

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

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

**July 2015 – June 2016**

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## AUDIT OFFICE

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17 August 2018

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

Dear Mr. Speaker,

### **Report to Parliament on the Operations of the Audit Office - July 2015 to June 2016**

In compliance with Article 98 of the Constitution of the Independent State of Samoa 1960 and Section 42 of the Audit Act 2013, I respectfully submit to you, for transmission to the Legislative Assembly of Samoa and for tabling in the next Parliament session, my Report on the Operations of the Audit Office for the period, 1 July 2015 to 30 June 2016.

Yours Sincerely,



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

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## FOREWORD

This is my twelfth (12) 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 2015 and June 2016 including the report on the audit of the 2015 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 (2015/2016) are reported separately.

From July 2015 to June 2016, the Audit Office continued implementing its 10 year Strategic Plan while maintaining the currency of the audits and reports to parliament. Recruitment and selection continued for new and replacement staff.

The highlights of this financial year are the commencement of the Supreme Audit Institution Performance Measurement Framework (SAI PMF) Project and the Team Mate Project under the technical assistance and guidance of the INTOSAI Development Initiative (IDI) and Pacific Association Supreme Audit Institution (PASAI).

The period of this report also note the usual participation and involvement of the Controller and Auditor General and staff in seminars, conferences and training initiative of INTOSAI and IDI, SAI India and the International Centre of Information Systems and Audit (ICISA) Training of SAI India, Association of Pacific Islands Public Auditors (APIPA) and Pacific Association of Supreme Audit Institutions (PASAI).

The period of the report also concluded the first performance review period of 18 months from January 2015 to June 2016. In enhancing the performance of the Organisation and Staff further, a change was made to the criteria and weight for performance review and assessment.



**Fuimaono Mata'afā Papali'i C.G. Afele**  
**CONTROLLER & 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 2016, a hundred and thirty two (132) assignments were completed and now reported compared to sixty (60) in both financial years ended 30 June 2009 and 30 June 2010 when the clearance of the backlog/arrears started.

Other significant non-audit work include:

1. Review of performance issues around the management of the top level domain name “.ws” contract by CSL and obligations of AGO, MFAT and other relevant and related Ministries in overseeing, monitoring and evaluation.
2. Increased involvement of the Certified Fraud Examiners of the Audit Office in the fraud cases, training and capacity building of the Financial Crime Division of the Office of Attorney General which later transferred to the National Prosecution Office.
3. A Memorandum of Understanding was signed between the Audit Office and Attorney General’s Office on mutual assistance in the prevention, detection and investigation of fraud, abuse and corruption which later on transferred to the National Prosecution Office.
4. Improvements were made in the execution and implementation of the assistance provided to audits required by the Attorney General’s Office and National Prosecution Office.
5. Submission to Ministry of Finance on the preparation of the 2016-2020 Strategy for the Development of Samoa.
6. Commencement of comprehensive audit of PFL Companies
7. Assistance to the Ministry of Public Enterprises in conducting solvency tests for Public Trading Bodies to determine or assess dividend capabilities of Public Bodies/Enterprises.
8. Participation in Parliament XVI Symposium
9. Advice to Ministry of Finance on use of vehicles by elected Officials during the caretaking period before general elections.
10. Appointment as a member of the Money Laundering Prevention Task Force
11. Purchase of the Office Domain Server
12. Issuing reminders to Public Bodies to comply with time requirements for financial statements
13. Completing questionnaire from PASAI on Accountability and Transparency
14. Advice to Ministry of Finance SOEMU Division on qualifications, experience, ethics and behaviours of Board Members.
15. Discussion of a Memorandum of Understanding between PSC and the Audit Office on mutual assistance in the prevention, detection and investigation of fraud, abuse and corruption in the Public Service.
16. Commencement of the professional relationship, professional assistance and information exchange with the Samoa Ombudsman Office and the Commonwealth Ombudsman Australia.
17. Conducting regular spot audits at the Commonwealth Youth Games (CYG) for the full duration of the CYG.
18. Follow up of exposure of Samoa Land Corporation to future liabilities as a result of the Government Guarantee to a loan by a Private Entity
19. Commencement of the professional relationship, professional assistance and information exchange with the New Zealand Serious Fraud Office
20. Revocation instruments for implied delegation and appointment of all staff under the old Audit Office Ordinance 1961 and Public Service Act 2014 and signing of express delegations, and appointments instruments, employment agreements and employment contracts under the new Audit Act 2013 for all Staff.
21. Commencement of the In House Training Project for all Staff of the Audit Office

22. Commencement of the ongoing audit of dangerous drugs or narcotics at the National Health Services
23. Presentation to Samoa Umbrella of Non-Government Organisations
24. Editorial to INTOSAI International Journal of Auditing
25. Period of the heaviest recruitment and filling of almost all vacancies in the Audit Office including the Assistant Controller and Auditor-General and six (6) Directors including Director Legal
26. Commencement of project to form a CFE Chapter for Samoa
27. Assistance to Development Bank of Samoa, National Health Services and Ministry of Health in inspecting and disposing assets and inventory in Medcen
28. Involvement in the Project by the Samoa Institute of Accountants and ADB Consultant to improve professional and chartered accountancy services especially the quality of auditing
29. Commencement of the next phase of the Twinning Project with the New Zealand Audit Office inviting Experts to assist with the implementation of the Strategic Plan 2014-2024 through capacity building like Team Mate implementation assistance and audit of the Tokelau
30. Following up with the Ministry of Finance action by National Health Services to follow up the recovery of GST included in the payment of medical fees in New Zealand under the Samoa Medical Treatment Scheme
31. Commencement of Masters Degrees for two (2) Managers endorsed by the Audit Office
32. Commencement of the financial independence project
33. Commencement of the SAI PMF Project
34. Purchase of the Team Mate Audit Software

## ANNUAL FINANCIAL STATEMENTS

### Audit Office

Output	Actual	Full Budget	Budget Remaining	Utilization %	2015
Strategic and Parliamentary Services	693,667	778,425	84,758	89%	892,583
Financial Audit Services	1,136,034	1,269,339	133,305	89%	1,093,169
Operational Audit Services	1,053,138	1,165,628	112,490	90%	867,022
TOTAL	2,882,839	3,213,392	330,553	90%	2,852,774

### Transactions on Behalf of the State

Output	Actual	Full Budget	Budget Remaining	Utilization %	2015
International Congress of Supreme Audit Institutions	0	5,000	5,000	0%	0
PASAI	0	600	600	0%	108,943
INTOSAI	1,349	1,584	235	85%	0
APIPA	1,000	1,200	200	83%	923
Rents and Leases	172,755	195,818	23,063	88%	154,308
VAGST Output Tax	71,494	79,407	7,913	90%	68,538
TOTAL	246,597	283,609	37,012	87%	332,712

### Cost Recoveries

Output	Actual	Full Budget	Revenue Budget Exceeded	Recovery %	2015
Fees & Other Charges	495,123	488,389	6,735	101%	340,321
TOTAL	495,123	488,389	6,735	101%	340,321

## 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 2015/16 are detailed below.

### Output 1: STRATEGIC AND PARLIAMENTARY SERVICES

This appropriation is for the delivery of the following services:

- Submitting annual reports to Parliament
- Attend Parliament and Parliamentary Committee Meetings
- Production of legal services

#### Performance Measures

Activity	Quantity	Achievement
1. Number of Audit Reports to be submitted to Parliament by 30 June 2016	One report.	OCAG/SAO did not submit a report during the period July 2015 – June 2016 as work continued to update all audits.
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. Percentage of Requests for Legal Services	Produce legal services for 70% of request for legal services.	Director Legal was only recruited from June/July 2016.

### Output 2: FINANCIAL AUDIT SERVICES

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 spot check/audits of Ministries
- Ministry auctions and other ministry engagements
- 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
- Public Bodies auctions and other Public Bodies 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 year ended 30 June 2015. 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. One pre-audit report was produced for the period January to December 2015. Coverage of this pre-audit report is in this report.
4. Percentage of Government Ministries & Departments to be audited annually	Targeting 100% of Ministries to be audited during the year 2015/16 in line with staff numbers	OCAG/SAO completed fieldwork and reporting for all ministries audits which included the clearance of some backlog/arrears however at balance date only one audit was formally closed which is covered in the report.
5. Percentage of Government Overseas Missions to be audited annually	Targeting 60% of 7 Missions to be audited during the year 2015/16 in line with staff numbers	OCAG/SAO did not complete any missions audit due to the focus being to clear the ministry, public bodies, quarterly statements, projects and public accounts arrears using up all of the audit resources including the time of the Controller and Auditor General and his leadership team.
6. Percentage of Donor and Loan Funded Projects to be audited annually	Targeting of 100% of projects to be audited during the year 2015/16 in line with staff numbers. This is a moving number as projects have differing requirements every year.	OCAG/SAO completed 33 project audits during the year 2015/16. 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. In 2014/2015 there were 26 project audits completed.

7. Interim and spot checks on Ministries	Targeting 80% of Ministries to be interim/spot checked or audited during the year 2015/2016 in line with staff numbers	OCAG/SAO completed more than 80% interim ministries audits however at balance date only one audit was formally closed.
8. Auctions and other engagements	Targeting 100% of request or demand on auctions and other engagements.	OCAG/SAO responded to all requests or demands – 100%
9. Percentage of Public Bodies (beneficiary & trading) – Non-Delegated  Percentage of Public Bodies (beneficiary & trading) – Delegated	Targeting 80% public bodies to be audited out of 37 public bodies during the year 2015/16 in line with staff numbers of appointed Auditors and Public Bodies Unit of the Audit Office	58 public bodies audits were completed within financial year 2015/2016 including some arrears or outstanding audits as well interim audits. These audits are covered in this report.
10. 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/spot checked or audited of the 37 public bodies during the year 2015/16 in line with staff numbers of the Public Bodies Unit of the Audit Office.	Please refer to item 9 above.
11. 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%

### Output 3: OPERATIONAL AUDIT SERVICES

This appropriation is for the delivery of the following services:

- Conduct of Information Technology Audits
- Conduct of Performance Audits
- Conduct of Special Audits/Examinations

#### Performance Measures

Activity	Quantity	Achievement
1. Conduct of information technology audits.	Two information technology audits	The responsible Unit of OCAG/SAO conducted no special information technology audits during the period of the report as all resources were poured into supporting other audits through hardware and software inventory, data extraction and analysis and limited audits of general and application controls.
2. 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 thirty two (32) performance and special audits during the period of the report.
3. Percentage of auctions and other engagements	Targeting 50% of request or demand on auctions and other engagements.	OCAG/SAO responded to all requests or demands – 100%

The reasons for variations between actual performance and target were:

- Delays in preparation of financial statements by public sector entities responsible under statutes for the preparation and submission of these financial statements;
- Incompleteness and incorrectness of draft financial statements submitted for auditing;
- Some projects are only required to be audited when expenditure exceeds a certain threshold;
- Updating or clearance of backlogs going back to 2008.

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

## AUDITS AND OTHER ASSIGNMENTS

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

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

The purpose of these audits is to provide assurance on the financial management of these entities and, where applicable, to issue an audit opinion as to whether financial statements fairly present the financial operations of relevant entities. The results of these financial audits are reported to Parliament at least once annually.

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

The following table summarises the number of audits and other assignments undertaken during the financial year ended 30 June 2016.

### Audits completed in 2015-2016

Type of Audit	Number of audits completed
Annual Public Accounts	1
Quarterly Statements	4
Pre-audit	1
Ministries Interim & Final Audits	1
Public Bodies Interim & Final Audits	58
Donor and Loan funded projects	33
Performance and Special Audit/Examination	32
Auction	1
Other	1
<b>TOTAL</b>	<b>132</b>



# **1 PUBLIC ACCOUNTS, QUARTERLY STATEMENTS, PRE-AUDIT & AUCTIONS**

## **1.1 Public Accounts**

**for the year ended 30 June 2015**

The audit of the Public Accounts for the period 1 July 2014 – 30 June 2015 was completed in the financial year 2015/16.

The Public Accounts includes expenditure and receipts of Ministries, Special Trust Accounts and the audit of the Treasury Fund. The Schedules for the Public Accounts are:

Schedule A – Operating Statement of the Treasury Fund  
Schedule B – Statement of Assets & Liabilities of the Treasury Fund  
Schedule C – Statement of Changes in the Treasury Fund  
Schedule D – Statement of Cash Flows  
Schedule E – Notes to Public Accounts  
Schedule 1.1 – Consolidated Statement of Comparison of Budget and Actual Receipts and Payments by Ministry  
Schedule 1.2 – Consolidated Statement of Receipts and Payments for External Aid by Ministry  
Schedule 2 – Statement of Ministry Receipts by Reporting Category and Expenditures by Output  
Schedule 3 – Statement of Statutory Expenditure  
Schedule 4 – Statement of Unforeseen Expenditure  
Schedule 5 – Statement of Cash Balances  
Schedule 6 – Statement of Receivables  
Schedule 7 – Statement of Investments  
Schedule 8 – Statement of Capital Subscriptions and Obligations  
Schedule 9 – Statement of Fixed Assets  
Schedule 10 – Statement of Term Debts  
Schedule 11 – Statement of Cash Receipts & Payments for the Government of Samoa Development Funds/Grants & Loan Funded  
Schedule 12 – Statement of Payables  
Schedule 13 – Statement of Contingent Liabilities  
Schedule 14 – Statement of Write-Offs & Losses  
Schedule 15 – Statement of Ex-Gratia Payments  
Schedule 16 – Special Funds  
Schedule 17 – National Loans Sinking Fund  
Schedule 18 – Insurance Fund

This report summarizes the issues that were raised during the audit.

### *Schedule 4 – Statement of Unforeseen Expenditure*

1. There were advances made without acquittal reports submitted to the Ministry of Finance, but were approved in FK (14)39 under the name of the former CEO of the Ministry of Prime Minister a total NZD \$2,000, Euro 2,000 and USD \$1,000. Accountable Advances must be acquitted for the purpose they were intended for, as per Treasury Instructions, Section G.27. Ministry of Finance (MOF) responded that it now had an updated register for accountable advances for all Ministries for their monitoring purposes. No acquittal advance report was received from the Ministry of the Prime Minister & Cabinet for this particular transaction despite numerous follow-up efforts.

2. A payment of \$21,191.44 exceeded the Cabinet-approved amount of \$20,959 for the driver of the Minister of the Public Service Commission as per F.K.(14)25. Ministry of Finance replied that the variance of \$232.44 was a result of responsibility allowances paid out during the financial year.

#### *Schedule 5 – Statement of Cash Balances*

1. The Bank Overdraft Balance increased by \$24,338,135 when compared to the previous financial year due to overdrawn bank accounts tabulated below. In addition, these overdrawn accounts have incurred interest on the excess amounts and have resulted in an overspending of \$85,910 for the Interest on Overdraft reported under Schedule 3.3 (Other Statutory Expenditures).

<b>Bank Account</b>	<b>Overdraft Balance</b>	<b>Overdraft Limit</b>	<b>Variance</b>
105203 – General Disbursement Account	(48,667,251)	(12,000,000)	(36,667,251)
105241 – Westpac Treasury Fund	(10,840,622)	(5,000,000)	(5,840,622)
105401 – High Commission Operating – Wellington, NZ	(65,217)	(30,000)	(35,217)
105462 – Brussels Operating Account	(20,080)	Unknown	Unknown

Ministry of Finance explained that there were challenges in the operation of the Treasury Fund Bank Accounts as most of commitments had to be put through based on the Government collection and an overdraft facility was explored to assist with government commitments from budget support that were highlighted in the budget.

In relation to other accounts, Ministry of Finance were looking to mitigate and address some of the issues:

*105203 – The General Disbursement Account* had unpresented cheques of \$31,119,614.61 as of 30 June 2015, which now stands at \$239,719.46

Overdraft Limit: (12,000,000) / Bank Balance: (17,547,636.24)

While government ministries have access to the budget once it is released, Ministry of Finance explained that government revenue has not yet been fully collected or received. The timing of some commitments and collection can only be realised at the end of the financial year or the next. The overdraft limit of \$12 million is part of an offset arrangement against the revenue account at the ANZ. The balance of the actual overdraft is \$17 million whereas the General Ledger balance is \$48.6 million.

*105241 – Westpac Treasury Fund*

Overdraft Limit (5,000,000) / Bank Balance (\$6,529,910.99)

Ministry of Finance replied that there was no issue of unpresented cheques on this account except for the overdraft recorded as \$6.5 million.

*105401 – High Commission Operating – Wellington, NZ*

Overdraft Limit: (30,000) / Bank Balance: NZD \$37,382.30 as of 30 June 2015

Ministry of Finance explained that its main concern was to ensure that missions can fund ongoing operation even at the completion of the financial year. Ministry of Finance will review this issue for future controls as costs from this arrangement penalises operational accounts for missions for the next financial year.

*105462 – Brussels Operating Account*

Overdraft Limit: Unknown / Bank Balance: EUR 22,977.92 as of 30 June 2015

Ministry of Finance explained that its main concern was to ensure that missions can fund ongoing operation even at the completion of the financial year, and that the account was not in overdraft as of 30 June 2015 as most the expenses recorded were unrepresented.

2. The total unrepresented cheques for the General Disbursement Account totalled \$31,119,614.61 on 30 June 2015; a significant increase of \$16,456,518.21 compared to unrepresented cheques of the previous financial year of \$14,663,096.46. Ministry of Finance said it was reviewing some of these areas through better cash flow planning from ministries.

#### *Schedule 6 – Statement of Receivables*

1. A variance of \$3,106.19 was noted between the General Ledger and the Accounts Receivables Age Analysis Report. Ministry of Finance replied that its System Support Division was working on fixing this discrepancy in the report.
2. Accounts receivables for the Ministry of Revenue at 30 June 2015 totalling \$16,177,112.29 were not captured on Finance One. These unrecorded debts have led to an understatement in the Accounts Receivable balances reported in Schedule 6 and the Statement of Assets and Liabilities of the Government of Samoa in Schedule B.

Outstanding declarations (ASYCUDA)	2,553,798.22
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Deferral Accounts	<u>13,623,314.07</u>
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TOTAL RECEIVABLE	<u>16,177,112.29</u>
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Ministry of Finance will follow this up with the Ministry for Revenue but said that it was the responsibility of each Ministry to upload its debtors into Finance One.

#### *Schedule 7 – Statement of Investments*

There were no updated confirmations from the Central Bank of Samoa (\$20 million), Air Pacific Limited (\$51,555), Pacific Forum Line Limited (\$1.55 million) and Polynesian Blue (\$5.6 million) to verify government investments. Ministry of Finance responded that these entities were not State Owned Enterprises (SOEs) under the Public Bodies Act 2001, and as such, they had no access to their financial information, and the last audited balances were therefore restated.

#### *Schedule 8 – Statement of Capital Subscriptions and Obligations*

The balances of accounts held by the Government with the International Bank for Reconstruction and Development and the Asian Development Bank could not be verified due to absence of updated confirmations provided during audit. Ministry of Finance explained that these were requested several times but there were no responses from these institutions. Balances were restated from the audited Public Accounts of 2014.

#### *Schedule 9 – Statement of Fixed Assets*

1. Not all of the assets owned by the Government were disclosed in Schedule 9, except for overseas properties and a few local buildings and land, resulting in the Statement of Assets and Liabilities of the Government of Samoa at Schedule B being incomplete. Ministry of Finance responded it was working with ministries to update all buildings into the asset register.
2. There were no formal accounting policies and guidelines in relation to the accounting of fixed assets. As discussed in previous audits, these policies should cover fixed asset measurement and disclosure, revaluation, depreciation, impairment and insurance. Ministry of Finance responded that it was requesting capacity building for its staff in asset recording and policy compilation to ensure that it complies with IPSAS.

#### *Schedule 11 – Statement of Cash Receipts and Payments for the Government of Samoa Development Funds/Grants & Loan Funded*

1. Ministry of Finance did not keep a register of grant- and loan-funded projects to ensure they were all reported. It could not be confirmed if all projects were reported in the Public Accounts. In its explanation, Ministry of Finance said its ACDM Division had a list of all projects under implementation through government which it revises as appropriate when activities reach full completion, and that only projects that have accounts in commercial banks were not captured on Finance One and not in the list provided for Public Accounts reconciliations.
2. Several projects were not captured on Finance One as confirmed by Ministry of Finance's Aid Division: Technical Cooperation Facility, Global Fund – TB, Global Fund – HIV, Samoa In Country Training, Private Sector Support Facility, Public Sector Improvement Facility (PSIF), and the Civil Society Support Program. Ministry of Finance pointed out that these projects have accounts with commercial banks as a result of donor preference, and were not captured on Finance One. While government will continue to encourage its development partners to use government systems, it could not guarantee that all donor partners will channel their assistance this way.
3. The accounting of multiple-fund sources/donors projects within Finance One was inconsistent with the assigned codes for projects of this nature. Ministry of Finance responded that some were transactions incorrectly charged and will be addressed with journal entries in the financial year 2015/16. Some multiple donors were created a specific donor code.
4. The following projects had overdrawn balances [Responses from Ministry of Finance in italics]
 

**Donor funded projects**

Commonwealth Fund \$66,569 *The amount as reported in Schedule 11.1 is exclusive of VAGST.*

OPEC \$30 *As noted in an earlier issue, this was due to incorrect coding of posting to donor code which will be corrected in 2015/16.*

**Loan funded projects**

World Bank \$5,475,216 *The overdrawn balance was primarily due to Project 2033 with a balance of \$11million as explained previously. The overdrawn balance for post tsunami reconstruction project funded by World Bank started its reimbursements in 2015/16.*

**Individual grants-funded projects**

Samoa Tsunami W \$13,365 *This is an active project and Ministry of Finance is awaiting reimbursement of funds from the Ministry of Natural Resources & Environment in 2015/16. The balance given is exclusive of VAGST.*

Cyclone Evan Response \$53,422 *The project was completed with the final audit conducted in 2012/13. The remaining balance was due to exchange rate fluctuation. The balance is recommended to be written off in 2015/16.*

SAM: Community \$994,765 *The project is still ongoing, and claims for reimbursement of government funds from the Asian Development Bank are done on a regular basis.*

H871-WS \$100,000 *The project was completed in 2013/14 and the remaining balance is due to exchange fluctuation. The balance is recommended to be written off in 2015/16.*

Samoa Australia \$30 *The project is ongoing and funds are available in 2015/16. The amount of \$30 was incorrectly posted and the correction will be done in 2015/16.*

**Individual loans-funded projects**

Samoa School Net \$1,300,647 *The project is ongoing and Ministry of Finance is expecting reimbursement of government funds from the Asian Development Bank in 2015/16.*

Petroleum Storage \$3,744,956 *The project is ongoing. Reimbursement of \$1,364,115.81 was received in October 2015. The ministry continues to submit claims for reimbursement of government funds from OPEC.*

WB/Samoa Agri \$583,511 *The project is ongoing. Claims for reimbursement of government funds will be submitted to the World Bank.*

5. The following overdrawn grants-funded projects resulted from outstanding reimbursements due from implementing agencies:

- UNFPA \$11,958 (implemented by the Ministry of Health)
- Changing Legislation \$20,330 (implemented by the Ministry of Women, Community and Social Development)

Ministry of Finance explained that these two projects were complete and were in the process of writing off against projects with credit balances for 2014/15. Both projects were overdrawn due to the ministries having insufficient local funds to reimburse project funds.

6. Overdrawn balances for loan-funded projects that had been closed for several years were still reflected in accounts.

Postal & Telecom	\$305,688
Adv ADB Sml Bus	\$271,174
SIAMP II	\$11,238,159
Supplementary	\$224,138
Pilot Programme	\$341,881
Samoa Post Tsunami	\$1,851,380

The Accounts Division of Ministry of Finance had yet to receive instructions for these to be written off.

7. Reimbursements for some projects were recorded as Revenues on Behalf of the State on Finance One, however no bank confirmations were received for audit verification.

Grant Funded Projects:

Initiation Plan	\$(59,777)
Response Fund	\$(36,257)
Capacity Building	\$ (6,723)

The balances for all the projects listed in the table will be written off in 2015/16, except for one which will still be ongoing then.

#### *Schedule 12 – Statement of Payables*

The Special Purpose Accounts below were overspent in this financial year.

<b>Special Purpose Account</b>	<b>Account Balance</b>	<b>Payments</b>	<b>Overspent</b>
Eleele Fou Public Toilets (MNRE)	108,052.04	119,516.24	-11,464.20
Sector Research Initiatives (MNRE)	25,273.60	28,000.00	-2,726.40

Ministry of Finance explained that overspent amounts were recovered from the outputs of the responsible ministries during the year. It will take this into consideration for its 2015/16 work plan, and the appropriate personnel will be informed of this issue for improvement in future.

#### *Schedule 13 – Statement of Contingent Liabilities*

There were no updated confirmations received from the Asian Development Bank, International Development Association, and the International Bank for Reconstruction and Development to verify balances reported. For Guarantees, there were also no updated confirmations received from the European Economic Community and the European Investment Bank for guarantees issued by Government. Ministry of Finance explained that these were requested several times but there were no responses from these institutions. Balances were restated from the audited Public Accounts of 2014.

#### *Schedule 14 – Statement of Write off and Losses*

The Asset Management Unit of the Ministry of Finance had not developed a formal guideline for the valuation of written-off assets, and the valuation of written-off assets was estimated based on the condition of the asset and the market value of similar assets. Ministry of Finance responded that it was

requesting capacity building for its staff in asset recording and policy compilation to ensure that it complies with IPSAS.

*Schedule 16 – Special Funds, Statement of Accounts*

There were prior-year unpresented cheques for Agriculture Show for Savaii and Upolu in 2013 and 2014 totalling \$11,650, and Independence Committee for 2012, 2014 and 2015 totalling \$35,516.70. Ministry of Finance replied that these unpresented cheques will be cleared in 2015/2016.

## **1.2 Pre Audit Report for the period**

**1 January 2015 – 24 December 2015**

1. Tuition fees for employees taking courses at the National University of Samoa, were paid by the Office of the Attorney General, which was not in line with policies.
2. Quotes were forged by staff of one Ministry in order to meet the cut-off date for payments before the financial year end. This issue was referred to Ministry of Finance Internal Audit for further investigations.
3. Travel payments to be paid from one specific output, as per Cabinet Directive, were instead split among various outputs.
4. Expired contracts were used to pay lawn mowing and transport services.
5. Claims for payments of invoices pertaining to lunches for Ministries on Independence Day were referred back to Ministries to be paid out of pocket or from Social Funds.
6. There was non-compliance with contract terms and conditions payments in relation to a contract payment.
7. Contracts were not referred to the Attorney General's Office for review and endorsement, and most were not signed by legal representatives. There was also no Certificate of Endorsement to confirm that the contracts were referred to the Attorney General's Office for clearance.
8. VAGST was not accounted for in invoices issued by Ministry of Finance in the financial year 2014/15. These invoices relate to the supply of accountable forms such as receipt and TY76 books for Ministries.
9. Travel allowances were incorrectly calculated resulting in overpayments and were referred back to the respective Ministries for amendments.
10. All payments above \$50,000 should go through the Tender's Board for approval. A payment totalling \$55,750 did not go through this process. There was also no contract executed but the agreement was on a three year period with annual payments of \$55,750. The responsible Ministry was asked to refer payment to the Tenders Board for approval and that a contract must be executed for the remaining two years.
11. Some Electronic Fund Transfers (EFT) registers did not contain important information such as the bank names and bank account numbers of some payees.
12. There were instances of invoices created on the system before the actual invoice was received. Discussions indicated that Ministries could reuse previously cancelled batch numbers. This issue was also raised in previous years' audits but has not been addressed.
13. The most common queries across all Ministries during the year were:
  - Inadequate documentation such as: no written quotes for payments above \$5,000, no proper approved write off forms for written-off assets, no copies of asset registers submitted to confirm registration of assets acquired, no official letters provided for justification of photocopied supporting documents, long-outstanding invoices and invoices received and processed before purchase order issuance.

- Incorrect natural accounts used
  - Unauthorized use of below-line outputs when local budgets were insufficient.
14. TY15 forms to action payment of higher duty allowances were not signed by a Ministry of Finance Budget Officer as is the usual process for these payments. There were also overpayments of higher duty allowance because there were no approved TY15s.



### **1.3 Quarterly Data matching-Finance/Payroll One & Electronic Fund Transfer (EFT) for the period**

**1 January – 31 March 2015**

#### ***Objective***

To verify that the data within the EFT file matches Finance/Payroll One by comparing the two, using the key fields; ID number, bank account number, and net pay amount.

#### ***Findings:***

There were no variances noted for the pay periods under review for both the salary and wage categories. However, the following observations were noted:

- Payroll reports from two banks for all pay periods
- One ID number registered on Finance One

#### **Other matters**

##### ***Importation of EFT files to IDEA software***

An initial observation of the EFT files noted that the filenames of the EFT files from Ministry of Finance were not consistent in terms of the pay period end date. Most instances show that the dates represented Tuesday of the pay week instead of the pay period ending which is Sunday.

Each bank employs their own method of transferring EFT file data into their respective banking systems. Thus each of the four EFT files (i.e. one for each of the four banks) when retrieved from Finance One are already in the specified format for each bank.

## **1.4 Quarterly Statement of Receipts & Payments**

**1 July – 30 September 2014**

1. There were no issues noted within this quarter.

## **1.5 Quarterly Statement of Receipts & Payments**

**1 October – 31 December 2014**

1. There were several changes due to late back-posting of transactions after the Quarterly Statement had been prepared resulting in variances between accounts. A recommendation was made in previous years for Ministry of Finance to provide a breakdown of changes to Statement figures due to back-posting and processes outside of the Ministry's control such as transactions detected two or three months after quarter end. Ministry of Finance said it was aware of the changes on the transactions. The timing of the data entry was still a challenge over the years with its mission schedules, but has now changed its approach for the financial year 2014/15 where Ministry of Foreign Affairs and Trade was responsible for data entry once acquittal reports from each mission were received.

## **1.6 Quarterly Statement of Receipts & Payments**

**1 January – 31 March 2015**

1. There were variances between the Trial Balance and General Ledger and the Quarterly Statement from back-posting of transactions after the statements had been prepared. A recommendation was made in previous audits for Ministry of Finance to provide a breakdown of changes to Statement figures due to back-posting and processes outside of the Ministry's control such as transactions detected months after the quarter end. Ministry of Finance responded it was aware of the changes on the transactions three months after the quarter. The timing of the data entry was still a challenge over the years with its overseas mission schedules. It has changed its approach for the financial year 2015; Ministry of Foreign Affairs and Trade is now responsible for the data entry once they receive the acquittal reports from each mission. Ministry of Finance oversees the bank reconciliation and on-going monitoring of the mission data entry. While there were still delays from missions, Ministry of Finance has addressed this delay as part of the Notes to Accounts in each quarter. Training is ongoing with MFAT staff on the new process as well as active communication with overseas missions.

### **1.7 Quarterly Statement of Receipts & Payments for the period 1 July - 30 September 2015**

1. There were several changes due to late back-posting of transactions after the Quarterly Statement had been prepared resulting in variances between accounts. A recommendation was made in previous years for Ministry of Finance to provide a breakdown of changes to Statement figures due to back-posting and processes outside of the Ministry's control such as transactions detected two or three months after quarter end. Ministry of Finance said it was aware of the changes on the transactions. The timing of the data entry was still a challenge over the years with its mission schedules, but has now changed its approach for the financial year 2014/15 where Ministry of Foreign Affairs and Trade was responsible for data entry once acquittal reports from each mission were received.

## **1.8 Ministry for Revenue Auction - Customs Compound, Matautu-tai**

### **25 April 2015**

Some of the deficiencies noted during the auction:

1. One lot already sold was called out again by the auctioneer.
2. The starting prices for the lots were only determined in the morning, and caused a delay to the start of the auction.
3. There were a few cases of discrepancies between the winning prices on the Ministry records and the docket given out to the winning bidder.
4. A few attendees were not able to bid as the auction was done in Samoan. Options should be made available for non-Samoan-speaking bidders.
5. The auction started late by 30 minutes.

MFR acknowledged all audit findings listed and admitted to oversight in areas of the auction process at the time. Audit recommendations have been noted for improvement of its existing standard operating procedure for the auction process.

## **1.9 Ministry of Education, Sports and Culture**

### **Interim Audit for the period 1 July 2014 – 31 December 2014**

1. Issues relating to attendance records:
  - Discrepancies of attendance books and staff returns at public schools.
  - Lack of controls over the monitoring of attendance books in public schools.
    - No attendance book maintained for staff to sign in hours of work.
    - Attendance books were not properly updated and maintained to include all necessary and crucial information used for payment of salaries.
    - Inconsistencies of recording/filling in of staff returns across schools.
  - Misplaced attendance books.
2. Issues relating to Petty Cash included:
  - There were vouchers that were issued and disbursed without proper approval obtained from the certified officers.
  - The most common expenses paid out were for taxi fares of staff. The ministry should consider incorporating a proper control such as having a requisition to be properly authorised by the appropriate authority before taxi fares are paid to confirm that these expenses are genuine.
  - Vouchers were not properly completed by the responsible officer before cash was issued out to the recipient.
  - There was a shortage at the time of our petty cash spot check.
3. Issues relating to inwards cash and receipting:
  - There were a number of instances of delayed banking noted.
  - There were delayed posting of collections on the Finance One system.
  - There were lodgements made with the absence of an official bank stamp to substantiate that these receipts had been properly banked.
  - There was over-banking in September 2014 and there was an internal investigation conducted by the ministry on this matter.
4. Issues relating to the Nelson Memorial Library operations:
  - Sub receipt that was never master receipted and banked.
  - Librarians do not issue receipts directly to individuals making payments for library books and other services offered at the library. All funds received are summarised in one receipt at the end of each day.
  - No receipts issued for parking fees.
5. Issues relating to debt (accounts receivable) management:
  - Inconsistency of Finance One accounts receivable ledger with the ministry's records. Debts already paid were still shown on MESC records.
  - There were overpayments for teachers' salaries that were long due and highly unlikely to be recovered as they had been terminated. There were no movements noted for some of the debtors' balances which indicated that there were no repayments received for debts owing.
  - Ineffective controls over reconciliation of ministry debtors. There were variances noted between Ministry and Finance One records.
6. There were fixed assets that were not labelled and were not recorded in the Finance One Assets Register.

7. The majority of schools visited did not have fixed assets register or any records kept for the assets in their possession. There were a few schools that maintained fixed assets registers, however these records were not updated.
8. MESIC did not maintain a calls register to record all international calls made, and to identify personal calls to be billed appropriately to the responsible staff. A request for an authorised memo to support their ACEO's entitlement to make international calls and authorised to endorse all international calls noted on the phone bills as official calls was not successful, and no documentation was presented to the audit team during the time of the audit.
9. There were payments that were charged to incorrect natural accounts. A senior staff should review postings made before batches are processed and submitted to Ministry of Finance to minimise errors and delays in payments process.
10. There were receipt books that were not registered in the Ministry receipts book register.
11. Issues relating to the process of stationeries distribution:
  - The ministry does not have a proper documented system of internal controls for the management and distribution of stationeries. This was confirmed in an interview with the responsible staff for stationeries distribution. Effective execution of internal controls gives assurance that government resources are effectively and efficiently utilised.
  - There were no end of school year physical stock takes for public school stationeries to identify stocks available and stock needed for the commencement of the next school year.
  - Lack of request forms from school principals to document the amount of supplies/stationeries needed for the start of a school year.
  - The supply form needed improvement to confirm supplies had been properly authorised and checked.
12. There were no inventories registers maintained by public schools to monitor the movements of stocks. This issue was also raised in previous audits and no improvement had been noted. It was re-emphasised to the ministry that the importance of an inventory register is to record the movements of stocks to avoid risks of oversupply, misuse or misappropriation of stock.
13. There were unsecured storages for stationeries in some public schools.
14. Issues relating to the Electronic Management Information System (EMIS):
  - Excessive full rights to all EMIS payroll modules as evident in users having full access to the EMIS payroll modules.
  - Security configuration settings within EMIS database showed various issues relating to passwords.
  - Duplicate National Provident Fund (NPF) numbers.
  - There were issues with birth dates undermining the integrity of the database.
15. MESIC does not have a documented IT Disaster Recovery Plan in the event of a major disaster.
16. There were many issues of concern relating to the Operating System security.



