors appear to have ceased after Nov 2011. Payroll is now capable of detecting negative and nil tax payments due to custom reports they have implemented. Audit considers the alternative action implemented by MOF, effectively mitigate this issue.

Additional Recommendation 2014: Documentation of system testing should be maintained and available for audit. Evidence of review of the negative and nil tax customised reports should also be maintained.

2014 Management Response: We have taken this into account and as payroll is now capable of detecting negative and nil tax payment via customs report designed by Technology One. This is run fortnightly as part of the payroll process. Supporting Documents are attached to payroll Source Documents when changes are made and then refer to System support Unit for any further comments.

Issue	Risk	2014 Status
7. Incorrect calculations of Gross/ Net Pay	High	Not Implemented

Audit Issue 2010: Instances of incorrect payroll gross and net pay calculations were noted in the system. Discussions with the Principal Payroll Officer noted that the system allowed the manual overriding of the unit x rate calculation.

Recommendations 2010: The pay items field (Payroll Calculation) be determined by a formula and ensure that controls are put in place to prevent any amendments or overriding of calculated Gross Pay.

2010 Management Response: This was fixed in 2007 and the payment field locked to prevent overriding of the system calculation by staff. However given its recurrence, the issue will be discussed with Technology One. We will also address this in the upgrade.

2014 Observations: We again found incorrect calculations of Gross/Nett Pay and were unable to obtain satisfactory evidence of our 2010 recommendation being implemented. For instance on pay period 19/02/2012 Employee number 42420 with 80 units at $3.13 tala rate normal pay equals to $0.00 We also found on pay period 23/01/2011 employee number 202705 there are 80 units at $2.89 tala (normal pay) equal to $0.00, and overtime time and a half of 18 units x $4.34 tala equal to $0.00

Additional Recommendation 2014: Our 2010 recommendation be implemented in that overriding of calculation fields be ceased.

2014 Management Response: This process is where Employees Job details is currently manually attached by the Payroll Section to configured awards and conditions. This only occurs to new appointments and promotions. Where there are 00 ratings, this is when the Employee detail job is wrongly attached to an award and conditions. We will now locked this field and change the process to reflect this change effective immediate and monitor any issue that may arise.

Issue	Risk	2014 Status
8. Negative Pay Item Amounts (Units x Rates)	Moderate	Implemented

Audit Issue 2010: There is no consistency in processing of adjustments in that sometimes a negative number of hours (or units) are entered, and at other times, a positive number of units are entered with a negative amount or rate.

Recommendations 2010: The system be modified to prevent any negative pay item amounts from being data entered.

2010 Management Response: Agreed

2014 Observations: A more consistent approach to processing adjustments is now in place in that only negative quantities (units) are used. And as such, our review found only negative units for payments.

2014 Management Response: Processing of payments is now follow according to procedures and process

Issue	Risk	2014 Status
9. No Disaster Recovery Plan	Moderate	Not Implemented

Audit Issue 2010: MoF Payroll does not have a specific disaster Recovery Plan to invoke in the event of the Payroll system being unavailable for any significant period of time.

Recommendations 2010: A Business Continuity Plan for Payroll be established.

2010 Management Response: Agreed. We will develop a Business Continuity Plan

2014 Observations: Not implemented. There is still no documented Business Continuity / Disaster Recovery plan for Payroll.

2014 Management Response: Disaster Recovery Plan has been in place since 2011 attached and will review and update to reflect current situation.

Issue	Risk	2014 Status
10. Duplicate National Provident Fund numbers	Moderate	Not Implemented

Audit Issue 2010: Our review of various database files/tables associated with employee NPF numbers noted instances of active Employee ID numbers with duplicate NPF Numbers.

Recommendations 2010: Management review all employee details and ensure no active employees have duplicate NPF numbers and where appropriate, take steps to remove any duplicates found.

2010 Management Response: Agreed – this is a system error, as the system cannot reject duplicate NPF numbers when they are entered. We will review and correct NPF numbers where appropriate. Agreed - We are about to validate NPF numbers in the new upgrade.

2014 Observations: Audit found no evidence of any management review to ensure the system does not contain any duplicate NPF numbers. Audit also noted duplicate NPF numbers still exist in the system. For example:

Additional Recommendation 2014: Additional controls be established as suggested in the 2010 management response to validate NPF numbers to ensure no duplicates are allowed into the system under different Employee Ids

Management Response: We have noted that government is obligated to provide accurate and correct information pertaining to its employees under the NPF Amendment Act 2010. Hence in July 2011 Ministry of Finance proposed to reinstate the issuance of SNPF cards or an alternative once a member is registered with the Fund. This will assist employers which are individual government ministries in this case in completing personnel internal forms (TY15s) before onward forwarding to (Payroll) our ministry for final verification and processing. An AR has been logged with the Vendor for our request (attached AR report) and follow up.

Issue	Risk	2014 Status
11. Excessive staff are creating/modifying Employee Details	Moderate	Implemented

Audit Issue 2010: Excessive numbers of staff were found creating employees in the system.

Recommendations 2010: Management review current security access rights over employee maintenance and ensure that only authorised staff possess these security access rights. All IT staff access be removed from the Payroll / Finance One system, in order to ensure basic segregation of duty controls are enforced

2010 Management Response: Agreed. Recommendations will be implemented

2014 Observations: Advised by MOF that a security review occurred. MOF IT staff are now restricted to appropriate system support staff. Noted an improvement in number of users modifying employee records

2014 Management Response: Recommendation implemented and IT no longer has access to any Bank download files.

Issue	Risk	2014 Status
12. Blank Employee Record (ID Number = 0)	Moderate	Not Implemented

Audit Issue 2010: Our review noted a blank employee record within some database tables within the system (Employee ID = 0). However, reference to the employee master database table indicates that there is no employee number zero or blank defined to the system.

Recommendations 2010: Management contact Technology One software support personnel to establish how to rectify this error as well as how to prevent further instances of invalid data from entering the Finance One system / database.

2010 Management Response: Noted. This is a result of system error. We will contact Technology One to investigate feasibility of preventing future errors of this kind.
2014 Observations: Unable to establish if this was followed up with Technology One, despite repeated requests 2014 noted the blank employee record still exists within some tables.

2014 Management Response: System Support Team has resolved the issue and Payroll updated and amends 3 employees transaction in Period Ending 03/08/2014

Issue	Risk	2014 Status
13. Reconciliation Procedures	Moderate	Not Implemented

Audit Issue 2010: Discussions with various staff in both MoF and other Ministries indicated that they do not reconcile what TY 15 forms have been sent and processed within MoF Payroll.

Recommendations 2010: TY15 forms be returned to each Ministry after being processed; and System audit trail report be produced showing exactly what was data entered by MoF payroll also be sent to each Ministry.

2010 Management Response: Agreed. The issue however involves all Ministries' Payroll Officers, not just MOF. We are looking to make Ty15 forms electronic and will involve MOF, PSC and HR Departments. This whole area is currently undergoing a major business process reengineering exercise.

2014 Observations: Discussions noted there is still no formal process to reconcile TY15 forms sent and processed by MoF payroll. There is still no report that comes back from MoF to confirm if they have successfully processed the Ty15s received.

2014 Management Response: All the Ministries now access to all payroll reports on the system and enquire with additional training provided. We will however review the recommendation for a way to confirm payroll data from Ministries.

Issue	Risk	2014 Status
14. Incorrect classification of Village Pulenu'u Allowances	Low	Not Implemented

Audit Issue 2010: Our review found that the payments being made to village Pulenuu are being classified as ordinary earnings (wages/salary), rather than classified as an allowance. Whilst village Pulenuu allowances are being classified as "ordinary earnings", there is a misallocation / misclassification of these allowances. Additionally, it is not possible to easily detect inappropriate duplicate payments being made to the same employee as often they are assumed to be merely village Pulenuu payments. Finally, the "true" value of Employee salaries is being over stated.

Recommendations 2010: Management establish a separate classification of allowances for Village Pulenuu payments. (In this way it becomes easier to detect inappropriate duplicate payments being made to the same employee).

2010 Management Response: Agreed. We will investigate the best way to address this issue.

2014 Observations: Pulenuu allowance payments are still being paid as normal pay. This also results in some employees appearing twice in the system

2014 Management Response: As initially configured on the system, there were various changes this Allowance was implemented in order to accommodate all the payments and request that came through from the Ministry:

- Initially Configured:
  Initially manual entered through timesheet entry, cash payee, half a monthly payment (24 payperiods) different from the fortnightly payrun.
  1% employer ACC, exempt tax, no NPF contribution
- Later changed:
  Auto pay, to be part of the normal fortnightly run (26 pay periods). Therefore, no timesheet entry but requires a salary amount. This requirement suit to Salary configuration.
  The Salary Category needed a Gross amount which allows the 1% ACC employer contribution on Gross. This later changed upon Legislative changes to ACC Act to 1% Employer and 1% employee. This requirement suit the Salary configuration inline with the ACC Act changes.
  All the Pulenuu allowances were then changed from cash payee to bank payees.

There is currently a request from the Ministry to put through NPF deduction and we are putting through to Legal Division whether they are entitled or not. However, if they are entitled, it still fits in to the existing configuration of the Payroll category. This Allowance although you considered as not implemented, the ultimate aim of the Ministry of Finance is to ensure that there is a payment made to the Pulenuu and process it at the best accurate fit configuration. We noted the issue how it is categorising in the payroll, and we will however, assess with the System Support and the vendor whether a separate configuration is beneficial while the current arrangement has no additional cost.

Issue	Risk	2014 Status
15. Payroll Testing occurs in Live System	Moderate	Implemented

Audit Issue 2010: Our review found that testing of new programs and systems functions is occurring in the live payroll system despite a separate system being available for these purposes.

Recommendations 2010: Management cease the practice of using the live payroll system for testing purposes. All test employees and transactions in the live system be removed from the database to ensure the accuracy and integrity of financial records.

2014 Observations: Discussion with MOF- ACEO F1 support noted that a Test and Training environment has now been developed eliminating testing on the live Payroll system.