## **2. PUBLIC BODIES**

### **2.1 Accident Compensation Corporation**

**for the year ended 30 June 2015**

1. There was no evidence of any check done for monthly bank reconciliation and audit was unable to ascertain whether bank reconciliations were prepared and completed on a timely basis.
2. There were long outstanding unpresented cheques which have become outdated and stale but were still accounted in the bank account.
3. There were payments made with incomplete/insufficient supporting documentations, and most of these payments related to payments of claims.
4. There was no signature and dates of preparer, checker and approvals, no account codes, invoices processed were not being stamped 'paid' and so forth.
5. The 2014/15 budget did not have individual allocations for each account or items for spending.
6. There was a delay in processing of electricity invoice payments which resulted in additional costs due to late fines/penalties incurred.
7. There were no project progress reports presented by Consultants during the construction of the Fugalei Market Project to support progress payments claims as required by the contract.
8. There were no new contracts signed to cover variations to the Fugalei Market project. The Contractor appeared to dispute the overall cost over the agreed amount as per the signed contract.
9. A comprehensive asset count for all assets had not been conducted in the last five years hence the fixed assets register was not regularly updated.
10. Buildings and vehicles were claimed to be insured however there were no copies of insurance policies presented for verification.
11. Staff personal files were found to be incomplete and not properly updated as it did not have the current approved salary rates per annum, in addition to any revisions done during the year. The last updates noted were done in 2010.
12. There were no documents available to confirm proper compliance with recruitment process in the hiring of one new employee at the time, as application and interview documents were absent from personal file.
13. There was no evidence of proper check and review conducted on some of the payrolls.
14. There were no investment certificates to verify investments with some local finance institutions.
15. ACC's latest annual return was not made available to the auditors for verification.

## **2.2 Agriculture Store Corporation**

### **for the year ended 30 June 2015**

1. The last two receipts for the period under review were not posted in the current year but in July 2015.
2. The last revaluation for lands and buildings was conducted in 2002. International Accounting Standards 16 requires that assets revaluations should be done every three to five years. It should consider revaluing its assets to not only disclose the accurate market values on its financial statements but also to comply with the requirements of the International Accounting Standards.
3. There was no listing to represent the value for obsolete stock provided in the prior year. The prior year provision of obsolete stock should be written off as there was no listing available to confirm its existence.

ASC has noted the audit issues and recommendations.

## **2.3 Central Bank of Samoa**

### **for the year ended 30 June 2015**

1. There were twenty tablets purchased that were not recorded in the CBS fixed assets register. Additionally, the same assets were not depreciated since its purchase in February 2015. The CBS fixed assets register must be properly updated to record all assets purchased/acquired during the year and that amortisation schedules for these assets are done with corresponding entries for depreciation and amortised income booked in the Statement of Profit and Loss. CBS explained that it had originally expensed these tablets as they were acquired under an United Nations grant specifically to assist CBS in developing an electronic survey. It has now put through the appropriate entries to reflect these assets.

## **2.4 Development Bank of Samoa**

### **for the year ended 30 June 2015**

1. Most receipt batches vouched did not have the required signatures of the verifying section to confirm completion of the process. DBS responded that batch headers have been amended with the relevant information.
2. Some lodgements vouched had no evidence of being checked and signed off by a Senior Officer. DBS recruited a Senior Finance Officer for Savaii in October 2015.
3. There were stale cheques noted in the bank reconciliations for the year ended 30 June 2015. All stale cheques must be cleared after 6 months as per the norm. DBS had noted and addressed this for appropriate action.
4. Some of the borrower's guarantor security ration did not meet the standard ration of 1.5 times. Proper assessments of guarantors should be done to ensure proper compliance with the Bank's requirements to avoid any losses in delinquent loan cases. DBS replied that special consideration is applied on a case by case basis if the client's credit history is satisfactory. It also added that this issue has been addressed with the new security cover of 1.0 to 1.5 times as stated in the Manual for Lending Operations approved by the Board on 29 June 2016.
5. There were inadequate securities to cover loan balances. Precautionary measures must be taken when loans with tight security ratios are assessed and recommended for approval. Prompt actions need to be taken to ensure recovery so that the security ratios do not deteriorate further and to minimise any loss that may incur. DBS assured that the loan concerned was adequately covered in its initial approval. The shortfall is the default which has increased loan balances relative to the security held. Appropriate action has been taken to ensure proper management and recovery.
6. The Bank is classed as a Public Trading Body under the Public Bodies Performance and Accountability Act 2001 and requires a 7% return on equity. On an annual basis, interest earned on loans receivable ranges from 4%, 6% and 8% on stimulus package, cyclone relief and other portfolio interest. Upon review of the DBS earnings, and using the original government equity of \$50m as a base, it appeared that DBS may not be able to reach their assigned targets. If possible, the status of the Bank being classed as a Public Trading Body should be changed to a Community Service Obligation for the development of Samoa. The nature of development financing and facilitation of concessional credit lines do not allow DBS the required margin to deliver the 7% return on equity. The DBS mandate is development financing in contrast to profit making. This issue was also highlighted in the review report by Vinstar Limited. DBS supported this view to ensure fair assessment of its operation and performance.

## **2.5 Electric Power Corporation – Savaii**

### **Interim Audit for the period 2015**

1. A surplus of \$30.50 was found from the petty cash imprest with no proper explanation.
2. Unbanked receipts totalling \$9,335.70 was yet to be banked and was kept in the vault because they were yet to be posted into the Daffron system. These June collections were claimed to be manually receipted and were yet to be posted on the Daffron system.
3. Stock balances from the main office in Apia did not match with physical stock take records of stock on hand at the Savaii stores.
4. Variances in stock records were mainly due to work orders and internal requisition forms. The internal requisitions did not match materials issued as per work orders, and the filing of these documents was not in order for ease of reference.
5. There were no supporting documentations of EPC collections by their agent, Samoa Post (Savaii), to verify payments being received. EPC has already requested Samoa Post to provide copies of receipts as supporting documents to verify the accuracy of transactions. The Manager of Finance advised that the Savaii branches have no photocopier machine to cater for this request but that all information was sent to the main office in Apia. Both EPC and Samoa Post have agreed to provide electronic receipts to ensure all the monies are collected, receipted and properly recorded.
6. There were staff who did not sign in and record their hours worked in the attendance book. In addition, timesheets did not agree with information in the attendance book.
7. There were a few instances of delayed banking due to the delay in posting of collections into the Daffron system. It was explained that the banking could not be conducted unless posted into the system.
8. EPC did not keep a daily summary report with details of revenue activities.
9. There was no proper segregation of duties within the Sales and Customer Section at the EPC Savaii office. EPC said it was in the process of hiring a new cashier who should be starting before the end of July 2015.

## **2.6 Electric Power Corporation**

### **for the year ended 30 June 2015**

1. The Ministry of Finance had yet to establish an incentive scheme for cancelling repayments of Grant lent to EPC as the terms of the agreement for projects completed within the time frame and implementation costs. This will assist in easing the burden on EPC cash flows for meeting interest and principal repayments of the loan when due.
2. EPC's current accounting policy and procedures manual had not been updated since it was issued on 7 November 1987 although it has upgraded their accounting system twice in addition to other changes and updates made to its actual accounting systems and procedures. EPC responded that the Finance section will update this Manual through support and commitment from supervisors and management staff.
3. There was lack of supervision and controls on verification of daily cash summaries and Daffron/Suprema system balances resulting in variances between subsidiary and control accounts and delay in postings.
4. There were purchase orders issued for goods and services procured that did not comply with the three quotations from suppliers requirements as per the government procurement policy.
5. The Community Service Obligation (CSO) reimbursement indicated 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 included a 15% mark up. EPC responded that Management was bringing this issue to CSO Committee and claiming full costs for CSO works.
6. The CSO reimbursement claims being submitted to the Ministry of Finance was not audited by the internal audit as required under the Public Bodies (Performance and Accountability) Act 2001. EPC responded that the CSO claims will be submitted to the internal auditors on a quarterly basis and this will be included in their quarterly reports to Ministry of Finance.
7. The Daffron system *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.
8. The Daffron system *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 assured that they will review the Purchase Order (PO) and Accounts Payable System and procurement staff will carry out monthly reconciliation of outstanding POs issues.
9. 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.
10. There were variances noted between the EPC and bank records which could indicate that it was operating ineffectively.

11. There was no formal contract for the lawn maintenance and no evidence of tendering the ground maintenance contract for a period of 2 years from 23 July 2014. There was also no formal agreement for leasing maintenance equipment and transport. The EPC had responded that its Legal team will look into this case.
12. The employee safety and hazard self-insurance fund, (Staff Life Accident Benefit Scheme), had been superseded by two new policies namely Disability in Line of Duty Allowance Policy and Death in line of Duty Policy with no funding as per the budget appropriations in years ended 30 June 2014 and 2015. The Board of Directors should revisit these policies and set out how it should be funded.
13. The declaration and payment of the \$1 million dividend was based on unaudited financial statements for year ended 30 June 2015 hence did not comply with the dividend policy as approved by Cabinet. EPC had noted the issue.

## **2.7 Gambling Control Authority**

### **for the year ended 30 June 2014**

1. Although there was a finance/accounting manual in draft form available for office use, it was incomplete as it did not reflect Cabinet directives and government policies regarding finance/accounts and general administrations and regulations.



## **2.8 Gambling Control Authority**

**for the year ended 30 June 2015**

1. Revenue collections were receipted in Samoa Sports Lotto receipt books. Although both entities are under the same management, their operations should be separated and for better practice, the GCA should use its own set of accountable forms such as its own receipt books.
2. There were instances of delay banking noted. This delayed banking occurrence was also due to the lack of monitoring and follow up.
3. There was no evidence of the GCA inspectors assessing the 15% commission/tax and its supporting data to confirm that the commission received is accurate and correctly calculated. Additionally, there was a delay in receipting of the commission which is a non-compliance with the Casino and Gambling Control Act 2010 section 37(2). CGA responded that their procedures will be reviewed to ensure compliance and that reminders will be sent out to Casino operators to notify the commission due dates.
4. There were payment vouchers with insufficient supporting documentations. Additionally, there were no approval signatories found on some payments vouchers to indicate proper endorsement of payments. GCA has noted recommendation in moving forward.
5. ACC 1% was not deducted from the gross wages of the two inspectors of GCA throughout this financial year. This indicates staff overpayment. This issue was also raised in the Samoa Sports Lotto Agencies' previous audit, as both entities now share same Payroll Clerk and Finance Manager. Recommendation was noted by GCA and assured that they will upgrade their IMS payroll system so ACC contributions are deducted.
6. There were variances over payroll payments printed from IMS and the General ledger indicating lack of proper payroll reconciliations. The use of two systems (IMS for payroll and Quickbooks for accounting) in itself exposes an entity to the risk of fraud through manipulation of data if not thoroughly monitored and checked or in many cases human error. GCA had noted the audit issue.
7. There were instances of general entries without proper documentation. GCA had noted the audit issue.
8. There was no segregation of duties in the following line of work:
  - The Finance Manager (FM) prepares general journal entries
  - The FM posts the entry onto the Quick-books
  - The FM approves the general entries

This particular matter greatly exposes the entity to high risk of fraud; as one person can manipulate all information and can create false and misleading information. GCA responded in agreement with the issue, and that they were in the process of recruitment, with GCA books now done in-house.
9. The approved budget, Corporate Plan, relevant Cabinet directives and employment contracts were requested for audit verification and were followed up several times but were not received. GCA responded that they were in the process of finalising their Corporate Plan which should be ready for the next audit. They are also a relatively new Authority with few employees.

10. General ledger accounts had no specified codes that could easily identify each type of account (individual/group) in the chart of accounts. GCA noted the issue.
11. Audit found a double payment of creditors and reiterates for GCA to perform a review of creditor reconciliation. GCA had noted the recommendation.

## **2.9 Land Transport Authority – Savaii**

### **Interim Audit conducted from the 24-26 June 2015**

1. There were cases of waiving late fees with no documentation in support of these claims.
2. The receipting of two private stickers from the cashiers report for May could not be verified. Additionally, there was no reconciliation to ensure completeness and accuracy. LTA said that it had a system in place for stickers and license plates as recommended by previous audits. Its Internal Auditor will look into this matter again.
3. Issues with staff attendance and records:
  - Missing leave forms;
  - Leave without pay still being paid;
  - Leave taken exceeded the available leave balances.
4. Staff leave was not reflected on timesheets. It was recommended that the Savaii division photocopy the attendance book details together with timesheets to be forwarded to the main office for payroll processing.
5. The asset register was not properly updated to include assets purchased in the current financial year. LTA stated its asset register is now up to date.

LTA has noted audit concerns and recommendations.

## **2.10 Land Transport Authority**

### **for the year ended 30 June 2015**

1. There was no evidence of any supervisory check done of the cashier's daily receipts summary. LTA has noted this for corrective action.
2. There was no evidence of any supervisory check done on the tally sticker report summarising vehicle license stickers issued. LTA explained that checks are done on a daily basis.
3. The receipt book register was not properly updated to reflect the correct details of receipt books issued for use and completed receipt books returned after use. LTA has noted the issue.
4. The Evaluation Committee's recommendation to award contracts to various companies was not properly explained in the assessment report. Details of criteria assessed other than price used as basis of its recommendation should be clarified more in detail if the lowest bidders are not considered. LTA has responded that there are Government procurement guidelines that must be adhered to and there are other factors in addition to price that must be considered to award a contract to the suitable contractor.
5. Project progress payments are not accounted for nor recorded in the MYOB accounting system. LTA claimed that a separate database is used to record all project accounting of approved funds and disbursements. These worksheets are maintained by the Technical Divisions namely the PPD, OD and Savaii.
6. There were no contracts or agreements available to verify claims being submitted by contractors for payment. All work done in addition to variations and different assessment of claims by contractors should be properly discussed and approved before any work is conducted. LTA has responded that amounts paid are based on their assessments conducted through their joint site inspections and meetings with contractors.
7. There were invoices being processed and paid but were not stamped "paid" to avoid double payment. LTA has noted the issue.
8. There were no proper records to verify total working hours and allowances paid to staff who worked during SIDS. Allowance disbursement sheet were not signed to confirm receiving of allowance, there was also no evidence to verify that allowance was actually claimed or was returned to the office. Additionally the disbursement of allowances must be properly completed by claimants to confirm receiving of allowances. LTA has addressed the issue.
9. The basis for monthly payment claims for mowing and routine maintenance is not transparent. The monthly payment claims were explained to be based on work conducted however it was noted that most of the contracted amount is nearly fully paid before the contracted period is completed. LTA has responded that the routine maintenance contractors are performance based contracts and the contract cost is divided into monthly claims.
10. There was no contract in place for the monthly mowing of the LTA office premises at \$600 tala per month. Also there is no set contract period for the service but an ongoing work worth \$7,200 per annum. LTA has responded that all contracted work are performance based and claims to be paid is based on work done and will be monitored to ensure it does not exceed the approved contracted amount.

11. There were no reports available for two payments made for consultancy services of \$11,000 plus \$6,000 for additional services per month. These reports are important to verify the specific milestones being achieved and target deliverables being actually delivered to warrant amount being claimed. The LTA has responded that the contract for this consultancy service has a fixed fee and a contract has been signed. All work performed is forwarded to the Project Management Division as well as the CEO for verification.
12. There were no proper documentation and records available to verify salary rate and pay calculations for part time employees recruited. LTA responded that all records pertaining to their part time employees are with their Human Resource Division. For the payments, only timesheets being endorsed by the relevant managers is used.
13. There were three pay period payrolls with no payroll summary report hence we couldn't confirm that these payrolls were properly completed or approved. LTA maintains that all documentation was approved and completed.
14. One pay period was prepared and printed before the pay period end, implying that employees were being paid for work not yet conducted. LTA has responded this particular payroll was printed on a Friday as the period end fell on a Sunday and that they continued to finalise the payroll on Monday and Tuesday for approvals and submissions to banks.
15. From the signatories and dates on the payroll reports, payrolls were prepared and processed in one day after the pay period end and not three days as stated by the LTA. Given that there were more than 140 employees, audit concern was whether the payroll process in one day was thoroughly checked. LTA responded as in Issue 14.
16. New driver's licenses were issued without any records to confirm that written and practical tests had been completed. LTA has responded that normal procedures comply when applying for a new license except for the conversion of overseas licenses and renewal of the old red book.
17. There was no control to ensure that vehicle license forms were processed and issued on physical inspection of vehicle. Vehicle licence forms can be processed without actual sighting of the vehicle. LTA said that registered vehicles (new and renewed) go through the process of checking by their Certifying Officers before any inspection form is released.

## **2.11 National Health Services**

### **for the year ended 30 June 2012**

1. There was a high turnover of staff in the Finance Section - a total of 20 staff members over three financial years. This was mainly due to normal resignations and terminations for breach of conduct. The high turnover of staff reduces the retention of institutional knowledge and has contributed to the delay in completing of the financial statements. NHS developed remedial strategies in 2014 to review divisional career pathways to sustain staff and to strengthen capacity building and career development especially the Finance personnel. The review was submitted to the Board in 2014 for approval and subsequent implementation in 2015.
2. Documentation relating to the origin, purpose and conditions relating to Special Fund – electricity separation account could not be reviewed. The funds have decreased from \$2.5 million in 2010 to \$1.05 million in 2012. NHS explained that this account was reversed in the financial year 2013 upon confirmation from Ministry of Finance.
3. There was insufficient documentation to verify costs of assets (as well as additions) in the fixed assets register such as the EPI motor vehicle. The EPI vehicle was procured under SWAP project under the Ministry of Health which held all documentation.
4. Bank reconciliations were not conducted and completed for approximately two years since the financial year 30 June 2012 ended. The correct bank account reconciliation was not received until September 2014. Delays were caused by high turnover of staff. The Finance Division is working with Internal Audit to ensure these are done on a timely basis.
5. Review of the bank reconciliations noted the follow issues:
  - Unpresented cheques on the bank reconciliation were actually presented before the year end
  - Some cheques were long outstanding and stale but still appeared as unpresented.
  - Cheques cancelled but have not been voided on the system.NHS said that the high turnover of staff has impacted reconciliations, and that audit concerns have been noted for improvement.
6. Review of the payroll procedures noted the following issues:
  - The payroll files containing sensitive and confidential information were not kept properly in the Accounts room
  - The master file relating to an employee could be easily accessed and edited
  - Changes made on the payroll system were not captured on any reports
  - The payroll cannot produce exception reports such as duplicate employee numbers, bank accounts and employee names.
  - Overtime was counted from the time staff signed in every morning until they sign out
  - The Principal Payroll Officer can access the option on the payroll system to create or terminate an employeeNHS explained that its staff can produce reports from the system. Strong monitoring has been enforced in 2015 with payroll staff and internal audit working together.
7. The Internal Audit function takes an active part in the normal accounting and internal control function of the organisation whereas they should remain independent. Payments are not released or processed until the Internal Auditor has approved or checked them. The internal auditor also takes an active part in the assessment and recommendation formulation of

procurement tenders. NHS explained that this was to ensure that payments comply with regulations and procedures, and that the Internal Auditor is not involved in the process of tendering and any other internal processes.

8. NHS still adopts and uses the Ministry of Finance accounting procedures and accountable forms. NHS said that these are internal requisition forms in place in which sections can request orders from the store, in addition to what is brought from the wards.
9. The Senior Payments Clerk currently performs the batch run which should be done by the Senior Accounts Clerk and they also share the same password.
10. Accounts receivables debit and credit memos are processed on the accounting system/debtors subsidiary ledgers to correct postings or update any missing posting by the accounts receivable clerk. These memos are processed by Senior Accounts Clerk based on the request by the Principal Revenue Officer. The Financial Controller does not presently approve the credit/debit memos.
11. The Senior Accounts and Senior Payments Clerks were responsible for authorizing entries on the system after posting for overseas payments. In their absence, the Assistant Procurement Clerk uses their passwords to authorize the entries.
12. Stock cards were not updated nor do they agree with the registrations on Excel file which is not connected to the server.
13. The amount and the sequence of sub receipts at the pharmacy do not match to the total amount on the master receipt. NHS explained that new processes are being implemented to avoid this issue.
14. There were debtors receipted on a date before the financial period being audited of July 2011 to June 2012 but continued to appear on the ageing report as at 30 June 2012. NHS said this has been resolved since the 2015 audit and proper training for staff was done. It also stated that its Internal Audit plays an active role in this component.
15. There were variances between invoices amounts and receipts from the NPF-Senior Citizens Pensioners because of invalid ID numbers provided by some of the patients. NHS replied that the variances were due to invalid ID numbers still reflected in the list to NPF. While these pensioners ID were in the Pharmacy system for authorizing and allowing dispersing of medicines, NPF had yet to provide NHS with a list of ID numbers that were inactive.

## **2.12 National Health Services**

### **for the financial year ended 30 June 2013**

1. There was a high turnover of staff in the finance section - a total of 20 over three financial years. This was mainly due to normal resignations and terminations for breach of conduct. The high turnover of staff reduces the retention of institutional knowledge and has contributed to the delay in completing of the financial statements.
2. Receipts testing found that an invoice number was entered twice.
3. The amount that was master-receipted for invoices issued could not be confirmed, and the sub receipt numbers were not recorded on the master receipt.
4. Amounts posted for receipts did not match the amount on the invoice. Rather than adjusting the invoice amount, the variance was posted as the receipt instead. NHS said the issue has been resolved, with process and training done in 2015 for the Revenue Unit.
5. The origin of some amounts posted onto the system could not be traced. NHS has noted the recommendation and assures strong controls have been put in place.
6. There were discrepancies between receipts including an amount of \$19,850 that was not posted onto the system. NHS said this was due to posting errors.
7. There were discrepancies in the accounts receivable ageing ledger for the financial year ended 30 June 2013. These receipts should have been recorded or posted for the financial year ending 30 June 2011. NHS has noted the recommendation which has been addressed with training for the Revenue Section and controls in place.
8. Employee hours worked or recorded were incredibly high. One doctor worked 30 hours which was more than the maximum 24 hours in a day. NHS could not prove these hours back to any supporting documentation as the particular employees did not sign in the attendance books. NHS said it was now operating under the Labour Act 2013 with its own Working Conditions Manual.
9. The payroll system couldn't produce exception reports such as duplicate employee numbers, bank accounts, and employee names.
10. Poor segregation of duties within the payroll and human resource roles.
11. There were no P6 forms prepared and submitted to the Ministry for Revenue.
12. The accounts payable aging or subsidiary report did not match the accounts payable general ledger control account.
13. Cancelled receipts marked on the carbon copy and blank carbon copy did not have the original copies attached. NHS said that original copies of receipts are attached to receipt books as has been the process, with final checks by the Revenue Officer who checks and makes enquiries where required.



14. Bank account reconciliation was not yet completed after the financial year 30 June 2013. The bank account reconciliation received on 31 October 2014 had errors which were returned to management to correct. The final bank account reconciliation was not received until November 2014. NHS reiterated staff turnover affecting reconciliations. Payables Unit follows up suppliers cheques to avoid stale cheques, with proper processes for improvement.

15. Review of the initial ANZ bank operating account noted the following issues:

- Unpresented cheques on the bank reconciliation were actually presented before the year-end but continued to appear as unpresented in the bank reconciliation.
- Cheques were long outstanding and they had become stale but still appeared as unpresented.
- Cheques were cancelled but had not been marked void on the system and were still unpresented on the system.
- There was a transaction that should have been an accounts payable in 2013 rather than an unpresented cheque.

NHS reiterated staff turnover affecting reconciliations. Recommendations have been noted for improvement.

## **2.13 National Health Services**

### **for the year ended 30 June 2014**

1. The following issues related to receipting and banking areas:
  - There was no evidence of banking being checked by the appropriate personnel due to the absence of a signatory on the receipt summary.
  - The receipt summaries did not have batch headers attached to indicate the responsible officer who prepared and posted the receipts. NHS has responded that given the significant volume of receipt summaries, they preferred not to print receipt batch headers as the audit trail in the accounting system records the responsible person who did the posting.
2. Some of the payment vouchers did not have receipts as evidence that payment was received by suppliers or payee. NHS has responded that most of the cheques were picked up at the Finance Division counter, and the majority of suppliers did not bring their receipt books along with them so their signatures are taken down on the cheque register book.
3. Most of the vouchers did not have "*Paid*" by NHS stamped on them to indicate payment had already been processed. This will be implemented before end of 2015.
4. Some of the payment vouchers did not have batch headers attached to the voucher. NHS has addressed this issue.
5. Most overseas payments were verified by the Procurement Officer.
6. Most of the overseas payment vouchers were verified by the Senior Account Payable Officer. NHS said it is verified by Payables Unit before it is pre-audited by Internal Audit, with processes in place for checking and verification.
7. Some employees PAYE calculations were understated compared to S & P PAYE calculations. Recommendations have been noted by NHS.
8. PAYE returns were not properly filed. Several months were missing in the PAYE returns file. NHS said these were now in place and available for sighting.
9. Bank reconciliations were not performed on a timely basis. NHS was working on completing bank reconciliations for April 2015 and was targeting to update its monthly reconciliation before the end of 2015.
10. Bank reconciliation procedures need to be revised. The operating bank account reconciliations were incomplete with variances.
11. The details of the bank reconciling items are preserved for three months and then are destroyed. There was no indication that a responsible official reviewed or approved the reconciliation. NHS said that no further authorised personnel was sought for a review as there was reliance on the external auditors for their final review.
12. Outstanding cheques had been unpresented for more than six months, some up to a year. NHS said it was in consultation with its system consultants to activate the bank reconciliation module for reporting purposes.

13. NHS did not have written instructions for the physical inventory count and some employees were unsure of instructions given. Recommendations have been noted by NHS.
14. NHS values inventory only at the end of each year (periodic) and from assessments, the NHS selling prices of drug stock were below market rates in comparison to other pharmacies.
15. It takes up 3 to 4 days to count 100% stock in both Upolu and Savaii. These include consumables stocks issued to district hospitals and wards. Stock represents major portion of the assets as recommended during the audit. The Pharmacy stock is the only one that requires counting/testing on balance date as per IAS 2. Stocks issued to Wards and other district hospitals are expensed because they are consumables and are used for treatment of patients.
16. No audit file of reconciliation was available.
17. It is recommended that Board enforce monthly financial reports for discussion at the board level on a monthly basis. These must include reconciled bank position along with bank reconciliation and bank statement at end of every month. NHS replied that financial reports were submitted to the board on a quarterly basis for their review and approval prior to submitting to the Ministry of Public Enterprise.
18. High stock value was not covered under insurance. Recommendations have been noted by NHS.
19. No reconciliation of General Ledger resulted in additional provision for doubtful debt on Reimbursement from NPF for Pensioners. NHS said it implemented recommendation in 2015 with the Finance Manager monitoring and authorising any NPF claims.
20. The fixed asset register was incomplete, but was in the process of completion. NHS said that it conducted an asset count in 2015 to ensure existence of assets. Asset counts are now done on an annual basis with monthly spot checks.

## **2.14 National Health Services**

### **Interim Audit for period 1 July 2014 – 31 March 2015**

1. Issues relating to petty cash at the Main Office:
  - Petty cash vouchers were manually numbered upon reconciliation
  - There were four types of petty cash funds held by the Corporation; Ship duties, Boat fares, Kitchen and General Expenses. The Corporation's usual practice is to use funds from one petty cash to fund expenses of another petty cash. A shortage of \$164 was also noted during a surprise cash count of boat fares petty cash.
  - There were payments that were long outstanding without relevant documents such as receipts.
  - There was no backup person for monitoring and disbursing of petty cash
  - The General Ledger showed the Petty cash account had increased to \$23,126 which did not correspond to the petty cash records. This was already discussed with NHS who agreed to generate an entry to correct this.
  - There was no formally approved Petty Cash Policy in place to govern and guide the petty cash operations of the Corporation but merely a memorandum prepared by the Finance Division team. NHS said that their patients are their priority and internal transfers of petty cash where appropriate and necessary.
2. There were several different types of systems used for the different services. These systems have no linkage to the SAGE accounting system used by the Finance Division. Systems not linking come with inherent risks such as possibility of manipulation of data through use of entries, possibility of fraud due to data not flowing directly through systems but rather manually journalised, and likelihood of human error. Audit acknowledges that it will be too costly to have a system that links all its services and it should therefore focus on tighter and strong internal controls to prevent, minimize and detect risk of fraud. NHS has noted the recommendation and said that an e-health system acquisition was in the pipeline. The existing systems were implemented to address the needs at the time.
3. There was no reconciliation between cash collections and receipts issued for banking. NHS said it was mindful of the risk in cash handling and said that all its receipts and books are properly filed.
4. Normally the Finance Division allocates two cashiers to look after the two eye clinics at the hospital. However during audit observation on Wednesday 29 April 2015, only one cashier was responsible for both of these. Receipt books were left within drawers and cash could not be checked and counted due to security locking the main door to the cashier room.
5. Issues relating to pharmacy sales reconciliation with receipts collected included:
  - Missing bar codes for Pharmacy collection on sub-receipts – possibility that cashier was pocketing money, possibility of collusion
  - There were patients recorded on sales report but not on manual sub-receipts
  - Lack of reconciliation of Pharmacy Sales to Actual Cash receipted – links to issue raised earlier, no evidence of attempts at reconciling sales against cash received
6. Audit requested for reports from the PATIS system but nothing was forthcoming. It was also explained that the Ministry of Health IT has access/control of the PATIS system and not the NHS MIS Division. This raised audit concern as to why the Ministry of Health had access or control of the NHS PATIS system and how then does NHS reconcile collections if they are unable to extract reports needed. NHS said that certain reports could not be extracted as the

modules had not been working for some time and that the best source are the sub and master receipt books for verification.

7. Some of the receipts from shift work of 8pm – 8am were banked the following day rather than 12pm that same day when the shift ended causing unnecessary delay in banking. NHS has noted the recommendation but has explained that collections from various district hospitals make it difficult to bank before cut-off time.
8. Two similar fraud cases occurred in Savaii due to failing of those responsible to oversee simple internal controls to govern the revenue collection of Savaii as numbered below:
  - Checking of banking
  - Checking of sub receipts/master receiptsThere were Savaii receipts that were noted delayed in banking, with no checks made by the Principal Administration officer for banking and revenue summary prepared before forwarding to main office in Upolu.
9. Audit inquired after the second fraud case that previously occurred at NHS Savaii and noted from internal audit investigation undertaken, after an employee failed to perform his duties under his job description to check and monitor the revenue collected and banked. This employee was also involved in the second fraud case where he took part in borrowing from NHS revenue collections for personal needs and reimbursing later. It was also confirmed from his personnel file that prior to the second fraud case, he was also given several warnings. At the time of the audit, the employee did not meet the criteria for the role he was occupying – lack of experience and lack of qualification.
10. No control over receipting of dental services. The majority of receipts receipted by NHS from Dental Clinic are consultation fees of \$10; receipting was rarely done for other services.
11. Nurses, instead of cashier, were collecting cash from patients for all district hospitals. There was also no reconciliation performed by Finance Division. NHS said revenue collection was minimal at district hospitals and not feasible to hire additional staff.
12. Issues relating to Savaii receipts and petty cash included:
  - No cash floats hand over forms.
  - No segregation of duties.
  - No bar codes attached on sub receipts to verify the accuracy of pharmacy sales.
  - Poor monitoring of Savaii Petty Cash. NHS Malietoa Tanumafili II holds two petty cash funds: one for Boat Fare expenses and the other for General expenses. These two petty cash have different limitations of \$3000 and \$1300 respectively. The audit proceeded with petty cash count and noted several concerns.
13. The movement of pharmacy stocks was solely monitored by the Senior Pharmacy Store Officer who was also responsible for receiving of stocks and updating on the LOTS system. Recommendation has been noted and implemented.
14. There was a lack of controls in place to monitor the movement of stock at the Pharmacy store which raised the following concerns:
  - Breakdown of the LOTS system nearly 2 years ago from the time of the audit had delayed the updating of stocks received from suppliers and/or issued out to different units.
  - Purchased stocks were not updated on the system and could not provide a report of stocks on hand.

- For district hospitals, wards and dispensary unit, stocks were supplied to wards and district hospitals when their stock levels were low without proper documentation, Savaii stocks requested through email and forwarded without proper approval by higher authority, no delivery slip to confirm receipt of goods and no reconciliation of stocks disbursed against stock on hand.
15. For the Overseas Treatment Scheme, the doctor in charge acts as sole agent. He is the consulting doctor that all patients approved under this scheme are referred to and the one who assigns and makes appointments for them to several specialists. NHS was advised to formalize a contract to protect all parties concerned.
  16. The legitimacy of claims for the Sleep Apnoea program was an issue also raised in previous audits. Audit was unable to verify legitimacy of claims made by the authorized Sleep Clinic for patients with obstructive sleep apnoea.
  17. The payments register for the period under audit showed missing cheque numbers from sequence. It was explained that this was due to payments processed during certain dates on the system but were not approved until a later date. This was addressed by NHS by back dating cheques after approval by Internal Audit.
  18. Several payment vouchers were found to be authorized by Finance Manager yet these payments were above his authorized threshold as per NHS Approved Delegation of Authority which limits his authority for approval. Certain payments such as those under the Sleep Apnoea Treatment were payments already authorized by the Division Manager or appropriate Personnel and were under NHS budget to process and therefore did not need higher authority of approval, and the Finance Manager was only counter signing authorization when payment voucher was processed. Recommendation has been noted. NHS also explained its Delegation of Authority approval on 23 February 2012.
  19. NHS has a material balance in outstanding payables as noted from Aging Payables Report as at 31 March 2015. There were several payments that were 3 months overdue which indicated a lack of monitoring of payables and that tighter controls need to be put in place for spending of funds. NHS has devised a repayment plan based on its weekly cash flow to accommodate partial payments for long outstanding dues.
  20. There were no formally documented procedures for creation and maintenance of supplier codes on the system which are done when the need arises.
  21. Poor monitoring of attendance books with no proper reason or recording of absences.
  22. Issues relating to leave records included:
    - Several employees noted as taking leave on attendance books but no leave forms were available for verification
    - Several employees taking leaves prior to approval from Divisional Manager
    - Leave cards were not properly updated

There was a heavy reliance on attendance books for updating of leave records rather than approved leave forms. This indicated non-compliance with procedures and policies in place. These issues were also raised in previous audits.
  23. Several attendance books could not be sighted, and indicated poor record keeping. Recommendation has been noted and will be implemented.

24. There was no list of employees that have been granted increments on their salaries for the period under audit. The total amount of increments for the audit period could not be verified. Recommendation has been noted.
25. There was a lack of proper documentation to justify change of salary rates. There were no performance appraisals or approved supporting documents in files to support change of rates.
26. Personnel files were not updated. This issue was also raised in previous audits.
27. There were no signed employment contracts for current occupied posts of several managers including the former General Manager.
28. The termination and resignation list prepared from the register of TY15 was not updated compared to the data from the system. NHS has a new register to improve its reporting.
29. Lack of proper policies and procedures for Fixed Assets Management. The approved procedures in place was outdated and needed to be revised. Lack of proper policies and procedures to managing assets increases the risk of misappropriation of corporation's assets.
30. Approved procedure stipulates the practice of capitalizing items that are greater than or equals to SAT\$500. NHS capitalizes items that are below \$500 on its register.
31. The fixed asset register was incomplete and not updated. The lack of asset taking raises concern of physical existence of all items in asset register and overstatement of assets in financial statements.
32. NHS was not using the Asset Model function on SAGE system to track fixed assets and better collect and maintain records of its fixed assets. NHS said consultations are ongoing, and the recommendation has been noted.
33. There was a lack of communication between divisions. Finance and Property Divisions kept separate registers for fixed assets. Both registers differ in coding, valuation and information on assets. Recommendation has been noted.
34. There was a lack of enforcement of procurement procedure, with assets not being labelled.
35. An Irregularity Report was not raised pertaining to the incident which caused vehicle NHS19 to have a missing rear mirror.
36. There was a lack of a properly authorized and approved accounting manual to provide responsible personnel with guidance and direction in connection with accounting procedures, transactions and reports that should be uniform across the board.
37. Several invoices selected from the Aging Payables Report were not received at end of audit fieldwork.
38. Bank reconciliation had not been updated since the end of the financial year 2013/2014. Reconciliations have been completed up to June 2016.

39. Divisional Charts were not updated with current information. Recommendation has been noted.
40. There was no formally approved and authorized Chart of Accounts available. There was also no proper documentation or records of creation and maintenance of codes on system, there was no process in place to control changes and amendments made to the Chart, and account codes needed to be updated to reflect current outputs as a result of restructuring. NHS inherited the Chart of Accounts from Ministry of Finance which is also used for the approved budget.
41. For the General Ledger and System support, there was:
- Lack of knowledge of system support in maintenance of SAGE system
  - Lack of documentation for changes or amendments made to the system;
  - Lack of segregation of duties
42. There were variances between figures reported on face of the quarterly statement against figures in the General Ledger.
43. The classification of expenses noted the following issues:
- Lack of proper documentation for grouping of expenses to categories used in financial statements
  - Grouping majority of expenses under Operating and Administrative expenses
- NHS said they have now complied with recommended presentation.
44. Follow up on the increase in nurses' salaries as reported in previous audits. There was non-compliance with FK (12) Faapitoa 09 dated 14th March 2012 for cancellation and reversal of nurses' salary increase back to their normal/old rates. It was agreed at the time that it was a sensitive issue and notes were made to FY2011 NHS Financials of submission to be made to Remuneration Tribunal for approval of salary increase. This issue is now with the Board of Directors.
45. There was no formally approved IT Strategy or Security Policy to provide guidance for the ongoing implementation of IT Services and related activities. There was also no IT Disaster Recovery Plan in place to reduce the amount of downtime and potential data loss that may eventuate when a disaster occurs.



## **2.15 National Health Services – Savaii**

### **Interim Audit conducted from 23-26 June 2015**

1. There was lack of segregation of duties in the area of receipting. NHS replied that the Accounts Officer Revenue was being recruited at the time.
2. There was no reconciliation between sub-receipts and cash collected.
3. At Sataua District Hospital, consultation fees were received by nurses acting as cashier. It was noted that rather than issuing individual receipts to each patient, consultation monies were receipted as lump sum amount, with the original receipt kept in a file before collections are handed over to the outreach cashier.
4. A shortage of \$48.50 found during an earlier audit spot check in April 2015 had still not been recovered as it still existed during this audit visit. NHS responded that it will reimburse the shortage. They were in the process of obtaining payment from their Finance Division.
5. There was lack of enforcement on the use of stock cards and they were not updated to reconcile with stock on hand. NHS has noted the recommendation for implementation.
6. In relation to stock, the following were noted:
  - No packing slip to confirm orders received from Upolu branch
  - Stock cards were not properly updated by district hospitals
  - No standard 'Stock Returns' form for expired or damaged stock returned to Upolu branch
  - No higher authority approval for the orders, return or movement of stockAll audit recommendations had been noted by NHS for implementation.
7. The following were noted upon spot checks of the attendance books at the different branches:
  - Tuasivi Main Hospital – Non-compliance with cut-off time of 8.10am, and no sign-off at end of shift
  - Safotu District Hospital – Attendance book could not be verified as it was with the driver for two days
  - Foailalo District Hospital – One personnel recorded arrival time on book with no clear indication of personnel names
  - All District Hospitals – All personnel for morning shifts consistently signed in at 8.00am everyday which did not seem credible.
8. Records showed that leave granted exceeded entitlements and contradicted with leave policy outlined in NHS Working Conditions Manual 2014. NHS assured that the issues raised were acknowledged and the recommendations were noted for implementation.
9. The fixed asset register was incomplete and some assets could not be sighted. NHS conducted a recount and registration of all assets in Savaii. Procedures for movement of chattels from one location to another including documentation will be strengthened & enforced.

## **2.16 National Health Services**

### **Interim Audit for the period 1 July 2015 – 31 January 2016**

1. There were approved petty cash vouchers for expenses particularly boat tickets that had no supporting receipts. Receipts are collected on sight by Samoa Shipping Corporation.
2. There were receipt's batches posted without the initial check and signature by the Principal Account Receivable Officer. NHS stated that all receipts, master receipts and lodgement book were checked and signed before banking, only the batch header was not signed after posting but they supported the issue raised, and will not recur. Recommendation has been noted.
3. Issues relating to Accounts Receivable (debtors) management included:
  - Debtors with negative balances on the system. This can be overpayment by the debtors or an incorrect posting whereby the invoicing of a debtor had not been captured on the system but only when the payment is received.
  - Debtors accounts that had been paid but outstanding balances still appeared on the aging report.
  - There were debtors of outstanding balances for over 90 days without remedial actions to settle for these balances.
  - A significant debt balance on the aging report and settlement of this account had been confirmed by the Principal Officer. However, there were no supporting documentations available to support the removal of the outstanding balance and still remained on the aging report.
  - There were no reconciliations conducted for Accounts receivables within the audited period.

NHS confirmed that most of these debtors' balances had been paid but the issues noted were posting errors, and only the Finance Manager had the access to adjust and amend any changes.

4. With no regular inventory counts conducted, there was no movement of inventory balances posted and reflected on the General Ledger throughout the financial year.
5. Negative stock balances were noted for inventory on hand. The stock card for each line item can be manually changed hence the system could not capture the movement of incoming inventory orders. NHS said its system was not suited for inventory management and procurement purposes.
6. The following were noted with concern as these expenses could have been avoided and properly controlled to minimise unnecessary spending of government funds:
  - The purchasing of alcohol for office functions
  - Sponsoring of staffs' golf teams
  - Payments of accommodation and meals for management retreats
  - Payments of stationeries supplies for HOU's retreats
  - Payment of meals for retreats
  - Payment of lunches for the Board

Some of the above payments also did not fall in line with the relevant Cabinet directives such as FK (08) Faapitoa 06 that prohibits the purchasing of alcohol. NHS responded that they will look into this and sort these out.

7. Travel allowances and airfares for contractual staff were not forwarded for Cabinet approval as per government policy.

8. There were payments of sitting allowances to non-Board members attending sub-committee meetings such as the Clinical Governance Committee and Audit committee.
9. There were payments of living allowances of \$850 to a staff who was on study leave at the time of the audit. This decision of the board was granted on terms that the staff will return upon the successful completion of the course. Among other study leave staff entitlements, the living allowances were not documented in the NHS Working Conditions Manual. The audit concern has been noted.
10. There were payments made to General practitioners' for services provided to NHS but there were no signed contracts provided to verify the terms and conditions of employment of these practitioners. Drafted contracts are now in pipeline for Board approval.
11. There were negative balances for accounts payable on the aging report. NHS said these were from incorrect postings which have been rectified.
12. There were employees who were working at the Tuasivi Hospital at the time of the audit but were not budgeted for. These positions were said to be newly created at the time but did not go through the normal process of recruitment and hiring of employees in terms of advertising positions, interviewing of possible candidates and so forth. NHS stated that the Savaii Organisational Structure was approved by the Board on 2014/2015.
13. There were delays of PAYE settlement to MOR for the months of April 2015 up to the time of the audit. MOR agreed that the part of the refund for VAGST will offset the PAYE of April 2015 to June 2015. The total balance for PAYE accrued and recorded on the Trial balance at 31 January 2016 amounted to \$4.6million. This balance included the \$1.75 million of the VAGST to settle PAYE of the prior financial year although have yet to be paid to the NHS to clear off debt.
14. There were fixed assets without NHS labels assigned to them. This included for instance new laptops and a new computer set located at the Lab. These assets were said to be delivered directly to the requested divisions without the knowledge of the assets section for the proper labelling of these assets. NHS had noted the recommendation.
15. There were laptops that were funded and donated by the Federal Republic of Germany for the Services that were not labelled and recorded in the fixed assets register. NHS stated that managers have been asked to have these sighted and registered.
16. The recent organisational restructure had shifted the assets section that was previously under the Property's division to the Finance division. One of the objectives for this separation was to strengthen the process for labelling and registration of assets through accommodating TY22.
17. The SAGE fixed assets module was not fully utilised. Recommendation has been noted. The asset module was acquired in August 2016.
18. The senior payable officer had access to the Finance manager's user account on the SAGE system.
19. There were incorrect classifications of General Ledger accounts and postings made were not in line with their accounting nature.

20. There was a restructure of the organisation approved by the Board within the 2015/2016 financial year that created a new division and separated sections within other divisions. However, there was no organisational structure given to audit and it could not be confirmed whether all occupied positions had been approved by the Board and were subject to the budget from Government.
21. There were positions that have been approved in budget from previous financial years but have not been occupied at the time of the audit. Recommendation has been noted.
22. Payments for long service leave and the salaries increment for employees could not be identified from the approved budget. These were entitlements inherited from MOH and a submission to Cabinet for funding. MOH approved \$1 million in June 2016 to address this issue.
23. There were four types of petty cash holdings ship duties, boat fares, kitchen and general expenses. The different Petty cash holdings were used to fund expenses for the other petty cash holding. Recommendation has been noted and a petty cash policy is in place.
24. There was no backup person for monitoring and disbursing of petty cash as well as lack of supporting documents.
25. Different and unconnected systems were used for the various services offered by NHS. This issue was raised in the previous spot check.
26. There was no form of reconciliation undertaken to ensure that cash collected matched sub-receipts issued by the cashier.
27. Audit could not obtain sales reports from the different systems used by the different services including Dental, Outpatient and Eye Clinic and X-ray. After an analysis of Pharmacy sales against actual monies receipted, audit noted the following concerns:
  - Missing bar codes for Pharmacy collection on sub-receipts
  - There are patients on sales report but not on manual sub-receipts
  - Lack of reconciliation of Pharmacy sales to actual cash receipted
28. Audit requested for reports from the PATIS system which is the system currently used by services such as X-ray, Eye Clinic and Outpatient but none were received. There was also concern as to why the Ministry of Health had access or control of the NHS PATIS system. Recommendation has been noted. PATIS is being phased out to prepare for a new e-health system.
29. There was no control over receipting of Dental services. The majority of receipts receipted by NHS from Dental Clinic are consultation fees of \$10 but rarely receipting other services such as extraction of tooth unless it's an appointment between the patient and dental staff.
30. Nurses, instead of cashiers, issue receipts and collect cash from patients for all district hospitals. There was also no reconciliation performed by Finance Division to ensure the accuracy of services receipted by cashiers.
31. Lack of segregation of duties at the Pharmacy.

32. Several payment vouchers were found to be authorized beyond the Finance Manager's level of authority.
33. The legitimacy of claims for the Sleep Apnoea programme was an issue that was also raised in previous audit. Because these could not be verified, the concern was the possibility of fictitious claims as invoices and medical reports only state names of patients and some information on tests scores from treatment and no further verification of each patient was carried out. NHS said claims are now checked by the Clinical Audit and Quality Assurance Unit before any payments.
34. The doctor in charge of the Overseas Treatment Scheme acts as sole agent or 'middleman'. There was no contract between this doctor and NHS or the Government of Samoa, and no records of his recruitment and selection. NHS explained that the arrangement was before NHS inception in 2006, and was negotiated by Ministry of Finance and MOH before its separation from NHS.
35. NHS has a material balance in outstanding payables as noted from Aging Payables Report as at 31 January 2016.
36. There was no formally documented procedure for creation and maintenance of supplier codes on the system.
37. Lack of proper policies and procedures for Fixed Assets Management. The approved procedures in place were outdated and needed to be revised.
38. The fixed asset register was incomplete and not updated. Lack of asset taking raises concern of physical existence of all items in asset register and overstatement of assets in financial statements. NHS said this fixed asset register is now in place and updated.
39. NHS had no Accounting Manual at the time of the audit. Although there were approved documented procedures for procurement and payments process that was provided to audit, there was a lack of a properly authorized and approved accounting manual to provide responsible personnel with guidance and direction in connection with accounting procedures, transactions and reports that should be uniformed throughout the corporation. NHS has noted the recommendation and will have its Accounting Manual before the end of financial year 2016/17.
40. Bank statements were not available to confirm the new process for receipting and cash inwards by the Savaii district officers. Funds received from patients could not be verified if they were banked intact and posted onto SAGE. Audit concern has been noted.
41. Bank reconciliation has not been updated since end of financial year 2014/2015. This issue was raised in the previous spot check.
42. There was no formally approved and authorized Chart of Accounts available. There was also no proper documentation or records of creation and maintenance of codes, no process in place to control changes and amendments made to the Chart, and account codes needed to be updated to reflect current outputs as a result of restructuring.
43. The following concerns were noted where General Ledger Maintenance and System Support of SAGE:
  - Lack of knowledge of system support in maintenance of SAGE system

- Lack of documentation for changes or amendments made to the system and General Ledger
- Lack of segregation of duties

This issue was raised in the previous spot check.

44. There was non-compliance with Cabinet directive FK (12) Faapitoa 09 dated 14 March 2012 for cancellation and reversal of nurses' salary increase back to their old rates. It was agreed at the time that it was a sensitive issue, and notes were made to the 2011 NHS financials for submission to the Remuneration Tribunal for approval of salary increase. There was still no Cabinet approval at the time of the audit yet salaries remained at increased rates. NHS has taken this up with their Board of Directors.

## **2.17 National Kidney Foundation of Samoa**

### **for the year ended 30 June 2015**

1. Payroll deductions include employees' loan repayments to the National Provident Fund for short term loans and loans on entitlements which is a non-compliance with labour and employment legislation. This issue was raised in the previous year audit. NKF is seeking the approval of the Ministry of Commerce, Industry and Labour to allow other deductions consented to by employees to be made.
2. Some employees had no contracts in their personal files. This issue was raised in the previous year audit. NKF said that the recent amendment to the National Kidney Foundation of Samoa Act stipulates the creation of a General Manager giving him the power to enter into a contract as well contracts with staff. NKF is expected to action this by December 2015 when they will have a new Board of Directors.
3. The total written down value of vehicles as at 30 June 2015 was \$55,977. However, the sum insured for these vehicles was \$135,027. NKF will try and negotiate this with insurance providers. However, NKF replied that it is secure in the protection of its assets, and third party liability in the event of a loss/damage as the sum insured was greater than the net book value of motor vehicles.
4. Fixed assets were not insured except for motor vehicles. NKF will seek quotes from insurance companies by December 2015.
5. NKF was still paying directors fees and allowance to government ex-officials in their Board of Directors which is non-compliance with Cabinet Directive FK(11)38. NKF responded that these directors' fees were paid under their warrant of appointment which was still valid as cleared by the Attorney General's Office.

## **2.18 National University of Samoa**

### **Interim Audit for the period 1 July 2013 – 28 February 2014**

1. The register for Accountable Forms was not properly updated, and did not show all relevant information. NUS responded that a Register for accountable forms already existed, however they will put in additional information as recommended.
2. The daily sales were not receipted in the master receipts and banked intact as per normal procedure but held overnight at collection points. NUS noted the recommendation and the Finance Cashier will follow up daily with the sub cashiers at all other sections to bring over their cash and receipt books for revenue collections for issuing master receipts and preparing banking for compliance with internal and accounting control system and to avoid delayed master receipting and banking in future.
3. There were no petty cash vouchers prepared to document the existence of the disbursement and issuing of cash from the imprest fund. The only records kept by the Accounts Officer at the time of the imprest count were the receipts and the payout schedule. NUS noted the recommendation and assured that Petty cash vouchers were being used by all Petty Cash Imprestees to document the existence of the issuing of cash from the imprest fund with complete details.
4. There was no approval from higher-ranked personnel authorizing the movement of petty cash for expenditures. NUS explained that their Senior Finance Officer under the supervision of Assistant Director Finance is given the authority to look after the imprest fund, to disburse and obtain receipts for supporting documents, however they were using the Petty cash voucher, there is also an approval by the authorised senior personnel and his signature.
5. There was no approved policy outlining the procedures for Petty Cash Imprest. NUS stated that their Petty Cash Imprest Procedures will be devised and included in their Financial Policies and Procedures Manual.
6. The hire of facilities were partly invoiced and posted on the system. Audit emphasized the importance of accounting the lump sum of invoices in the records, to reflect the true value of revenue earned by NUS for the hire of its facilities. Furthermore, accounts receivable ledger should be transparent for reconciliation. Management should perform a review of all individual accounts to ensure accuracy. Recommendation was noted by NUS.
7. Although the fluctuation of the exchange rate at certain periods could not be controlled by the University; their practice at the time placed a greater risk for receipts of invoices, when the rates fell, incurring loss to NUS revenue. Audit recommended that responsible personnel should obtain updated foreign exchange rates and account the given amounts on invoice regarding the exchange rate, before issuing to overseas customers. Invoices should be issued in Samoan tala, to avoid loss on exchange rate. Recommendation was noted by NUS and stated that their responsible Finance Officer will ensure that invoices – exchange rate risk will be properly dealt with to avoid exchange rates losses in the future.
8. Some invoices were in the manual invoice book but were not recorded on the accounting system. We recommended recording of all invoices promptly on the system to ensure accurate balances are portrayed in debtor's monthly reconciliations for transparency. Recommendation was noted by NUS and assured that the responsible Finance officer will



ensure that all invoices are posted on time to the system so that there are no delay postings in future.

9. There was no policy to monitor accounts receivable in the Financial Manual. Recommendation was noted by NUS and stated that their Accounts Receivables Procedures will be prepared and included in their Financial Policies and Procedures Manual.
10. Donated funds for the Pacific Leadership Project was used for the purchase of alcohol for debate night dinner and functions. Cabinet Directive FK (08) 06 states that no alcohol should be used in any function but only light refreshments should be provided. It was highly recommended that donated funds be used for its intended purpose and that NUS be mindful of approved policies especially Cabinet directives issued when such functions are to be planned for compliance purposes. Recommendation was noted by NUS.
11. There were some vouchers without any internal auditor verification. NUS responded that their Internal Auditor pre audits all payments but there are cases where the internal auditor is on leave and then she is required to do her post audit check upon her return to work. The recommendation was duly noted.
12. There was inadequate documentation filed for payment vouchers. NUS replied that a list of all vouchers with inadequate documentation should be provided in order for them to locate all the missing supporting documents for payments and their current procedure is that we cannot process any payment with incomplete supporting documents, and will continue to adhere with this policy.
13. There was no record for overseas calls kept to confirm whether calls made were work-related or personal. NUS stated that they already implemented this control by using a register for all sections of the university with direct lines to record overseas call and also non-work related calls for recovery from employees.
14. The payment of a water bill was not posted in the General Ledger indicating poor monitoring of records and posting on the system. NUS explained that this voucher was posted in the General Ledger on 7 January 2014, as it was also receipted by SWA when work commenced in early January 2014.
15. There was no monitoring of accounts payable which was also not updated. NUS noted the recommendations from audit and stated that their Finance Officers will ensure that all recommendations are actioned accordingly.
16. There was no documented agreement outlining the conditions for refuelling and repairs of the motor vehicles. Recommendation was noted by the NUS.
17. There was no policy for the use of motor vehicles. Management should review the Financial Manual to include motor vehicle usage and to submit to the Council for approval. Recommendation was noted by NUS and affirmed that their Motor Vehicles Policy will be done and to be added in their Financial Policies and Procedures Manual.
18. Issues relating to Attendance records included:
  - Some employees did not sign the attendance book;
  - Poor monitoring of attendance books resulting in inaccurate attendance records;
  - Finance Staff backdated their signing-in to the attendance books.

NUS stated that the Finance staff are reminded by their supervisors daily of the importance of signing in and out of the attendance book to comply with their General staff attendance policies.

19. NUS policies and manuals were not properly implemented. Staff had no understanding of the correct policies and manuals to follow, with some using the policies from 2008 and 2011. NUS responded that inconsistencies in policy and uncertainty had been addressed as follows. A consultant was working on revising all NUS policies and statutes. This work started last year soon after these issues were brought to their attention. Management was also working with the middle management (Deans of Faculties, Directors of Centres, etc.) to ensure that the most current policies are brought to the attention of the staff in their respective faculties/sections.
20. Management did not comply with the procedures for rehiring a part-time employee. This was one of the weaknesses from the Finance Section regarding the reinstatement of one staff. In addition, this employee worked as a temporary staff without any documentation of his rehiring. The Human Resources unit were not aware of this situation as they did not have any records of this staff's continuing service as a part timer. Management should act in accordance with NUS policies and procedures. In addition, the Finance Section should submit a justification to the Vice Chancellor concerning the rehiring of the said staff on temporary basis for proper records of the HR Section. The recommendation was noted by NUS.
21. There were no records of attendance for contractual employees who did not sign the attendance books. This approach is inappropriate for the monitoring of contract employees' entitlements as it impacts on the calculation of any end-of-contract benefits. Management should review their system pertaining to contractual employees' attendance to ensure accuracy and transparency. NUS stated that their practice is that all their contract officers including academic and comparable staff do not sign in the Attendance books; their supervisors are responsible for their attendance during work. There are no end of contract employees' entitlements or benefits paid to them as all their untaken annual leave each year are forfeited and only their untaken sick leave are accumulated until they request for payment as capitalised or on resignation at 30%. Leave application forms and leave cards are also used for recording leave taken and leave balances available.
22. There were two warnings issued to the Finance Manager for non-compliance with leave procedures. There were employees noted that had no leave forms. The recommendation was noted by NUS. It was explained that HR had posted leave taken (without forms) to leave cards.
23. An employee was reluctant to sign the contract for his new position as he did not agree to the terms and conditions of the contract, but was already paid with the new contract rate. NUS responded that the agreement and signed contract for three years term between the appointee and NUS and the letter of intent had been prepared by the Vice Chancellor.
24. Some of the employees in the Human Resources and Finance Sections were confused with their specialized areas of work likely to result in an overlap of duties. NUS explained that management already reviewed the Financial Services and Human Resources/Personnel sections/ organisations structures for all employees and new Job Descriptions were prepared to ensure the segregation of duties and avoid work overload and duplication. New positions and vacant positions were advertised for Financial Services Section and a review of Personnel/Human Resources was pending.

25. Salaries advances were made for some staff. This practice is not allowed under the Labor & Employment Act 2013. The issue was noted by the NUS.
26. Per General Staff Manual 2011, Grade 1 of General Staff is prohibited from overtime payment. Payroll testing indicated some overtime payment for some of the Grade 1 General Staff. NUS replied that the General Staff policy Manual was revised in 2008, 2011 and 2014 Council approved in March 2014; the two senior officers noted were General Staff and the University was reviewing their positions to be transferred to contract comparable staff so that no overtime payments are allowed.
27. Statutory deductions (NPF and ACC) had not been deducted from some of the employees' salaries and wages. NUS said that it will deduct all statutory deductions from employees' salaries and wages and any separate payments of salaries and overtime in the next pay day.
28. Audit was concerned about the accuracy of overtime hours and payments, as well as controls in place for monitoring these payments. NUS responded that they do not encourage employees working overtime unless it is absolutely necessary. All contract officers of the University are not entitled to overtime only general staff for support services like the Sections for Physical Facilities Security and others, Financial Services, Personnel, Secretariat, Student Administration, Gym, Bookshop, Library, Media, ICT due to vacant positions, night classes and during enrolments, examinations and graduations preparations.

## **2.19 National University of Samoa**

### **Interim Audit for the period 1 July 2014 – 30 April 2015**

1. There were missing accountable forms during our physical inspection. Recommendation was noted by NUS and all accountable forms are now being transferred to the Assistant Director Finance office for storage. Their Internal Auditor will sight all Accountable forms not sighted during the spot check and refer to Audit Office for final check.
2. The purpose and usage of some accountable forms were not found in the register. NUS said all accountable forms were now being transferred to the Assistant Director Finance office for storage. Their Internal Auditor will sight all Accountable forms not sighted during the spot check and refer to Audit Office for final check.
3. The Centre for Samoan Studies has a petty cash fund of \$200.00 but only \$0.60 sene was on hand during petty cash counting, and receipts were given without any petty cash vouchers for verification. This raised concerns on whether there was proper approval. Furthermore, the responsible officer had responded that the petty cash was not reimbursed as she was occupied with her other duties. NUS assured that petty cash vouchers were already in place for the Centre for Samoan Studies, and petty cash expenses of \$199.40 were later authorised by the budget holders who is the Director.
4. The vehicle that was used by the former Associate Minister of Education was registered under MESC but fuel was paid by the NUS. The issue has been noted and that it should be the Ministry of Education to provide for such expenses for this vehicle.
5. There were petty cash vouchers without proper endorsement from the Faculty of Medicine's Dean. The issue has been noted.
6. Total petty cash used exceeded the petty cash holding amount of \$200 tala. The excessive amount was funded using personal monies. NUS have noted the issue.
7. There were purchases of alcohol being made. The funding of these expenses are prohibited under the provisions of the FK (08) Fa'apitoa 06. These expenses comprised a Council Meeting at a seaside lodge, a retreat at a hotel, and end of year function of the university staff. NUS responded that the purchase of alcohol for the end of year function was from the staff funds within the University's main account. A revenue account was created in the NUS accounting system (Attaché) to record all the income and expenses related to staff-related activities. A purchase order book was also authorised to be used for any transaction relating to the Social and Events Committee and its planned activities throughout the year. The staff funds are monitored by the Events Committee President and the Treasurer. NUS has noted the concern.
8. Issues relating to payments included:
  - Quotes not provided as per normal procedure.
  - No receipt attached for some payments to confirm payments made.
  - No acquittal reports placing doubts on the legitimacy of some disbursements made from the University's fund.NUS said appropriate measures have been put in place to address the issues raised.
9. There were payments made from the University's fund as donations to some of the staff's funeral. In addition, there were also funeral expenses such as wreaths and laces funded by the University. Payments of such nature are not allowed under F.K13 (06) and so should not be

funded by the University. Under the Academic, Teaching and Comparable Staff Policy Manual. 11.3, paragraph 4. "The Vice-Chancellor may grant to the widower or dependents of the staff member an ex gratia payment equivalent to six months contract where death occurs during a contract." This is a Council approved provision.

10. There were inadequate supporting documents for some payment vouchers for the Vice Chancellor's credit card transactions. Payments could not be verified to their correct nature due to inadequate documents attached, portraying poor documentation. NUS said it will provide documentation not given during spot check.

11. Issues relating to Account Payables:

- There was no manual policy in place to guide and monitor the process of Account Payables.
- No updated list of Account Payable
- Account payables not updated
- No register of invoices from suppliers
- Postings of invoices on the system were only done when payment is made
- All unpaid invoices were kept in the box and not manually registered

These weaknesses were raised in previous audit, but no improvement has been noted.

NUS said their Financial Policies & Procedure Manual was under review to update their Accounts Payables process including Attaché computerised accounting system. A manual register had been prepared to record all unpaid invoices to easily trace outstanding accounts as per recommendation given.

12. HOD allowances were not subject to Income Tax and this was a non-compliance with tax legislation. NUS stated that that they will pay their staff allowances on their payroll fortnightly for compliance.

13. Issues relating to leave records included:

- No leave application forms for some staffs that took leaves
- Unrecorded utilized leaves on Leave Card
- Inconsistent leave records (attendance book, leave form and leave card)
- Some employees failed to adhere to leave procedure and policy in place
- Vice Chancellor endorsed his own leave application forms

NUS has noted the concerns and actions have been taken to correct issues noted.

14. Issues relating to attendance records included:

- No attendance records for both Academic and Comparable Staff
- Some divisions' attendance books were not accurately and properly maintained by responsible personnel.
- Some employees did not sign in and out on the attendance book

These issues were raised by previous audit, with no improvement made.

NUS explained that staff have offices in at least 15 buildings. It is the responsibility of the supervisors (heads of department) to ensure that not only were academic and teaching staff present on campus but that they also attended their various lectures and classes throughout the week. Absences were covered by leave applications or imposition of leave-without-pay. In these circumstances a signature in an attendance book does not necessarily translate into actual work as staff could be in other locations. Continuous visual supervision is not possible with general staff working in different office spaces.

15. There were inconsistencies with the payroll preparation which was not in accordance with payroll policy as per the Finance manual. NUS said that their Financial Policies and Procedures

Manual will be reviewed to update payroll manual and Attaché computerised systems and internal controls.

16. Issues relating to Personnel and Administration included:
  - Personnel records were not updated
  - Poor communication within Personnel & Administration Division causing delaysNUS stated that their staffing in the Personnel Division is under review.
17. NUS had failed to adhere to terms and conditions of signed employment contracts for some of their contractual staff. There were contractual employees with one year extension of their contracts without any written document signed by both parties as per their previous signed employment contracts. The issue has been noted.
18. There were only four staff working at the Personnel and Administration Division compared to the work that they should be undertaking. It was also noted the two officers in payroll carry out the same duties and responsibilities in the preparation of payroll. NUS responded that the position descriptions of the two Payroll officers were quite different and were reviewed in 2014.
19. Audit found out that the University uses one main account for both operating and social activities. This was an inappropriate practice. NUS responded that a revenue account was set up in their General Ledger to account for the Social Events Committee activities.
20. There were variances between the ending balance of approved bank reconciliation and ending balance as per general ledger for each month included in the period under audit. NUS has noted the issue.

## **2.20 National University of Samoa**

### **for the year ended 30 June 2015**

1. Bank reconciliations were not prepared and reviewed on a timely basis. Audit concerns have been noted.
2. A detailed bank reconciliation report, an issue raised in the prior year, could not be generated. NUS will contact its system provider about this concern.
3. There was no segregation of duties in bank reconciliation. NUS said its bank statements received will be reviewed by the Director or Assistant Director Finance before it is passed on to those responsible for bank reconciliations.
4. There was no segregation of duties in payments and purchases orders and this was raised prior year. Audit understands that there are still vacant roles. NUS does not see this as an issue as there is always proper level of checking through higher levels of authority. NUS recently recruited two new Finance staff to fill the vacant positions and this will help resolve this issue.
5. Observations from stock-take:
  - No stock-listing to compare with audit stock take counts. NUS said appropriate measures have been put in place by the Bookshop Manager to ensure it will not recur.
  - During stock-take, the audit count and system had variances despite management stating the system was updated. NUS said corrective action had been taken to correct the ending stock balance in the accounting system.

## **2.21 Office of the Regulator**

### **for the year ended 30 June 2014**

1. The Office of the Regulator (OOTR) deducts withholding tax from services performed by any companies to their office but have yet to pay them to the Ministry for Revenue. OOTR said it will ensure that all withholding taxes deducted for services carried out by suppliers are paid to the Ministry for Revenue starting in the 2016/17 financial year. It should be mentioned that due to the increase in duties and responsibilities for the OOTR since establishment, management recognizes the need for additional staff within its Corporate Services Division to ensure that all legal requirements are met; not only for finance purposes but administrative matters as well. A Proposal for restructure to increase the number of staff within the Corporate Services Division in the OOTR was submitted to the Public Service Commission in January 2015.
2. The draft financial accounts were submitted late for audit as per requirement of Audit Act 2013. OOTR responded it submitted its financial statements to its external auditors within 60 days after 30 June 2016 as per Audit Act 2013 requirements.
3. The annual license fees charged to service providers were not settled on time according to the requirement of the Telecommunication License Regulation 2007. OOTR responded that the application of the Regulations is subject to the discretion of the Regulator. Due to outstanding fees from 2012 and 2013, the Regulator made arrangements with the Service Providers to both recover the outstanding fees and settle current license fees. Once all outstanding fees are paid, the OOTR will be in a better position to fully enforce the bi-annual requirement of the Regulations. Despite arrangements between OOTR and service providers and regular follow up, the issue remains. Renewed efforts will be put in place and licence compliance will be highlighted to service providers.
4. Penalty surcharge fee of 10% was not imposed on unpaid license fees charged to telecommunication operators as per Telecommunication License Regulation 2007. OOTR has applied the penalty fees to outstanding licence fees effective 1 July 2016.
5. Salaries and wages reconciliation (P6 & P6A) have not been filed with the Ministry for Revenue. OOTR will file P6 & P6A in 2016 as this was an oversight.
6. Several lodgements to the Ministry of Finance were delayed. OOTR will ensure that all cash and cheques received by the OOTR are immediately lodged. OOTR replied that there were no delayed lodgements in 2016.
7. Direct deposits received directly to the operation account were not receipted in the receipt book. OOTR responded that all direct deposits received have been receipted in 2016.
8. OOTR does not have a deposit book for its operating account to record all its banking made. OOTR has acquired a deposit book as recommended.
9. Bank reconciliations have not been reconciled regularly or on a monthly basis. OOTR said that bank transactions have been reconciled on a monthly basis starting in July 2015.



10. The provision for doubtful debts has not been reviewed by the management. OOTR replied that it started regularly reviewing the list of debtors and doubtful debts in July 2015. In April 2016, a request to write off long outstanding debts of \$87,860 was submitted to the Ministry of Finance as a result of their reviews.

## **2.22 Office of the Regulator**

### **for the year ended 30 June 2015**

1. The Office of the Regulator does not have an Act specific to administering its establishment and functions. The Regulator and management is now working towards addressing the issue and necessary actions required.
2. Several lodgements of license paid to the Ministry of Finance were delayed. OOTR responded that processes will be enforced to ensure that receipts are lodged as soon as possible.
3. The payroll for the OOTR is solely prepared, checked and approved by the ACEO Corporate Service showing a lack of segregation of duties. OOTR responded that this happens sometimes due to the lack of staff. The JD for the Principal HR Officer position is looking at amending the JD for Principal HR Officer.
4. There is no evidence that lodgements' deliveries to Ministry of Finance were checked. OOTR is in the process of recruiting senior personnel to assist the ACEO Corporate Services with required checks in relation to financial obligations.
5. Withholding taxes for the financial year were not paid until November 2015. OOTR noted the recommendation.
6. The draft financial accounts were submitted late, 26<sup>th</sup> October 2015, for audit as per requirement of Audit Act 2013. OOTR responded that the hope of recruiting a Senior Officer will assist with timely submission as the finance team is currently understaffed.
7. The annual license fees charged to service providers were not settled on time according to the requirement of the Telecommunication License Regulation 2007. OOTR responded that the application of the Regulations is subject to the discretion of the Regulator. Due to outstanding fees from 2012 and 2013, the Regulator made arrangements with the Service Providers to both recover the outstanding fees and settle current license fees. Once all outstanding fees are paid, the OOTR will be in a better position to fully enforce the bi-annual requirement of the Regulations.
8. Penalty surcharge fee of 10% were not imposed on unpaid license fees charged to telecommunication operators as per Telecommunication License Regulation 2007. OOTR responded that it is the Regulator's discretion if the surcharge of 10% *shall* be payable the Regulator is of the view that a further levy will delay payments of license fees. However, the Regulator will consider applying the penalty fee in the 2016/2017 financial year.
9. Salaries and wages reconciliation (P6 & P6A) were not filed with the Ministry for Revenue. OOTR responded that returns will be filed to avoid late penalty.
10. Direct deposits received directly to the operation account of the OOTR were not receipted in the receipt book. OOTR responded that the process of receipting direct deposits in this financial year (2015/2016) is now in place.
11. Bank reconciliations were not done on a regular basis. The OOTR responded that bank reconciliations will all be updated.