2014 Management Response: MOF-SST has developed Testing and Training environment for testing and training purposes.

Issue	Risk	2014 Status
16. TY15 Forms are not Pre-numbered	Moderate	Implemented

Audit Issue 2010: The TY15 Form is the central document used to process authorisations of master data changes within the Government Payroll system. Our review noted TY15 forms are not pre numbered. As such, it is not possible for each Ministry to reconcile or trace TY15 forms or identify any missing TY15 forms.

Recommendations 2010: Each Ministry pre-number their TY15 forms. In this way, it is possible for each Ministry to track and reconcile TY15 Forms sent and processed by MoF.

2010 Management Response: Agreed. This is now part of the HR project to keep track of TY15. We will investigate this further by June 2011 and also investigate its feasibility.

2014 Observations: Although forms are still not pre-numbered, Ministries now have a reference number on TY15's that are submitted to MOF. The reference number helps keep track of each TY15 form. Audit considers this issue closed and action taken appropriate.

2014 Management Response: Noted.

Issue	Risk	2014 Status
17. No archiving of old data	Low	Implemented

Audit Issue 2010: There has been no archiving of any old data from the Finance One / Payroll system since it first went live in 2005/06. Subsequent discussions with the ACEO – IT, indicate MoF have not purchased the "archiving module" of Finance One and hence why no archiving has occurred.

Recommendations 2010: We recommend periodical archiving of old data occur.

2010 Management Response: Agreed. We will investigate.

2014 Observations: MOF has now acquired the Finance One Archiving module. Archiving process is currently scheduled at the end of each financial year

2014 Management Response: Noted.

Issue	Risk	2014 Status
18. Output security and control deficiencies	Moderate	Partially Implemented

Audit Issue 2010: Principal Payroll Officer role does not extend to establishing security controls over key outputs from the system (such as system logs, interface files, EFT banking files, softcopies of Payroll reports etc). His current role also does not include any formal monitoring of user attempts to access any sensitive files or reports. We were also advised:-

- There is no periodic management review of key system reports with respect to the accuracy or presentation of these reports;
- Master file maintenance audit trail reports (Standing Data changes) are not being produced or reviewed;
- Security reports are not presently being periodically produced or reviewed with respect to sensitive system reports or files;
- Formalised procedures do not exist for capturing, documenting, reporting or rectifying errors discovered in the Payroll / Finance One system; and

- There is no formalised, overall Issues Log / Problem Register documenting all known program and report errors within Finance One or Payroll.

Recommendations 2010: Responsibility for ensuring appropriate file permissions and security controls over key system reports, logs and outputs be assigned to the security area within the IT area. A management action plan be established to formally address each of the above control deficiencies which appear to exist

2010 Management Response: Agreed. We will take note of the recommendation and look at the process of involving the Ministries. Other recommendation will be considered.

2014 Observations:
- System logs are being maintained but only utilised when there a suspicion that prompts a need to investigate.
- A new IT support team has been established and have developed various exception reports to assist in monitoring payroll.
- IT support team maintains a helpdesk to register all IT related issues
- Action taken to date by MOF has addressed part of recommendation 37 in that issues registers are maintained and procedures exist to capture / address Finance One Issues
- We found no evidence of security reports being periodically reviewed or of master file maintenance audit trails being reviewed.

2014 Management Response: All reports have been modified according to users in People One and Finance One as per Audit recommendations. Refer attachments of payroll modified reports.

Issue	Risk	2014 Status
19. Inadequate Segregation of Duties: IT and Accounting Staff	High	Implemented

Audit Issue 2010: Our review noted that the electronic banking files, known as EFT (or Electronic Funds Transfer) Files generated by Payroll system are created by IT staff and not the Payroll section.

Recommendations 2010: We recommend that the creation of EFT banking files be transferred over to the Payroll section in order to restore basic segregation of duty controls.

2010 Management Response: Agreed. Recommendation will be implemented.

2014 Observations: EFT files are now being run/processed by the Principal Payroll officer and not by the IT department.

2014 Management Response: Payroll takes full responsibility for EFT files and IT has created a path and only Payroll access the path.

Issue	Risk	2014 Status
20. Error Correction Procedures	High	Partially Implemented

Audit Issue 2010: Our review noted that when errors are discovered that the payroll department fax the respective bank and request refunds of any over payments. A paper file is maintained of correspondence, however there is no reversal made in supporting accounting records contained within the Finance One payroll system.

Recommendations 2010: All corrections be made within Finance One as well as maintained in the existing paper file.
2010 Management Response: Agreed. We currently correct error via General Ledger Journals but not in Payroll records. We will investigate the audit recommendation.

2014 Observations: If the error affects an output (due to incorrect posting), a journal entry is prepared and submitted to Reporting section of the Accounts division to assess and post the correction onto Finance 1 (this is before EFT is generated). A withhold letter is submitted to the banks if there has been an overpayment which the money is refunded into the treasury account and the journal entry is prepared by Payroll and referred to the Accounts Receivable section for bank reconciliation.

2014 Management Response: We have now allocated Pay Component 891 for any deduction overpayment and Pay Component 407 for any refundable amount or amendment on Allowance or Deduction if Audit still insists on these process and procedures.

Issue	Risk	2014 Status
21. Inaccurate Reports/Audit Trails	High	Not Implemented

Audit Issue 2010: Our review noted significant differences between what some payroll screen enquiries show and that of payroll reports produced from the system. We also noted that transactions shown in the detailed payroll "Transactions by Employee Report" do not agree to the total or summary report.

Recommendations 2010: Management review the accuracy of all systems reports and screen enquiries, to ensure that they are accurate.

2010 Management Response: Agreed. Reports are currently being reviewed by Technology One Consultants.

2014 Observations: Audit was advised that reviews have been done in the past by Technology One /MOF Management. Audit was unable to obtain any evidence of any such review(s) to address issues raised in our 2010 report

2014 Management Response: Technology One has designed an Audit Trail Report as per recommendations by Audit. As this report facilitate the needs in keeping track of any amendment or changes.

7.2 Special Audit - Government Internet Expenditure June 2013– July 2013

There has been an increased reliance and use of Internet by Government Ministries and Public Bodies to support and assist the delivery of services within the Public Sector. Based on 2011/2012 figures, on average the entire public sector spends about 2.8 Million Tala annually on internet costs alone.

This special examination was undertaken to:

- Obtain an understanding of the total costs associated with the use of the internet and how Government Ministries and Corporations are using the internet on their day to day activities;
- Understand what controls/procedures are in place to manage and monitor the costs and risks associated with the use of the internet and how effective these controls are in minimising waste, abuse or violations of related government policies/legislations.

Overall, there is a general need for proper planning, monitoring and implementing appropriate controls associated with Internet use and spending throughout Government organisations. This report outlines the specific findings and suggested improvements going forward in minimising costs whilst maximising benefits and/or service delivery from such a valuable resource.

Overview of results from Survey on Internet Expenditure – June/July 2013:

From our Questionnaire that was sent out June – August 2013, we found the following:

- The Actual spending on Internet for 48 Government Organisations as per 2011/2012 figures was approximately 2.8 Million Tala;
- There are approximately 6,500 number of computer Users throughout the whole of government;
- At least 3500 Desktops and Laptops used by Government;
- All Government agencies have established appropriate infrastructure dedicated to receiving and sending electronic mails for normal day to day business communications;
- At least 42 Government Organisations claim to have used an internet Firewall or other Cyber Security measures to protect their use of Internet
- Total number of IT Officers throughout the Government Sector is approximately 120

Summary of Key Issues/Recommendations:

General lack of proper cost analysis prior to committing to procuring an internet plan

Internet is acquired by utilising two types of arrangements or plans with any Internet Service Providers (ISP) available in Samoa. These types of plans are explained below:

1. A fixed Plan of usage and an amount to be paid during the month.
   Example: 20 Gigabytes (GB) of Internet capacity for $1,500 Tala per month.
   - Under this arrangement the organisation is only permitted to use up to 20GB of Internet traffic and therefore only paying $1,500 Tala in one month. The onus is on the organisation to ensure the total internet usage does not go beyond the agreed level per month lest they incur extra costs.

- Such an arrangement is usually appropriate for organisation that is able to forecast the user level and internet needs of the organisation.

2. A variable plan based on a per megabyte (MB) usage basis.
   Example: $1.50 per MB used
   - With this arrangement the Organisation is charged for only what they use during the month at an agreed cost per MB. There is no limitation or maximum level of usage. The organisation pays for its actual use during the month.
   - Such an arrangement is usually appropriate for organisations that are unable to identify their maximum capacity of internet use on a monthly basis.

Choosing between one or both arrangements depends on the Organisations ability to understand their current needs and use of the internet as well as controlling their actual consumption of internet in order to maintain internet costs at the most efficient or economical level.

A lack of evidence was noted suggesting that a proper needs assessment was carried out before committing to any internet plans prompts the need for Government organisations to carry out proper internet cost assessment with regards to their internet use capacity and needs before they are committed to any contractual arrangements with the various Internet Service Provider(s)

1. General lack of regular review of Internet Costs

The survey showed 75% of organisations have only recently reviewed their internet costs in the past 12month period. A common reason for most reviews recently done in the past 12 months was due to ISPs offering a cheaper or more economical internet plan.

Most organisations visited were unable to provide evidence of a proper review in terms of understanding an organisation's monthly usage and/or need.

A Regular review of Internet plans should be carried out to ensure the organisation is not over spending on their internet costs

2. General management of Email systems needs improvement

The survey showed 23 organisations claiming to maintain their own email systems by having an email server of their own. 25 organisations are currently outsourcing their email infrastructure

As a precaution, government organisations should consider:

- Strengthening email policy on usage of email system;
- Carrying out proper cost/benefit analysis on buying and housing your own email server as compared to outsourcing;
- Consideration of security implication on email systems and how the organisation is protecting the confidentiality, integrity and availability of information that is stored within these systems (whether it is in-house or outsourced)

3. 35% of Organisations do not have documented policies on appropriate use of internet

An IT Policy relating to the use of Internet within an organisation is an indication of management intention to impose proper controls on internet usage within the organisation. Appropriate controls are imperative to ensure that waste and running cost of Government resources relating to Internet use are minimised and that there is compliance with related Government wide policy such as the Email and Internet Policy 2010. The study showed that only 32 government organisations have developed a formal IT Policy addressing internet usage, 17 government organizations remains without a formal IT Policy addressing internet usage.