12. The provisions for doubtful debts have not been reviewed. OOTR responded that the provision for doubtful debt will be reviewed before the end of the current financial year (30 June 2016).
13. Long outstanding debtors from 2013 pertaining to taxi stand operators have not been recovered. OOTR responded that the Technical Division now has a Register of licensees including all due dates to issue invoices.
14. The reimbursements of expenses from telecommunication bodies were directly offset against the expenses in the accounts and not reported separately as required by the international accounting standards. OOTR said that the general journal entries for adjustments have been booked to correct the previous postings.
15. Receivables aging more than 90 days contribute to more than 36% of the total debtors outstanding balance. OOTR agreed with the recommendation and with its new Spectrum License Register will address this issue before the end of this financial year.

**2.23 Polynesian Airlines Limited & Polynesian Airlines Investment Limited**  
**for the year ended 30 June 2015**

1. There was a \$16,247.50 error due to an incorrect depreciation rate being applied to a new additional building taken up in PAL books. PAL has addressed and corrected this issue with the audit team.
2. Fixed assets schedule and its corresponding general ledger balances were incorrect resulting in the understatement of fixed assets (and depreciation) by \$961,053.64. This was from a delay in the manual update of additional fixed assets into the financial system. PAL has addressed and corrected this issue with the audit team.
3. There was no existing written legal contract between Polynesian Airlines (Investment) Limited and Polynesian limited for the office space that the latter rents from the former at the Fagalii Airport Terminal Building. PAL explained that a lease agreement has been executed between the two companies for the lease of the office space at Fagalii.
4. PAL has withheld payment of withholding taxes to the Ministry for Revenue of \$143,261 relating to Directors Fees and various contractors. There have been extensive discussions between Ministry of Revenue & Polynesian Airlines. Over the years, MOR has paid VAGST refunds owing to PAL and it has released some PAYE cheques.
5. The Board declared a 10% dividend to shareholders for the year ended 30 June 2015 in response to Cabinet FK (14) Faapitoa13. PAL management is following up this issue with the Ministry of Finance as advised in their letter dated 26 June 2014 to clear the matter of payment of dividends whilst there are accumulated losses carried forward from the previous years. PAL CEO had adequately addressed the dividend issue in his reply of 30 June 2014 to Ministry of Finance.

## **2.24 Public Trust Office**

### **Interim Audit for the period 1 July 2015 – 29 February 2016**

1. Petty cash vouchers did not have clear payment descriptions and lacked supporting documentation. PTO said receipts cannot be issued for several payments, but payment descriptions can be made and verified by management.
2. Incorrect treatment of non-taxable expenses overstating tax portion to be paid by PTO, resulting in understatement of expenses. PTO has addressed the issue.
3. Withholding tax of 10% on services rendered to the Public Trust Office was never actioned which is not in compliance with relevant tax legislation. PTO has implemented this for payments, where relevant, commencing July 2016.
4. Several cash cheques were approved and issued. The audit is concerned with the risk associated with this practice as cheques for official purposes should be made payable to the Public Trustee or Assistant Public Trustee. PTO has noted the issue.
5. There were inappropriate expenses being funded from the office budget.
  - The office end-of-year function costing more than \$6,000 was fully funded by the Office as well as the purchasing of hampers for the Minister, Associate Minister and Board of Directors.
  - Payment of monetary gift of \$2,000 to the Public Trustee while he was on sick leave.
  - Spending of \$400 to purchase lunches for Board of Directors meeting. PTO has noted the issue.
6. There were vouchers with missing receipts and some with no receipts at all to verify the acquitted amount. Cash cheques of \$500 were cashed twice or three times a month for refilling fuel of all three office vehicles. PTO maintains that receipts were attached to the relevant payment vouchers given to audit.
7. Motor vehicle PTO01 had tinted windows and additional accessories prohibited under Cabinet Directive F.K.(13)17 Section 3.5, version iii. PTO explained this was done for safety purposes as well as cost saving purposes in terms of petrol usage for reduced air condition usage.
8. Office vehicles were not labelled in accordance with government directives for vehicles to be labelled with the name of respective ministry or corporation. PTO has addressed the issue.
9. The Human Resources (HR) policies currently used by the Public Trust Office was approved in December 2009 by the then Board of Directors. Public sector policies from various Cabinet directives which were also communicated through the Ministry of Public Enterprises circular memorandums have yet to be incorporated into these policies. PTO has noted the issue for action.
10. The Public Trustee's untaken annual leave were capitalized when they were due, that is, they were not forfeited but paid out in cash instead to the Public Trustee. This was not in compliance with government's policies for contractual staff. In addition, payment of an employee's benefit without a legal binding document is illegal. PTO has noted the recommendation but explained that this payment was made pursuant to Section 41 of the Labour and Employment Relations Act 2013 [(sub-sections (1) and (2))].

11. The Public Trustee leave records indicates that he has taken 49 days as special leave, yet only 10 days were properly approved by Cabinet. The other 39 days special leave were utilized without approval from the Cabinet, while the Public Trustee received his normal salary and with no signed employment contract in place. PTO explained that these special leave days were issued upon seeking advice from the Public Service Commission.
12. A personal file of one of the employees has not been accurately updated with relevant information regarding the employment history of the employee within the Public Trust Office which called in to question his terms of employment but could not be verified without any proper documentation. PTO has addressed the issue.
13. There were no signed employment contracts in place for both Public Trustee and Assistant Public Trustee. PTO said it will follow up with the Attorney General's Office regarding Employment Contracts for the Public Trustee and Assistant Public Trustee.

## **2.25 Public Trust Office**

### **for the year ended 30 June 2015**

1. The reconciliations for the ANZ operating account was not signed as checked and approved. The audit issue was noted by PTO.
2. There were a number of old cheques being carried forward from 2012, 2013 and 2014. This was addressed in June 2016.
3. A payment voucher that was not signed by the Public Trustee. The audit issue was noted by PTO.
4. Some payment vouchers were not signed received by claimants. This indicates inconsistency in procedures. The audit issue has been noted.
5. In the review of estate payment, there was a payment voucher with no receipts attached from the lawyer's office regarding the payment made. PTO said this was filed in the Estate File. The audit issue has been noted.
6. Some ledger cards were untouched for quite some time without updating of dates and carry forward balances. PTO replied that update on ledger cards are done when there is movement on loan accounts.
7. There was no client log documenting the history of work, status of the file and other records.
8. The opening dates for some of the sampled clients was not recorded on the front of the mortgage/loan file. PTO said records in loan accounts were limited and actual dates were hard to ascertain.
9. Slow repayments or no repayments at all over the two years for some of the clients. Audit estimated a provision worth \$258,516.23 to be booked. PTO said this will be considered in the preparation of accounts for the new financial year. The recovery of these amounts was fully guaranteed either through settlement by estate beneficiaries or via selling estate land.
10. There was a variance in the register compared to the General Ledger of \$1,318.00. The origin of this variance is unknown and has been carried over the years. The issue was addressed in June 2016
11. There was a huge variance between the General Ledgers and the summary of VAGST returns. PTO said calculation was automated via its MYOB system and work was in progress to reconcile with MOR records. The issue was addressed in June 2016
12. The manual reconciliation of long term liabilities did not agree with the financial statements. While the variance is immaterial, the reconciliation should match the accounts in order to support what has been entered onto the MYOB system. The issue was addressed in June 2016 after deliberations with external auditors.
13. It was noted during the testing on compensation that the first six month interest was incorrectly charge by 4% instead of 1% leading to an overcharge of interest allowed. The issue was addressed by PTO in 2014/15.

14. It was also noted in the testing for trust fund interest was incorrectly charge by 4% instead of 1% leading to an overcharge of interest allowed. The issue has been addressed by PTO in 2014/15.



## **2.26 Samoa Airport Authority**

### **for the year ended 30 June 2015**

1. No VAGST returns have been filed since September 2014 up to February 2016. The last return was filed in July/August 2014.
2. There were debtors with credit balances which must be reversed or treated as payables. There were no reconciliations of debtors resulting in unreliable debtors balance and overstatement of assets. SAA explained that credit balances vary due to fluctuation in exchange rates. Board approved write offs of these accounts at its meeting in August 2015 and actioned in September 2015.
3. Lapse in timely reconciliation and proper record of stock movement. Stock take was carried out at end of financial year however, the final costing and valuation was incomplete on time as senior staffs responsible for valuation left without completing this task. SAA said its stock valuation was now completed.
4. Salaries and Wages in the General Ledger could not be validated given the absence of a proper fortnightly payroll report. There were issues raised by the Board during the year with the increase of overtime work. SAA said the information is usually cleared out once the new payroll is processed and there is no way the information can be viewed again, apart from the manual copy which is filed every two weeks after each pay period. Those files are available for auditors for verification and checking purposes.
5. No proper P4s were filed with Ministry of Revenue to serve as another check point to cross check gross salaries and PAYE to Salaries and Wages in the general ledger. SAA said the P4 was now part of its payroll requirement.
6. There was no evidence of payroll being properly checked by a senior officer before it was despatched. SAA said every payroll is checked by the Finance section before further check and verification. The payroll cheques cannot be processed until all checks are completed.
7. It was difficult to reconcile the General Ledger amounts with the available reports; hence it was concluded that the reports were unreliable. SAA said that the P4 is only required to be filed once a month and based on weekly or fortnightly payroll reports.
8. There were payments with no receipts from suppliers. SAA explained that the problem arises when suppliers/contractors pick up their cheques without a receipt book. Due to the distance from town, SAA to pick up their cheques as long as they sign on the voucher to confirm they had uplifted their cheques.
9. There was inadequate analysis of general ledger balances and failure to adjust opening balances and no timely reconciliation. SAA replied that passwords and access to the different levels of the system had been updated so that only authorised personnel will be able to make any changes of corrections into the system.
10. The missing vouchers that made up a large portion of the outstanding amount from a debtor could not be located. Out of the total \$85,904.22, an amount of \$80,430 had been identified and has been forwarded to Ministry of Finance for reimbursement.

11. The use of journal entries to process transactions should be kept to an absolute minimum and except for monthly standing journals. Only authorised personnel on the advice and approval from management should book any significant adjustments. The audit recommendation is noted and will be actioned.
12. Some Board Minutes were not signed by the Chairman and directors.

## **2.27 Samoa Fire and Emergency Services Authority**

### **for the year ended 30 June 2015**

1. The draft financial accounts were submitted late for audit as per requirement of Audit Act 2013.
2. The total written down value of all vehicles as at 30 June 2015 was much less than the sum they were being insured for. This issue was also raised in previous year audit. FESA fleet is made of specialized vehicles not easily available in Samoa and have large values despite written down values reflected in the books and why they are insured at their original book values. FESA has noted the issue and adjustments have been made for sums of insured vehicles due for renewal.
3. Fixed assets were not insured except for motor vehicles. FESA explained that the Maota building was not structurally sound and could not be insured. The Main Office was uninsured due to contentious land issues. However, it will take note and work on budget for implementation in the financial year 2018.
4. The treatment of 10% withholding tax for services provided has been inconsistently applied. There was a slight confusion until FESA received a revised version of the Income Tax Act 2012 which highlighted an amendment to 595 on withholding tax. Withholding tax is now withheld from types of services.
5. On call allowances for staff were not taxed.
6. Payroll is solely prepared and checked by the Principal Accountant before approval by the Assistant Commissioner. FESA Board has approved purchase of a Biometrics machine for remote sign-in of staff and at the main office. This has prompted a new process to commence in November 2016 allowing for separation of duties and removal of any duplicate work.
7. Personnel files were not properly maintained to reflect all relevant information pertaining to staff.
8. There was no Accounting Manual to ensure that there are proper policies and procedures in place to guide work of the Finance division. FESA said its current Finance Manual has been reviewed awaiting a further evaluation and approval from the Board.
9. Terms and conditions of employments were not yet reviewed or approved by the Board of Directors. These should be in line with the Labour and Employment Relation Act 2013. The recommendation has been acknowledged. FESA said their review will be tabled to the Executive for assessment and amendment before submitting to the Board of Directors for approval.
10. FESA did not pay for employees' overtime breaching Labour and Employment legislation. FESA said it was currently discussing this issue with the Ministry of Public Enterprises. However, FESA has started paying overtime for staff, but only for certain engagements.
11. A claim from an insurance provider was paid for by FESA in relation to an accident involving one of its vehicles driven. However the claim was settled by FESA and they did not recover any funds from the employee involved. FESA said there was a fortnightly repayment by Senior HR to recover monies paid.

## **2.28 Samoa Housing Corporation**

### **for the year ended 30 June 2015**

1. One cheque was not included in the outstanding cheques at year end. SHC has already established a cheque register system to account all cheques being issued from time to time and will enforce internal controls over this register system to ensure all cheques are accounted to the related period.
2. As noted in previous audits, the SHC loan files are still not properly kept in a safe storage, they are still seen on filing cabinets and on the workstations. Management is already working on a new building to relocate the office and a storage room is one of the main features of the design.
3. Although SHC has made the initiative to develop a draft policy and manual to guide the operation of the rental properties division, the corporation is mandated and guided by Acts of Parliament. Operation of this division is not directly dictated in the Samoa Housing Corporation Acts and its subsequent amendments. Negotiations are underway with Ministry of Finance and Ministry of Public Enterprises for a Technical Assistance to carry out institutional review of the corporation including reviewing of SHC Act to incorporate rental property operation.
4. Fees from stamp duty were not consistently lodged immediately the following working day.
5. Receipts and lodgement for rental properties were missing from the receipt book.
6. Payment vouchers were not stamped "Posted", and others had no supporting documents.
7. Timecards were not completed for overtime work.
8. Journal entries noted that narrations are not specific to cross check entries made it difficult to cross-reference due to inadequate information on general journals.

**2.29 Samoa International Finance Authority**  
**for the year ended 30 June 2015**

1. Bank reconciliations were not prepared or reviewed on time. SIFA explained that its new computerized accounting system was a work in progress, but will ensure that bank reconciliations were produced and reviewed in a timely manner.
2. SIFA may also need to revise/review its existing accounting processes and policies that incorporate the new financial systems once it is installed and operating.

## **2.30 Samoa Life Assurance Corporation**

### **for the year ended 30 June 2015**

1. There should be consistency in the filing and requirement needs to be maintained and followed. SLAC said it has noted that a note will be added on to the replaced proposal to confirm this action.
2. Information was incomplete in filling out forms. SLAC said it will address this matter for improvement of work process moving forward.
3. Authorized signatures were not clearly visible on some payment vouchers.
4. There was a difference in the total salary for the IT Manager on his contract compared to the payroll calculation as it was split into allowance and total salary.
5. Contracts had not been updated since the increment of 3% for General Manager and the Finance Manager.
6. Changes to salaries were not signed by authorized personnel. Contracts provide an appropriate avenue for documenting changes. SLAC said this has been approved by Cabinet in FK and endorsed by Board of Directors.
7. Some loan policies were prepared and reviewed by one person. SLAC confirmed that the above loans were processed before 1 May 2015 and that all loans will be circulated to the Senior Investments Section Officers/Finance Manager and General Manager for approval, and loan officer will concentrate on facilitating loans without any approval.
8. There was delay in preparing bank reconciliation on a timely basis.
9. Employer confirmation for the sample staff at SLAC was not provided as part of the procedure. SLAC confirmed that it had already provided the confirmation letters for staff members in their loan files and will include that requirement in our checklist for all staff loan request in future.
10. One file has received 80% of their loan without the completion of some procedures in place. SLAC said its guarantee agreements by their solicitors must be completed before any release of funds.
11. One Board paper was not signed as endorsed by the General Manager. Management acknowledged the issue and confirmed that the final copy submitted to the Board for approval was endorsed by General Manager but not the copy in file when audited. Management will ensure that a signed copy of all applications will be filed in all client files to indicate completion of mortgage process.
12. In review of claims, one file with its form was not signed by the bearer as received and verified by the responsible officer. SLAC management acknowledged the issue and will address it for improvement of work process moving forward.
13. One had no birth certificate attached. Having no birth certificate does not give the true and proof of the identification of the beneficiary. It is recommended to abide by this procedure. A

work ID was provided by client as confirmation of identification. SLAC acknowledged the issue and will address it for improvement of work process moving forward.

14. Our prior year audit findings from our previous management letters that related to significant mortgage issues had triggered the new SLAC Board to investigate into the Loans Division. This detailed investigation was conducted by their newly appointed Internal Auditor - also a new post. The internal audit report confirmed external audit management letter issues which included discretionary mortgage loan penalty interest rates; lapse internal controls; confusing loan agreements and questionable lending practices Issues. A subsequent restructuring of the mortgage portfolio led to the Board endorsing a \$450,000 additional general provision for the mortgage loan receivables. The impact on the financials was a substantial increase in their total expenditure due to the additional provision for mortgages. Furthermore, audit has suggested including a note disclosure for the contingent liability for the impending lawsuit. SLAC replied that it has adopted a new Mortgage manual that has been approved by its Board in March 2015 that sets out new policies and procedures regarding mortgage loans. The recoverability of mortgage loans was approved by the Board of Directors with the endorsement of a provision of \$450,000 into 2015 accounts for Mortgage receivables. SLAC has engaged the Office of Attorney General to assist with drafting new loan documentation. Its mortgage lending has been put on hold since late last year including staff loans and will be opened up again as soon as the new loan documentations are in order as Board approves.
15. SLAC has agreed to a disclosure note for Contingent Liability in the accounts to reflect a contract for the supply, installation and implementation of the Loans Management System.
16. One savings account was missing in the financial accounts. SLAC has obtained an update of this account.
17. There were stale cheques and uncredited deposits dating as far back as early 2014. SLAC said that adjustments have been done accordingly.
18. One term deposit had a different balance to the amount in SLAC Work papers. SLAC had not accounted for the changes made on this Term Deposit from March 2015-June 2015. SLAC has noted the recommendation. SLAC did not anticipate any changes to the term deposit amount because it has been locked to mature in June 2016. It will follow this up again.
19. No term investment statement was attached for verification of evidence. SLAC has sent a request for an investment confirmation, and a follow-up letter was sent with no response.
20. The restructure report provided did not agree with the General Ledger. One client that was not included in the restructure analysis. SLAC said this will be booked in the first quarter accounts for 2015/16 and will be disclosed as a subsequent event for financial year 30 June 2015.

## 2.31 Samoa Land Corporation

### for the year ended 30 June 2015

1. There were twelve main issues previously reported to SLC in the management letter discussed already with management when the audit was completed:
  - i. Guarantee payable by the Corporation in excess of \$600,000 consisting of one (1) sub-issue.  
SLC noted that judicial settlement conference was scheduled for 19 October 2016 but was adjourned to 8 December 2016 for SLC to advise whether it has authority to make any settlement.
  - ii. Land debtors - adjustments relating to prior years consisting of eight (8) sub-issues. SLC's newly appointed Manager for Lands Department is fully aware and up to date with these matters and related issues which will be on her priority list of tasks to clear. With management support, the need for effective communication is important in ensuring these matters are dealt with sooner rather than later. Training for LMS is scheduled before the end of the year for the Manager and staff.
  - iii. Land – land leases consisting of eight (8) sub-issues
  - iv. Land – land sales consisting of eight (8) sub-issues
  - v. Land exchanges with third parties consisting of two (2) sub-issues  
The approval of land leases, land sales and write-off of land debtors are done by the Board while approval for lands repossessed from time to time and minor write-offs are done by the General Manager.
  - vi. Recovery of land debtors review consisting of one (1) sub-issue
  - vii. Invoices and billings consisting of one (1) sub-issue  
SLC explained that all invoicing is now with the Accounts Division for distribution. The Lands and Investment teams submit their lists monthly.
  - viii. Salelologa Market Savaii consisting of two (2) sub-issues  
The team at Salelologa is now given a week to compile the paperwork required and have this sent over instead of daily updates previously implemented.
  - ix. VAGST consisting of two (2) sub-issues  
There is now no exception for inclusion of VAGST for all accounts. The outstanding amount with the Ministry for Revenue at year end 30 June 2016 is down to less than \$400,000 which SLC sees as a huge improvement from the amount of more than \$1 million owing two years ago.
  - x. Land management system (LMS) consisting of four (4) sub-issues  
SLC said its LMS GL Integration was running smoothly and has improved tremendously. Work is still in progress and 80% of all land details are now updated.
  - xi. Corporation land policy manual consisting of one (1) sub-issue
  - xii. Corporation processes and internal auditor consisting of one (1) sub-issue. SLC said that its internal auditor was in charge of all outstanding issues and has effectively assisted in the audit for the financial year 2016. Work in progress is still ongoing.

SLC was requested to provide further comments as to the status of these issues. Audit has been looking for corrective and remedial actions undertaken to date to both fight off any current exposures of SLC to future liabilities and contingencies as well as actions that will prevent the same deficiencies from recurring.



**2.32 Samoa National Provident Fund – Statement of NPF Building  
Operating Expenses  
for the year ended 30 June 2015**

1. One tenant occupying 3 different leases has yet to pay its rent for the year, totalling \$21,014.28 in arrears. SNPF agreed that this tenant continues to accumulate outstanding arrears due to unpaid utilities and rent, even with regular follow-ups. This issue is now with its Legal Department for recovery process while awaiting court hearing.
2. Utility payments and repairs and maintenance expenses have decreased compared to the previous year while there was an increase noted in service contract. SNPF explained that there were no major repairs aside from routine maintenance. Service contract costs increased due to elevator maintenance and other related emergency costs.

### **2.33 Samoa National Provident Fund - Senior Citizen Benefit Fund for the year ended 30 June 2015**

1. Employment contracts for two contractual officers were unavailable at the time of the audit. SNPF replied that both these were filed and dated 30 July 2015.
2. A pensioner who had passed away did not have their pension refunded. The Fund responded that the pension account of a deceased pensioner is immediately ceased when a case is reported or when they can confirm from other available sources. For this case, a refund was made to the pensioner's account on 12 August 2015.
3. The fixed asset schedules did not match the General Ledger. This variance has been corrected by SNPF.

## **2.34 Samoa National Provident Fund**

### **for the year ended 30 June 2015**

1. There were short term loans processed that did not comply with the Investment Policy to supply original bank statements for the previous two months; and that repayments should not exceed 60% of net wages with a minimum repayment of \$50 per fortnight. SNPF said that its lending policy has been revised to include bank statements of any length of time to be supplied at time of application. Scheduled payments for cases in this issue took into account other income paid into other banks, and payment arrangements by the client which is a common issue with repayments.
2. There were loans processed under the Right Hand Drive Vehicle scheme without original bank statements for the previous six months as per Investment Policy. SNPF explained that the purpose of this requirement was to allow for assessment of the ability of the client to service the loan. If history of loan repayments is good, it is not necessary to look at six months, as two to three month is sufficient. All loans in this audit issue were not in arrears as they are able to service the loans approved. Presently, the investment loans policy has been revised to include bank statements from one to six months.
3. There were loans processed under the Home Loan Scheme that did not comply with the Investment Policy for the submission of plans, designs and costing for building construction. A loan fee of 1% will apply and can be deducted from the first loan disbursement. It was clarified that all loan fees for these have been paid. Presently, all loan fees must be paid or charged to account prior to the first loan disbursement.
4. There were loans processed under the Educational Loan Scheme that did not comply with Investment Policy in relation to the following:
  - Pay for members' children school fees from Year 9 to University level.
  - The members' loans including the new loan for education purposes must not exceed 80% of the members' contributions to date
  - The repayments must not exceed 60% of the net wages.

SNPF explained that its Education loans policy has been revised to include fees for primary level as well as those attending private schools. Total loans including education should not exceed 80% of total contributions but discretion has been allowed in some cases which are closely monitored.

## **2.35 Samoa National Provident Fund-Parliamentary Pension Scheme for the year ended 30 June 2015**

1. Analytical review of the financial statements displays either an increase, decrease or nil account balances compared to previous financial year. Some of the account balances include:
  - Interest receivable with 28% increase. SNPF attributed the increase to the increase in term deposits and maturity dates.
  - Members contribution receivable account was nil while prior year reported \$83,894. SNPF explained that there was no delayed payroll payment for June 2015, however for June 2014, payroll was received in July but recorded as a receivable in June.
  - Income in advance with nil balance while prior year reported \$103,500. It was clarified that there was no prepayment of UTOS interest in the current year. For the prior year, income in advance balance relates to interest on UTOS notes prepaid by UTOS and interest revenue was recognized during the year as they fall due on a quarterly basis.
  - Other revenue dropped by 100%. SNPF said that prior year balance relates to members' credit under the former scheme for Parliamentary Retirement Fund (PRF) for pension payments. Currently there is no pension pool remaining and any pension payment is paid by the Scheme.
  - Actuarial valuation expenses for the year incurred \$27,374 while prior year reported nil. Actuarial review is done every three years and not on an annual basis and that the most recent assessment was in December 2014.

## **2.36 Samoa Ports Authority**

### **for the year ended 30 June 2015**

1. There were non-compliance issues noted with the terms and conditions of lease agreements. SPA responded that grace periods granted to lessees were given to allow them to regroup costs incurred on improvements made in setting up the properties for their operations.
2. Many lease agreements in the past years have not been approved and endorsed by the Board or advertised for public interest.
3. There were some inconsistencies with lease agreements. In particular, the format used in writing up lease documents and the periods of the leases offered. In addition, some lease agreements were operating on yields lower than the approved commercial rates. All lease agreements should be uniform with minor amendments to suit tenants.
4. Some lease agreements have been poorly executed. Some lessees have two separate leases with the second one backdated to the original lease. Any changes to the original lease should be reflected in a variation to the lease and subject to the approval of the Board.
5. There were no lease agreements for some leases.
6. A lease has been executed in favour of the lessor as annual income is lower than income previously received when it was under SPA's control. SPA has limited rights in amending the lease agreements as it has already been executed.
7. Staff bonuses paid out lacked proper justifications. SPA responded that the payment of bonuses was approved by the Board based on an improvement in the financial position of SPA.
8. The QuickBooks Accounting Software currently used does not capture the income received from bonds.
9. SPA did not use the Quickbooks to process cash received on a daily basis. Receipts were entered into an Excel spreadsheet before posting to QuickBooks.
10. There was a need for an Asset Management Policy. This Policy should include the capitalisation of assets in the Accounting Manual.
11. There were unlabelled assets, assets transferred to other locations without updating asset register and assets that no longer exist but were still recorded in the asset register.
12. There was no Accounting Manual in place. SPA responded that the Financial Manual has been completed and approved by the Board in December 2015.
13. Salary rates and designations in divisional structures differ with the list of employees obtained from the Human Resource department. SPA responded that the differences in rates and designations were due to increments approved by the previous management.
14. Trade receivables have increased to more than 85% of total trade receivables. Outstanding accounts of more than 90 days contributed to 65% of aged receivables.

15. There was no action taken on writing off long outstanding and irrecoverable receivables.
16. Recent developments in International Financial Reporting Standards require the registration and declaration of related parties and transactions however no such registration and declaration occurred.
17. Salaries and Wages P6 and P6A reconciliations were incomplete as it did not include contract payouts and annual and sick leave entitlements paid out during the year. These were also not filed on time as per Tax Legislations. All payouts should be included in P6 Summaries and should be submitted on time to the Ministry for Revenue.
18. Board members were paid allowances in which they were not entitled to as per Cabinet approval, FK (05)32.

## **2.37 Samoa Ports Authority**

### **Interim Audit for the period 1 July 2014 – 30 April 2015**

1. The revised Accounting Manual was still a work in progress and all recommendations given will be incorporated into the Manual.
2. Although it had undergone a restructuring process, an organizational chart has not been fully updated to document changes and movement of personnel.
3. Several daily batches were not signed as evidence of function being carried out as per usual practice and procedure. SPA said all revenue collections were checked on daily basis by senior officers, and staff were reminded to ensure checking of revenue collections.
4. The daily collections of wharf-ages for the Lady Naomi collections were not banked intact. The delayed banking was due to these funds being used as float for the Lady Naomi operations on Friday and Saturdays. However, a recommendation from SPA Audit Division has led to this practice being stopped and all collections are now banked daily.
5. Reports that were forwarded to the Finance Division for processing were not signed or endorsed by the manager as evidence of checking being carried out. Shipping agents on numerous occasions have disputed these reports. Responsible employees for shipping agents are now required to countersign these reports before the issuing of invoices.
6. There were amendments to SPA dues and rates (tariff) approved by the General Manager in February 2015, replacing the one endorsed by the Ministry of Works, Transport and Infrastructure in October 2014. In this proposal was the recommendation for all invoices issued after the 27 October 2014 for cruise vessels to be amended to reflect these changes. It was recommended that if amendments are to be made to Ports Dues and Rates, SPA should forward this to Board and Minister for endorsement.
7. The Finance Manager did not sign on the system-generated invoices as indication that checking and approval took place.
8. Storage of containers and break bulks on the wharf are being charged per day as per Ports Dues and Rates 2014 after the completion of the grace period of 3 working days to the date the vessel departs the wharf. However, several invoices had charges that were not consistent with charges notated on wharfage document or against dates that should have been charged. SPA has noted this in going forward.
9. There was slow movement in recovery of outstanding debts. SPA said that receivables never remain constant as new amounts are added from time to time based on the number and types of vessels that comes in, etc., despite payments being made for other arrears.
10. Bond storage charges have been miscalculated in several instances and not consistent with Ports Dues and Rates 2014.
11. SPA allows the extension of the grace period (of 3 days) to companies despite restrictions in Ports Dues and Rates 2014.
12. Bonds were waived by the Manager of the Commercial & Marketing Division without proper and documented approval and justification. This approval should be well documented to

verify authorization. Approval for the waiving of bonds mentioned by the Commercial & Marketing Manager were authorised by the General Manager as he was not available at the time.

13. There was no proper reconciliation carried out for vessels (Cargo – Containers/ Break bulk) to facilitate with unpaid wharfages and amount of bonds to be collected. The recommendation is noted going forward.
14. Parties leasing space had no contracts to clarify arrangements. SPA responded that one now has a lease, and the other had been re-leased.
15. There were leases with expired contracts still operating on premises with the extensions given verbally while SPA was finalising renewal of arrangements. SPA explained that leases were being processed for renewal.
16. One lessee had been leasing SPA land for five years without a signed contract. SPA said there was a signed lease agreement in place.
17. Non-compliance with lease agreements was noted.
18. The leasing of warehouse and SPA premises to tenants were not awarded through proper procedures of tendering to the public. Some of the leases mentioned were not tendered as per instructions received directly from the PM's office.
19. There were several payments without or incomplete number of quotes as per SPA procedures. SPA said it complies with the requirement for 3 quotations. However, due to unavailability of needed items from other companies and/or the urgency of work needed, the purchases of these items/services were made.
20. There were several invoices paid late.
21. Cheques cashed by the Finance Team for convenient purposes still exist and are becoming a usual practice.
22. There was no reconciliation of cheques. SPA responded there was now one register where the cheques are registered and where claimants also sign when uplifting cheques.
23. There was an increase in electricity use. SPA said this fluctuates mainly due to the number of reefer plugging, etc.
24. The Authority had engaged in a cell phone plans for staff with Digicel Samoa Ltd. Audit recommends revising IT Usage Policy – less general and more specific. SPA responded that cell phones issued to staff is due to the nature of the Authority's business and the need to contact these officers from time to time, as they are most likely to move from location to location, thus making it difficult to contact them via land lines. Bills that exceeded monthly plans for December 2014 - The chairman and General Manager's large cell phone bills mentioned were due to roaming, when they were on official trip to Niue at the time. Other phone bills that exceeded the Plan are not paid for, as Digicel is supposed to cease the operation of these phones when the limits indicated in the Plan is reached. Lack of Cell Phone Policy - This will be closely looked at. All cell phone holders' names appear in phone bills and those that loose or damage their phones pay for their replacement. Telephone etc. overspent by 96% or \$44,863.00 for period ending 31<sup>st</sup> March 2015 (refer table below). Budget of



\$46,547 against actual expenditure of \$91,411. Of this \$91,411, \$38,024 or 42% was spent on mobiles expenditure. This will be closely looked at, as only the General Manager's excess phone bills are paid for and not others.

25. There were contracts which were authorized and works implemented prior to Tenders Board Approval which is a non-compliance with the Tenders Process. SPA responded as follows:
  - Contracts authorised by Authority and carried out prior to Tenders Board Approval. Contracts mentioned were urgently needed in preparation for the UNSIDS Meeting. Based on this understanding, they were subsequently approved by the Tenders Board.
  - Tenders for work were carried out by with bids received from all interested parties. These bids were opened with all bidders present in SPAs Conference Room with an evaluation report tabled. SPA, however, after realising that all contract works over \$200,000 were supposed to through the Government Tenders Board, later submitted these to the Board for approval.  
Some contractors later requested for variation when the contract work was already in progress due to additional work identified that was not in the original contract.
26. There were instances where terms of contracts had to be amended due to unforeseen circumstances yet lacked documentation (variation agreement) and proper approval from the Board of directors.
27. Lack of monitoring of traditional corridor contracts payments led to overpayment of \$10,000.
28. Non-compliance with Schedule 6 of Public Bodies Act 2001 and Cabinet Directives FK(05)32 and FK(05)Faapitoa8. The only remuneration approved for Board of Directors are sitting allowances for directors when attending board meetings, and Annual director's fees. SPA responded as follows:
  - Apart from its monthly meetings, the Board hold additional meetings from time to time to deal with unfinished business and special meetings to discuss important matters that require immediate response.
  - A payment of a \$50 meal allowance for Board members, since no meals are provided during meetings.
  - Cell phones issued to board members are paid by SPA
  - Membership fees paid out to the Samoa Institute of Directors for Board directors  
The annual director's fee of \$8,500 paid out to the Chairman of the Board of Directors started in 2012 the late General Manager's time. These payments, according to payment vouchers sighted, were based on the rate of \$708.33 per month.
29. Withholding Tax for board allowances were incorrectly calculated at 13% rather than 15% in the previous year. SPA said this was now corrected.
30. Upon spot check/collection of attendance books from different division on Thursday 11th June 2015 to Friday 12<sup>th</sup> June 2015, we observed the following concerns:
  - Employees not signing in for work;
  - Employees who were late were not crossed/marked red;
  - Employees who were on leave were not crossed/marked red.SPA has advised staff and has enforced the monitoring of attendance and leave records.
31. SPA's salary scale and grading of the principal salary rate differs between divisions - ranges from \$77, 424 to \$41,200. The Officer Rate is higher than Principal Level. SPA has responded to the following:
  - Structure across division not aligned

- i. The difference noted in salaries is due to some employees being employed by the Authority for a good number of years compared to others. As such, these long time employees were given a number of salary increments over the years by previous General Managers. This coupled with government general salary increases from time to time led to higher salaries for these employees. Other salary increases including the \$77,424 pointed out for the Principal Accounts Receivable Officer was carried out during the late General Manager's term.
    - ii. The different designations noted reflect staff either being transferred to fill the positions for those that have left or those that had been given more responsibilities that are not properly reflected on the organisational structure. The current management is now trying to rectify this problem.
      - Revised salary grading not properly implemented
  - i. The Officer whose salary is higher than the Principal Officer mentioned was used by the late General Manager. However, after being transferred from that post to her old position, there was hesitation to lower her salary due to legal concerns.
32. There were a few weaknesses noted in the recruitment of the Commercial and Marketing manager. The SPA responded as follows:
- i. New established position was not approved by Board
    - There was no prior approval by the Board for the Policy Analyst position at the time
  - ii. Position was not advertised
    - The position of Policy Analyst was not publicly advertised as stated but the officer did apply and attach a CV that the General Manager submitted to Management for an interview. It was also felt at the time that there was a need for an officer to carry out this function and complete SPA's Corporate Plan.
  - iii. Did not meet criteria
    - Whereas the applicant did not possess the qualification mentioned, Management took into account his previous working experience and reference from the current Airport Authority's General Manager. Management had no knowledge at the time that the officer was terminated from his previous employer due to some disciplinary actions and mismanagement as mentioned in the Report.
33. Copies of Advisory Committee meetings minutes could not be obtained making it difficult to determine whether there was any documentation of the advisory committee giving advice to management regarding operations of Ports. There were paid sitting allowances for said meetings yet no minutes were made available to verify that such meetings took place.
34. Board authorized staff bonus that was paid out on 22 December 2014. Audit concern was the lack of performance appraisals carried out to determine bonus paid out as we were unable to attain whether divisional objectives/measure for that year were assessed by management and whether they were achieved to warrant the awarding of bonuses to all staff. SPA responded that the payment of bonus was approved by the Board based on the submission by management on the basis of those mentioned in the Report plus the fact that there were no overtime paid out to staff for preparations carried out for the UNSIDS Meeting. The salary increase for Principal Officers was also approved by the Board prior to the UNSIDS Meeting but not implemented up to date. The bonus is equivalent to the fortnightly salary of each officer. As in previous years, there was no performance appraisal carried out.

35. SPA currently has no Fixed Asset Management Policy. There was a lack of proper policies and procedures to guide managing and capitalization of assets.
36. There was no separation of fixed assets and consumables. SPA has responded that \$1,000.00 will be the threshold for capitalisation purposes and will be incorporated in the Manual. Consumables below \$1,000 will be treated as expenses. A separate register to monitor these items is already in place.
37. The fixed asset register was incomplete and not updated. SPA explained that the last fixed asset taking was conducted in late June and early July after the Spot Check. Those assets that had been disposed have been removed from the Register while those with no book values but still usable are maintained in the Register to reflect their existence. Labelling of all Assets has now been completed. The movement or transferring of assets labelled under one division to another without the knowledge of those responsible for the Asset Register has made updating of the Register difficult.
38. There were insufficient documentations presented to verify the procurement of a generator that was purchased at a value above SAT\$250,000. Additionally, that generator was posted under code for Office Equipment. SPA said that this back-up generator was obtained just before the UNSIDS Meeting and was approved by the Board and retrospectively by the Tenders Board due to urgent need at the time. Correction has been made to the codes.
39. SPA did not have a proper and approved Vehicle Policy to guide, monitor and control use of Authority's vehicles. SPA said it has adopted the Government Vehicle Regulation 2015 and this will be incorporated in the Accounting Manual.
40. SPA supplies a second vehicle for the Minister in addition to the one from his other portfolio he oversees. Fuel expense for both his vehicle and that of the Associate Minister are also paid by SPA.
41. Decorative accessories/additional parts on SPA01 vehicle. SPA said this vehicle was purchased in 2011 before the Cabinet directive (FK) was issued and during former General Manager's tenure. SPA said that all accessories came with the vehicle when it was first obtained.
42. There was no approval on journal entries and no particular standard form used to prepare entries.
43. There was no signatory on bank reconciliations to indicate they were reviewed and checked by higher authority. SPA's Finance Manager now checks the reconciliations and initials them.
44. For the period of 1 July 2014 to 31 March 2015, revenue collected was below budget. SPA responded as follows:
- Bond Fees: These depend largely on how quickly is removed from the wharf by Consignees prior to being bonded.
  - Commission: This was due to the cessation of employees deductions to finance companies as per Ministry of Commerce, Industry and Labour recommendation.
  - Devanning: Less devanning work carried out on the wharf
  - Fishing vessels: Income from this source was budgeted based on the number of fishing vessels from the previous year. However, the number of these vessels has greatly reduced.

- Lease/Rental: The budgeted amount included anticipated revenue from an operation that never eventuated. This, coupled with grace period given to some companies, resulted in lower revenue.
  - Stevedoring License: All license fees for the 3 stevedoring companies totalling \$72,450 were paid in May, after the spot check took place. Weighbridge: This was hardly used and as such minimal income was derived from it
45. For the period of 1 July 2014 to 31 March 2015, expenditure had exceeded budgets. SPA responded as follows:
- Overseas Travel: The overspending was from official trips to Miami by the Chairman, General Manager, Manager Commercial & Marketing and the Principal Marketing Officer to promote Samoa as an attractive destination to the cruise liners conference held there. Total cost of this trip amounted to almost \$100,000.
  - Hirage: The hire of tents for cruise ships was under-budgeted as more cruise ships visited during the year.
  - Donations: These were approved by the Board.
  - Insurance: Insurance for wharves is paid in US dollars. The insurance of additional assets obtained for the UNSIDS Meeting resulted in the overspending.
  - Board Expenses: Increase in the purchase of tea supplies and other small items.
  - Ministerial Support: Fuel for both the Minister and Associate Minister's vehicles and for services, repairs and maintenance.
  - Overtime: Overtime to cater for vessels that enter the wharf.
  - Audit Fees: These fees also included assistance with other accounting matters.
  - Subscriptions: Subscriptions paid for membership of the Cruise Liners International Association (CLIA)
  - Telephone, mobile, fax & Internet: Roaming fees during General Manager's travels, as well as the increase in cost of internet plans.
  - Electricity: Much of it due to reefer plugging and shipping agents' offices on the wharf.
  - Water: SPA is looking at shipping agents with offices on the wharf that have no water sub-meter, as this could be one of the reasons for higher water bills.
  - Loss on disposal of fixed assets: A direct result of the transfer of the two domestic wharves (Salelologa & Mulifanua) to Samoa Shipping Corporation, together with other related fixed assets. SPA has not received any compensation to date.
46. There was no IT Strategic Plan to complement the Ministry's Corporate Plan and provide a blueprint for the ongoing implementation of IT infrastructure and systems.
47. Issues relating to back-up and recovery procedures:
- No backup and recovery procedures.
  - Back up maintained is not periodically tested for readability and verified for accuracy and completeness.
48. There was no documented IT Disaster Recovery Plan for data recovery in the event of a major disaster.
49. A review of the Authority's security setting pertaining to accounts and audit policies found:
- Weaknesses in password settings
  - No auditing enabled
  - No automatic account logout
  - Users were not forced to log off when log on hours expire

50. There were around 30-33 active users on SPA's network with passwords set such that they do not expire, placing the network at risk.

**2.38 Samoa Post Limited**  
**for the year ended 30 June 2015**

1. There was no backup policy for electronic files created and stored by the company. SPL said its backup policy was now in place and approved by the Board.
2. There was no Disaster Recovery Plan. This issue was also raised last financial year. SPL said that a Disaster Policy was now in place and approved by the Board.
3. There were very old and slow moving inventory, some from 2010. Write off stock was approved by the Board, in its board meeting on 30 October 2015.
4. Signatures on the bank statements to indicate checking by Managers could not be verified.
5. Stock sheets for some of the respective offices for Savaii were not updated accordingly.
6. Officers were manually replacing names of stock on the list used at the time by crossing out one name on the list and replacing with another stock name. SPL explained there were times when stock items (stamp issues) are sold out, and then replaced with new stamp issues, but with the same price.
7. New stocks were manually added onto the listing instead of updating electronically from the main office. The recommendation has been noted and Savaii officers have been advised accordingly.
8. There was a change to the price of stamps by an officer. Samoa Post explained that there are times when a particular stamp denomination is sold out, and the staff can replace it with a different denomination of the same stamp issue.
9. A signed copy of one of the daily summary could not be obtained.
10. The District Post Offices (DPO) in Savaii hold old items such as computers that were not in use or functioning well. These have now been returned to Matafele.

## **2.39 Samoa Post Limited – Savaii**

### **Interim Audit conducted on June 2015**

1. The following are general observations of the District Post Office (DPO) operations in Savaii:
  - Staff working at the Tuasivi, Fagamalo and Salailua DPOs were all new recruits who did not undergo any induction training and were not aware of the policies regarding human resources and cash handling;
  - There were no copies of manuals available for staff reference;
  - Monthly spot checks were done by managers from the main office in Apia;
  - Receipted collections are mainly agent's income (Samoa Post revenue very slow);
  - The costs of operating the DPOs were far greater the revenue being generated and collected;
  - An analysis should be done to verify whether the commission received from being an agent was enough to cover the operating expenses incurred;
  - The review on accounting, controlling and monitoring of inventory was not carried out due to insufficient resource allocation for the assignment.
2. The receipted collections were not banked intact. Daily collections were kept at DPOs until it was collected and banked on Tuesdays during the mail delivery runs from the main office in Upolu. Samoa Post responded that it was not viable for them and has opted for weekly banking instead. SPL said it has strengthened its built-in vault for safekeeping of collections. Although it has a new vehicle in Savaii, petrol costs and the driver's salary for a daily run around Savaii, will add more burden to DPOs operating at a loss.
3. Audit noted the following weaknesses over attendance records:
  - No attendance book kept by the employee in Salailua office;
  - Inconsistent working hours for DPOs;
  - New recruits who were not aware of policies and procedures on attendance.
4. The segregation of duties was very minimal with one employee at DPOs doing the collection, receipting, balancing cash register and holding the key to the vault. DPOs in Savaii are operating at a loss. SPL has informed that DPOS have been operating at a loss for six years and that its Board, Ministry of Finance and all stakeholders were fully aware of this. The paramount objective is to increase accessibility to postal services, its legal obligations and provision of Universal Postal services to the people residing in these districts, in accordance with Postal Act 2010 and the Universal Postal Union Regulations. SPL's focus is to achieve all its legal, financial and social obligations, and it has succeeded in achieving all these obligations for the last six years, without a single focus on profitability. SPL stated that the activities at these district post offices were minimal, and do not need more than one person for its operations let alone a supervisor, which will increase operational loss even further. SPL explains that the separation of duties issues is not a major concern and its current business set up justifies the business activities and solidify its efforts to keep DPOs operational, with minimal loss, for the continuous provision of services to the public.

**2.40 Samoa Qualifications Authority**  
**for the year ended 30 June 2014**

1. There were instances of monthly Bank reconciliations not timely prepared, unsigned and not reviewed. SQA replied that bank reconciliations were now dated and signed.



**2.41 Samoa Qualifications Authority**  
**for the year ended 30 June 2015**

1. Total hours worked during the day were not completed by the employees in attendance book. SQA said it will implement measures for employees who continually fail to comply with attendance policy.
2. There was no segregation of duties in payroll processing. SQA said that the work was now shared with the ACEO - Corporate Services to segregate duties.
3. Electronic staff leave balances were not reviewed. SQA said its ACEO CS will sign printed copies of leave cards every quarter for the personal file.
4. There were missing documents from the personnel files of new recruits such as induction checklists. SQA said the missing induction checklists are now contained within the personnel files.

**2.42 Scientific Research Organisation of Samoa**  
**for the year ended 30 June 2014**

1. There were instances of cheques not in sequential order on the accounting systems, as well as instances of duplicated cheque numbers. SROS said it has addressed this through the upgraded MYOB since February 2016.
2. There were no signatures of officers who prepared and reviewed bank reconciliations.
3. The payroll details were input into MYOB and again retyped to Excel for submission of reports to the bank and SNPF. SROS has procured its IMS Payroll Software now in use.
4. Payroll files were kept on a shelf easily accessible by staff.
5. There were instances of accounts payables double posted, and a cancelled purchase order appearing in the creditors balance.
6. There was an instance of an accounts receivable with two different codes (general ledger accounts) on the accounting system.
7. A receipt dated in March appeared in receipts report of July. SROS said it has resolved this issue through its MYOB upgrade.
8. There were debtors aged more than three months totalling to \$30,883.
9. The long outstanding debtors' balances were not differentiated from the current debts on the system. Debtors aging report for period ending June 2014 included debtors of July.
10. Project funds paid by Ministry of Finance were recognized in the Profit and Loss account. SROS does not receive the funds directly, and should be disclosed in the Notes to the Accounts.
11. The depreciation for lab equipment was overstated by \$22,178.68.
12. There is no formal disaster recovery plan. SROS is working on the development of a Recovery Plan.

SROS has noted audit concerns and recommendations.

## **2.43 Scientific Research Organisation of Samoa**

### **for the year ended 30 June 2015**

1. There were no signatures of officers who prepared and reviewed bank reconciliations.
2. There was a miscalculation of an employee's salary resulting in an overpayment. SROS said that the overpaid amount has been fully recovered.
3. The payroll details were input into MYOB and again retyped to Excel for submission of reports to the bank and SNPF. SROS has procured its IMS Payroll Software now in use.
4. The stock take was difficult to carry out because assets were not located where the register stated where they should be found. SROS has addressed this through clear labelling of stock on the shelves and stock list.
5. Some of the invoices were not provided to the audit for verification due to the conditions of the document's storage room. Temporary measures have been put in place while the construction of a small storage room is in progress.
6. A network attached storage was booked in the fixed assets register although it was not confirmed an asset of the organization.
7. Instances of recording accounts payable before invoices were received was noted.
8. The 10% depreciation rate on road seemed unreasonable given the climate change during rainy season and ten years for useful life seem unfeasible. The recommended accounting estimate is now implemented.
9. Fixed assets purchased under the projects were not amortized thus overstating liabilities by \$63,571.72.
10. There was delay in the reconciliation of balances and ensuring that the accounting file contained the relevant accounting records and supporting documents for the audit. SROS has addressed this issue in the 2015/16 audit period.
11. Issues relating to the accounting of project funds:
  - Project costs were not separately identified on MYOB
  - Incorrect accounting method for recording grant as per applicable standard and thus results to a mismatch of balances
  - The income would offset the expenditure had the proper accounting approach been adopted. The accounting and journal entries have been provided to assist the organization and correct the treatment of project funds accordingly. The management responded that the issue is the result of the transaction coding.

SROS has noted audit concerns and recommendations.

## **2.44 Samoa Shipping Corporation**

### **for the year ended 30 June 2015**

1. The key reconciliation control procedure between the loans General Ledger accounts and the loans statements themselves were not properly carried out to ensure loan transactions and loan balances were correctly recorded in the General Ledger and reported fairly in financial statements. SSC said that the preparation and reconciliation of loan accounts are carried out by the CFO on a quarterly basis, and working papers are given to the Finance Manager for posting. Management will now carry out this process on a monthly basis.
2. The loan interest was incorrectly recorded and posted to the Vessel fixed assets account which overstated expense and vessels account. SSC said that all journals are checked and approved by the CFO.
3. Three separate loan interest payments were double processed to the General Ledger. SSC said entries were prepared to reverse these.
4. SSC did not record and accrue in the General Ledger the significant Deferral Duties that it has been liable to pay over the years, relating to the MY Lady Filifilia and others, SSC said the arrangement agreed upon with the Ministry for Revenue was to make partial payments over a period of 6 months.
5. The accounting for VAGST is not being done correctly in the General Ledger. SSC said it is currently reviewing this process and changes will be made where necessary to the accounting procedures pertaining to VAGST paid and should be effective immediately.
6. The Head Office fuel tank has no proper fuel measurement instrument installed to accurately measure fuel tank stock. Paper reconciliation of fuel used and refill are currently being used. Work is now underway to prepare a proper measuring stick to physically measure and confirm tire amount of fuel in the tank at any time.
7. The SSC has not filed claims for Duty Drawback (DDB) claims for the period I July 2014 to 30 June 2015. The 2014 / 2015 claim has already been submitted and confirmed received by MFR.
8. There were Duty Drawback receivable variances between Custom's records of \$0 as at 30 June 2015, while SSC records showed a balance of \$2,844,693. This has been a long outstanding issue. SSC maintained that the delay was caused by the changes in personnel in charge.
9. There were still delays of 2-3 days in banking at Mulifanua Wharf. SSC pointed at opening hours of the bank at the Faleolo International Airport as the reason.
10. Cash from sales was still being used for payment of expenses at Head Office and in Pago.
11. Internal requisitions, purchase orders and receipts were not attached to some payments vouchers.
12. Some purchase order quantities did not match quantities on invoice paid. SSC explained this was a lapse in proper checking.

13. Several errors in invoice posting were noted, including double posting of the same invoice number or invoices not posted at all.
14. The NPF Ferry travel by Senior Citizens claims are sometimes rejected by the National Provident Fund for payment. The total accumulated unrecovered NPF claims as at 30 June 2015 is \$67,401. The issue of rejected claims by the SNPF Senior Citizens office has been raised several times and SSC claims is outside their control.

**2.45 Samoa Shipping Corporation - Mulifanua and Salelologa Office**  
**Interim Audit on 23 June 2015**

1. There was no registered cash float for daily sales of tickets and canteen stock. SSC said it will review the recommendation.
2. Audit had a concern with the new V-ticket system pertaining to the support provided in the following scenarios:
  - i. In the event of a system break-down or errors, the issue is whether there was a back-up plan in place or a trained system administrator to handle normal helpdesk enquiries. Another area is a risk policy in place and any standard arrangement between provider/supplier and SSC.
  - ii. The new system does not link to SSC's current accounting software (Attaché) which comes with risks that are inherent with such situations.

SSC explained that it has installed back-up generators at all sites. While there have been a small number of errors since implementation, all these are documented for future fixes and a service agreement is in place for system backup and remote support from its system provider overseas. The system administrator and IT, Finance and Operations Staff underwent extensive training during the preparation stage and implementation of the system.
3. The following concerns were noted with the Business Class canteen sales:
  - i. Business Class Stock Release Sheet were not signed by passengers nor by canteen supervisor;
  - ii. No clear limitation of how much exactly are business class passengers entitled to from canteen;
  - iii. High risk of fraud in misappropriation of canteen stock
4. Tenants occupying space/land at Salelologa wharf had no tenant agreements and leases were also not collected. SSC explained that the legalities of transfer were yet to be completed hence the delay in implementing lease agreements with current tenants as they are querying their existing agreements with SPA.

## **2.46 Samoa Sports Facilities Authority**

### **for the year ended 30 June 2015**

1. SSFA has yet to amend its constitution (i.e. Sports Facilities Authority Act 2007) as it contains some of the terms and conditions that no longer exist or have been changed in terms of operations.
2. There were no long term lease agreements/contracts set to guide sporting bodies in using or hiring of the sporting facilities.
3. Some sporting venues were seen to be underutilized and are prone to unnecessary damages from natural wear and tear. Venues such as the netball gym, baseball and softball venues and the multipurpose gym did not look as if they were used regularly. Efficient use of sporting venues can also generate supplementary revenue.
4. There were payment vouchers with no supporting documents or incomplete supporting documents.
5. About 40% of payments made or payment vouchers had no receipts attached indicating poor filing system and also the control of payment paid out not in order.
6. Payment vouchers were not signed received by the receiver/payee.
7. SSFA did not carry out any asset count on all the facilities and equipment for the financial period 30th June, 2015.
8. There was no up-to-date listing or register of all SSFA assets for the financial year 30th June, 2015.
9. SSFA's depreciation rate of 25% on motor vehicles was incorrectly applied. A new Toyota Hiace van acquired on the 23rd July 2013 for the total cost of \$82,847 showed a book value of \$66, 277 in the 2014 accounts. In the 2015 accounts, the Motor Vehicle account showed only \$24,261 in total. Given the depreciation rate is 25% pa, clearly the new van purchased has not been depreciated correctly and the Authority is urged to take corrective measures to ensure that the Motor Vehicle account is accurate.
10. Analysis shows that 98% of total debtors or accounts receivables are at the 90 days outstanding period. This has indicated that a lot of debts have not been collected. The majority of these debts belong to existing active sporting bodies.
11. Some sporting bodies at the end of the 12 months period under review haven't been able to pay any lease or make any payments towards previous years outstanding debts.
12. Assessment of accounts receivable noted unpaid account from 2010 still appearing on the list of outstanding accounts as at 30th June, 2015. Account details shows that it had been unpaid for over four years.
13. NPF deductions for the months of January 2015 up to May 2015 were long overdue and unpaid. These months consist of seven pay period deductions that have not being filed when due. Normal procedures state that deductions for the present month must be paid no more

than the 14th of the following month and failing to file on time would subject to late filing penalties.

14. There were unpaid ACC levies of \$23,937.96 (including those from the previous financial year) as at 30 June, 2015.
15. Deductions for the present month must be paid no more than the 14th of the following month and failing to file on time can incur penalties. These are unnecessary fees which should be avoided by SSFA to reduce further constraints on its cash flow.
16. PAYE taxes for the period ending 27th March 2015 up to the 22nd May 2015 were overdue and remain unpaid at the time of the audit.



## **2.47 Samoa Sports Lotto Agency**

### **for the period 30 June 2015**

1. Some payment vouchers either have one or no quotes attached.
2. The Finance Clerk did not sign on some payment vouchers to indicate that he/she had actually prepared the Payment vouchers and CEO to indicate approval of payment.
3. Some operators did not tally up their cash on hand for both SNL and TMS Balance Sheet forms. The Finance Manager did not sign on the Banking Sheets to indicate the final checking of TMS and SNL Balance Sheet This issue was also raised in the audit in 2014. SSLA said that these issues were strongly emphasized and repeatedly reminded to the Finance team for proper follow through as recommended. Since replacing the resigned senior finance officer these issues have been closely monitored and strongly emphasized within this financial year.
4. Contrary to the legally required 1% payment by employees of their ACC as per Accident Compensation Act 1989, Section VI clause 52, no deductions from the employees' gross salaries in relation to this payment were identified. This results in the overpayment by SSLA of all employees throughout the year. However, this 1% is also paid by Samoa Sports lotto on behalf of its employees, i.e. Samoa Sports lotto pays the entire 2% ACC. This issue was also raised in 2014. SSLA has now updated its current IMS payroll software so the ACC% deductions are weekly deducted as recommended.
5. The payroll officer deliberately did not deduct her 5% NPF payment of \$18.36 from her gross salary resulting in an overpayment of her salary throughout the year. SSLA said that the payroll officer been dealt with. Training was now in place to have other finance clerks trained in the IMS payroll system.
6. The total hours worked each week were incorrectly calculated for some employees.
7. The leave register was not properly maintained and updated regularly. There was no separation of duties in maintaining leave and payroll. SSLA replied that a proposal to recruit a new payroll officer designated to take over.
8. There were some instances of payroll where the total net pay did not agree with the total amount on the payment vouchers. Employees were either underpaid or overpaid, and some employees paid but not included on payroll IMS. SSLA said each weekly payroll vouchers/payments are tallied to reconcile to the IMS payroll system print-out.
9. Payroll file was poorly maintained. There were some payment vouchers missing.
10. Not all employees signed on the supporting document for cash salaries payment voucher to say that they have received their pay in cash. Recommendation duly noted.
11. NPF for the pay period ending 2nd July 2014 was paid twice. Recommendation duly noted.
12. There were some employee personnel files missing. Recommendation duly noted.
13. Some employee rates in personnel files did not match rates of pay in payroll. Recommendation duly noted.

14. There were variances between the QuickBooks and Accounts. This particular issue has been noted, SSLA accounts were done from separate two offices.
15. General Journal entries put through to agree amounts on QuickBooks were not properly approved or registered.
16. Fixed Assets in the register have not been labelled.
17. The due dates for submission of financial statements for audits are stipulated in section 33 of the Audit Act 2013, and the Controller and Auditor General (CAG) in his letter dated 13th May 2014 stated. However the Agency submitted their financial statements on the 5th September 2015 with the final draft ready on the 9th December.

SSLA has noted audit issues and recommendations.

## **2.48 Samoa Shipping Services**

### **for the year ended 30 June 2013**

1. There were time sheets without proper certification or approval.
2. There were employees with overtime on timesheets and Audit could not relocate the approval sheet of their overtime. SSS accounting staff claimed that all supporting documents were given to the auditors for their audit work.
3. The wage scale for FS-II from 2011/2012 was outdated but still in use. This wage scale does not contain a job description called Deck Cadet. It was not possible to check that the pay received by the sailors as deck cadets was appropriate or not. SSS said deck cadets receive an allowance but management have included in the payroll for the purpose of monitoring their actual hours worked.
4. A sailor was paid \$794WST overtime wage instead of \$135WST. A more careful reviewing of the payroll entries into IMS Payroll is recommended.
5. There is lack of uniformity in the pay that sailors receive. Specifically, the contract should mention that the remuneration amount will be based on the prevailing month-end rate of the pay period. SSS explained that there were various factors relating to this issue.
6. Historical rate was used instead of the month-end rate for overtime. SSS responded that this was a one off issue with the calculation of overtime in the month of December 2012.
7. Payroll files for 2012 from July to October were missing from the filing room. SSS said that the hard copies were likely misplaced during the audit but soft copies could have been retrieved for that purpose.
8. During the time of the interim audit, the payroll officer for MSC (Mediterranean Shipping Company) was only in the office for the first two days, and absent for the rest of the time during the course of the audit. SSS explained that the payroll officer applied for annual leave prior to the audit. Management at the time viewed this as an opportunity for an internal spot check for payrolls especially the MSC payroll considering its volume. However, the payroll officer did not return on time due to personal injury. Management assured that for future audits, key personnel will be available during the audit.
9. Reconciliations were not prepared on a timely basis. SSS clarified that its Accounting Staff was not yet completely competent with MYOB and bank reconciliations were only done after all quarterly reports.
10. No journal entries were booked for sailors when the carrying forward system was in use. Previously (until end of October 2012), as the sailors worked, their monthly salary would accrue in the office (this monthly salary was not deposited into their bank accounts) until they signed off from the ship. No payments were made while they worked, but no journal entries were booked for payables (or receivables when there was a negative balance carried forward) either. SSS explained that its normal procedures for payrolls prior to October 2012 (where carry forward balances was stopped from carrying into the IMS system) was that, everything was to be input into the General Ledger and the balance carried forward was already there, and putting through an entry to record those balances in the listing would double up the entries in their view.

11. During the revenue analysis for SSS, the audit noticed that a significant portion of revenue is based on the pre-funding which the client receives in order to pay for the salaries of the sailors. The basis of this pre-funding agreement with MSC is the condition that SSS would analyse the salary expense for the sailors who are on service to the MSC vessels. It is recommended that SSS adopt the definition of "Pass Through" agreement as mentioned in IAS 39, where the entity (SSS) is acting as an agent of the original recipients of the cash flows rather than actual owner of the asset. SSS management agreed with the recommendation, however for consistency, this was the treatment adopted by SSS for years and was also discussed during previous audits. The prefunding ends in September 2013 where MSC took over the preparation of payroll according to MLC 2006 which came into effect in August 2013. The next financial year will reflect a huge difference with comparative figures for these items and it will be justifiable with the recommended change.
12. Audit could not sight any real cash flow improvements to the SSS accounts. The explanation for this was based on a prefixed agreement on the charter revenue between SSS and FSII. Since a commitment or agreement does not form a part of actual increment in assets unless it can be realised realistically, it is recommended for SSS to obtain and provide documentation of actual changes in the asset accounts, preferably monetary considerations. SSS said this has been the treatment since the start of the joint venture. Since this joint venture will probably come to an end in March 2014, it is evident in the board meetings that the Board of Directors supported the sale of the vessel. For consistency, management supports the current treatment.
13. Computer equipment was acquired at a cost more than the amounts approved by the Board of Directors. There must be a subsequent endorsement by the board if circumstances change. SSS said these were for Board's information and figures were estimated for budget purpose. However the budgeted figures were under-estimated. Management believed that the amounts are immaterial and also falls within the General Manager and the Finance Manager's authority, and was the reason for not submitting a subsequent endorsement by the board.
14. There was no proper listing for assets that were disposed. SSS said that a proper assets register was now in place and proper records of removed assets also included.
15. Assets were not properly numbered or coded with tags to identify SSS properties.

## **2.49 Samoa Shipping Services**

### **for the year ended 30 June 2014**

1. There were various payments relating to donations to churches, clubs and organisations. SSS replied that amounts fall with management's authority and giving back to the community was also considered and taken into account by management during review of each yearly financial budget.
2. In the absence of internal policies for SSS, there was no discretion for approving payments in terms of levels or limits of approval. In some instances where approval was given by the General Manager but based on the amount involved and in line with general procedures and guidelines, such payments should have been approved by the Board. SSS explained that all payments of long service benefit were approved by the Board and calculations were properly done.
3. The Chairman's Report was prepared and written by one Board member with fees for this report paid out. A Board approval should be obtained for any transactions involving internal members especially one that may imply a conflict of interest. SSS said that the Chairman's report is a Board report. Professional fee for this work also falls within the management's authority. Since this Board Member is well versed with the developments of the FSII issues and SSS restructuring, management finds it appropriate for him to prepare such a report.
4. Overtime payments were paid for the Finance Manager but there was no evidence of any approval for such, and contracted officers are not entitled to overtime. SSS explained that the Finance Manager was not a contractual worker and is entitled to overtime hours.
5. There was an error in the pay sheet for one employee working for 72 hours but 1.5 hours was charged with a time and a half rate. SSS said that payment was done using the correct rates.
6. Since lease for office is on an operation basis, therefore additions or renovations works to the premises should be closed off in the profit and loss account and not as part of fixed assets.
7. There was no disaster recovery plan to ensure that all data and files can be recovered when natural disaster such as earthquakes or cyclones, or even fire strikes that may cause complete loss to the system.
8. Since one Board member was significantly involved in some of the major transactions for SSS, disclosure of related party for this director involved must be included in the accounts. A note should be included in the account for this related party involvement.

SSS has noted the issues and recommendations.

## **2.50 Samoa Tourism Authority**

### **for the year ended 30 June 2015**

1. There were variances between the General Ledger and the fixed assets schedule written down values. Although immaterial, these variances should be corrected. STA has noted that the Schedule has been corrected.
2. Motor vehicles were under-insured. STA continues to monitor the insurance industry for premium rates that will ensure maximum cover for assets and third parties, and the selection of cover and insurance premium paid is provided by the insurers to effectively provide the required cover of the STA assets. As per STA policy, quotes are to be annually solicited from the insurance companies to determine one that meets STA budgetary and insurance policy requirements competitively. The selection is made on that basis.
3. There were long outstanding trade debtor accounts being carried from year to year without any payment therefore their recoverability is in doubt. These same debtors were raised in prior year to which Audit was assured would be submitted to the Board for write off. STA explained that a Board Paper to write them off was written however STA was directed by the Minister of Tourism to continue to follow up, and collect debts given that most that were collectable were government agencies. The list will be cleared in this financial year. STA after follow up will then apply the recommendation to write off debts.
4. Three signed board minutes with attendance errors were used in the processing of sitting allowance. These were confirmed incorrect as per corresponding emails sent by the (Chief Executive Officers (CEO's) secretary to the Finance department for processing of sitting allowance payments. The absence and the attendance of the Board members have been noted by the Secretary and the CEO. Accordingly, checks are now in place to ensure payments are correctly made.

**2.51 Samoa Trust Estate Corporation**  
**for the year ended 30 June 2014**

1. Receipts for July 2013 to September 2013, and some receipts for October 2013, were not provided for verification.
2. A stock book for production stock from Mulifanua was not booked, which could understate year-end balance.
3. The fixed assets register did not match General Ledger balances. The register was also not updated to reflect all additions and disposal during the year.
4. The aging for debtors was not tracked due to the unavailability of MYOB system; as a result, the estimated provision for doubtful debt was not properly supported.
5. There were no withholding taxes charged on director's fees and board sitting allowances for the year.
6. The Value Added Goods and Services Tax (VAGST) outstanding by the amount of \$649,016 is still due for payment to Ministry for Revenue.
7. The MYOB system has not been used although it has been installed.

## **2.52 Samoa Trust Estate Corporation**

### **for the year ended 30 June 2015**

1. Leases were not reviewed for renewal in accordance with Clause 5 of the lease agreements requiring renewal every five years.
2. Lease payments from lessees were outstanding for an average period of three to four years. However, no interest income was charged on these outstanding lease balances.
3. A new Ford Ranger was wrongly recorded as an additional fixed asset. The said vehicle was acquired through a project funded by the Ministry of Commerce, Industry and Labour. The project is for a term of three years. Under the Memorandum of Understanding, all equipment and materials should be returned to the benefactors upon the completion of the project.
4. A trade debtor aging report could not be provided for audit review. This is a result of not utilizing the MYOB accounting package already installed.
5. Most of the trade debtors' accounts have remain unrecovered for more than three years. There was no attempt to recover these accounts. These accounts contribute to 78% of the total provision for doubtful debt listing at 30 June 2015.
6. There were contracted employees with balances owing to STEC. These transactions were results of salary advances. There was no Board approval for these transactions and no clause in the STEC administration manual clarifying that these transactions could be processed.
7. Equipment and furniture were not covered under insurance policies. Motor vehicles were not provided full insurance cover.
8. A bank account exceeded the overdraft limit by \$118,040.
9. There were cheques outstanding for more than twelve months, which should have been written back after a period of six months.
10. The last revaluation of lands at Mulifanua and Nu'u was in December 2001, understating land value and not reflecting the correct fair-market value as required by International Accounting Standard 16.
11. Lack of compliance with the acquisition of fixed assets, level of approvals as set out in the Ministry of Finance instructions, governance, transparency and accountability as reflected in the minutes of Board of Directors meeting regarding the construction of the building extension and garage at Vaitele.
12. Board meeting minutes were not properly drawn up.
13. The VAGST was currently outstanding by \$805,501. VAGST returns were lodged with the Ministry for Revenue on due dates but none was paid for.
14. Cocoa beans have been used (to nurse) for more planting materials. However, there was no document to record the harvest in order to account for the income earned.



## **2.53 Samoa Trust Estates Corporation**

### **Interim Audit on 31 March 2014**

1. Accountable forms were not recorded in the register book upon receipt from supplier but only when issued to a division.
2. Withholding taxes were not deducted from directors' fees hence a non-compliance with governing legislations and Cabinet directives. STEC responded it will commence deduction of withholding taxes on 1 July 2014.
3. There was no petty cash booklet except for a standardised petty cash template which is photocopied when it is required for the purpose of purchasing minor items. However, this template is not pre-numbered and it is impossible to check the completeness of vouchers.
4. STEC uses Internal Requisition dockets to request the purchasing of minor items which are funded from petty cash but not when it comes to the acquiring of high-value purchases and fixed assets..
5. A cancelled cheque in the month of May 2013 was taken as an unpresented cheque in the month of October 2013.
6. Some cheques were unpresented at the bank for more than six months and were not cancelled and written back to the bank account.
7. Bank reconciliation duties were not segregated as these were all performed by one person. The segregating of roles and responsibilities reduces errors, enhances the accuracy of financial data and minimises any other associated risks.
8. Assets purchased within the period under audit were not recorded on the register and assets sighted were not labelled properly for ease of identification.
9. The depreciation schedule provided for the six months under audit was not updated to reflect monthly depreciation expenses for each category of fixed assets. The schedule was only updated towards the end of the financial year to determine the total depreciation expenses amount where the general ledger is adjusted accordingly.
10. The current format of the fixed asset register does not account most of the data pertaining to the purchasing and writing off of assets. In addition, there was no electronic copy of the register.
11. STEC budget was used to purchase alcohol for the opening ceremony of the STEC Coconut Oil Mill as well as their end-of-year Christmas function.
12. Timesheets and payroll summaries were not signed meaning internal control procedures were not properly adhered to by responsible officers.
13. There were a few employees with salary increment without performance appraisals and letter of authorization from the Board of Directors or Management.
14. The content of personal files for some employee's that have being recruited in prior financial years as well as within the period under audit did not contain all relevant information. In

addition, some of these positions were not advertised in the media nor included in the organisational chart.

15. Employee status, in terms of roles and responsibilities, salary increment or decrement, termination and rehire were not properly documented. These changes were not documented or even disclosed in individual personal files. STEC has noted the concerns.
16. An accounting manual drafted in 2012 has not been approved by the Management or Board of Directors. In addition, some accounting internal control procedures and policies were not included or even defined explicitly to guide responsible officers' roles and responsibilities.
17. There was an advance payment of 30% of sick leave balance to the Chief Executive Officer (CEO) in December 2013 before the end of his employment contract in Jan 2014.
18. The Human Resource Manual permits salary advance and the selling of agriculture produce on credit to permanent staff once approved by the CEO. It does not however emphasise any terms and conditions regarding the repayment of staff debtors, the limit of salary advances and the amount of credit sales allowed to an employee. STEC said that, as discussed, there were no more clauses of salary advances and credit sales in the Human Resource (HR) Manual starting end of May 2015. All outstanding salary advance balances were still deducted from employee salaries.
19. The Board of Directors approved the purchase of the new Land Cruiser twin cab costing \$128,500 for the CEO but there was no submission given to Cabinet for approval as per normal government policies. In addition, a new set of tyres with mag rims was purchased to replace original wheels, and vehicle windows were also tinted, breaching government vehicle policies.