We recommend:

- The establishment of Internet Use Policies within each individual government agencies. Such a policy will guide the implementation of internal controls to monitor and review the appropriate use of internet resources.
- Having an Internet use policy will also ensure that the organisation is adhering with the approved Internet and Email Policy issued by the Ministry of Communication and Information Technology (MCIT).

4. 28% of Organisations with Internet Policies do not carry out staff training.

We recommend:

- The establishment of a basic training programme for users of the internet to understand the risks associated with the use of the internet as well as the appropriate and acceptable behaviour expected from government employees, as per approved Government Internet & Email Policy
- We also recommend regular staff training and/or awareness programs be carried out within the organisation to strengthen and further promote proper use of the internet as per the Organisations approved Internet Use Policy

5. The ratio of IT Officers per Users of Internet/Network is approximately 1 IT officer to 30 Users (not including Tertiary Organisations)

We recommend:

- Management to assess the feasibility of employing additional IT Staff to support critical services that rely heavily on IT and internet use

6. 96% of Government Organisations do not formally monitor Internet Usage

80% of Organisations claim to formally monitor their internet usage. However, only one organisation showed evidence of formally monitoring internet usage on a monthly basis. An IT Management report showed internet use per month, sites visited, and individual user activity. A basic internet usage report or statistic should at least include:

i. Sites visited by user
ii. Total internet traffic use
iii. Internet activity

Without proper monitoring of internet use the organisation is exposed to the following consequences:

i. Increased risk of inappropriate use of internet without early detection
ii. Unable to understand how internet is being used within the organisations leading to waste of resources

We recommend:

1. Internet use be formally monitored on a regular basis (fortnightly or monthly)
2. Organisations to assess the feasibility of installing and using a utility software to assist with the monitoring of internet activity and traffic ; and
3. Organisations develop a capacity either in house or outsourced to produce or obtain relevant reports to assist with the monitoring and management of internet use and expenditure

7.3 Special Audit Ministry for Revenue Report

Findings & Recommendations

1. Missing TIN Numbers

Once a Tax Payer is registered within the Ministry, a unique numeric identifier known as a Taxpayer Identification Number (TIN) is issued from the Ministry's Revenue Management System (RMS). These numbers are automatically generated and issued by the RMS computer system in sequential order.

Our review found various missing Taxpayer Identification Numbers (TINs). Discussions with Management indicate some of these missing TIN numbers were the result of technical system upgrades and that there were once, manual allocations of TIN numbers by Ministry staff. It is also possible however, that missing TIN numbers could be due to previously registered taxpayers, having since been deleted, removed or lost from within the RMS computer system. It was also noted that except for one TIN, most of these missing TINS occurred prior to 2011 before the ISP started.

Our review also found, no RMS system exception reports available to management to inform them of missing TIN numbers.

The ability of the Ministry to effectively manage and collect all revenue / taxes due, is based on the completeness and accuracy of Taxpayer information contained within the computerized Revenue Management System, RMS.

Collectively, the lack of exception reports and missing TIN numbers from within the RMS system, hampers the ability of the Ministry to accurately determine the correctness of the total number of taxpayers in the country and hence the ability to ensure correct revenues are being collected.

Recommendations

- MFR should conduct a base-line review to establish all TIN numbers that have been either removed or are missing from the system and confirm the validity of all missing numbers. This should also ensure that any removal of TIN's in the past will not cause any integrity issues with the system in the future.
- MFR should ensure future practices and processes are established to ensure TIN's are never removed / deleted from the system. We recommend the use of the option currently available within RMS to "deactivate" the taxpayer.
- MFR should establish a system generated report to identify any missing TIN numbers within the system. Such an exception report will assist management in monitoring and reconciling the completeness and accuracy of information stored within their computer system.

Management Response

We had explained and demonstrated during various discussions with your audit team that RMS automatically issues TINs in a sequential numerical order beginning with 100000. Note however that prior to the RMS system active tax numbers (TINs) were manually created and approved in sequential order but were clustered into the type of legal entity or business structure set up (e.g companies, sole traders and partnerships). This categorization was loaded into the RMS system with the old TINs that were manually created as they were still active taxpayers for which some have been deactivated upon confirmation that they have ceased operations.

- The system therefore captures all new TINs that have been automatically registered in sequential order (both active and inactive) as demonstrated in the report we provided to your team on 17 December 2014 which also showed only one TIN missing. This was simply due to two staff having simultaneously allocated TIN to taxpayer where one officer was timed out off the RMS and the next TIN was allocated. Documentation of this event by Data Torque (vendor) was provided to the audit team for confirmation. This was the only one situation of that nature since RMS was upgraded in 2011 and we can confirm that the system can never allocate a TIN for reuse but automatically moves on to the next sequential number.
- You had indicated in your email of 19 December 2014 that you were satisfied with explanations provided and this issue is most likely to be removed.

- It is not possible in the RMS to delete a TIN. If a business closes, the TIN is recorded as ceased but all records are retained under that TIN. The option of deactivation of TIN has been in use since 2011 and shall continue.

- RMS does have a system standard report where we can easily identify any missing TINs like the report that was provided to your team on 17 December 2014. An exception report is currently not available on the system but this will result in extra costs to the Ministry since the vendor will need to construct this report. We acknowledge the recommendation for exception reports but for the meantime we will use the standard reports that are already in place for monitoring and management purposes.

4.2 Missing Business License numbers

Business licenses are accountable documents, generated by the RMS computer system with a unique and sequential number.

Under the current law, businesses are required to initially register and obtain a business licence from the Ministry for Revenue. This licence is also required to be renewed on an annual basis, after the payment of an appropriate annual fee. Upon payment of the appropriate business license renewal fee, the taxpayer is issued with a new business license number, from the RMS system.

Our review noted various instances of missing business license numbers within the RMS system. For example, a report provided by the Ministry on all business licenses issued contained missing business license numbers.

We also noted that Management has no exception reports available to them, to assist them in identify missing business license numbers that may have been issued to Taxpayers.

Gaps and missing business license numbers make it more difficult for the Ministry to ensure that they are collecting all appropriate revenue, from the issuance of business licenses.

Recommendations

MFR should ensure that an exception report is produced from the RMS system to identify any missing and/or out of sequence business license numbers

Management Response

Similar to issue 4.1, our management acknowledge the recommendations provided but note that there is a report available in the RMS that enables us to identify missing business license numbers. The construction of exception reports in the system comes at a cost to the Ministry so we will use the reports we currently have but we will consider audit's recommendation for the long run.

In reference to the missing business licence numbers identified by audit, we queried this with the software vendor and an activity log regarding these missing numbers was produced. It showed the error messages that caused the business licence number to skip which is precisely the same situation that had happened with the missing TIN. Our management will ensure that these activity/error logs are frequently generated for monitoring purposes.

4.3 Register / List of all Tax Payers

We received inconsistent reports during our attempts to obtain a list of all active and inactive taxpayers registered with the Ministry.
Standard reports were initially used, however we found these to be unreliable and inconsistent with other reports in the system. We were subsequently advised by MFR staff that due to 'technical issues' associated with standard reports, that we should instead use specially generated reports from the "back-end" for our audit purposes. I.e. reports developed by programmers, to directly interrogate the underlying database system.
However, during our assessment of these reports (also provided to us), we again found various inconsistencies as to the total number of taxpayers registered in Samoa. We found Registration reports provided to us, did not match other related taxpayer reports, namely – Income Tax Returns, Total Receipts, VAGST, and PAYE reports.

Examples of inconsistencies found included:

- Taxpayers found in Income Tax Return Reports were not found in the Taxpayer Registration Report
- Taxpayers found in Total Receipts reports were not found in the Taxpayer Registration report
- Taxpayers found in VAGST reports were not found in the Taxpayer Registration report; and
- Taxpayers found in PAYE reports were not found in the Taxpayer Registration report

It is critical to have complete and accurate management reports in order to effectively manage and administer taxation and to ensure all appropriate and taxes owing are able to be collected. Such reports should include the total number of taxpayers registered within the RMS system.

Recommendations

MFR management should review the current list of Tax Payers registered and ensure ALL RMS system reports accurately reflect details of all registered taxpayers.
MFR should contact RMS technical support services to ensure all standard reports within the RMS system are complete and accurate.

Management Response

The reports provided to audit were generated from the RMS database based on what aduit asked for, for and our interpretation of this request i.e one report for all active TINs excluding inactive TINs, another report of TINs registered for specific tax types (income tax, VAGST or PAYE). At the end of the day, we provided the correct data you had wanted which was simply the overall or main registration report containing all active and inactive TINs. Had you been clear with your criteria you would have been provided with the exact report you wanted in the very first place.

In regards to the inconsistencies listed, we would like to clarify that under the RMS current list of tax payers registered for Income Tax, VAGST and PAYE there will always be disparities in the reports due to the following reasons :-
Taxpayer registered for Income Tax are not all registered for VAGST as some of the VAGST taxpayers are below the threshold and are therefore not required to be registered under the VAGST Act 92/93.
Taxpayers registered for VAGST are not registered taxpayers under the Income Tax like above comment.
Taxpayers registered under the PAYE are not necessarily registered for Income Tax for some of them are exempted from paying Income Tax under the Income Tax Act 2012. Likewise VAGST for PAYE is also exempted therefore not all VAGST taxpayers file PAYE returns and not registered.
All taxpayers paying business licenses are not all taxpayers who file Income Tax/VAGST & PAYE returns due to exemptions through the Tax Laws or under the Memorandum of Understanding (MOU) with other countries approved by the Ministry of Finance.
VR 521 Report from RMS can retrieve a list of all registered taxpayers under different tax types in a given period when requested.

4.4 Taxpayers registered more than once (i.e. Multiple TIN numbers)

Before any taxpayer can start paying tax, they should be registered with MFR, whereby a unique Tax Identification Number (TIN) is issued to them.

Our audit found instances of taxpayers who have more than one TIN number. This is a result of the absence of an effective system to screen taxpayers' before they are being registered in the RMS system, in order to ensure that they are not registered twice.

Details of taxpayers registered more than once, were provided to MFR management at the time of our review for investigation and follow-up.

It was also noted that no exception reports exist within the RMS system for management to easily identify any taxpayer that has been previously registered with the same name/credentials.

Recommendations

MFR should review current procedures and enhance these in order to more thoroughly check for the existence of a previously issued TIN number to taxpayers who are registering / re-registering.
Contact RMS support services to create an exception report to identify duplicate registrations of taxpayers.

Management Response

Since the upgrade of RMS in 2011, we have mandated the capturing of identity information including date of birth for individuals and certificate of incorporation numbers for companies. This has made it much easier to identify if the same taxpayer already has a TIN.

The incidence of a taxpayer having more than one TIN could occur due to the following: if the officer missed out on a letter of the taxpayer's name, misspelt the taxpayers name, taxpayer uses a different matai name, or different surname, etc, Such human error contributes to incorrect information because the system automatically allocates a unique TIN to the taxpayer. The problem therefore is not the system but those operating the system. In saying that, this issue of multiple TINs has significantly been reduced since the upgrade and we continue to rely on our staff to do a thorough check prior to inputting information into the system. Our management will reinforce this with the staff to ensure the integrity of our data as well as avoiding issues like this from recurring.

The Taxpayer Services division is also working continuously to merge records of the same taxpayer under one TIN if such matter is found and those found during your audit have now been merged and deactivate the new TIN.

We can extract from our database a full list of these identity information and check for duplication to identify potential duplication of TIN. Exception reports as previously stated will be considered but the available reports will be used for monitoring.

4.5 Business Trading Names - not formally captured

Part of our audit procedures included conducting site visits around both Upolu and Savaii. 500 businesses were sighted and details of their names (trading and/or business name) recorded for later matching back to RMS computer records - in order to ensure that they were registered with the MFR.

From our site visits, we were unable to trace 127 of the 500 businesses sampled, back to the RMS computer system. Subsequent discussions with MFR management noted that the recording of business trading names is only encouraged, and that, it is not mandatory for a business to register their trading name.

Our discussions further noted that Ministry staff also found similar difficulties in carrying out their compliance roles, due to the lack of trading names being captured.

We understand, a recent upgrade to the RMS system, now offers a specific field for the capturing business trading names.

By capturing trading names within the RMS system as part of the registration process, it should be easier and more efficient for the Ministry to track and identify businesses that are operating without a valid business license.

Recommendations

MFR consider revising the current registration and business license and renewal processes, to formally capture business Trading names, within the RMS system.

Management Response

Management acknowledge the recommendation with the confirmation that our existing registration process for new and renewal business licence does capture trade names of businesses based on the advices provided to us by the taxpayer from first time of registration as well as during the year or during our license renewals. Our tax and business license legislations require our Ministry to register the taxpayer's legal name but not the trade names. However, it is a requirement under our registration process for the taxpayers to advise us during application for new or renewal or during year of their trade names.

We post this information in the RMS and also record it on our manual forms but the trade name can be omitted from the overall details information of the taxpayer in the system if the officer inputs the trade name at the business licence registration field and not in the main registration field for TINs. We will however continue to train and remind our staff to input all relevant information of the taxpayer including trade names in both the main registration screen and the business licence screen.

4.6 Timely update of RMS to reflect changes in business ownership

Our audit found some businesses have since changed ownership, however the RMS computer system is still to be updated to reflect details of new ownership. Discussions with MFR management also noted that this is one of the issues that they are addressing through their Institutional Strengthening Program (ISP) - by having electronic files of taxpayer information for ease of retrieval and review.

4.7 Misplaced Business License Application Forms

We were unable to sight business license application forms for a number of businesses registered within RMS. It is important to have all the information submitted by the taxpayer to the Ministry, filed and kept properly for verification and audit purposes.

This will also make it easier for the Ministry to confirm if a business is actually operating without a business license.

4.8 VAGST Forms vs. RMS Computer System Records

Our audit found various VAGST forms filed in paper files, however details of these again had not been captured / updated on the RMS computer system. We also found some VAGST forms contained within the RMS computer system, however we were unable to find any physical forms filed within the manual taxpayer files.

The timely update of RMS is important to ensure the Ministry is able to assess the level of revenues to be collected. This will also ensure that information stored in RMS is complete and accurate.

The unavailability of tax files may result in tax returns not being correctly assessed and thus potential revenue and tax liabilities, not known.

The government may also lose revenue if taxpayers do not assess themselves correctly, interest and penalties may also not be known or paid. Incomplete Taxpayers files (be they electronic or paper-based) may also have an adverse impact on inquiries by taxpayers, as there may be no record of documents lodged.

4.9 PAYE (P4) Forms vs. RMS Computer System Records

Our review of PAYE forms submitted by taxpayers and posted on RMS noted the following:

- Physical PAYE forms lodged by taxpayers were sighted in physical files, but had not been captured or recorded within the RMS computer system
- Misplaced PAYE forms not found on physical file but details were reflected on RMS
- Incorrect PAYE return details posted on RMS
- Taxpayer services having no record of various lodgments to substantiate payments made; and
- Comparison of actual P4 forms with RMS amounts noted various variances

Discussions with Management noted that these issues are currently being addressed with the ISP.

Recommendations

- MFR should conduct regular reviews of taxpayer manual / paper files to ensure they are complete and up-to date
- MFR should carry out regular spot checks to ensure information stored within the RMS system is complete, accurate and up-to date
- MFR conduct regular reviews of taxpayer information and businesses registrations and ensure all information is updated on a timely basis.
- MFR should review the current PAYE process to assess the completeness and accuracy of data being entered into RMS

Management Response

Auditor's recommendations are duly noted and we have noticed as well as further anticipate huge improvements with our record keeping with the recent installation of our new filing system including ISP upgrades of our RMS system and processes.

It is our policy under our self assessment regime that all returns filed are immediately posted by our Data Entry clerks once received and confirmed by the team leaders of the Taxpayer Services division on a daily basis and the respective related tax payments of those returns are posted by the cashier immediately when received. We have a system report (VR011) on returns not yet confirmed which team leaders regularly check to ensure all returns posted are confirmed and then return is matched by system to the payment in the taxpayer's respective statement of account.

There is also a compliance system generated report on returns filed on time and tax payments made on time which we analyze after every month for the senior management team scorecard reports and if team leaders spot payments made on time but returns are yet to be posted then they attend to this issue immediately. If the process is not done thoroughly by the data entry team or carefully checked by team leaders then issues you have identified occur.

Our management will ensure that our approved procedures and documented processes are being carried out vigilantly by our staff.

4.10 Taxpayer Files and Electronic Records

Taxpayer information and related transactions are being stored both in physical paper-based files and within the RMS computer system. During our audit, we were advised the Ministry is currently digitizing paper-based documents are and moving towards an electronic filing system. However, we were unable to fully rely on any one form of storage or record keeping be it electronic or physical, as some information was found in the physical file, whilst other information can only be found on the electronic system.

The Ministry has yet to identify a cut-off date on when the physical filing system will no longer be used or relied upon. It is currently difficult for the Ministry to efficiently trace, track and retrieve taxpayer records pertaining to any tax types without a single source of tax file.
This situation also increases the risk of not maintaining complete or accurate taxpayer records to substantiate information that is posted into the RMS system and creates inefficiencies through having to check two data sources when trying to find documents.

Recommendations

MFR should establish a cut-off date when paper-based files are to be fully replaced and no longer used or relied upon.

Management Response

As explained during our discussions, not all hard copies of returns and other tax records are in the taxpayer's e-file as it is not only costly to our Ministry (scanning) but the RMS is not self sufficient to store all scanned records. We do not have sophisticated scanners to support our system and most importantly we still need to maintain hard records as legal evidence given the nature of our work when we prosecute non compliant taxpayers. In saying that, we cannot specify a cut-off date/time as we still need to maintain some of our records on paper (manual).We will move forward with electronic filing etc (paperless) but also maintain manual records for other purposes/references.

Our management continues to find ways to improve record keeping for the Ministry so as to ensure the completeness of information captured and maintained by us.

4.11 Date Validation within the RMS Computer System

We noted some VAGST / Income Tax Return forms where the date received on the system is not the same as the dates on the actual form received - Some returns show dates before the balance date, whilst others show blank dates on the system.

Dates are critical for the RMS system to automatically calculate any penalties if the taxpayer has not lodged their return on time. It will also affect the ability of the RMS system to produce accurate management reports.

Recommendations

- MFR should review the ability of the RMS system to prevent erroneous dates from being data entered into the system.
- MFR should develop and review key exception reports on the accuracy of date information within the RMS system.

Management Response

This is simply human error and the system cannot default dates for posting as filing periods and paying periods vary which is why this option is opened for human input. However, management will continue to remind staff to pay closer attention to these things for data completeness and accuracy.

4.12 Delays in Follow-up of Overdue Returns and Non-filing

Our review of Income Tax Returns noted delays in follow-up actions by the Ministry for taxpayers that have submitted their returns after the due/balance date or not submitted at all.

Reminder notices sighted for non-lodgements are normally conducted at least 180 days after due date.

Recommendations

MFR should review the current process and system to ensure reminder notices and follow-up actions by the Ministry, is prompt and within the expected requirements (14 days).

Management Response

We accept the recommendation and we endeavour to improve on our follow up actions for overdue returns and non filing. RMS also has introduced a new notification manager which enables MfR to automatically bulk issue email notifications to all taxpayers who file late after due dates. This will also improve follow up time on the outstanding tax returns.

4.13 Notice of Assessments

Should MFR make any adjustments after assessing an Income Tax return lodged by a taxpayer, procedures require that a Notice of Assessment be sent out to the taxpayer.