## **2.54 Samoa Water Authority**

### **for the year ended 30 June 2015**

1. The whole Commercial Division could access and edit confidential information within the Finance and Accounts files in the server. SWA responded that a User Administration process was in place when employees join or resign and that their access credentials are created and disabled accordingly.
2. Some files that were exported from the Daffron System were corrupted or could not be opened. It was explained to be a system error, and it was impossible to obtain another copy from the system. This is due to the fact that after a month is closed at month end, these reports cannot be attained again.
3. Some of the bank reconciliations were not clearly marked prepared and checked with dates.
4. There were some discrepancies between the figures noted in denomination sheet versus manual white receipts and sequences receipts for July 21, 2014.

## **2.55 Samoa Water Authority – Main Office**

### **Interim Audit on 4 April 2015**

1. There was overspending of expenses beyond their allocated budgets. SWA has noted the recommendation but explained that it needs to reshuffle expenses and priorities due to emergency works. SWA also said that the support for the SIDS conference was not factored into its budget. These works could not be delayed and infrastructure expenses therefore exceeded budgeted amounts. During the financial year SWA had to purchase land at Malololelei where a key asset (treatment plant) was located on private land and not in its current budget. This was disclosed in the 2014 financial statements as events after balance date.
2. In the financial year 2013/14, there was a write-off for accounts receivables from the disconnected accounts amounting to \$3.17 million. Such a substantial amount should be submitted to Cabinet for its endorsement. This issue was further clarified at the meeting between SWA and Audit, and that while SWA was in compliance with legislative requirements for write-offs, it was recommended as a matter of best practice to follow delegation thresholds in Treasury Instructions B4 Schedule for write-off amounts (although SWA does disclose write-off amounts to Ministry of Finance after approval by the SWA Board). SWA clarified that it has always been the practice that submissions for write-off are approved by the Board and annual reports and financial statements submitted to Ministry of Finance before and after audits provide disclosure of all write-offs. SWA has noted the recommendation going forward and while this may be a matter of amending the legislation and policies to reflect this best practice, SWA will ensure that it follows this best practice for any future write-off so that amounts falling within Cabinet delegation threshold is approved and endorsed by Cabinet.
3. Several receipt books were missing, and receipt books were not fully used before a new one was issued. SWA responded that these receipt books were included in the investigation done earlier in the year and responsible staff have been dealt with accordingly (termination of employees and discipline of others). It also said that a new process is in place for monitoring and custody of receipt books where these are physically kept with the Team Leader (Billing) and is only released into the custody of a cashier upon a signed authorisation form. SWA said its internal controls of checking used books and random checking of new books were being implemented and manual receipts were also minimised used only when necessary.
4. There were no receipts to support the issuance of some petty cash vouchers during the spot check on 13 April 2015.
5. There was no proper segregation of duties over the handling of cash. SWA is aware of the importance of segregating duties as this is also provided in our financial policies. However, necessity out of staff shortage resulted in the Team Leader Customer Service having to assume duties of cashier and customer service officer when two employees from the Customer Service unit were terminated. Monitoring however continues to be vigilant in these circumstances. Safeguarding against theft and fraud means that daily closing is and continues to be done by the Team Leader Billings who is able to confirm receipts and banking matches. Once vacancies for these two positions are filled, SWA shall revert to usual procedure. Recommendation noted by the Authority.

6. There were cheques that were still unpresented as at 31 March 2014 and had become stale. Recipients of cheque payments should be notified promptly, and these unpresented cheques should be reviewed before their reversal. SWA said these will be cleared 30 June 2015.
7. Direct credits from customers' direct payments for their water bills but could not be identified as the bank statements showed only direct credit balances without the customers' names. This issue has continued over the years leaving unpaid bills that remain as accounts receivables on SWA accounts. SWA said that a list of these unidentified transfers for water payments was emailed to ANZ for clarification and said it continues its dialogue with their staff when issues like this arise.
8. Issues from sales and invoicing:
  - There were customers that were previously disconnected and reconnected under different account numbers.
  - There were new customer accounts that were assigned with the same meter and location numbers of the disconnected accounts.
  - There were customers with continuously estimated bills throughout the months from July 2014 up to March 2015. This questions the accuracy or at least having a reasonable estimate as a basis for the estimation of the water bills booked and issued to customers.
  - There were also customers that have not been invoiced throughout the months.

SWA has noted the recommendations and explained that all these customers were disconnected under the old system, and in the process of reconnection, posting errors occurred in the early stages of using Daffron system. Meter numbers and locations have been forwarded to Daffron for new accounts. Meter numbers and locations should not be assigned to disconnected accounts. The majority of accounts not billed were disconnected for several months before reconnection was requested. Some accounts were not billed due to meter issues or reading, posting errors and missed readings. All issues are closely monitored during the month.

9. Issues from accounts receivables:
  - The arrears report as of March 2015 shows a \$1.6 million balance for the accounts that had been disconnected for more than 90 days.
  - The monthly reports for bills show villages with increasing arrears over the months such as Vaoala, Le'auva'a and Vailele. Vailele is an untreated area charging customers a flat rate of \$20 per month yet water bills are increasingly growing.
  - The current practise over disconnections and reconnections were not in line with the policies in place for such areas. This issue has been also raised by the Internal Auditor.

SWA responded that

- Follow-up of inactive accounts was still ongoing. There were some accounts where property is no longer inhabited.
- Special disconnection teams are now allocated for accounts more than \$1,000 with no recorded arrangement, plus follow up of disconnected accounts whilst teams continue with the normal schedule of disconnecting by village.
- Arrears for some villages also accumulate due to interference from village councils when disconnection takes place and the matter can continue for over a number of months.
- A number of customers with high balances *do* make arrangements or are awaiting a resolution due to leakage issues. If arrangements are not honoured, customers will be re-disconnected.

- Policies & procedures are currently being reviewed to reflect current practices as the old procedures do not reflect the efforts now in place to collect arrears as bills are now generated monthly rather than quarterly for all customers in contrast to the past.
- 10. There were accounts receivable balances carried forward from the previous years and still remain unchanged or unpaid as at 31 March. Appropriate action is recommended for these receivables; the bulk which are Miscellaneous Accounts Receivables relating to charges for SWA water mains damaged by contractors during their construction works more than 10 years ago (now outside the contract claims limitation period as proceedings could not be brought for lack of a strong chain of supporting documentation and these contractors disputed the charges). SWA explained that it submitted these accounts to previous Board meetings for write-off without success, and said that these will be resubmitted again based on the premise of outside limitation period and more so due to lack of supporting documentation to establish the claims. However for debts that are collectable with sufficient supporting documents, SWA will pursue collection.
- 11. Issue relating to payment processes:
  - There were no signatures from recipients of cheques issued as evidence and confirmation that cheques have been received by these people.
  - Insufficient supporting documents for payment vouchers, such as receipts and invoices from the suppliers to support the supply of goods and services.
  - Internal requisition forms were not signed by divisional managers.
- 12. There was purchase of alcohol during the Board of Directors end-of-year dinner. The funding of such goods from public monies is strictly prohibited under government policies, unless proper approval from the Cabinet is obtained. SWA explained that alcohol charged to this dinner to mark appreciation to the Board of Directors. It also said that while SWA does not make light of the rationale on alcohol, its understanding was that the directives were aimed at publicly funded events on a bigger scale as well as parties and consumption of alcohol on government premises.
- 13. There was an incentive payout at the end of the year amounting to \$117,355 to all staff including contractual officers. It was explained that the incentive was proposed by management and approved by Board. The incentive was based on overall achievements of SWA as there were no individual performance appraisals conducted. The incentive was unbudgeted for and not in policy. SWA responded that the payment of incentive to staff was objectively determined by the Board of Directors based on their inherent discretion which the Board exercised based on relevant considerations submitted for their decision by way of proposal dated 10 December 2014. Whilst there was no written policy per se on payment of this type of incentive, SWA said that Board has an inherent discretion which they exercised to consider, assess and approve the submission to pay the incentive of one week salary to all employees of SWA (as all employees contributed to the unprecedented achievements realised in 2014). The incentive was strictly a one-off one time course of action and the Board in its decision (resolution in the Minutes) clearly stated that the incentive does not set a precedent for future years. The Board was guided (as it would have been had there been a written policy) by objective factors which were set out in the Proposal (Extension of Water Supply Coverage Area, Collection Efficiency and Non-Revenue Water improvements) - and it was on these factors that the decision to pay the incentive was predicated. The absence of a written policy does not preclude the Board (which under the SWA Act 2003 approves all policies and procedures of the SWA) from exercising its inherent discretion so long as the discretion was exercised properly and in consideration of all relevant factors. Management did submit the Proposal to the Board because as interested parties the decision to approve a incentive could

only be made by the Board (which was not directly or indirectly materially invested in this decision to approve the incentive). As such for all intents and purposes the Board exercised reasonable care, skill and diligence as required of all directors in making the decision to approve the incentive. The incentive was not based on individual performance appraisals because the incentive was based on the overall unprecedented achievements reached as a result of a collective comprehensive effort of all employees of the Authority in 2014. SWA also explained that it has a Performance Appraisal System which is provided in its HR Policies and Procedures and that these appraisals are conducted each year for each individual where improved performance can result in salary increments. However, this one-off incentive was based on the collective collaboration of all employees and so the application of the individual appraisals would have been illogical as the achievements on which the incentive is based are collaborative achievements (not individual achievements). All employees (permanent and contract alike) contributed to these achievements and one of the invaluable outcomes which cannot be measured is the boost in staff morale as well as a sense of value and pride in being rewarded for a job well done (return on investment by way of employee job satisfaction leading to increased productivity and improved performance). SWA however notes with appreciation the issue raised and in view of the same will consider a framework within which the criteria and management of bonus/incentive rewards will be decided in future by the Board so that the framework operates as a trickle down system (corporate level to individual contribution).

14. There were instances with cash cheques, where the concern is with regards to the vulnerability and exposure of cash if cheque is misplaced or lost and is opened to be cashed by any person if found. SWA explained that the current practise was adopted due to practicality as an appointed personnel to be assigned as receiving officer does not always have the immediate time to cash the cheque especially if for an urgent trip or an unplanned event. Furthermore there were fees imposed by banks and cash cheques are only issued if necessary.
15. Issues with the application of withholding tax charges:
  - No withholding tax charged on services. The Authority does not charge withholding tax on the payment of services according to the Income tax Act 2012, except for Board allowances.
  - Withholding tax deducted from the gross value of sitting allowances were not properly accounted for, and reflected on the accounts. The only amount reflected is the allowance amount that is exclusive of withholding tax charge. Nonetheless, withholding taxes have not yet been remitted to Ministry for Revenue (MFR) since the start of the financial year.

SWA responded it had requested a list of services subject to withholding tax from MFR but were referred the back of the P5B form as the list for services subject to withholding tax is not yet finalised and approved. It also explained that the fact that the relevant legislation was amended through legislation compounded matters. With the amendment, SWA has rearranged its contractual requirements so that all resident service providers and contractors are aware that it is to withhold tax from their payments. Withholding taxes for board allowances have been paid and accounted for in the General Ledger.

16. There were expenditures for the funerals of two SWA staff members while on the job. Death entitlements however were not documented in the HR Manual. SWA said that advice from PSC and Cabinet office confirmed that there was no standard written policy on such matters, and as such, each entity may determine its own policy and procedure. Accountability and transparency of these transactions were sought by ensuring payments were based on reasonable estimates of funeral services for the two employees who both died in the course of

their employment and consequently approval was sought (and given) by SWA's Minister and considered necessary given the circumstances and nature of death for these employees. It is only the first time an incident of this nature has occurred in SWA and it was mindful to tread carefully in the absence of any written guidelines or criteria from anywhere within Government. Consequently, SWA has already prepared a draft policy for these events so that in future cases, the Board and the SWA will have a document to provide guidance. The draft policy has already been tabled with the Board of Directors for approval.

17. There was no contract (or an extension) for excavators and machinery since the start of the current financial year. The last contract ceased in 2010 and was not retendered as per government procedures. SWA said that the quotations for machinery hire were issued in February 2015 and the evaluation and inspection carried out from March 2015- April 2015. SWA is currently revising criteria to ensure companies comply with specifications. Retender of Quotations is expected at the end of July or August.

18. Issues relating to Board expenses and entitlements:

- In addition to the payment of sitting allowances, Board members were also entitled to transport allowances. The only remunerations and board of director's entitlements as stipulated in the Public Bodies Act are the director's fees and sitting allowances.
- There were delays in receipting sitting allowances for the absent members. Cash cheques are processed before the day of the meeting and must be receipted if a member is absent from the meeting.

SWA clarified that a transport component is added to the Sitting Allowance for directors who reside in Savaii and have to travel to Upolu for Board meetings. This component is not paid to all directors but only for directors who live in Savaii to cover their travelling expenses to the wharf, on the ferry and to Mulifanua Wharf and back. This component was authorised by a Board decision taking into account the practice of other public bodies that also pay this component to Savaii directors for travelling purposes. It is further understood that the two directors affected did not vote on the resolution and as such the decision does not deviate from the Public Bodies Act provisions that prohibit directors from voting in matters where they have a material interest. Regarding unclaimed allowances, SWA said that the delay was not a common practice; these are isolated incidents.

19. Issues relating to attendance:

- There were employees with no indication of their work status by not signing in.
- Inconsistencies with attendance and timesheets.

The attendance book helps to verify timesheets for payroll and must be accurate and clear.

SWA responded that this issue was highlighted and emphasised in management meetings and its internal audit activities but that there was still a challenge given the nature of their services whereby staff are sometimes required for urgent work in the field and sometimes are required to work excessive and odd hours. The other issue was the isolation of office locations whereby administration, monitoring and implementation of procedures is a challenge.

20. There was no clear clause in SWA's policy and procedures regarding the hire and employment of caretakers. There was no complete list of caretakers making it difficult to obtain and verify related payments to the caretakers. SWA responded that caretakers were categorised under temporary employees in the policy due to the nature of their work. These are employees (mostly landowners) engaged to care for properties, facilities, or projects of SWA constructed on their land. They are not employed on a full-time basis, and they do not have any extended entitlements and their employment ceases when their services are no longer required.



21. Issues with inventories and stores:

- Stock-cards were not properly updated, with some having negative stock balances as a result of stock cards not updated when unused materials are returned.
- Stock not recorded/posted on the stock module (Daffron) - There were also materials issued for use but were not posted on the stock module.

In addition to updating stock cards, monthly reviews of stock reconciliation should also be carried out. SWA replied that stock cards were no longer used and all data entry into the inventory module was done by accounts staff, not stores personnel, for segregation purposes. Stock cards are however still kept by stores personnel as a point of check, and that negative balance on stock cards flags them to check if any items were missing.

22. Audit noticed the sale of materials from the Vaitele store. SWA inventories are purchased to assist with the technical work of the authority and not for resale. Audit concern lies with the availability of items upon request by the technical people, the pricing for these items and the procedures or guidelines for this practice. Management should clarify the conditions and exceptions upon approval of such requests and for resale, as well as the costing of the materials to requested contractors. SWA replied that the resale of materials was not normal but if allowed due to special needs, it is referred to the CEO for approval. The majority of materials used by SWA are not available at hardware stores and sometimes contractors request SWA assistance due to shipping delays. When requests are approved, an invoice is prepared with a mark-up and VAGST is applied for the Commercial manager's approval prior to despatch. Materials are only released if receipt is presented at the stores. The VAGST component is also properly disclosed in VAGST returns.

23. There were stores requisition forms from the Savaii division that were not signed by the manager to ensure approval for request has been granted.

24. Issues relating to assets:

- Assets procured from the beginning of the current financial year were not labelled.
- Fixed assets were distributed to the divisions without proper monitoring on the movement of assets and whether they have been received by the requested divisions.
- There were assets listed in the assets register that could not also be located.
- Asset counts/checks were rarely conducted to ensure all assets were properly accounted for.

25. There were no approval forms for after-hour use of office vehicles. Employees other than the CEO or Acting CEO are prohibited from using vehicles at any time except for official matters or for the purpose of carrying out an exempted service during after hours with prior approval of the CEO.

26. There were no supporting documents for journal entries. All these should be filed with journal entries and approved by the manager with a register of all amendments to the accounts from journals.

## **2.56 Samoa Water Authority– Salelologa Office**

### **Interim Audit on 23 June 2015**

1. Unused receipt books were stored in the cashier's room when these should be kept separate from the cashier's booth or perhaps with the team leader for proper control over receipt books. SWA has noted the issue and receipt books will now be locked by the team leader and issued as done at main office.
2. The revenue collections from Asau for the second week of June were not posted by the Salelologa office.
3. There were inaccurate leave balances for some of the staff. Calculation for leave taken from April to June as per attendance book does not match with available and updated balances for leave.
4. Asau's attendance book showed that employees did not sign in, and since no leave forms or timesheets copies were kept in Savaii, the attendance of these employees could not be verified.
5. There was no updated register of fixed assets allocated for Savaii. A complete list of assets could not be obtained. It was explained that the assets officer at the main office in Apia oversees assets for both Upolu and Savaii offices leaving SWA exposed to a risk of assets misappropriation or assets misplaced without trace. Assets procured in the current financial year were not labelled increasing the risk of misappropriation of assets. This issue was confirmed by the Internal Auditor present at the time of the spot check. SWA has noted the concerns but states that the main asset register was kept at the main office. It will take into account a sub-register that the Savaii office will be in charge of.

## **2.57      Totalisator Agency Board**

### **for the year ended 30 June 2015**

1. There were no purchase orders for some payment vouchers.
2. The majority of payment vouchers were approved and signed by one Board member and not two as outlined in the accounting procedures. TAB clarified that all vouchers were approved by a Director or the Treasurer/Secretary with the authorised signature on the voucher and this is considered sufficient for internal control purposes. Two signatures are required for each cheque. The payment vouchers will be updated to note approval 1 and 2 cheque signatories.
3. Most payment vouchers were not marked/stamped 'Posted' after being posted to the general ledger. TAB said that as there were only few payments in a month, sometimes only one or two, there was minimal chance for duplication of postings. Monthly bank reconciliations will also ensure that duplication, if any are picked up in a timely manner.
4. Some of the payments vouchers are not prepared and signed by the Administration Manager. Inadvertent instances as noted above are few and will be noted for future preparation of payment vouchers.
5. There were some missing payment vouchers in the payment voucher file during our audit. The above payments can be verified by reference to the payee records. However recommendation was noted by TAB whereby payment vouchers and supporting documents will be filed accordingly. The above are once-off inadvertent occurrences.
6. There is inconsistency of calculation of withholding taxes deducted from director's fees and sitting allowances of Directors. Some director's fees and sitting allowances paid were deducted withholding tax and some were not. TAB replied that the amendments have now been done.

**2.58 Unit Trust of Samoa**  
**for the year ended 30 June 2015**

1. Direct credits from unit holders into the Westpac operating account had not been receipted. UTOS said that direct credits from unit holders were not receipted as it was seen a cost-saving measure given the significant number of unit holders who make direct credit on a weekly and fortnightly basis. These direct credits were posted direct from the bank statement as the source/supporting document to the MYOB general ledger. In going forward, UTOS has changed to issuing a receipt for total direct credit on a half monthly basis to align with receipting process and posting receipt to MYOB.
2. Some payment postings were not completed in a timely manner.
3. Narrations for transactions in General Ledger were not clear to ensure transactions could be traced back to source documents. UTOS will ensure narrations for all general journals include specific details that clearly identify the transactions.
4. There were some payments unsigned by authorised personnel. UTOS explained that payments were all authorised given that cheques issued for these payments are signed by both the Chief Finance Officer & Chief Executive Officer before the payment can be processed by the bank, but may have been an oversight in signing payment vouchers.

### **3. AUDIT PROJECTS**

#### **3.1 Civil Society Support Program**

**for the period 1 January 2012 – 30 June 2015**

Donor: AUSAID

Implementing Agency: Ministry of Finance

1. The Donor Project Funding Agreement Clause 53 requires an annual audit, however this is only the second request for audit and it covers three and a half financial years. Ministry of Finance (MOF) acknowledged the lapse on its part and will ensure that Agreement requirements are closely monitored to ensure compliance in future.
2. Funds intended for other AUSAID projects were mistakenly deposited in CSSP account. Ministry of Finance replied that this was out of the Project Management Unit's (PMU) control.
3. AUSAID funds were used for European Union (EU) activities which were later reimbursed from EU funds when EU funds were available. Ministry of Finance explained that there was no need for a formal Memorandum of Understanding as the programme was administered by the Government and not by the two donors. All that is required is to ensure that this arrangement is recorded properly and necessary paperwork in place for accountability and transparency. There is flexibility in the use of resources particularly as allocations are available at different times.
4. Some personnel had no signed contracts. Recruitment was also inconsistent; some were approved by the Steering Committee while others were approved through the Tenders Board. Ministry of Finance responded that all officers were initially recruited using the Tenders Board processes. Contracts arrangements have shifted to those used by Public Service Commission (PSC) and the usual PSC processes are followed.
5. Some employees did not sign in the attendance book, and only work hours were recorded.
6. There were no records to confirm the resignation of an employee during the audit. Project Management Unit (PMU) confirmed that records for this employee were incomplete and a resignation letter could not be sighted.
7. The CSSP Hilux truck was severely damaged. This vehicle was kept at a mechanic workshop at Lotopa. The vehicle was involved in an accident in September 2015, but the Irregularity Report was only prepared in January 2016. The PMU said it was genuinely not aware of the requirement to submit an Irregularity Report and that this was an administrative lapse. However all the necessary arrangements with Police and Insurance Company have been made by the PMU. The IR was submitted to Ministry of Finance on 11 January 2016. Ministry of Finance said that the investigation by its Internal Audit Division was on-going and will be completed end of January 2016.

### **3.2 Community Sanitation Project**

**for the financial year ended 30 June 2015**

Donor: Asian Development Bank (ADB)

Implementing Agency: Ministry of Natural Resources & Environment

1. Project expenses that were directly paid by ADB to suppliers were not captured on Finance One. This issue has been raised by Audit Office for most of the projects for the financial year 2014/15. Project Management Unit (PMU) stated that the direct payments were not recorded on Finance One because there were no funds received into the government inflows like the other types of disbursements. It has also raised this issue with technical advisors of Finance One for review.
2. Fixed assets were not properly recorded and labelled.
3. Staff members employed under the Project were not paid in accordance with their approved salaries in their respective contracts. Terms and conditions were also unclear. PMU indicated that salaries were correct but has noticed that the treatment of the two contracts was not the same, and will seek ADB advice on this matter.

### **3.3 Commonwealth Youth Games**

**for the year ended 31 December 2015**

Implementing Agency: CYG Secretariat

1. CYG agreed to recognize dues from sporting bodies in relation to the participation of extra time officials. This was reflected in the Statement of Receipts and Payments and listed in the notes as receivables.
2. The receipt, issue and use of accountable forms could be improved.
3. Weaknesses in internal controls for the hire of vehicles were a contributing factor in the fraud detected originally by the CYG management and staff. Legal and administrative actions have been taken to recover the losses and prosecute the offenders.
4. There was inconsistency in withholding taxes on payments to suppliers, resulting in additional obligation to pay to the Ministry for Revenue. CYG said that it had more than half a million to be transferred to Ministry of Finance to settle any remaining and unidentified liabilities.

### **3.4 Education Sector Program II**

**for the financial year ended 30 June 2015**

Donor: Asian Development Bank

Implementing Agency: Ministry of Education, Sports & Culture

1. Project balances on Finance One and General Ledger could not be verified because of the lack of a unique project number. The same account was used by eighteen different projects funded by Department of Foreign Affairs and Trade (DFAT). This made it difficult to identify and distinguish transactions relating to each individual project.
2. Some assets could not be found at their designated locations. Project assets were not included in the Ministry's asset register. The Secretariat has noted and relayed to its staff all audit concerns and will provide written confirmation when assets are returned to the Ministry upon completion of work.



### **3.5 Enhanced Road Access Project**

**for the year ended 30 June 2015**

Lender: World Bank

Implementing Agency: Land Transport Authority

1. The designated account set up with Central Bank of Samoa (CBS) received interest income which was not reflected in the project statements or in Project ledgers maintained by the agencies. Ministry of Finance responded that the interests earned for this project from the special account were not reported because in the correspondence to CBS, when creating the account, interests should be credited into a Treasury Fund account. It was not reported based on the understanding that it might affect the balance of account.
2. The budget disclosed in the financial report was for the duration of the entire project rather than the one financial year reported. The Project Management Unit (PMU) pointed out that the procurement plan was also the work plan for the project. This was provided to auditors for the period covered in the audit.
3. VAGST and withholding taxes for some contracts offset each other resulting in loss of tax revenues to be collected. PMU replied that the covering tax legislation allows overseas firms to register for VAGST. There was no offset as the government is still earning from direct taxes because these are directly deducted by the Ministry Of Finance when making payments. The firms are also obligated to pay VAGST to Ministry for Revenue if they were registered.
4. The minutes of Steering Committee meetings were not signed by the Chairperson to confirm authenticity of issues discussed and decisions made. PMU stated that the recommendation had been duly noted for future meetings of the project.

### **3.6 Enhancing the Climate Resilience of the West Coast Road Project for the financial year ended 30 June 2015**

Donor: World Bank

Implementing Agency: Land Transport Authority

1. Interest received on the project's designated account was not reflected in statements or accounted in ledgers. The Project Management Unit (PMU) replied that the interest earned for this project was not reported because those amounts were not credited in the special account. Correspondence with the Central Bank of Samoa stated that the interest should be credited into the Treasury Fund, and was not reported because of the understanding that it will affect the balance of account.
2. Expenditure for the financial year under audit were compared against overall project budget instead of against the financial year reported.
3. VAGST and withholding taxes for several contracts offset each other. Some overseas contractors add VAGST to their claims although they were not eligible for tax. PMU stated that tax legislation allows overseas firms to register for VAGST and that they were also obligated to pay VAGST to the Ministry for Revenue when they register.
4. There were changes made to the original grant/budget from \$14,800,000 to \$14,809,147. The proper authorization by the donor of these variations could not be confirmed as there was no amendment to the funding. The PMU stated that they continue to change budget accordingly when actual costs occur, making amendments to it with World Bank endorsement, and did not see this as an issue.
5. Minutes of Steering Committee meetings were not approved by the Chairperson to confirm authenticity of issues discussed and decisions made.

### **3.7 Enhanced Integrated Framework Project for the period 1 January 2014 – 31 December 2014**

Donor: United Nations Office for Project Services (UNOPS)

Implementing Agencies: Ministry of Commerce, Industry & Labour and Ministry of Foreign Affairs and Trade

1. There were improvements needed to be made on the project's fixed assets register:
  - Costs recorded for some assets were estimated costs instead of actual costs.
  - The acquisition dates for some assets were not recorded and some assets with immaterial values were capitalized.

Ministry of Finance noted the recommendations and agreed to amend the actual costs and all the necessary information on the register accordingly.

### **3.8 Enhancing the Climate Resilience of Coastal Resources & Communities**

#### **Project**

**for the financial year ended 30 June 2015**

Donor: World Bank

Implementing Agency: Ministry of Natural Resources and Environment

1. Some of the issues of concern included:
  - The accounting presentation of project financial report received for audit was not properly presented in a manner to reflect the total revenue and expenditure for the whole financial year. Ministry of Finance explained that the format for the Project's financial reporting was currently being developed to capture all income and expenditure incurred. Assistance from the Aid Coordination and Debt Management Division is sought in validating and making sure the same format is used for all other existing World Bank Projects.
  - The project was receiving monthly interest from fund deposit at the Central Bank of Samoa (CBS) but was not reflected in the project accounts, but directly credited to the General Treasury Fund Special Account. Ministry of Finance replied that the interest accrued was credited to the General Treasury Fund Special Account at the Central Bank of Samoa on a monthly basis. This is the arrangement with other Government special accounts maintained at CBS. The interest cannot be posted under project accounts since they are received into the General Treasury Fund Account and not project accounts. The treatment of interest is decided by Ministry of Finance on behalf of the Government of Samoa, and there is no specific requirement from the donor regarding interest hence the decision by Ministry of Finance to credit Treasury fund to assist other developments.
  - Fixed assets purchased were not incorporated in the project under asset category.
  - There were no Notes to the Accounts to summarize significant aspects of the project or sub projects as well as what objectives had been achieved and works that are currently in progress.
2. The project fixed assets register was not properly formatted to account for every detail of an asset purchased. The asset original cost, acquisition date and its exact location were not reflected on the assets register. The Project Management Unit (PMU) has amended the current template to reflect the details as recommended.
3. Payment vouchers were not properly supported with necessary and required documents:
  - There were no original quotes from suppliers attached to payment voucher to justify payments. PMU replied that the original quotes and relevant supporting documents were misfiled and are now available for sighting.
  - The required three quotes to support payment were not fulfilled for one payment above \$5,000. This supplier was contracted by the Ministry of Finance to provide sound system technical support for the Samoa Conference Centre.
  - There were no consultant timesheets attached to payment voucher as per contract agreement. It was explained that this was a lump sum contract and the consultant is only paid when a milestone is achieved and not based on timesheet.
4. Withholding tax was not imposed, calculated at the wrong tax rate or was not excluded when payment incurred.

5. Ministry of Finance was obligated to pay a consultant for reimbursable expenses upon receiving receipts, and relevant documents where applicable. Audit considered some of these non-reimbursable expenses. In addition, there were no reasons and certification on supporting documents. Ministry of Finance explained that there were some milestones beyond its control and the consultant had to reschedule due to unexpected delays.

### **3.9 Enhancing Resilience of Coastal Communities of Samoa to Climate Change (ERCCOSCC) Project**

**for the year ended 31 December 2015**

Donor: United Nations Development Program (UNDP)

Implementing Agency: Ministry of Natural Resources & Environment (MNRE)

1. Non-compliance with payment procedures:
  - payments were not signed by the authorising personnel;
  - payments did not have all the required signatories or special authority;
  - payments used Cabinet directives as a substitution for unsigned special authority to initiate payments.

MNRE responded that Ministry of Finance training informed staff that Cabinet directives were sufficient to support payment. MNRE also had authorised officers in each division of the ministry to prepare and endorse payments.
2. An error in the ledger figures required a correction in the Funding Authorization and Certificate of Expenditure (FACE) Forms and CDR in 2015. This problem arose because there was no communication between the Finance division and AID division of the Ministry of Finance. The recommendation was noted and will ensure this will not happen again going forward. An email was attached for confirmation that UNDP was notified of the issue and that this was not intentional.
3. There was an error on one of the FACE Forms for the 3rd Quarter under Outcome 1. Ministry of Finance responded that the error was in the codes provided by MNRE. There was also a copy of email conversations between Ministry of Finance and parties involved regarding the matter that was presented.
4. Some payment vouchers were not properly completed. MNRE commented that the concern was noted and will be raised with the relevant project personnel and division within the Ministry.
5. The project requires a statement of assets paid for by the project to be maintained. This had not been correctly complied with. The Project Manager and IP were working on the correction and proper completion of this statement for audit. MNRE responded that the inclusion of projects' assets for auditing was new for them and needed distinction between actual costs and contract costs of works.

### **3.10 EPC Power Sector Expansion Project**

**for the year ended 30 June 2015**

Donor: ADB, JICA and AUSAID

Implementing Agency: Electric Power Corporation (EPC)

1. There was non-compliance with procurement procedures:
  - payment vouchers not supported by quotes
  - payment vouchers without supporting receipts
  - no withholding tax charged on payments
  - no consent or signed agreement for variation of contract while payments were made
  - no supporting evidence for the authorization of acting project manager who was paid higher duty allowance

EPC said it will work together with the Ministry of Finance to clarify tax applications with Ministry for Revenue (MFR). The Project Management Unit (PMU) Management has taken into consideration the issue on authorisation of acting Project Manager.
2. The exchange rate used to convert out-of-pocket expenses could not be justified.
3. Some of the sub project transactions were erased, or amended from the General Ledger after the finalization of the audit for financial year ending 2013 and 2014 without the relevant adjusting entries. This issue resulted from the differences in finalization date of the EPC financial statements and the PSEP. Both financial statements use the same General Ledger to draft its accounts. The EPC Accounting system cannot be altered or manipulated by anyone once the system is closed.
4. There were adjustments for interest rate made after the audit report for financial year 2014 was finalized and issued. EPC said it has noted the recommendation.

### **3.11 Electric Power Corporation Human Resource Consultant for the 23 months ended 31 December 2015**

Donor: AUSAID

Implementing Agency: Electric Power Corporation

1. Reimbursable expenses for the Consultant included items such as communication costs, transportation costs, staff amenities considered to be administration expenses that are ineligible as per clauses 25 and 26 of the Direct Funding Agreement (DFA). These items should not be paid from donor funds. Project Management Unit (PMU) replied that the listed items were all approved under the signed contract with the consultant as reimbursable expenses, with receipts and invoices provided for confirmation. However, the audit concern and recommendation is noted.



### **3.12 EPC 400KW SOLAR PV PROJECT**

#### **for the year ended 30 June 2015**

Donor: Pacific Island Forum Secretariat Forum

Implementing Agency: Electric Power Corporation (EPC)

1. There was a \$153.86 overpayment of salary paid by the EPC to the Project team leader compared to the contract. The team leader's salaries reimbursed from the Ministry of Finance to the EPC were also overpaid by \$1,108.39.
2. There were payment vouchers for reimbursements not supported with adequate documentations.
3. Interest earned on the project bank account was not disclosed in the financial statements of the project. This issue was raised in previous audits. Ministry of Finance said that it had already disclosed the amount earned from this project in the financial statements for transparency and accountability of donor funds.
4. There were payments on professional services made without the deduction of withholding tax as required by legislation.

EPC has noted the audit recommendations.

### **3.13 Health Sector Management Program Support Project for the year ended 30 June 2015**

Lenders: World Bank, AUSAID, NZAID, UNICEF, WHO, UNFPA

Implementing Agency: Ministry of Health (MOH)

1. Withholding taxes deducted for services acquired could not be verified for some payments made. Project Management Unit (PMU) responded that the withholding taxes for the concerned payments were deducted from progress claims of the contractors accordingly. Contractors' progressive claims were inclusive of the advance amounts before they were deducted hence the withholding taxes were deducted from inclusive amounts and not amount after deductions. This was how the PMU calculated withholding tax until the full advance payment was recovered through progress payments for each of the contractors.
2. The application and calculations of VAGST and withholding taxes to consultancy claims differ from the agencies' calculations resulting in an offsetting scenario and a loss on tax revenues to be collected. PMU stated that the normal process for procurement requirements in the tendering documents was that bids from bidders are exclusive of taxes and therefore all taxes are borne by government whether it be local or overseas, thus the 15% VAGST and withholding tax for consultants was for all taxes due to the consultant which government has to factor into their contract. This has been the practice according to legislations then before new changes came into effect.
3. Withdrawal applications were inconsistent with exchange rates used on confirmation of withdrawal with the daily rates obtained from Central Bank of Samoa (CBS) for processing some payments. The PMU responded that there was no variance or difference in exchange rates used. The payments were submitted for payment to CBS in the currency of the contract and invoices.
4. Issues relating to fixed asset management included:
  - Incomplete fixed assets register
  - Some assets were unlabelled and not on register.PMU confirmed that all assets will be allocated a reference number even though the register may not clearly separate them row by row. Not all assets on the Sector Wide Approach Program (SWAP) assets register were registered on Finance One Assets Module as these are dependent on the entities themselves.
5. Issues relating to Human Resources(HR)/attendance records:
  - Staff not signing the attendance book
  - Attendance book was not properly monitored and updatedPMU assured that Corporate Service was now, since February 2016, more rigorous in monitoring the attendance books and reporting to divisions on performance of staff attendance.
6. The Health Sector Management Program Support Account set up with the Central Bank of Samoa received interest which was not reported in project financial statement but was noted as interest earned waived. Ministry of Finance replied that they did not report any interests in the financial statements because the interests received were forgone as part of the obligations by government in the agreement between CBS and the Independent State of Samoa on its overdraft facility in September 2014.