We were unable to obtain any evidence that Notice of Assessments were being sent, as a result of internal adjustments made by the Ministry.

Recommendations

MFR should ensure that Notices of Assessment are actually sent to taxpayers and that appropriate evidence is maintained on file of this action being taken.

Management Response

Management acknowledge auditor's recommendation. However note that under the new self assessment regime, notice of assessment is only required to be issued if the Commissioner changes the taxpayer's self assessed amount. Changes to self assessment most commonly occurred during the audit process and management has invested in the capability development of the audit area. A coach from the NZIRD had standardized the use of case management and as part of the final audit report the inclusion of the notice of assessment is required in every audit case. Management is confident that this issue as identified has been resolved. There are only a few situations where copies of electronic notice of assessments have not been stored electronically and management are prioritizing further reminder to staff to ensure these documents or records are maintained either in electronic or paper form.

7.4 Special Audit Payroll EFT Processing Report 2014

Audit Overview
Our review assessed the overall accuracy and completeness of payroll EFT Files being sent to banks and financial institutions and security controls over these electronic data files.

Conclusion
Based on our audit samples (spanning the period 11 July 2010 to January 2014) we found:

No material errors or material unexplained variances with respect to the overall accuracy and completeness of EFT files being sent to banks and financial institutions.

However we noted:-

Controls and audit trails over EFT processing requires improvement - especially with respect to adjustments being made to original EFT files sent to banks/financial institutions; and
EFT payment files are not appropriately secured or protected from unauthorised changes prior to being received by banks and financial institutions

We have also expressed concerns that various banks and financial institutions were not able to (or were unwilling to) supply all data requested by my Office in this review. We acknowledge that some of our data requests refer to old data (e.g. 2010-2012). Nonetheless, we are concerned that record keeping requirements of some banks and financial institutions may be less than satisfactory, based on their failure to provide all data requested for this review.

We wish to acknowledge the full and complete co-operation of the Samoa Commercial Bank (SCB) which supplied 100% of all data requested from it.

Other financial institutions however, failed to completely satisfy our requests for information from the 25 pay periods sampled.

Key Recommendations

Our review also included an assessment of key controls over the EFT file creation and delivery process to each bank and financial institution.

Specific recommendations are included in the detailed findings section of this report. In summary, the key recommendations from our review are:-

1. Network security rules should be corrected to properly protect EFT files/folders, which at the time of our review, were not properly secured to prevent unauthorised changes from being.
2. EFT files contained on USB memory sticks and hand-delivered to banks / financial institutions should be password protected / encrypted to ensure confidential data is not lost or misused. These files should be also READ-ONLY and accompanied by a hardcopy (.PDF) file or report, to support the electronic file provided.
3. Anti-virus software should be installed and activated on all MOF servers containing EFT files in order to protect EFT files from computer viruses.
4. Error correction procedures should be more formalised to ensure appropriate audit trails are maintained over all changes to original EFT Files.

5. Banks and financial institutions should be requested provide audit trails of all changes, corrections and adjustments, made by them.
6. Audit trails should be maintained to account for all versions of EFT files being created within the Ministry of Finance (MOF).
7. MOF should consider replacing the current manual process of using USB memory sticks to transfer EFT files with a more secure and automatic solution.

Response from the Ministry of Finance

MOF has noted the recommendations from the Audit Office:

1. MOF will review processes and controls to properly secure unauthorised changes made to EFT files.
2. It is currently working with Westpac to transfer this payroll file through the EFT file currently in place for payment. It will also discuss with other banks on password protected/encryption that is currently going together with the authorised letter and report.
3. MOF's IT Division has installed anti-virus software on all MOF servers including those with EFT files.
4. Will review this recommendation of a better solution to correct any errors or changes to the files.
5. Will work with the Financial Institutions/Banks how this recommendation could be implemented.
6. Audit Trails of the Finance One is in place for tracing. However, will look at a process or a practical way to implement this recommendation for the files that are saved outside of Finance One..
7. Now part of the work plan for the next six months to one bank (Westpac). Will also review other bank and financial institutions of a secured way to transfer this file.

7.5 Special Audit - Ministry of Revenue, Information Technology Review on Automated System for Customs Data (ASYCUDA)

The Automated System for Customs Data (ASYCUDA) is a computerised system designed by the United Nations Conference on Trade and Development (UNCTAD) to help administer countries custom operation/activities. Asycuda has been in use by the Ministry since 1999 and is one of the main systems used by the Ministry for Revenue (MfR) to facilitate, record, and report on operations at the Customs Department. The Ministry is currently using the latest version of the software called ASYCUDA World.

The overall objective of this audit was to review and assess the implementation of key controls associated with the Asycuda system in support of the Ministry's corporate objectives. The audited period is from July 2012 to December 2014 and covering the following IT domains;

- IT Governance;
- Information Security;
- Business Continuity and Recovery Plan; and
- Application Controls

Key findings/recommendations

- IT Strategic plan(s) should be reviewed regularly to ensure reforms and changes made to the Ministry's current IT environment have been considered;
- ICT Security Policy management, monitoring and associated procedures requires improvement to include critical areas such as Virus Protections, Access Controls, Copyright and Back Up procedures;
- Network Security/Access Control issues to be addressed together with the concern on the ability of the Ministry to recover their critical systems from any disasters/disruptions on a timely basis;
- Key functionalities within ASYCUDA WORLD were not available or ineffective for the purposes of monitoring system security/controls and informing management oversight of user activity.

Audit Objective 1: *Confirm whether there is an IT strategy in place, including an IT plan and the processes for the strategy's development, approval, and implementation and maintenance which is aligned with the organisation's strategies and objectives. The risks and resources while accomplishing IT objectives are effectively managed.*

IT Strategy and Planning

A1. Quality of IT Strategic Planning

Our review of the IT Strategic Plan for the Ministry and discussions with the IT Manager noted that the documented plan was last reviewed in 2012 (3 years ago).

Recommendations:

Annual review of the IT Strategic plan be carried out to ensure all the changes and outstanding issues have been considered and aligned with other Organisational plans and related financial estimates. An updated and approved IT Strategic plan will normally outline and consolidate priority areas for the IT Department. It will also enable and strengthen the connection to annual business plans, goals and objectives as well as the effective monitoring via the Management Dashboard (IT Scorecard) on a monthly basis.

There has been no full review of the current IT Strategic Plan but our IT division has kept track of implementation through its IT Scorecard. The scorecard monitors certain areas of the IT Strategic Plan that are incorporated in its yearly Annual Business Plan. An overall summary and review of areas that are in the IT Strategic Plans are part of the Ministry Annual Reports that are tabled in parliament.

A2. Assessment of IT Staff and IT service deliverables

The IT Department consists of an ACEO and six supporting staff to support and deliver on services to ensure there is minimal disruption on day to day activities of the Ministry. These services mainly includes but not limited to:

Application Support for ASYCUDA system (both versions) with 159 users;

Support for one other important Revenue Management System used by the Inland Revenue Services;

Support and helpdesk for a total of 166 Network Users operating within four separate locations;

Review, documentation, enforcement and training of staff on security policies and procedures;

Intranet system, Website, E-Learning platform; and

It was also noted that one of the senior and key member of the IT department is a full time local expert on the implementation of the currently ongoing Customs Modernisation Project

We understand the importance of having a well resourced and fully staffed IT division to ensure these critical tasks are being carried out effectively. We believe the current IT support staff may not be adequate to ensure these critical IT functions are being performed continuously and effectively; and therefore poses the risk on the continuity, availability and integrity of important and key computer systems – like ASYCUDA within the Ministry.

Recommendations

We recommend the Ministry to review the current needs and resources deemed appropriate for the IT department to effectively address and carry out their duties as outlined within the approved Corporate Plan, IT Strategic Plan and annual IT Business plans.

Management response:

The HR restructure of the IT division was endorsed by PSC and recruitment of new positions within the FY2015/2016 and FY2016/2017. A further review will be conducted with remuneration proposals to retain skilled IT staff to support the increase in activities as monitored and supported by IT.

Audit Objective 2: Assess the existence and effectiveness of Information Security practices within the Ministry and Asycuda Information Security Policies and Procedures

The Information Security Operating Model within the Ministry consists of 3 interrelated activities as shown in Appendix 1.

These are:

(1) ICT Security Policy management
(2) ICT Security Compliance monitoring
(3) ICT Risk management

We found the following areas necessary/appropriate/essential for management attention to ensure Information Security Policies are being implemented appropriately and effectively.

B1. ICT Security Policy Management to include Virus protections and others

The current ICT Security Policy does not address the following:

- Computer Virus Protections,
- Copyright and privacy laws;
- and Back Up and Disaster Recovery

Recommendations

It is critical that information assets are being protected to minimise the risks to integrity, confidentiality and availability.

Therefore we recommend management to assess, review and consider the importance of including the above key areas expected in any ICT Security policy to govern/manage an IT environment that is heavily relied upon to ensure their operations, services and organisational objectives are being achieved; and in compliance with relevant legislations and government policies.

Management Response:
These are briefly referenced in our IT Resource Use Policy document. We have these online resources and checklist of software and hardware configuration available but a formal policy has yet to be considered. Management will ensure the next review of ICT policies will address these areas.

B2. ICT Security Policy: Compliance Monitoring needs improvement

ICT Security Compliance monitoring has not been properly implemented to ensure appropriate and timely enforcement and identification of critical ICT security related issues for management purposes. As such, it has affected the Ministry’s ability to update and review the effectiveness of approved ICT Security Policies.

The current ICT security policy was last updated in 2012 although there have been a number of changes to the IT environment and infrastructure.

Recommendations

Management to review the current practices of engaging and obtaining information from key business users in relation to ICT Security issues.

From such a review, the Ministry should be able to design a checklist or feedback form that is relevant to each division's activities and responsibilities for the purposes of identifying and forwarding of any IT security issues.

Management responses:

We acknowledge recommendation provided and we will review the role of key business users in relation to ICT security issues and develop appropriate procedures to obtain information required.

B3. ICT Security Policy: Risk Management needs improvement

Discussions with the IT Manager noted that no formal IT Risk assessment was carried out prior to drafting the approved ICT Security Policy.

Recommendations:

By carrying out a formal IT Risk assessment, it will assist management in:

Identifying and evaluating security issues/events associated with various IT activities and service deliverables, and

Will also better inform the design and documentation of Policy Statements to mitigate those security risks.

Management Response:
IT risks recorded and reported in the Asycuda system had temporary and definite solutions based on its priority. However a re-evaluation of all IT risks according to the Security Operating Model has yet to be completed. Past IT Strategic Plans in 2011 and 2013 assessed and addressed certain key IT risk areas from a business unit's perspective i.e Ministry division and the IT division. We will formalise these risk assessments in the future.

B4. Availability of IT Security Procedures

We were unable to obtain documented IT Security procedures to coordinate the implementation and enforcement of IT Security policies within the IT Department. In our view, there is an increased risk of errors and inconsistencies in implementing critical IT procedures associated with security and safe guarding of information assets.

It is also worthwhile to note that in the event of key IT Staff leaving the organisation, it may impede the ability of the IT department to efficiently and effectively deliver on their ICT security responsibilities.

Recommendations

Management to design and document critical IT Security related procedures to ensure ICT Security policies are being complied with and enforced;

It will also assist in minimising any disruption to IT Department's service deliverables in an event of unexpected absence for a long period of time or removal of any key IT Staff.

Such areas to consider include:

- Users access/security management
- Change and management controls (service continuity)
- Backup and Recovery
- Problem and incident management

B5. ICT Security awareness and training

Discussions with the IT Department/users noted the lack of trainings to ensure all Ministry employees are aware of related ICT Security Policies. Although all IT Policies are also available on the Ministry's intranet, no formalised training is currently being carried out.

It was also noted that these IT policies were not available at the Policy Unit of the Ministry's Corporate Division.

Recommendations

Development and implementation of regular awareness programs/trainings within the Ministry to encourage and promote understanding, voluntary acceptance and compliance with related ICT security

Communication and Operations Management, Organisation of IT Security and Network Security Assessment

Management Response;

ICT Security Policy and related standards are part of the Ministry's Induction programme. Various formal training and refresher workshops were also conducted for all staff on all new and amended ICT policies and standards. All these policies are also available on our intranet for staff information. We will continue to include IT Security Policies and other IT policies in our induction programme and refresher training to promote staff awareness and compliance.

C. Communication and Operations Management, Organisation of IT Security and Network Security Assessment

C1. Excessive Domain Administrator

We noted 14 Domain Administrators accounts within the Ministry's computer network. These "administrators" possess complete and unrestricted security access rights to all data and programs on the computer network.

Recommendations

We recommend Administrator accounts be reduced to only those people with a day-to-day need to perform systems security and administration duties across all aspects of the network and that all but 2-3 user accounts be removed from possessing these wide ranging security access rights.

Management response:

Domain administrator accounts are restricted to only principal and senior IT officers. We note auditor's recommendation for review.

C2. Passwords Set to Never Expire

From our review of network logs, we noted various user accounts settings to not expire.

Possible Consequences

Passwords are a fundamental security control.

Whilst passwords are not periodically force changed, through the password expiry security feature of Windows, there is an increased risk of inappropriate and unauthorised access being gained into the network, as passwords tend to become known over an extended period of time.

Recommendations

We recommend all Windows users be required to periodically change their passwords and that Windows security settings be altered on all MFR Windows user accounts, to ensure that no-one is exempt from this requirement.

Management response:

Domain user passwords are set to expire after 60 days. IT will review and monitor user password policies on all domain and system access.

C3. Various Generic Users

Our review picked up several “generic” user accounts defined to the MfR Windows computer network. Collectively these are referred to as “Generic” user accounts, as they do not identify any individual employee or user.

In many cases, generic user accounts are shared between many users/staff. Furthermore, we noted that some of these users possess the right to logon remotely to any machine within the Ministry network.

Recommendations
We recommend management review all Windows user accounts and where possible eliminate (or replace) generic accounts, with accounts that clearly identify individual employees, users or system processes. In this way, systems accountability controls can be strengthened and audit trails made more useful.

Management response:
Some of the generic users we currently have relate to our system developers for testing environment and system support. However we will review our generic accounts and identify best solution for system accountability and audit trail.

C5. Various Active User Accounts that have never logged onto the system

There were various active user accounts that have never logged onto the computer network.

Collectively the above represent dormant and possible unused user accounts defined to the MfR computer network. Unused and dormant user accounts dilute computer security controls as they increase the risk of being re-activated and used by unauthorized persons, in order to gain access to the network.

Recommendations

We recommend all inactive user accounts be reviewed to determine that they are still required and where appropriate completely removed from the system

Management response:
There are accounts required as part of a system application process, such as Kaspersky antivirus, Microsoft Exchange mail system, mail group accounts for seminars and workshops, RMS and Asycuda system process accounts for notification purposes or system based uses. In saying that, we take note of the recommendation for review and appropriate actions.

Audit Objective 3: Assess the current Business Continuity practices for the Ministry in relation to and Disaster Recovery Plan

D1. Backup and Recovery Procedures

We noted the implementation of back up procedures at the Ministry requires the use of various computer utilities and standalone scripts. Furthermore, there is:

- No documented procedures associated with these utilities or scripts
- No back up register is in place
- No Offsite back up
- No regular testing/verification of Back ups

Recommendations

We recommend the Ministry to review the risks associated with the current practices of backup/recovery to determine a solution that is more user friendly and responsive to the business needs of the organisation. Such a solution should also minimise the risk of overly relying on specific individuals within the IT Department to ensure the continuity of this important procedure.

Management responses:
We have 18 systems that we backup. Depending on size and capacity available, we implement backup procedures for either data, or system or a virtual copy of both. The uses of these utilities are included in the backup procedures. We also carry out backup tests for CRIS, Elearning, Oracle Virtualbox, Firewall, RMS7, ASYCUDA. We have backup procedures for our core tax systems with technical documentations used by IT staff to carry out manual backups in case of a power or network connection failure.

Our offsite backup for our tax systems have been in place since 2004. The Customs tax system has an offsite physical backup system at the IRS office at Savalalo while the RMS backup offsite is Customs main office Matautu. The K9 building at Tuanaimato is also in the process of refurbishment for an offsite backup area for all our core systems and tax systems.

D2. No Disaster Recovery Plan

We found no IT Disaster Recovery Plan . Without a fully documented and tested business and IT disaster Recovery plans there is an increased risk of not being able to recover critical business operations and I.T systems in a timely and/or complete manner, in the event of a major disaster (e.g. cyclone, earthquake, etc).

Moreover the lack of fully documented and tested business continuity and IT disaster recovery plans, places extremely high and unnecessary reliance on the knowledge of a few key individuals and IT staff in order to ensure Ministry of Revenues systems can be restored fully.

Recommendations
Disaster Recovery Plans are aimed at minimizing downtime and data loss in the event that all or parts of its operations and/or computer services are rendered unusable. The objective is to reduce major disruptions of Ministry operations and ensures that some level of organizational stability and an orderly recovery a disaster will prevail.

We recommend the Ministry to also seek advice/assistance from the Disaster Management Office (DMO) on the development of a IT DRP, to consider include the following:

Develop a formalized Business Continuity Plan (BCP) that outlines overall business priorities and responsibilities for recovering operational business systems;

A formal IT Disaster Recovery Plan (IT DRP) be developed / completed which dovetails into the overall Business Continuity Plan; and

Annual testing of both these disaster recovery plans be carried out, to ensure they actually work.

A formalized risk and business impact assessment be carried out to identify all possible types of risks facing the business and IT systems and the both the likelihood and impact of these risks eventuating.

Management responses:

We will endeavour to document a full disaster recovery plan for our core tax systems using the Best Efforts Disaster Recovery Plan template available to our Ministry.

Audit Objective 4: Assess whether application controls are in place to ensure application information is properly secured against misuse

Asycuda Application Controls

One of the main upgrades with the current version of ASYCUDA called Asycuda World (AW) is the ability/functionality to be accessed via the Internet. This means that Customs agents and Customs officers physically away from the main Office on field work can also log in from remote locations. These functionalities were not possible with previous versions of ASYCUDA. This technological advancement contributes greatly towards improving the efficiency of customs operations and services. However, such advancements will also require management to monitor, evaluate and implement proper security procedures and processes to ensure controls are effective and operational with the use of Asycuda. Our review noted the following issues for management's considerations:

E1. Availability of Key Reports to assist with monitoring of security and user access:

We found that there is a lack of standard security and/or user access reports available from ASYCUDA for management purposes. These reports are important to identify:

- Who are the users of the system (how many users);
- What are their access levels within the system (modules access rights);
- Who created/modified these Asycuda users, and the date and time; and
- Who are the super users capable of modifying access levels of other users?

For instance, we found 17 usernames with the ability to access the cashier module/function in the past 12 months at any time of the day.

Discussions with management also noted the lack of system audit trail reports available to identify activities and changes made by users within a specific module of AW or customs process. For example, changes being made by users throughout/during the IM4 process starting from the face vetting stage to the customs release and cashier phase.

Recommendations

The ability of users to access the system over the internet from any remote locations at any time of the day/night has increased the exposure of the Ministry to risks of unauthorised access and misuse unless there are proper management reports available to monitor and detect user activities on a timely manner.

Therefore we recommend management to assess the feasibility of developing such audit trail/user access reports to assist with regular monitoring of:

- AW approved/authorised users
- User activities/logs
- User access rights
- User creation/modification, and
- Super user/Administrator activities

We also recommend management to assess the possibility of limiting and/or restricting users accessing the cashier module by time of day, per shift hours or as granted on a needs only basis.

Management responses:

Since July 2016 available reports on user access have been made available to managers for their regular check as part of our business management controls. Continued development work on ASYCUDA World should improve reporting for management monitoring.

In regards to cashier users in AW, the additional cashier access were granted to authorise customs officers to process payments of duties and taxes received at freight stations, wharf and airport.