7. There was journal entry of SAT \$313,649.35 "*to reverse transfer LM24930949 in July 2014*". This amount was recorded as a withdrawal for the first quarter of the project, but was not reflected on the bank statement. Ministry of Finance replied that this transaction was not in the bank statement because it was not paid out of the designated account for the project. This particular entry did not inflate expenditure reported because the entry was to capture the actual transaction occurred and reversed from where it was wrongly charged before.
8. Project counterpart costs funded by the Government of Samoa (GoS) were not disclosed in project statements. PMU replied that the SWAP Counterpart costs as a *Below the Line* item in the MOH budget originally was setup to identify the GoS contribution to the SWAP program, which Ministry of Finance then undertook the process on annual basis to transfer GoS contribution to the Designated Pooled Account with CBS. However, after 2013/2014, with the evolution of the Health Sector Program, the counterpart budget expanded to include not only the SWAP Program but all other projects related expenses, and hence the full SWAP counterpart costs were not considered in the Health SWAP IFRs.
9. The World Bank-executed Trust Fund (as per Section 64 of the Joint Partnership Arrangement between the Pool Partners) was not adequately disclosed in the Project Statements for proper transparency and accounting. PMU stated that the transfer of funds between Development Partners regarding fiduciary duties, including evaluation/review missions was a one off transfer payment. The Health Sector had taken note of the matter raised and will inform development partners to ensure more information and appropriate processes are instituted for future programs to ensure transparency in reporting.
10. Subsequent events after balance date include final contract payments to a contractor for the renovations on the Malietoa Tanumafili II (MTII) hospital in Savaii. There were a few amendments made to the scope of works which could have implications on the original contract terms and conditions binding both the GoS and the contractor. PMU stated that there were no amendments approved by MOH affecting the original contract for MTII Hospital under the Health SWAP Program. Any variance to the original contract was the responsibility of National Health Services (NHS) and they had been advised accordingly including all cost implications.

### **3.14 Private Sector Support Facility Project**

**for the period ended 1 July 2013 – 30 June 2015**

Donor: NZAID and UNDP

Implementing Agency: Ministry of Commerce, Industry & Labour (MCIL)

1. The PSSF Project was not captured on Finance One as confirmed by Ministry of Finance. It was clarified that the project account was created on Finance One in 2008. However due to preferences of the development partners and the nature of the program which focuses on the private sector development, a special purpose account was set up at the ANZ Bank. Although this account was established, all processes and procurement under the program were treated the same as other existing programs/projects and it was fully complying with government policies and guidelines in place. Ministry of Finance has taken note of the concern.
2. Clause 13 of the Grant Funding Arrangement requires the project to be audited on an annual basis. However, the period covered in this audit was 24 months, and not in accordance with the provisions of the arrangement. Ministry of Finance acknowledged the lapse on their part and will ensure compliance in the future.
3. There were no withholding tax deductions made for all payments of consultancy services under the PSSF Project as required under legislation. Ministry of Finance had noted the oversight on their part.
4. Local counterpart costs of \$50,000 for the financial year 2013/14 were paid to the Samoa Chamber of Commerce as per Cabinet Directive FK (14) 13 to fund the transfer of the Project from the Ministry of Commerce, Industry & Labour to be housed and managed by the Samoa Chamber of Commerce. However, this transfer did not take place, although funds were already transferred to the Chamber. There was no report received from the Chamber on how these funds were utilized. MCIL assured that they will follow up with the Chamber of Commerce and the PSOs regarding the outstanding NPSO issue as the outcome of this arrangement will be the basis of commencing the transfer of PSSF.
5. Information requested for verification was not presented on time despite several requests to the responsible agencies. Ministry of Finance stated that the requested documents should be found at the Implementing Agency as they were the primary source whereas Ministry of Finance copies are only back-up records. MCIL responded that the transfer of funds from the Development Partners for the project in each financial year was subject to the submission of six-monthly progress reports from the PSSF Steering Group (SG), similarly for the following financial year. An annual report is also prepared and endorsed by the PSSF SG after each financial year. The release and transfer of funds has not stopped since the inception of the programme as these requirements were satisfied. All of these reports were presented to the Development Partners through the Aid Coordination Division. The delay in submitting some of these documents was beyond their control as all PSSF officers have been released hence the current team was trying to recover the correct files and documents as required.

### **3.15 Provision of Climate Change activities project (NAPA 4) for the period 1 February 2010 – 31 December 2014**

Donor: AUSAID (Department of Foreign Affairs and Trade)

Implementing Agency: Ministry of Natural Resources & Environment (MNRE)

1. Non-compliance with the provisions of the Project Agreement between the donor Government of Australia and Government of Samoa:
  - A six monthly progress report was not prepared and submitted to the donor.
  - The signed project Arrangement included the Climate Change (NAPA 4) project and Biomass Gasification Pilot project (NGHGAS). Only one project, NAPA 4, was covered in this audit.

MNRE responded that there were six-monthly reports for all the reporting periods of the project during its active phase. Until the project funds and activities completed at the time that the six-monthly report was due, discussions with AUSAID recommended that MNRE develop and submit the completion report overall including the period noted due to no more activities being carried out under this time. Also all of the project staff under this program had moved on to other employment. Ministry of Finance responded that there is one project agreement for two projects' proposals.

2. A hard drive for the project was not registered and had no label for ease of identification. MNRE replied that the hard drive was now included in the list of assets and labelled with the AUSAID logo like other project assets.
3. The Employment contract of the Tourism Climate Change Project Coordinator was not signed by the parties to this contract. There was also no signed copy of this contract kept. Ministry of Finance stated that their copy of the contract had missing pages (due to photocopying errors during the time) including the signature page between the Employer and Employee. Ministry of Finance emphasised that records from Implementing Agencies should be the primary source of these records as Ministry of Finance only retained back-up copies mainly for their own purposes.
4. There was a long delay in the submission of project draft acquittals for audit. The project completed in December 2014 and the acquittals were just ready and submitted in January 2016. Ministry of Finance explained that the request for audit is initiated from Development Partners in this case DFAT, which was received on 4 December 2015 hence request letter to Audit Office on 8 December 2015 and then submission of all acquittals early 2016 which were all original copies of all acquittals already sent to DFAT during the implementation period of the project.
5. Minutes of steering committee meetings were not signed by the Chairperson to confirm authenticity of issues discussed and decisions made. MNRE had noted this oversight and will ensure all minutes are signed.

### **3.16 Review of Domain Name .ws contract with Computer Services Limited**

**20 August 2015**

Implementing Agency: Ministry of Foreign Affairs and Trade (MFAT)

1. The documents that were of utmost importance in this audit was the second contract and its variations.
2. There were obligations for CSL and the Government through MFAT under the first contract but those obligations have lapsed now with the expiry of the first contract. There was no need or requirement in the contract for the Audit Office to do any financial statement audit for the period 2001 to 2015 under the first and second contracts or the variation to the second contract.
3. Contract 1 and 2 were basically the same with the only minor difference occurring in the review sections or clauses due to the differences in the financial return period in the two contracts.
4. Audit assistance and advice was based on the second contract and the variation to the second contract. The variation to the second contract related only to the extension of the expiry date from 18 June 2014 to 18 December 2015 and the extended length of the contract from 18 months to 36 months, or 3 years. Everything else was not affected by the variation.
5. MFAT, Ministry of Finance, Attorney Generals Office (AGO) and Ministry of Communication and Information Technology (MCIT) were able to review the compliance of CSL with the contract and its obligations using the second contract, and document proof of compliance with the contract by CSL.
6. The second contract commenced on 18 June 2014, and with the variation, expired on 18 December 2015. Under section 2, the second contract should have been reviewed at the end of nine months from commencement which should have been 18 February 2015.
7. MFAT should clarify what the intention is in relation to the domain and its supervision and oversight – whether it will continue to use shorter duration or terms such as 18 months or 36 months or longer periods as in the first contract. Other options other than CSL should also be brought forward in the event of poor contract performance from CSL.
8. The contract itself stipulates under section 2 how the reviews are to be conducted and MFAT, Ministry of Finance and MCIT with the assistance of AGO should conduct such a contract review not only under section 2 but also almost all parts of the contract where there are obligations and responsibilities of CSL.
9. The specific assistance and advice of the Audit Office was provided as follows:
  - Section 6.1 of the second contract: CSL is required to submit audited financial statements to MFAT within 3 months after the end of each financial year, showing receipt by CSL of all fees, royalties and other benefits arising from the utilization of the .ws domain.
  - The financial year of CSL needs to be determined as there are two CSL companies known at this stage and it must be identified clearly which is accounting for the fees, royalties and other benefits arising from the utilization of the .ws domain

- There will be a potential change of the auditor to the Audit Office for the audit of CSL for the financial year ending 30 June 2016 as a subsidiary of Samoa National Provident Fund.
- MFAT and Audit must obtain the audited financial statements for the financial year ended 30 June 2014 and 30 June 2015 and whether these have accounted for the fees, royalties and other benefits arising from the utilization of the .ws domain
- Section 6.2 of the second contract: CSL must provide information required to MFAT. Otherwise it will be a non-compliance issue for contract review.
- Section 6.3: Slight confusion with minor changes to the review in the second contract compared to the first contract and the drafter of the second contract must be clear on what the intention was of this section as well as clarification of what the contract means by the rate of return and how it is to be calculated. Once clarified, the appropriate action will be the calculation of what is due to Government and what is due to CSL using the second contract formula as originally intended by the drafters, authors and signatories.
- Section 6.5 of the second contract: The drafter of the contract must be asked as to whether this requirement would be practical and what the intention of the contract was.
- Section 7 of the second contract: Implies that there is an expectation of the Government for CSL to pay the financial returns under section 6.3 of the second contract on a monthly basis – otherwise, a non-compliance issue against MFAT.
- Section 8 of the second contract: MFAT, Ministry of Finance, MCIT or AGO to agree on formula for calculating returns on a month basis. Otherwise it will be a non-compliance issue for contract review.
- Section 8: MFAT can still request CSL to provide information on a monthly basis from when the second contract commenced to date, if this obligation of the contract has yet to be fulfilled by CSL.

### **3.17 Samoa Agriculture Competitiveness Enhancement Project (SACEP) for the year ended 30 June 2015**

Lender: World Bank

Implementing Agency: Ministry of Agriculture & Fisheries

1. Project expenses that were directly paid by the World Bank to the suppliers were not accounted on Finance One. Ministry of Finance responded that direct payments from the World Bank to the beneficiary were not reflected on Finance One because funds had not been received by Government. This has been the case for previous and other ongoing projects funded by development partners and donors regarding direct payments.
2. Funds received and reimbursed from the donor and interest earned on the Central Bank of Samoa (CBS) designated special account were not fully disclosed in the project financial report. Ministry of Finance clarified that the format used for presentation was predetermined and agreed to with World Bank for the project for the quarterly Interim Financial Reporting (IFR) and for audit purposes.
3. There was no fixed assets register presented during the audit for the verification of assets purchased under project funds. Ministry of Finance had taken note of the recommendation for future improvement.



### **3.18 Samoa Agribusiness Support Project**

**for the financial year ended 30 June 2015**

Donor: Asian Development Bank Grant

1. A number of issues associated with the preparation of the financial statements were identified:
  - Various grammatical/clerical errors in the compilation and presentation of the Project Financial Statement;
  - Several drafts were obtained during the audit;
  - Inconsistency of financial reports foreseen in the project life of SABS;
  - The delay in certification of project accounts;
  - No specific documented guideline in place to capture the unique nature of the project and its activities in a financial report.
2. There were no Advisory Committee minutes for the first meeting providing enough information to be reviewed and have a good understanding of the issues, the discussions, important decisions, and actions to be taken regarding the progress of the project. The concern has been noted for future meetings.
3. The Project Manager's contract was not signed although the recruitment process had been completed. The Project Management Unit (PMU) said that the contract will be signed as soon as conveniently possible.

### **3.19 Samoa Agriculture & Fisheries Cyclone Response Project (SAFCRP) for the year ended 30 June 2015**

Lender: World Bank

Implementing Agency: Ministry of Agriculture & Fisheries

1. The financial reports attained from Finance and Agriculture were prepared in the absence of a Standard Accounting framework and were not considered as financial reports but rather an acquittal report. Ministry of Finance responded that the current presentation used had been the predetermined format acceptable by the Association which was in line with reporting of quarterly financial statements. World Bank was planning to conduct a workshop on financial statements presentation before the end of the financial year for all stakeholders involved in the management of project funds from them which should resolve this issue.
2. Rather than reimbursing government funds on a monthly basis, amounts to be reimbursed from the lender had been left to increase over two financial periods and had reached a significant amount yet to be reimbursed. Ministry of Finance stated that reimbursement had already been done in 2015/16 and have noted the concern for future project expenditures.
3. The project's statement of expenditure was presented both in Samoan tala and in US dollars without disclosing any exchange loss/gain. Ministry of Finance said it was following the pre-determined format and the use of exchange rates agreed to but has noted the matter to be discussed during a World Bank workshop.
4. Issues pertaining to the Designated Account at Central Bank of Samoa (CBS):
  - There should be no interest accrued reflected on designated Account bank statement as per requirements on the establishment letter. On the contrary, an interest received was noted to be credited from previous year with an increase of USD \$2617.16 at the end of the financial year 30 June 2015.
  - Interest earned generated from the CBS Designated Account was not disclosed in the project accounts.

Ministry of Finance replied that interest received was wrongly credited into the account from January –April 2015. A transfer of the sum of these interests received will be transferred to the correct account before the end of 2015/16.
5. A payment to the SAFCRP's Information Technology Specialist was funded under SACEP Project's designated account instead of SAFCR. This payment was still accounted as part of this project's expenditure on Finance One but payment was not reflected in the DA-CBS. Ministry of Finance assured that it will process letter to reimburse SACEP's account with the exact amount paid out of DA for the IT Specialist. This error was only realized during final reconciliation of 2014/15 and reported as SACEP's expense until reimbursement.
6. Issues relating to Contracts disbursements:
  - The payments breakdown of the IT Consultant's contract was noted to be inaccurate as calculations of taxes were incorrect.
  - There were incorrect calculations of withholding taxes for payments made to the IT Consultant according to submitted invoices.

Ministry of Finance and the Project Management Unit (PMU) responded that they had duly noted recommendation for future payments of contracts.
7. One employee was being underpaid by the Implementing Agency. Ministry of Finance stated that the difference in the paid annual salary was due to the classification in the government's

salary scale. Ministry of Finance and PMU agreed to inform the officer to submit his salary difference in the form of an invoice for Ministry of Finance to pay the underpaid amount.

8. Issues relating to fixed assets:

- Asset register was incomplete and not properly updated. This issue was previously raised in the last audit for improvement and noted no remedial actions.
- Assets were not labelled.
- There were missing assets that could not be sighted during spot check.

PMU replied that the issue had been noted for remedial action.

9. Issues relating to Commercial Farmers and Fishers Agreements:

- Incomplete Commercial farmers' files;
- Some grant agreements were not properly approved by commercial farmers and the representatives of the Implemented Agency;
- There was no monitoring and evaluation reports in some files to confirm inspections and monitoring was done by the PMU;
- There were missing minutes for some of the steering committee meetings;
- Some steering committee minutes were not signed by the Chairman.

The PMU assured that they have noted this and working on improving their filing system. They also noted that the sampled beneficiaries whose files were reviewed were mostly incomplete in their implementation of RPs. All the 100 Grants Agreements went through the review and approval process by the Committee and subsequently signed by the beneficiaries before PMU processed paperwork for e-voucher payment. PMU keeps both unsigned and signed copies, and PMU had recovered the missing Agreements and they have been filed accordingly. PMU has the Implementation Monitoring Reports for the beneficiaries who have been visited. PMU also has the Minutes for all the Committee meetings that approved all 100 commercial beneficiaries, and has noted the recommendation to have the minutes signed by Chairman in the future meetings.

10. Issues relating to E-voucher system:

- There were a few areas of the e-vouching system that warranted attention, particularly in the monitoring and reviewing of information being uploaded into the e-voucher system in addition to reports being generated from the system. Audit was able to verify 75% of the project funds being spent on the e-voucher system and the rest was verified through information from the sub systems supporting the e-voucher system.

Details	Total Amount	Percentage
Negative variances	258,510	5%
Reconciled beneficiaries	3,728,480	75%
Significant variances	755,210	15%
No records on DMM and Infinity	3,450	0%
Unutilized Funds	103,000	2%
Absence of records in Infinity	132,900	3%
Absence of records in DMM	1,110	0%
	4,982,660	100%

- Inconsistency with approved entitlements. The total usage/spending on Infinity Report for some beneficiaries were above their approved entitlements from the Digicel Trust Account.
- Incomplete data reports from Merchants/Suppliers.
  - Reports from Merchants/Suppliers only provided reference of supplies acquired without specific details for verification to confirm eligibility of these transactions under the program as required under the Voucher Program Manual. The e-voucher system data of the Infinity reports and Digicel Mobile Money (DMM) accounts should always match.
  - No records were found in Infinity Summary report for other beneficiaries except for their Digicel Mobile Money Accounts.
  - Some beneficiaries with remaining funds were noted to be higher than their Digicel Mobile Money (DMM) accounts. This resulted in significant variances and a lack of information loaded into the MAF servers for e-voucher system reconciliations.
- Infinity System summary not agreeing with Digicel Mobile Money accounts. A beneficiary was noted with sale transactions in Infinity Summary but not in Digicel Mobile Money accounts.
- Inability to trace records on both Digicel Mobile Money (DMM) accounts and Infinity Reports. A few beneficiaries had no records on both DMM and Infinity Summary.
- Duplicate Digicel cell-phone numbers found. There were beneficiaries found to be using the same cell-phone number for their purchasing approvals.
- There were a few beneficiaries with purchase balances that were not found on the initial approved list of beneficiaries.

PMU will implement measures to ensure that reconciliations are done accordingly.

### **3.20 Samoa Aviation Investment Project**

**for the year ended 30 June 2015**

Donor: World Bank (WB)

Implementing Agency: Samoa Airport Authority (SAA)

1. Professional services were paid without charging the 10% withholding tax and 15% for non-resident's withholding tax. The management will liaise with the Procurement & Contracts team in TFSU (Technical and Fiduciary Support Unit) regarding the inclusion of withholding taxes for future and for contracts that have not yet been signed.
2. Expenditures for reimbursement to Implementing Agency are exclusive of VAGST. SAA replied that a VAGST claim will be submitted when the counterpart for the project is appropriated in the supplementary budget.
3. The fixed assets register was incomplete and assets had no labels. Currently, the vehicle is the only asset that has been purchased from the project's funds.
4. Vehicle AA15 had tinted windows, tow bar and side step. Cabinet directives and Public Finance Management Regulations 2015 prohibit official vehicle accessories. SAA said it will incorporate GoS PFM Act and regulations as they are not recognized by the World Bank procurement manual. This will be raised with the TFSU/WB.
5. The project accountant's employment contract does not provide for the Accident Compensation Corporation (ACC) and Samoa National Provident Fund (SNPF) statutory contributions. The Project manager's employment contract provides for 5% SNPF instead of 6% per raise. The project team will process the Letter of Variation (LOV) and submit accordingly.
6. The Civil Aviation (Safety and Security Levy) Regulations 2015 provides airline members of International Air Transport Association (IATA) a safety and security levy to be incorporated in the airline ticket effective on/after 26 October 2015. Audit concern was whether the Implementing Agency had taken into account Polynesian Airlines' flights to American Samoa that at times depart from Faleolo International Airport. Polynesian Airlines is not a member of IATA.  
The SSL Regulation is explicit that the SSL will only be effective from airports operated by the SAA. SAA responded that it had an ongoing relationship with Polynesian Airlines; when its aircrafts are departing from Faleolo airport for Pago Pago, the passenger manifest will be used to charge back Polynesian with SSL Passenger Facility Charge. The same arrangement will also be used for the SSL regarding private flights departing Faleolo.
7. The interest received on the designated CBS account was not reported in the financial statements nor in the project ledger accounts. Interest is credited into Government Account into the Treasury Fund.
8. The original authorised and approved budget (Financing Plan) for SAIP included European Investment Bank (EIB) concessional loan amount although nothing had been signed or approved. Concessional loan is now disclosed separately including the additional note on subsequent event as recommended.
9. The budget disclosed in financials is for the overall 4 years project life rather than for the two year period reported. The project is for a four year life span. These financing plans have to

incorporate the actual activities and the projected amount of funds to be used. It does not take into account the time taken as delays are always inherent to any planned activities more so with regards to works activities. The project is measured against the achievement of these activities and within budgets. If for some reason it goes over, another variation has to be made and be sent for approval by the World Bank (WB). In terms of monitoring, we have the steering committee monitoring progress of the budget against timelines and deliverables. The objectives of the project are clear and quarterly progress reports are sent to WB and TFSU.

10. Several activities have not progressed or have been slow in progress as evident in activities with unutilised and under spent budgets. The project team hopes that once the Integrated Environment & Safety Management plan is in place and the construction works for both projects starts, the utilisation of the unutilised activities will take place.

### **3.21 Samoa City Development Strategy Project**

#### **for the period 20 November 2014 – October 2015**

Donor: United Nations Habitat

Implementing Agency: Ministry of Natural Resources and Environment (MNRE)

1. There was no evidence of preparation and review of progress reports.
2. Minutes of project meetings were not properly recorded and certified.
3. The local counterpart contributions through in-kind donation were not properly documented and monitored.

The Project Management Unit (PMU) has noted the audit concerns and recommendations.

### **3.22 Samoa Disability Program**

**for the 15 months ended 30 June 2015**

Donor: AUSAID (DFAT)

Implementing Agency: Ministry of Women, Community & Social Development

1. Issues relating to non compliance with Direct Funding Agreement (DFA):
  - No properly prepared financial statements in accordance with an identified and applicable financial reporting framework like IPSAS or any other mutually acceptable international or national standards. The acquittal reports prepared by the Ministry of Finance was simply an accumulated list of receipts and payments as of a certain date but was not directly linked to actual disbursement against activities specified in the program's annual work plans. Disability Unit PMU (Project Management Unit) explained that the current template used by the SDP unit for program and financial reporting was developed by the unit staff as a means for their own records of payments and expenditures. However, they rely heavily on the support of the MWCSD Corporate Services Unit (CSU) and DFAT for advice and detail regarding financial issues mentioned above. Ministry of Finance responded that the standard approved financial acquittal format reports between the GoS and DFAT was used for reporting. While they do note that this may not be the format used by Audit, it is the official standard reporting template between DFAT and Ministry of Finance. Ministry of Finance requests that perhaps this can be prepared by the Corporate Services of the MWCSD to satisfy future audit reporting or for audit to share a template with Ministry of Finance or MWCSD.
  - Key guiding program documents were not formally approved. These documents included the:
    - Monitoring, Evaluation and Learning (MEL) Framework
    - Program Risk Management PlanDisability Unit (PMU) stated that the MEL version that was approved in 2014 was being reviewed again; this work was outsourced and an estimated completion time was set for April 2016. The process for the program risk management plan was managed by DFAT; one risk assessment was conducted by DFAT for SDP in 2015.
  - No proper supplementary reports maintained by PMU. These reports are to disclose comparison of actual expenditure by strategies, outcomes and key result areas and reporting of program commitments as at reporting date(s). Disability Unit/PMU stated that the current template used by the SDP unit for program and financial reporting was developed by the unit staff as a means for their own records of payments and expenditures. However, they rely heavily on the support of the MWCSD Corporate Services Unit and DFAT for advice and detail regarding financial issues mentioned above.
2. Issues relating to administrative tasks and support services provided by SDP Team:
  - Meeting minutes were filed separately from meeting documents
  - Most papers discussed during meetings were stored electronically and circulated via email
  - Some minutes were not signed
  - No clear indication of whether previous minutes have been approved.
  - No copies of minutes filed for several sub-sector meetingsThe Disability Unit/PMU noted the issues for improvement.
3. Issues relating to General Financial Management practices included:



- No proper reconciliation procedures in place to monitor and manage funds received and disbursed for SDP activities as evident in the following:
  - There were payments included in the MWCSO register but not recorded in the Finance One project ledger. Discussions noted that these payments may have either been cancelled or funded by Ministry outputs.
  - Committed transactions within a period of 3-6 months not properly reported and assessed considering its implications of future budgets allocations
  - Cancelled payments requisitions unknown to the SDP team and the only information they had was a register of all generated purchase requisitions and acquittal reports from Ministry of Finance
  - Delays in posting transactions resulting in transactions raised in one financial year reflected as payments incurred for the next financial year.
  - Inconsistency in reporting interest earned on funds received. The acquittal reports submitted for discussion and endorsement during Steering Committee meeting included interest earned within the Central Bank of Samoa account and this amount was excluded from the acquittal submitted for audit review.

The Disability Unit/PMU explained that the current template used by the SDP unit for program and financial reporting was developed by the unit staff as a means for their own records of payments and expenditures. However, they rely heavily on the support of the MWCSO Corporate Services Unit and DFAT for advice and detail regarding financial issues mentioned above. The interest income is currently reported on a separate line item within the SDP financial reports that are tabled before the Disability Taskforce and the Steering Committee.

Ministry of Finance stated that the interest received are only captured in the project ledger and would remain as part of the SDP funds as per indication on the project ledger. Interest is separately classified under Budget Line 2 (BL2) but they've only reported the actual spending to date in accordance with DFAT's contribution to the program in the six-monthly acquittal report. However, the audit recommendation had been taken note of and will include reporting of the interest earned as a separate note in the Financial Acquittal report to DFAT and amend the reports accordingly. However, it is equally important to note here that interest earned should not be utilized as part of the original project approved total funding but treated separately and any decisions to utilize this interest will be discussed between the GoS and DFAT prior to allocation or utilization

- No proper fixed assets register maintained by the SDP to record and account for all the projects assets. Disability Unit/PMU indicated that they will develop their own asset registration separate from the MWCSO CSU asset registration.
- Lack of proper monitoring of budgeted activities for the program as there were payments made in excess of budget amounts and some budget components were underutilised. Disability Unit/PMU replied that there have been notable barriers to the initial implementation of the program including delay in staff recruitments, resignation of the Community Sector Coordinator (designated head of program) hence the huge amount under-spent. However, the post-audit period from July 2015 saw the steady progress of these key activities. Ministry of Finance explained that there is a degree of flexibility of reallocation between budget lines or outcomes but these should be recorded by means of meeting minutes, letters or emails by the project/Ministry as proof of endorsement/approval. Ministry of Finance also noted the issue of underutilization of certain budget activities which was not a concern considering the project is still ongoing.

#### 4. Issues relating to other implementation and management arrangements included:

- Delays in implementing the program's key activities. The Disability Unit/PMU noted the audit recommendation for proper action deemed necessary.
- The Program does not have a proper account of GoS contribution. The acquittal reports submitted during SC meetings does not include the GoS' contribution to the SDP. The acquittal reports also do not report or disclose separately any of the other additional contributions as required under the DFA which is to be provided by the GoS such as office space, logistical support required for the successful implementation of the program, ongoing funding and support as necessary to the Disability Task Force. Some of these additional contributions by GoS have been funded from MWCSO outputs and are recorded within the Ministry's payment register and discussions noted that they have had a negative impact on ministry outputs where some particularly were overspent as a result of funding support for SDP activities such as VAGST portion of payments made, vehicle running costs, office maintenance costs and so forth.

Disability Unit/PMU stated that the amount is the total of the Senior Officer salary for the four year period of the program. However, other support provided by the Ministry through its CSU and operational costs will have to be determined by all personnel/divisions concerned as a way forward.

5. A special payment made by the Program to a Non-Government Organisations (NGO) noted the following:

- No properly documented impact assessment was carried out for the above matter.
- Audit did not receive supporting documents other than meeting resolutions and approval from DFAT on where these funds were drawn from and which program activities these belonged to, and how that will impact the delivery of those program activities in the coming years.
- SDP paid and/or contributed for funding of five staff for the NGO as opposed to the three additional staff stated within the DFA annex.

Disability Unit/PMU had noted the audit recommendation and will be assessed accordingly by the SDP Program Manager and Ministry of Finance replied that reference to minutes should be made as this matter was discussed but they couldn't confirm decisions made by the Steering Committee (SC) at the time.

6. There were no progress reports from the National Health Services (NHS) to assess SDP activities (pertaining to one of the key outcome areas of the program which is to be implemented by the NHS) and lack of proper coordination between the SDP and NHS. Disability Unit/PMU stated it had been verbally confirmed by DFAT that they have received these reports from NHS as well as Ministry of Finance. As a way forward, SDP will continue to track these reports although NHS has a separate contract. However, given the SDP as a small unit, this will be an added burden to them. The SDP unit has constantly followed up these reports from the NHS representative for Mobility Unit but still received none. Ministry of Finance stated that NHS contracting is different from Disability Program as it is done directly by DFAT as clearly indicated in the agreement. Therefore this is an issue outside of the Disability Program's control. However it is still important that the Disability Program ensures that all information relevant to their Program be captured and perhaps this issue should be raised directly with DFAT through SC meetings (as DFAT is part of the SC membership) or through official channels.

### **3.23 Samoa In-Country Training Programme**

**for the year ended 30 June 2015**

Donor: NZAID & AUSAID

Implementing Agency: National University of Samoa and Ministry of Finance

1. Petty cash was not supported with petty cash vouchers.
2. There were payment vouchers without adequate quotes.
3. Internet usage exceeded monthly budget. SICTP said that the current internet plan (and budget) will suffice for the programme, but subject to change in the future.
4. There was a lack of supporting documents for paternity leave, and leave forms for annual leave completed only after utilizing the leaves.
5. A cheque issued to the Accident Compensation Corporation (ACC) was posted in the General Ledger in December 2014, but only received by ACC in January 2015. It was clarified that the ACC cheque payment issued and posted in December 2014 was presented to ACC in January 2015 when the University recommenced its operations. The management will ensure to present payment of statutory deductions on time to prevent any penalty fee that might be imposed.
6. There were tender assessments for course trainers missing from their files such as signed assessment letters. Management commented that this is the current process being done for all SICTP Panel Assessments
7. Weaknesses observed from physical asset sighting
  - Fixed Assets that were left idle or not operating effectively without writing off
  - Fixed Assets were not properly labelled
  - Missing fixed assets

Management commented that assets to be written off will be presented for approval. Fixed assets raised for recommendation have now been labelled accordingly. There was a mix-up in labelling but no assets are missing.
8. The insurance policy does not cover for all material assets. The management will update the insurance policy accordingly.
9. Minutes for the PCC meetings were not signed. The management has taken note of the issue.
10. The funds received were less than the funds per project agreement. SICTP said its development partner has taken note of the error for future contracts as the project has ended. Clarification of the issue was detailed in letter from the NZ High Commission dated 15 October 2015.

### **3.24 Samoa Parliament Complex Redevelopment Project for the 22 months ended 31 December 2015**

Donor: AUSAID (DFAT)

Implementing Agency: Office of the Clerk of the Legislative Assembly (OCLA)

1. Clause 67 of the Direct Funding Agreement requires the project to be audited on an annual basis. However, the period covered in this audit was 22 months. Ministry of Finance replied that they have taken note of the audit issue as raised, but that it was an understanding that the final advice came from DFAT as sometimes it was not necessary especially if expenditures were very minimal that will not warrant an audit such as in this case. The Office of the Clerk of the Legislative Assembly (OCLA) responded that the Facilities Manager was employed in December 2014, whose tasks included assisting the Clerk in implementing all works for the project. It should also be noted that the project was significantly delayed in 2014 due to budgetary issues.

### **3.25 Samoa Post Tsunami Reconstruction Project**

**for the period 1 July 2014 – 31 August 2015**

Lender: World Bank

Implementing Agency: Land Transport Authority

1. Budget disclosed in financials was for the project's whole life rather than one financial year reported. Ministry of Finance responded that project budgets are prepared for the whole duration of the project and project officers continue to amend it accordingly over the years of the project based on what has been carried out during a particular year.
2. Project expenses that were directly paid by the World Bank to suppliers were not captured on Finance One. Ministry of Finance responded that this issue had been raised by Audit Office for most of the projects for 2014/15. Direct payments were not recorded on Finance One because there were no funds received into the government inflows like the other types of disbursements, and Ministry of Finance had already raised this issue with technical advisors of Finance One for review.
3. VAGST and withholding taxes for several contracts were noted to have offset each other hence the Government of Samoa (GoS) losing out on tax revenues to be collected. Ministry of Finance stated that the governing tax legislation allows overseas firms to register for VAGST. There was no offset as the government was still earning from direct taxes because these are directly deducted by the Ministry Of Finance when making payments. The firms were also obligated to pay VAGST to Ministry for Revenue (MFR) if they were registered.
4. The minutes of Steering Committee meetings were not signed by the Chairperson. Ministry of Finance noted the issue for future improvements of other ongoing projects.

### **3.26 Samoa Renewable Energy Development & Power Sector**

#### **Rehabilitation 2015**

Donor: Asian Development Bank (ADB)

Implementing Agency: Electric Power Corporation (EPC)

1. There were payments made without deduction of 10% withholding tax as required by Income Tax 2012. It was clarified that contracts were paid in full including withholding 10% taxes because ADB cannot pay any taxes withheld, directly to Ministry for Revenue or even EPC.
2. All contract survey services commenced before signing of contracts, and some completed prior to the ratification of contracts. Contract payments were not in line with payment instalments per contracts. EPC will discuss with the Legal department and Project manager to ensure contracts are signed before commencement of contract works and proper compliance with schedule payments.

### **3.27 School Net and Community Access Project**

#### **for the year ended 30 June 2015**

Donor: Asian Development Bank (ADB)

Implementing Agency: Ministry of Education, Sports & Culture

1. Project expenses that were directly paid by ADB to suppliers were not captured on Finance One. Ministry of Finance Aid Coordination Unit replied that this issue has been raised by Audit Office for most of the projects for 2014/15. Direct payments were not recorded on Finance One because there were no funds received into the government inflows like the other types of disbursements. This issue has also been raised with technical advisors of Finance One for review.
2. The designated account set up with Central Bank of Samoa received interest which was not reflected in project statements or accounted in project ledgers maintained by the Agencies. Ministry of Finance stated that interest received was not disclosed because they were not received into the Special Account for School Net.
3. Issues on fixed assets management:
  - There were assets not found at their designated locations recorded in the fixed assets register.
  - There were assets sighted that were not registered in the projects fixed assets register.Ministry of Finance responded that the issue has been noted for improvement of assets management in other projects since School Net was now closed.

### **3.28 Samoa Tourism Support Program**

#### **for the year ended 30 June 2014**

Donor: NZAID

Implementing Agency: Ministry of Natural Resources and Environment and Samoa Tourism Authority

1. There were no withholding tax deductions for consultancy services performed by overseas contracts even though these were stipulated in their respective contracts.
2. A variance of \$11,155 was noted between the bank statement and the Statement of Receipt and Payments as at 30 June 2014. These payments were made through the Treasury Disbursement Account instead of the Special Purpose Account at the Central Bank.
3. There was no annual report for the period ending 30 June 2014 as per project agreement.
4. Minutes of meetings for the TSC for the financial year under review were not provided for audit review.

The Project Management Unit (PMU) has noted audit concerns and recommendations.



### 3.29 Samoa School Fees Grant Scheme

**for the period 1 June 2010 – 31 December 2015**

Donor: AUSAID/NZAID

Implementing Agency: Ministry of Education, Sports and Culture (MESC)

- Counterpart costs funded by the Government of Samoa were not disclosed in the Project statements. Ministry of Finance stated the project statements provided only reports on each development partner's contribution as per signed Grant Agreement. The overall contribution from both donor and the Government of Samoa should be reflected in MESC's report submitted to the donor's for their review.  
MESC provided the following table with breakdown of the donor's and Government of Samoa contribution for each financial year.