E2. Excessive Administrator and Generic users within ASYCUDA WORLD

During our review, we found 12 userids defined to the "administration team". Furthermore, a number of generic usernames defined to the ASYCUDA system were found that did not uniquely identify any individual employee.

Generic usernames dilute staff accountability controls for in the event of any system misuse or abuse there is no other avenue available to management to identify the responsible employee. This risk is further increased when these users also belong to the "Administration Team" which means they possess unrestricted access and privileges to modify/delete any information stored within ASYCUDA

Recommendations

Management to review all generic usernames within ASYCUDA and where possible completely remove or replace, in this way, user activity and accountability controls can be strengthen and any available audit trails reports made more useful.

We also recommend management to review the number of Administrators within ASYCUDA to only a few employees with legitimate day to day needs.

Management responses:
Our Customs Modernisation Project during its development stages required users with administrative rights for the project team and key business users to populate and configure system information into the new Asycuda World upgrade. These user accesses seized after testing and are only granted upon approval for a new feature of the system requiring further testing. IT and management will continue to monitor and review all our system access.

E3. Establishment of a specific user access policy for the AW system

During our review of ASYCUDA users, we found a total of 159 userids defined to the system. We also found the following:

- 12 users with Administrator rights;
- 6 Generic userids
- Employee with two (duplicate) user ids;
- Former ministry employees still defined to the system with active userids;
- An active userid belonging to a system expert or consultant overseas; and
- 149 userids not forced to change their passwords periodically, 71 of those users belong to a group of brokers.

Discussions with management noted:

- the duplicate userid was created due to a system error with the other user account and the other userid has since been deactivated;
- Former employees identified during our audit have also been deactivated from the system;
- the need to have this particular consultant user account on active status was for efficient and effective support services whenever the AW system encounters issues, and
- Users are not required or forced to change their asycuda user account passwords.

Recommendations
We recommend management to review the possibility of establishing a specific user access policy for the ASYCUDA system to govern the implementation of user management procedures associated with:

- Identifying the appropriate number of "Administrators" in the System
- Creation/removal of new users;
- Allowing user access to various modules
- Special temporary access privileges for non-employees (consultants and other stakeholders such as Brokers and traders and other government agencies)
- Monitoring of user activities (internal and external users)
- Password controls to be enforced (changing user passwords on a regular basis)

Management response:

Reports on user access are available to managers for regular check and proper monitoring. Approval of user access form is also required before a new user is created, or an additional module is added to an officer's access privilege. This access is governed under the ICT Resource Usage Policy.

The user access and user groups on AW were approved by Advisory Group of the Project while external user access were granted and approved by the CEO after all requirements are met and fulfilled.

E4. No user manual or technical documentation for ASYCUDA WORLD

We were advised that there is an approved user manual for "external" users. Also there is a draft user manual for internal staff currently being developed. However, there is no technical (database and application configuration settings) user manual for the administration of the ASYCUDA system in Samoa.

Recommendations

Without appropriate documentation there is an increased risk of users not fully understanding the system, misusing the system and increased errors being introduced. In addition, the lack of technical systems documentation (describing how the IT system operates, what database tables exist and what processing logic and calculations occur), results in an unnecessary and increased dependency on the very few employees within the Ministry and overseas consultants to effectively support and modify the system specifically designed for Samoa. Therefore we recommend a small user manual and associated technical systems documentation be developed that describes the data files/tables and overall processing logic.

Management responses:

There is limited information on the database structure of the ASYCUDA World but these were expanded and improved by the IT team during database structure trainings conducted in Fiji. We will obtain these documents from UNCTAD being the developers of the AW system as well as the ASMP in Fiji.

E5. Current capacity and future continuous technical support for AW

Our review of the ASYCUDA system has led us to believe that the current resources in place to ensure the continuous support for the application may not be adequate. With the CMP nearing completion, the ASYCUDA system is now equipped with various functionalities to further improve the services of the Customs department. These functionalities have also increased the Ministries reliance on a very few key staff to address not only security risks, but also technical issues to ensure the continuous availability of the system on a daily basis.

The technical nature and demands of the ASYCUDA World has increased reliance on these few staff members who possess the technical and specific knowledge to support and rectify any issues with the ASYCUDA system. In our view, there is a risk of disruption to the continuous service delivery of the Ministry if these key staff members decide to leave the organisation.

Recommendations

It is our recommendation that the Ministries Human Resource department assess and review the current position of the IT Department's organisation chart in regards to addressing the business risks of being able to continue their Customs services/operations without possible disruption in the event that these key staff members should decide to leave in the future.

We also encourage the Ministry to ensure all proper technical documentations and training manuals is updated and completed for future references and succession planning.

Management response:

We acknowledge the auditor's recommendation and ensure these recommendations are taken as part of a holistic strategic planning approach on the Ministry's risk management and succession planning.

7.6. Special Audit - SamoaTel Limited (Bluesky Samoa Ltd Claim March 2014)

In March 2014, the Ministry of Finance requested the assistance of the Audit Office with regard to breaches of certain seller's warranties, specifically, on financial statements in relation to a case between the Government and Bluesky Samoa Ltd. MOF sought the assistance of the Audit Office due to the magnitude and possible financial implications of the alleged breaches on Government.

The Audit Office completed the audit of the 30 June 2010 financial statements for SamoaTel Ltd on 31 March 2011. Prior to finalization of the audit, significant adjustments were made to balance sheet items in order to reflect their true and fair values as at financial year end. Most of this work relates to the write off of debtors, fixed assets and inventory balances prior to privatization.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist in evaluating the outcome or results from the conduct of our assessment based on the scope of review.

In conclusion, audit review found no evidence that there were any cases of misleading stakeholders or there were misstatements in the financial statements for the year ended 30 June 2010.

7.7. Technical Assistant Climate Change Project (AC Distribution) April 2015

The objective of our review was to:-

- Assess the compliance with regulations and policies applicable to distribution of project assets;
- Assess the integrity of distribution process;
- Assess the adequacy of control procedures over the management, accounting and storage of air conditioning units

Audit Findings

1. From discussions with members of the Ministry of Natural Resources and Environment (MNRE) Renewable energy and MoF Energy division, there is an apparent lack of awareness of proper protocols to ensure proper implementation of the project under review.

All projects must come through Ministry of Finance (MoF) and implemented by different Ministries. Technical Assistance to Address Climate Change (TAACC) Project was directly between MNRE and National Development and Reform Commission (NDRC) of the People's Republic of China.

Recommendation (s)

Going forward we recommend the Ministry to comply with Section 5(g) of the Public Finance Management Act 2011 which the Ministry of Finance is responsible for the supervision of any public properties.

To be fully aware of the Government Development Cooperation Policy which encourages all aids and grants received by Ministry to be handled by the Aid Division of MOF to assure its implementation aligns with the Samoa Strategic Development plans

Management Response

We thank you for the advice and the recommendation is duly noted.

1. The apparent lack of awareness of the current Project team of proper protocols as mentioned above is noted. The transition from the former Project team that set the implementation mechanism/process was not well documented for the new team's guidance and awareness. However please note that all the other MNRE projects go through MoF and abide by the normal government procedures.

2. There were no specific criteria or any guidelines that existed for the implementation of this project. For instance there was no documented process of how these assets should be distributed, any certain dates of completion or the target market that they should focus on. Most of the decisions and the execution of the project were done under the discretion of the management.

A review of the MOU clearly shows the lack of any specific details to achieve its stated objective. The general practice and policies already in place for handling such operation under government control was not followed by the Ministry.

Recommendation:

We recommend MNRE to ensure crucial details for any project are included in such important documents. This will assist in the implementation and ensuring accountability and transparency.

We also recommend the Ministry to follow the general practices that are used by the government and guidelines stated under the Treasury Instruction part I section I.9.1 to I.9.2.3 for this operation.

Management Comments

The findings and recommendations are duly noted.

However, please find the following points to address some issues raised in this particular audit finding:

1) Article IX of the MOU states that "all the implementation work related to the provision of the goods defined by the MOU shall be completed within 2 years upon signature of the MOU." The MOU was signed on the 30th November 2012 and expired on the 30th November 2014. Though the MOU had expired, there were still air conditioning units left in storage. Therefore Management decided to widen the scope of our project focus study group by placing advertisements in the Samoa Observer Newspaper of Dec 7th – 14th to include the private and residential sectors

2) The TAACC project itself was purely for addressing Climate Change (CC) and mitigate its adverse impacts through reduction of emissions as per Green House Gas Emission Abatement Strategy (GHGAS – 2008). If the units were to be auctioned, the public/business will claim ownership of A/C units' if/when they paid for them instead and it will be very hard for the project team to have rights of access to these units for monitoring and evaluation purposes against project objectives.

3. Several organisations, households and employees that received AC from this project did not have an application letter as required under the newspaper advertisement. (refer table below). We can only assume the missing applications were either misplaced or none existed at all.

The only information we were able to identify these people were the agreement signed with the Ministry. From our review, not all agreements were signed by the beneficiaries. We also noticed that most employees only used one application letter with their names signed underneath to receive an AC.

Discussion with the Renewable Energy division stated that, they are still trying to follow up applications from some people that did benefit from this project.

Recommendation (s)
The Renewable Energy Division should comply with the requirements that were initially stated in the newspaper; to assure the fairness of the distribution process.

To comply with PFMA part 2(b) and Treasury Instruction Part D(10.4) which states all records and accounts should be kept properly of any operation. This also can strengthen the transparency and accountability of the work carried out.

Management Response
We thank you for the advice and recommendation provided on this particular audit finding.
A/Cs for Cabinet and MNRE-Tamaligi building were put aside as reserve for their renovation requirements once the A/C units amounts are finalised then an application is then formalised.

4. The lack of controls and not using the government general practices and policies in place had an impact on the distribution process. We noted that the distribution process depended on the CEO/ACEO discretion. From the information provided for our verification we noted some of the deficiencies stated below

- No accurate information of the total amount of AC's already distributed / and the total stock on hand.
- Ministry records different from some of the successful applicants records
- Some successful applicants were not using the units as per the content of their request letter
- Inconsistent process of distribution as some people returned their AC's for replacement and others didn't
- Lack of supporting evidence to show all applications were approved before distribution
- Successful applicants have not even completed the installation of their units

Recommendation (s)

We recommend the Ministry to comply with the PFMA section 89(d) which allows the Tenders board to consider appropriate methods of disposal of public property surplus to the requirements of the Government and where appropriate to call for and consider tenders for the purchase of such public property.

A formal Terms of Use should have been developed and agreed upon with the successful applicants.

Management Response

We take note of the recommendations regarding the distribution control issues identified. However the second recommendation is well supported that "formal terms of use should have been developed upon with the successful applicants.

The Project team is intend to continue the monitoring and advise on further progress via NECC as A/Cs were already with government ministries/agencies for more than 6 months to install themselves and the project team to monitor their progress and performance.

As for the first recommendation, these A/C units were not surplus properties for disposal instead were pilot project properties for distribution to a project focus study group/sample. So the context of "disposal as surplus" is not entirely correct in that sense, however we fully heed the later recommendation for a "Formal terms of use Agreement".

Again the A/C units donated as per MOU for the purpose of addressing CC, if tender/auction as per PFMA 89(d) process, will jeopardize the rights and accessibility by the Project team to these assets for the remaining of the project plus the monitoring period during the next 2 – 3 years.

Regarding return of old A/C units, people were advised to return their old units once the new ones are installed and inspected however it was more on voluntary basis. There was no firm or formal agreement as the new units were also on a trial basis and not insured, which might become a liability to the project, as reflected in your findings & recommendations in section 8

5.A total of 32 employees received AC's from the list provided by the Renewable Energy Division. (refer Appendix A1). Some of the employees received more than one AC under this project and a total of 47 were distributed to MNRE employees alone. We also found some of the AC were distributed to close relatives and organisations that had relation to Ministry employees. Such action can be an indication of employees taking advantage of the information they access and putting their self interests before their responsibilities.

Recommendation:

We recommend for the Ministry to always be aware and comply with section 19 of the Public Service Act which emphasises the need to disclose and take all reasonable steps to avoid, any real or apparent conflicts of interest in relation to their employment;

Management Comments

Advice and recommendation duly noted as it is very important for the project to comply with relevant legislations (PS Act) to avoid such situation where staff real and apparent conflicts of interests are concerned.

All recipients who submitted letters of request were considered valid in the view that the project focus study group was extended to the public/private households. There was no internal email or memo to MNRE staff only about this matter, instead they all found out from the advertisements placed in the newspaper same as other public servants who were recipients and also became part of the project focus study group.

6. The records kept for this project and its distribution was not properly done. Some of the records were not available for audit verification. For instance, not all organisations and beneficiaries that received an AC signed the ministry agreement form and also other beneficiaries did not have any application letters. Apart from that some AC's already supplied where not stamped "supplied" as required under the distribution process. As a result it was hard to identify the correct total of items already supplied out.

Recommendation:

We recommend for the Ministry to comply with part 13 section b of the Public Finance Management Act 2001 which requires the proper keeping of records and to implement Treasury Instruction guidelines under section D for proper internal controls for safe guarding of Ministry assets and government properties

Management Comments

Advice and recommendations duly noted to improve our records management and proper documentations of the project implementation as well as to comply with government regulations.

7.Discussions with the TAACC project management team noted that one of the follow up phase for the distribution of Air Conditioning Units to successful applicants is the collection of Non-Energy efficient units (or so known as R22 units) that will be replaced by energy efficient Air Conditioning Units donated under the Project.

There are several factors that could hinder this effort by the Ministry and bring about unwanted criticisms. These observations are as follows:

i. Advertisement made by MNRE calling on interested public to put through requests for energy efficient Air-con units did not specify that non-energy efficient units in their possession are to be exchanged with project donated AirCon units.

ii. Distribution dockets signed by successful applicants only specified that recipients of AirCons agree to permit MNRE to visit their premises for post-project monitoring.

Recommendation:

1. Project management to seek legal advice from their legal department regarding any legal ramification on the collection of old units.
2. For future reference, MNRE should develop proper terms of use that is to be agreed upon with the public if/when assets that require post assessment are distributed to the public.

Management Comments

Recommendations noted, as commented earlier on this particular audit finding, that a proper terms of use agreement was overlooked by the Project team instead of just an agreement for the Project team to visit their premises for post-project monitoring. It should also include conditions regarding the collection of public old units.

8. Audit confirmation of actual air-con units received by some recipients noted variances existed between Project record of issued units and the actual number of units received. Instance of these variances are as follows.

Recipient	Audit Count		Project Summary of Units issued		Variance	
	Indoor Units	Outdoor Units	Indoor Units	Outdoor Units	Indoor Units	Outdoor Units
MESC	345	341	354	354	-9	-13
NUS	92	113	106	106	-14	7

The existence of these variances questions the accuracy and integrity of project records.

Additionally, the fact that actual number supplied is less than actual number recorded by the project brings about accountability questions of the whereabouts of the over recorded units issued.

Recommendation:

1. Project management should investigate the above variances and the whereabouts of the missing number of units.
2. Project management should consider re-collecting any excess unit supplied as these units will not have any use without their corresponding Indoor/Outdoor unit.
3. Project management to reconcile and correct their records to reflect actual number of units issued for each recipient.

Management Comments

Recommendations are noted.

Some of the remaining units to be supplied for some ministries were just delivered by the new Project team while the rest of the first earlier lots were already with ministries. Most of government ministries/agencies had their units with them for more than 6 months which may link or contribute to these variances. However the project team will pursue with the collection of excess units and records to be corrected accordingly

The project team has collected the excess units from both NUS and MESC

9. Air Conditioning Units donated under the project are Split unit types that are operated by having a Condenser (or so commonly known as an outdoor unit) that powers and feeds a fan coil unit / blower (or so commonly known as an indoor unit)

Air Conditioning units issued to some of the recipients of assets were not issued in sets (complete pairs). Some of the recipients of Air-con units received excess number of indoor units over outdoor units and vice versa for the other recipients.

Possible Consequences

Issuing units without their complete sets will be of no use to the recipients as they would not be able to operate the units without their complete set.

Issuing incomplete Air conditioning units that cannot be operated and utilized is a waste of resource and assets of the project.

Recommendation:

1. Project team should formulate a procedure to recollect any single units that remains with the recipients so that they could be paired off and re-issued for use.
2. Project team to reconcile Stock records and Issued stock so that it reflects accurate accountable number of air conditioning units being issued to each recipient.

Management Comments

Project team have already attended to some of the ministries (eg Police) unpaired units and provided missing pairs for available units. This will be repeated for MESC and stock records will be reconciled accordingly.

8. OVERSEAS TRAINING & CONFERENCE

1. ICISA AUDITING IN AN IT ENVIRONMENT 4TH TO 29TH AUGUST 2014 – AHSIU & INDORI
2. ICISA AUDIT OF PUBLIC SECTOR ENTERPRISES 15TH SEPT-10TH OCT 2014 – JEVILENE
3. ICISA PERFORMNCE AUDIT 20TH OCT TO 14TH NOV 2014 – MARINO & SPENCER
4. ICISA AUDIT OF E-GOVERNANCE 24TH NOV TO 19TH DEC 2014 – NASERI
5. ICISA AUDIT OF SOCIAL SECTOR SCHEMES 12TH JAN TO 6TH FEB 2015 – SUSAN & NAFANUA
6. ICISA ENVIRONMENTAL AUDIT 16TH FEB TO 13TH MAR 2015 – PAUL
7. PASAI IAS WORKSHOP 21ST TO 25TH JULY 2014 – ROSEANNE & IOSUA
8. ISSAI COMPLIANCE AUDIT CERTIFICATION PROGRAMMES MANILLA PHILLIPINES 28TH JULY TO 2ND AUGUST 2014 – VIOLET & TERENCE
9. APIPA AMERICAN SAMOA 25TH TO 29TH AUG 2014 – VIOLET, TIA, MARSHALL, PAUL AND GRACE
10. INFORMATION TECHNOLOGY AUDIT INDIA 13TH TO 17TH OCTOBER 2014 – TERENCE, OCEAN AND TERENCE
11. AUDIT SEMINAR NANJING CHINA 13TH OCT-22ND OCT 2014 – CAG, VIOLET, JASLYN, SITA AND IOSUA
12. ICAT REVIEW WORKSHOP 24TH TO 28TH NOVEMBER 2014
13. PASAI GOVERNING BOARD MEETING AUCKLAND 17TH FEB TO 18TH FEB 2015 - CAG
14. PASAI TIER TRAINING 16TH TO 20TH MARCH 2015 KIRIBATI – MARSHALL
15. E-LEARNING HANDBOOK TERENCE INDIA 13TH TO 24TH APRIL 2015
16. CAGS ATTENDANCE ADELAIDE 15-16APR2015; ACAG ADELAIDE 17APRL2015 AND AUDIT OF HIGH COMM CANBERRA 20-24APRIL2015
17. SAMOA CONSULATE GENERAL IN AMERICAN SAMOA JULY2010-JUNE2014
18. PIF AUDIT AND RISK COMMITTEE 27TH APRIL 2015 SUVA – VIOLET
19. TIER3 PONPHEI FSM 11TH TO 16TH MAY 2015 – JASLYN
20. MALAYSIA INFORMATION TECHNOLOGY AUDIT 8TH TO 12TH JUNE 2015
21. NORWAY IDI-PASAI 22ND JUNE – 3RD JULY 2015
    LOCAL TRAINING & CONFERENCE

9. RECRUITMENT AND SELECTION

1. RECRUITMENT AND SELECTION OF INDORI AS SENIOR AUDITOR
2. RECRUITMENT AND SELECTION OF EDWINA AS AUDITOR
3. RECRUITMENT AND SELECTION OF SOSOLI AS SENIOR AUDITOR
4. RECRUITMENT AND SELECTION OF SUAFAI AS AUDIT EXAMINER