Total					
Allocation	Donors		GoS Contributions		
YR1 FY2010/2011	4,133,800	100%	4,133,800	0%	
YR2 FY2011/2012	3,968,300	100%	3,968,300	0%	
YR3FY2012/2013	3,921,400	70%	2,744,980	30%	\$ 1,176,420
YR4FY2013/2014	4,062,700	50%	2,031,350	50%	\$ 2,031,350
YR5FY2014/2015	4,056,600	30%	1,216,980	70%	\$ 2,839,620
YR6 FY2015/2016	3,185,400	0%		100%	\$ 3,185,400

- Non allowable items funded from project funds
  - Payments made by some schools for non-allowable items as per Funding Agreement.
  - The process for recovering of project funds used for acquisition of non-allowable items is through reimbursement of funds by schools that did not comply. Audit could not confirm if these funds were actually reimbursed or not as this information was not provided by MESC.

MESC has provided details of audit issues.
- Clause 13 of the Arrangement requires the Project to be audited on an annual basis. However, the period covered in this audit is 5 years. Ministry of Finance stated that their understanding was that all projects implemented by the MESC were inclusive in the Ministry's annual audit hence they did not request for an annual audit until completion of the project. However, they had noted the issue and will ensure full compliance for on-going projects.
- An overdrawn balance of \$22,611.95 was noted as at 30 June 2013. Ministry of Finance assured that reconciliations were done regularly. The overdrawn balance was a result of monthly payments for the team of consultants as per signed consultancy services contracts. Ministry of Finance proceeded with the payments, with the understanding this will be recovered from the development partner's contribution for 2012/13 school fees grant allocation. In June 2013, funding of SAT995,153 was received that fully covered the debit balance.
- The review of Project Steering Committee minutes noted a lack of communication between MESC and Ministry of Finance on fraud and ineligible payments from project funds. Both Ministry of Finance and MESC agreed with recommendations and will work closely on this matter.
- Issues on fixed assets management:

- Missing assets
- Some assets sighted were not recorded in the Asset register
- Some assets require write off but were still noted in the Asset register
- Some assets were not labelled

MESC responded that there were 200 schools targeted under the School Fee Scheme (Primary and Secondary) and it has been very difficult to get to all 200 schools in a timely manner. There had been a major shift of recruiting school principals under a contractual basis and there have been a large number of new school principals who required training on asset marking and asset registrations. MESC was recruiting 15 School Review Officers to address the short of staff to manage all financial and asset management requirements of the School Fee Scheme.

7. There were Minutes of some of the Steering Committee meetings held that were not provided for audit verifications despite many requests. The Minutes as noted by the auditors could not be located in the Minutes File.

### **3.30 Consultations for Preparation of the 2016 – 2020 Strategy for the Development of Samoa**

Implementing Agency: Ministry of Finance

The Public Finance Management priority attributed to the Audit Office is disclosed as 'to maintain the autonomy and independence of the Audit Office to ensure the effective role of the audit.'

The Strategic Plan of the Audit Office for the period July 2014-June 2024 will continue to develop and deliver what is required of the Government, the Ministry of Finance and the Audit Office to maintain the autonomy and independence of the Audit Office to ensure the effective role of the audit as promoted and championed in the Strategy for the Development of Samoa (SDS). The autonomy and independence are enshrined in the:

1. Independence of the appointment, termination and tenure of the Controller and Auditor General
2. Independence of the appointment, termination and tenure of Staff and other Personnel assisting the Controller and Auditor General
3. Financial Independence from the Executive Government

The Audit Office has made substantial achievements and progress in 1 and 2 with the assistance of the Ministry of Finance but it is 3 that is in the pipeline to achieve and complete during the 10 years of the Strategic Plan (July 2014-June 2024) and within the upcoming Strategies for the Development of Samoa (SDS).

The Strategic Plan will continue to pursue and solidify the platforms that will ensure the ongoing achievement and satisfaction of PEFA, PFMR, FEMM and other international guidelines and requirements like the INTOSAI PMF (International Organisation of Supreme Audit Institution Performance Measurement Framework).

Audit Offices or Supreme Audit Institutions are also now required by INTOSAI to consider the MDGs (Millennium Development Goals) and SDGs (Sustainable Development Goals) in their financial, performance, compliance and environmental audits. The Samoa Audit Office will follow this best practice as prescribed by INTOSAI over the years of the Strategic Plan and beyond.

Some of the key reforms to be implemented as part of the Strategic Plan and future Strategies for Samoa include:

1. Increase in performance, compliance, environmental, information technology and special audits
2. Restructuring and rightsizing of the Office of Controller and Audit General/Audit Office
3. Situational analysis and design of a Technical Audit Branch and Certified Fraud Branch in the Private Sector
4. Financial independence of the Office of the Controller and Auditor General/Audit Office from the Executive Government with complete reliance on audit fees for paying operating and capital expenditures
5. Full accrual based financial statements
6. External audit of full accrual based financial statements by Overseas Auditors appointed by the Officers of Parliament Committee

The Audit Office can only now move towards the above targets after achieving comfort with the assistance of the Ministry of Finance in financial audits of ministries, projects, public bodies and the consolidated public accounts. This has been one of the guidelines in FEMM that Governments or States should delay moving towards other type of audits if financial audits are still behind.

**3.31 Project for Strengthening Samoa Fire Service  
for the year ended 16 December 2015**

Donor: Japan Embassy

Implementing Agency: Samoa Fire and Emergency Services Authority

1. There was no interim report prepared by the Samoa Fire and Emergency Services as per condition D (1) of the grant contract.

### **3.32 Supporting Demographic Health Survey**

#### **for the six months ended 31 December 2014**

Donor: AUSAID (DFAT)

Implementing Agency: Samoa Bureau of Statistics (SBS)

1. Counterpart costs funded by the Government of Samoa were not disclosed in the Project statements. Ministry of Finance replied that the project statement submitted for audit only captured the contribution made by the Government of Australia to the program, however counterpart costs were not reflected as these are in-kind contribution by the Government of Samoa to support the project activities and are all captured under relevant outputs of the Samoa Bureau of Statistics as a whole.
2. There was a long delay in the submission of unaudited acquittals for audit. The project was completed in December 2014 and the audit request was made in January 2016. Ministry of Finance said that the audit task can only be conducted upon completion date of the project which was 15 June 2015 as per the agreement and a request from donor. DFAT only sent a request letter for audit on 4 December 2015.
3. All minutes of Steering Committee meetings provided for audit review were not signed by the Chairperson and there were no official records/minutes of other Steering Committee meetings. The Samoa Bureau of Statistics (SBS) explained that this was not raised in the meetings by the members but it is noted for future surveys, and also said staff shortage meant there was no one available to take minutes.

### **3.33 Technical and Vocational Education and Training (TVET) Roadmap**

#### **II Project**

**for the 18 months ended 30 June 2015**

Donor: AUSAID (DFAT)

Implementing Agency: Samoa Qualifications Authority

1. Issues relating to non-compliance with the provisions of the Direct Funding Agreement (DFA):
  - Monetary gifts of \$500 were paid from project funds but these were not allowed to be paid under the funding agreement
  - Catering expenses of \$34,137 for committee meetings and refreshments during trainings and consultations were also paid from project funds but were not allowed under the funding agreement.
  - Clause 12.2 - Deposit and disbursement of Government of Australia (GoA) funds required them to be deposited into the Government of Samoa (GoS) special account held in the name of the Ministry at the Central Bank of Samoa. However, these funds were deposited at the Treasury Fund Account – ANZ instead of the Central Bank

Ministry of Finance responded that Clause 5 of the Memorandum of Understanding has a provision to allow such expenditures to be funded by the development partner's financial contribution. TVET Budget and Work Plan were verified and approved by DFAT before the implementation of the project. Expenditures such as catering and gifts were also budgeted in the TVET Work Plan and approval was granted by DFAT. Given all expenditures were local payments, it would be convenient and cost-effective to retain funds under Treasury account. Given this was a first joint account for all Australian Partnership Project, Ministry of Finance learned that it was also not a good practice to recommend joint accounts for future projects.

2. Issues relating to non-compliance with Government's procurement processes and systems:
  - There were orders of supplies already paid in February 2015 and August 2015 to the suppliers but have not been supplied as at the time of the audit. It was stated that this was due to the delay in shipment of goods from overseas. However, there was no confirmation provided to verify this shipment.
  - It was also confirmed that one of the local suppliers whom supplies were paid for but have yet to be received, owned and managed HCHIT portraying a clear conflict of interest.

According to the DFA, GoS is responsible for all procurement in accordance with its established rules, procedures and legislations.

Ministry of Finance replied that the supplier's invoice was used as a source document that materials and assets had been supplied, hence payments were made then by the Ministry. However, they were not made aware of the situation as well as SQA until the audit was conducted. Therefore, conflict of interest was not declared. They had noted the issue and will ensure to strengthen monitoring procedures to safeguard materials and assets procured from donor funding. SQA responded that the recommendations had been noted. They also advised that they follow Government procurement procedure very closely, however the Agreement allowed SQA some flexibility on a case by case basis to ensure the best result is achieved.

3. Audit was unable to verify TVET project balances on Finance One General Ledger due to the absence of a unique GDP project number for the TVET project alone. The GDP account code used to record TVET transactions is the same account used by eighteen different projects. Ministry of Finance stated that this GDP account will be closed once remaining project completes within the 2015/16 financial year. They took note of the above recommendation and will ensure future compliance with recommendation. SQA responded that compliance

with the recommendation would also be very beneficial for Implementing Agency in the implementation of future Projects.

4. Issues relating to fixed assets management:

- No asset register for fixed assets distributed to schools. The SQA does not keep an asset register to record all assets that were supplied and distributed to providers/schools.
- Unlabelled assets and incomplete asset registers.

SQA stated that items procured under the Project were mainly consumable in nature and as such they keep a master records/register of all consumables paid under the Project for each Provider (not just assets) for the purpose of SQA Monitoring. The Agreement signed with each Provider for the funding support approved for them under the TVET Project required them to "store and manage appropriately" these consumables which are to be verified by SQA site visit. The site visit (or monitoring) was planned for the last week of February 2016 (as the TVET Project final date for utilization of fund had just ended on 30 December 2015). As some items (although they were brought for the purpose of student trainings) can be identified as assets, the providers were advised to keep an asset register and submit copies of the same for Ministry of Finance's verification during the payment process.

5. Minutes for both PCC and PIC meetings were not signed by the Chairman. SQA replied that the issue was noted and minutes will be signed for the remaining meetings.

#### **4. EXTENSION OF AUDIT APPOINTMENT AND DELEGATION FOR THE APPOINTED AUDITORS**

The CAG (Controller and Auditor General) issued in April 2016 instruments of appointments and delegations under Sections 16 and 17 of the Audit Act 2013 to allow the existing Auditors to continue to be the Auditors for the same Public Bodies/Enterprises for the financial years ended 30 June 2016 and 30 June 2017.

The appointments and delegations continued on the same terms and conditions as applied when the Auditors were appointed to conduct the audits for the financial years ended 30 June 2014 and 30 June 2015. This extension or continuation of appointments and delegations was necessary to:

1. Improve governance, financial accountability and performance accountability in general and quality and timeliness of financial statements in particular before the onset of stricter enforcement and sanctions against non-compliance with policy and legislative requirements.
2. Allow additional INTOSAI (International Organization of Supreme Audit Institutions) comprehensive quality assurance/review/control requirements to be approved first in late 2016 in the INCOSAI (International Congress of Supreme Audit Institutions) and in the 2017 Conference of the Association of Commonwealth Auditors General before its extensive use and application in the Public Audit Sector in Samoa comprising of the audits of Ministries, Parliamentary and Constitutional Offices and Public Bodies/Enterprises.

After the completion of 1 and 2 above, the Office of the Controller and Auditor General of Samoa will then go back to the drawing Board for the next formal round of appointments/delegation. This next formal round of appointments/delegation could re-invite all 19 Local Audit Practitioners to submit Expressions of Interest (EOI) as was carried out in 2013 and extend the invitation for Expressions of interest (EOI) through the World Wide Web or internet. This again is intended to elevate the quality of public auditing, financial management, financial reporting, financial statements preparation and taxation returns preparation in Samoa.

Accountancy and auditing services form the basis for the decision making and allocations of economic resources by the Government and other Allocators of Resources such as the local financial institutions and the International Donor and Lending Agencies so as to ensure that the allocation is conducted with due regards to economy, efficiency, effectiveness, ethics, equity and environmental conscience.

The next round of delegations or appointments will be for the financial years ending 30 June 2018, 30 June 2019 and 30 June 2020 after the extension of appointments and delegations. The Audit Office is backing its audit outsource program to the Private Sector Auditors with its comprehensive interim audits as another form of quality control, review and assurance on the work of our Appointed Auditors. The audit files and work papers of our Appointed Auditors also come back to the Audit Office for review before finalization and closure of the audits.

The CAG also asked Public Bodies/Enterprises and the Appointed Auditors for the transparent declaration, audit and disclosure of the state of solvency of the Public Bodies/Enterprises for the information and review of the Ministry of Public Enterprises in relation to the dividend policy of Government from the financial year ending 30 June 2016 and going forward.

The audit reform of the financial statements and audits of the whole public bodies/enterprise sector has improved in compliance with the filing and time requirements of the Public Finance Management Act 2001 with compliance rates from 2009 to date of 6%, 14%, 16%, 21%, 27%, 46% and finally 51% in 2015.



## **5. PERFORMANCE, COMPLIANCE AND ENVIRONMENTAL AUDIT**

### **5.1 Performance Audit – Contract Performance and Variations**

**July 2013 – December 2014**

The audit objective was whether policies and guidelines implemented by the Government of Samoa in awarding contracts and ensuring Contractors performance were effective and efficient and that variations were properly monitored. The scope developed for this performance audit was that it would focus on policies and procedures with the Ministry of Finance and Tenders Board in awarding of contracts, monitoring and evaluating of contractors. Progress and final reports of construction works were also considered in our review. The reviewed period for this performance audit was from July 2013 to December 2014.

#### **Audit Findings and Recommendations**

1. *Non submission of procurement progress reports*

In accordance with Treasury Instructions, procuring entities should prepare and submit to the Ministry of Finance Procurement Division quarterly procurement progress reports that outline progress updates. Such reports should contain a comparison of the annual procurement plan targets with progress. This report should also include the comparison of the planned and actual days for procurement time, contract execution time, and post contract execution obligations (e.g. defect liability period and payment of the retention monies). This would assist the Ministry of Finance Procurement Division with their monitoring and evaluating role. However, from audit review and interviews with personnel from Ministry of Finance Procurement Division, that despite this requirement being included under the Instructions, procuring agencies still failed to comply. The Ministry of Finance noted the recommendation by the Audit Office and gives assurance that this will be stressed out in the procurement training. Ministry of Finance will provide enforceable measures to ensure Line Ministries' and State Owned Enterprises' (SOEs) compliance to this requirement as stipulated in the Treasury Instruction 2013. These measures will include a circular memorandum with a list of all procuring entities to provide progress reports for the Tenders Board information and the Chairman of the Board will be copied in circular.

2. Based on audit review, Audit noted a number of contract variations being awarded after the initial contract. These variations have changed terms and conditions, timeframe and costing required completing these projects. Some variation orders have been issued more than twice and in fact questioned the preparation of the proposal in the first stage. According to Ministry of Finance Procurement Division, the main cause of most variations was the limited knowledge of procurement officers in different Ministries and Corporations. Audit noted that the possibility of any variation that could have resulted would have been kept at a manageable level had the proposal been carried out effectively and thoroughly. Ministry of Finance noted the recommendation by the Audit Office. However, a procedure is already in place for analysing change orders and variations. The initial evaluation panel will analyse the change order/variation of a project if it's more than 10% of the original contract price to determine if it's viable prior to being submitted to the Tenders Board for approval and to Cabinet for its final decision (if appropriate). Change orders/variations can only be initiated by the client/employer/principal not the contractor or the supplier and all change orders are subject to the Tenders Board approval and Cabinet (if appropriate). A circular memorandum was issued in regards to variations and again, this was emphasised in the procurement training in May 2015.

3. *Late submission of evaluation report*

Evaluation reports from selected evaluation committees were quite significant in terms of awarding of contracts. These reports were used by the Tenders Board as the basis of their decisions. However, one of the weaknesses found was the delay in submission of these reports prior to the Tenders Board weekly meetings. Management explained that the Tenders Board Calendar of meetings issued as a Circular Memorandum to all Line Ministries and Public Bodies stating the due date of all submissions of reports to the Tenders Board Secretariat. The submissions on the date of the meeting (late submissions) are sometimes a result from a directive from the Chairman or due to the urgency to implement the project at the earliest possible. All issues raised will be emphasised in upcoming trainings.

4. There were complaints received as a result of awarding of contracts. These complaints were either referred back to the procuring agency for verification purposes or directly handled by the Tenders Board. Management replied that the establishment of an independent review panel is in the pipeline as one of the actions in the Public Finance Management (PFM) Reform.

## 5.2 Performance Audit – Electricity Tariff and the Transition to 100%

### Renewable Energy

January 2012 – December 2015

#### 1. Non-compliance with the regulated effective dates

Audit noted instances in which the regulated dates of the orders were not complied with. For example, in the year 2012 the Office of the Regulator (OOTR) issued Order #2012/E04. Under this order, it was regulated to be effective from the 01-Aug-2012. Audit assessments showed that the regulated rate that should have been effective from the 01-Aug-2012 was only made effective on the EPC system on the 04-Aug-2012 noting a 3 day delay in the change of rate. Simply, there was a delay in making effective the regulated rates. The impact of the delay in making effective regulator orders would either be overcharging customers if the actual rate charged is greater than what is regulated or discounting further the cost of electricity if less. EPC agreed with the above observation.

#### 2. Non-compliance with Regulator Orders

Regulator Orders were completely not complied with – that is, the rate which was regulated in the 2013/E11 Order dated 06-Mar-13 to be made effective on the 14-Mar-13 was not enforced in any way. In addition, the Corporation has agreed and the practice has been changed.

#### 3. Unregulated tariff charges

The below rates were charged to the public without Regulator Orders.

Unregulated Actual Rates Charged							Regulated Rates					
Period	System - Effective Dates	Domestic			Non-Domestic	Comments	Order #	Domestic			Non-Domestic	Effective Dates
		1 to 50 Units	51 & above to 100	101 & above	All Units			1 - 50 units	51 - 100 units	101 & Above / 50 & above	All units	
2012	1-Aug-12	0.66	0.77		0.77	Effective for 3 days	2012/E04	0.83		0.99	0.99	1/08/2012
2015	2-Jul-15	0.77	0.91	0.99	0.99	Effective for 14 days	2015/E28	0.77	0.91	0.96	0.96	1/07/2015

The rates that should have been charged for the noted days are tabulated as the Regulated Tariff rates. EPC agreed with the above observation as noted in its management responses.

#### 4. Noncompliance with the regulated application of 2% discount

As illustrated below; the last two tiers (in bold) were not applied the 2% discount as regulated.

Regulated Tariff rates		Actual Rates Charged	
<b>Order No.:</b> 2014/E25		<b>Effective Date:</b> 01 <sup>st</sup> April 2015	
<b>Effective Date:</b> 01 <sup>st</sup> April 2015		<b>Effective Date:</b> 01 <sup>st</sup> April 2015	
<b>Tariff Rates</b>		<b>Tariff Rates</b>	
Domestic:		Domestic	
1-50	\$ 0.76	1-50	\$ 0.76
51-100	<b>\$ 0.90</b>	51-100	<b>\$ 0.91</b>
101& Above	<b>\$ 0.95</b>	101 & Above	<b>\$ 0.96</b>
Non-Domestic:		Non-Domestic	
All Units	<b>\$ 0.95</b>	All Units	<b>\$ 0.96</b>

EPC has agreed to the above observation.

5. *No documented rules of procedures in determining tariff*

There was no procedure or policy within EPC to guide the determining of tariff and its processes involved. The one responsible personnel in the determining of tariff was only able to give audit a verbal explanation of how the components of tariff were determined in the absence of documented procedures. As a result, several issues were noted:

- No monitoring mechanism in place to ensure that tariffs were implemented as regulated;
- No platform of communication between concerned units involved in the determining of tariff.
- No documented platform of communication with the Regulator;
- No policies in place to internally govern and calculate tariff;
- Lack of record keeping procedures in place to document tariff documents.

EPC responded that it will begin progress in putting together a Rules of Procedure or Manual.

6. *Signing of Power Purchase Agreements (PPA) with IPPs prior to OOTR issuing license*

According to the Office of the Regulator, part of issuing a license as per section 13 of the Electricity Act is through a PPA and the Regulator to date has not issued any license to the IPPs but rather letters of authorization. There are now 8 signed PPAs with 7 IPPs and only 2 IPPs currently connected to the EPC grid – the Green Power Samoa Ltd and the Sun Pacific Ltd. The Green Power Samoa Ltd has not been issued a letter of authorisation yet it is already in service and being paid by EPC to generate electricity. EPC has highlighted the contradictions in the existing Legislations governing the EPC and in particular the signing of PPAs; namely between the EPC Act 2008 and the Electricity Act 2010.

7. *The Daffron system was unable to capture the change in tariff rates (as regulated) charged to induction meter users.*

Audit was unable to make an assessment as was done on the cash power system due to the system not being able to capture this change. According to EPC, this function is now under negotiation and the system has begun trials on the same. In addition, the system is expected to capture this required information on data entered from 2008 to date.

8. *VAGST on fuel inclusive in determining of tariff.*

Audit noted that EPC had been determining fuel charge (now known as energy charge) with VAGST inclusive. EPC commented that only a portion of the VAGST paid for fuel is recovered from the subsidy provided by government while portion of this remaining VAGST cost was still passed on to customers. Audit was not provided evidence to support this statement made by EPC. However, the Order of the Regulator which was also recognised as the first step in the regulatory oversight authorizing the Restructure of the Tariff (Provisional Tariff 2014-2015) included the formula set by the Regulator for EPC to use to ensure that VAGST in any portion was no longer passed onto consumers. Audit review of tariff calculations from 2014 to 2015, together with the internal processes of the Electricity Regulator has confirmed that from 2014, VAGST was exclusive in all tariff calculations.

### **5.3 Performance Audit – Effectiveness of the Institutional Strengthening Project on the operations of the Samoa Bureau of Statistics 2011 – 2014**

1. Audit noted that the ISP delivered all the milestones expected. However, the achievement of sustained and sustainable improvements in the efficient and effective delivery of statistical outputs is dependent on the commitment of Samoa Bureau of Statistics (SBS) management to continue to lead the change process and implement fully the recommendations for continued capacity building of the staff, improving statistical processes and generally strengthening the institution according to a report provided by the ISP team. The project completed in early 2014 to which Audit noted positive progress of recommendations made from the ISP being implemented in the Bureau.

Two of the central aims running through the whole of the ISP were to improve dissemination and communication of statistics to stakeholders and to encourage and support the greater use of statistics in the policy and monitoring process. Many of the milestones and much of the capacity building has been focused on the achievement of these broad objectives.

In general the quality and timeliness of key statistics has been improved, and dissemination has been through the SBS web-site and stakeholder communications process. What is not so clear is whether these improvements have actually led to more effective policy analysis and better decision making by policy-makers.

This may become clearer as the Strategy for the Development of Samoa (SDS) and the supporting sector plans are developed with clear use of statistics to analyse and support the various development strategies proposed.

Strengthening institutional processes, improving standards and methodologies as acknowledged by SBS has resulted in better quality, more timely and more reliable statistics. Such improvements however may not be easily or immediately obvious to any particular user of statistics.

With regards to the effectiveness of the ISP; generally and with due regard to various components of the project audited, it is noted that most actions taken and implemented within the SBS from the ISP prove effective and useful to the Bureau.

## **5.4 Performance Audit – Samoa Law and Justice Sector**

**September 2012 – January 2013**

1. Overall, audit concluded that the Samoa Law and Justice Sector (SLJS) has made positive progress in implementing the recommendations raised in the assessments carried out. However, while implementation is somewhat effective, further improvements are still required. There were risks subjected to the implementation of the Finance Sector Plan which the SLJS has taken measures in mitigating. Some of the recommendations were deemed invalid upon the completion of the Direct Financing Agreement as they were subjected to the AUSAID funding. At the date of the audit, funding was no longer injected into the sector by AUSAID. The Samoa Law and Justice Sector is now funded by the Government of Samoa. The follow-up audit noted the need for the Sector to take further action in executing the recommendations as well as improvements to processes.

## **6. FOLLOW UP AUDIT OPC REPORT 2010/2011**

### **6.1 Samoa Airport Authority**

**30 June 2005**

- |                          |  |
|--------------------------|--|
| <i>1. Issue 2010/11</i>  | It was reported that Samoa Airport Authority's (SAA) financial performance had deteriorated with losses of \$4,007,847 in 2004, to \$4,392,502 in 2005.  |
| <i>Follow-Up 2015/16</i> | In the financial year ending 2013, SAA financial performance improved substantially from a loss of \$1,342,824 in the year 2012, to a profit of \$1,102,380 for the year ending 2013.  |
| <br>                     |  |
| <i>2. Issue 2010/11</i>  | The increase in current liabilities outweighed the increase in current assets showing a decline in working capital.  |
| <i>Follow-Up 2015/16</i> | It was noted that the financial position of SAA deteriorated in the year ended 30 June 2005 and had worsened in the year ended 30 June 2008 compared to previous years as reflected in its inability to meet its short term obligations as they fell due. However, in 2009 SAA's financial position improved greatly with an increase in current assets of 64.8% and reduction in current liabilities of 28.5%. The financial year ended 30 June 2013 noted that SAA remained in a stable and healthy financial position generating a 2.7 current ratio. |

## **6.2 Follow Up Audit OPC Report 2010/11**

### **Samoa Airport Authority**

**30 June 2006**

- |                          |  |
|--------------------------|--|
| <i>1. Issue 2010/11</i>  | SAA did not maintain a manual register of all journal entries processed during the year.   |
| <i>Follow-Up 2015/16</i> | The manual register for journal entries has now been established for journal entry adjustments for the approval of the General Manager and the Assistant General Manager (Finance). Audit noted that journal entries are also processed directly in the MYOB system and a record of adjustments is kept by the system and can be printed out when required. Backup facility within the system is also available in case of system failure. |
| <i>2. Issue 2010/11</i>  | There was no Accounting manual specifying the approved policies and procedures to guide employees on how transactions were to be processed.  |
| <i>Follow-Up 2015/16</i> | SAA plans to revise the accounting policies in the near future in order to incorporate the operations of the ticketing system as well as the new initiative in place in monitoring and managing of fixed assets. Audit confirmed that the Accounting Policies Manual of the Authority was approved, and became effective on 5 January 2011 and was revised in January 2015.  |



### **6.3 Follow Up Audit OPC Report 2010/11**

#### **Samoa Airport Authority**

**30 June 2007**

- |                          |  |
|--------------------------|--|
| <i>1. Issue 2010/11</i>  | Funds totalling \$93,035 were misappropriated and were accounted as expenses/losses during the financial year.   |
| <i>Follow-Up 2015/16</i> | SAA responded that those responsible and liable have been prosecuted and convicted for their part in the misappropriation of funds.  |
|                          |  |
| <i>2. Issue 2010/11</i>  | There were no proper procedures to monitor duty free concession fees (another source of income for SAA) from one of the tenants.   |
| <i>Follow-Up 2015/16</i> | Duty free concessions remained uncollected from financial year ended 30 June 2012 to date. The recommendations to strengthen and be proactive in the monitoring and collection of concessions are only therefore partially implemented.  |
|                          |  |
| <i>3. Issue 2010/11</i>  | There was no proper system in place to monitor oil levies from Petroleum Product Supplies (PPS).   |
| <i>Follow-Up 2015/16</i> | SAA responded that the Authority had tried to formalize this arrangement with PPS in the form of an agreement but PPS insist that there was no need for an agreement as their operation at the airport is covered under their agreement with Ministry of Finance. SAA will be seeking legal advice on this matter and will continue to pursue this issue. Audit noted that the Authority in the financial year 2013/2014 generated revenue amounting to \$123,124.37 from oil levies according to records provided by PPS. |
|                          |  |
| <i>4. Issue 2010/11</i>  | Withholding tax of 27% on director's fees was not deducted before payment of fees to the directors.  |
| <i>Follow-Up 2015/16</i> | Audit noted that SAA had implemented the recommendations made by audit as acknowledged in its responses in the OPC session. The practice carried out was however not in line with the rates given in the Income Tax Act 2012 but were complying with a Ministry of Finance Circular memorandum. This Treasury Instruction memorandum instructed all Public Bodies with regards to treatment of income tax and the subsequent payment of Directors' Fees and Sitting Allowances for Board of Directors.                     |
|                          |  |
| <i>5. Issue 2010/11</i>  | Debts totalling \$35,596.14 from former employees of SAA remained outstanding. These employees have resigned without paying their debts in full.   |
| <i>Follow-Up 2015/16</i> | SAA had taken actions in both recovering some debts while at the same time performing analysis to consider debts as provision for doubtful debts and in due course has resulted to many debts being written off given Board approval. Audit noted that the Balance Sheet as of April 2015 noted staff debtors balance to have declined to \$20,892.97.   |

*6. Issue 2010/11*

Bank cheques totalling \$43,791.89 were outstanding since 2004, 2005 and 2006.

*Follow-Up 2015/16*

Audit noted the existence of cheques that remained outstanding from financial year 2008 to 2014 amounting to \$39,347.05. The accounting policy 2.22 according to the Manual states that cheques which are outstanding for more than 6 months should be adjusted, and outstanding cheque amounts should be written back to their respective accounts, and to be voided in the General Ledger.

## **6.4 Follow Up Audit OPC Report 2010/11**

### **Samoa Airport Authority**

**30 June 2008**

<i>1. Issue 2010/11</i>	SAA's financial position had worsened compared to the prior year, as reflected in its inability to meet its short term obligations as they fell due. Current assets decreased by 31% while current liabilities increased by 16%.
<i>Follow-Up 2015/16</i>	Audit noted that in 2009, SAA's financial position improved greatly with an increase in current assets of 64.8% and reduction in current liabilities of 28.5%. The financial year ending June 2013 noted that the Authority remained in a stable and healthy financial position generating a 2:7 current ratio.
<i>2. Issue 2010/11</i>	It was reported that there were funds totalling \$191,032 being misappropriated and have been accounted as expenses/losses during this financial year.
<i>Follow-Up 2015/16</i>	SAA responded that those responsible and liable for such misappropriation have been prosecuted and convicted for their part in the misappropriation of funds. The follow up noted that misappropriation of funds was a result of: short banking; receipts/monies collected but not banked; landing fees not converted into local currency, landing fees collected but not receipted in the master receipt book; unprocessed departure taxes.

## **6.5 Follow Up Audit OPC Report 2010/11**

### **Education Sector Project Phase II**

**1 July 2009 – 30 June 2010**

<i>1. Issue 2010/11</i>	There was no copy of financial agreement indicating the contributions of the donor agencies.
<i>Follow-Up 2015/16</i>	The Consolidated Funding Arrangement (CFA) for ESP II was provided for verification. The development partners' deposits and reimbursements as of 31 December 2013 amounted to SAT\$31,753,252.80.
<i>2. Issue 2010/11</i>	Payments relating to the financial year ended 30 June 2009 were made from the budget for the current financial year.
<i>Follow-Up 2015/16</i>	According to the ESP Secretariat, delayed payment of invoices was due to misplacement of payment batches that were forwarded to Ministry of Finance for processing. It was during the Secretariat's reconciliations that these payments were noted as outstanding and therefore were processed and paid in the 2014/15 financial year. Analysis of payments made throughout the 2014/15 still noted payments relating to previous financial years.
<i>3. Issue 2010/11</i>	Some fixed assets were not recorded in the fixed assets register.
<i>Follow-Up 2015/16</i>	Audit noted that the asset register for capital procured under the project has been updated.
<i>4. Issue 2010/11</i>	Two new vehicles purchased for Fagaloa Community Learning Centres operations were used by the CEO and the Minister for Education but not for the intended purpose of the project.
<i>Follow-Up 2015/16</i>	The assets that were noted in the 2010 audit report had been registered under project fixed assets and sighted by audit as being utilised for project purposes.
<i>5. Issue 2010/11</i>	Information in the employee personal files regarding salary grading for some employees were not updated to reflect their current salary grading.
<i>Follow-Up 2015/16</i>	Audit noted that personal files have been updated to reflect current salary grading as recommended in the 2010 audit report. The personal files, however, during assessments had incomplete and incorrect details.

## **6.6 Follow Up Audit OPC Report 2010/11**

### **Ministry of Agriculture and Fisheries**

**30 June 2008**

- |   |   |
|---|---|
| <i>1. Issue 2010/11</i><br><i>Follow-Up 2015/16</i>     | It was reported that the Ministry did not achieve its Estimated Receipts. From confirmation with FY 2014/2015 actual and budgeted revenue, audit noted an overall favourable 11% increase compared to estimated receipts. Audit also verified this from the audit reports for FY 2009 to FY 2014 and the comprehensive spot check in 2015. Audit noted that this issue was never raised again which indicated that MAF had set realistic and recoverable estimated receipts for their annual targeted receipts.   |
| <i>2. Issue 2010/11</i><br><br><i>Follow-Up 2015/16</i> | It was reported that delays were noted in master receipting collections from Border Control. Some collections were noted not being master receipted at all. MAF advised that when such deficiency occurred the cashier was responsible for payment of the shortage amount and referred for disciplinary action by the Ministry.<br><br>Confirmation from the comprehensive audit spot check in December 2014, noted that delayed banking with MAF was no longer an issue. New procedures and internal controls were in place in the Ministry with regards to daily receipting, banking and posting on Finance One system. Audit also confirmed intact banking of collections from the airport and port entries.                               |
| <i>3. Issue 2010/11</i><br><br><i>Follow-Up 2015/16</i> | It was reported that there were still outstanding debts being carried forward from previous years without any positive action being taken for their effective collection. The Ministry responded that a concerted effort would be made towards recovering of debts outstanding.<br><br>Despite the efforts of the Ministry to recover its debts annually, Audit still noted that outstanding balances from previous years were still being carried forward. Confirmation from both the Ministry audit report 2014 and Finance One system confirmed that the issue still exists. Audit could not verify any evidence of the Ministry attempting to exercise other options such as legal involvement in following up of long outstanding debts. |
| <i>4. Issue 2010/11</i><br><br><i>Follow-Up 2015/16</i> | It was reported that overpayments were noted in overtime where one employee was overpaid by \$2,527.<br><br>Confirmation from Finance One system was obtained to confirm the recovery of the overpayment as reported in 2008. For the last 6 years since the 2008 audit report, the issue only resurfaced in financial year 2012 and this was recovered immediately via payroll. These discrepancies were due to the vacant position of an employee responsible for this area.  |
| <i>5. Issue 2010/11</i><br><br><i>Follow-Up 2015/16</i> | It was reported that some grants received did not come through the Ministry of Finance (MOF) as they should be. There were no supporting documentations for grants especially the Fruit Fly Project to verify actual amounts received and to monitor funds used. Complete analysis of the amounts of grants and assistance channelled through the Ministry could not be ascertained and verified due to lack of information and records available.<br><br>Audit noted from MAF explanation that since the termination of some   |

employees in relation to this issue, all projects are now channelled through Ministry of Finance. This issue was not reported again in the last 6 audit reports by the Audit Office.

*6. Issue 2010/11*

It was reported that anomalies were noted with the follow up of irregularities. A damaged vehicle with repairs costing \$5,280 was paid for by the Ministry. The driver responsible for the accident resigned and left for New Zealand without any recovery action taken. Another vehicle accident resulted in a \$345 repair cost. The driver who was at fault paid only \$60 towards the damages through a \$20 fortnightly salary deduction but was terminated due to poor work performance.

*Follow-Up 2015/16*

Audit noted the incomplete recovery of monies on Finance One system of the employees involved via payroll. Audit was not able to obtain any evidence of the Ministry exercising other options in recovery of debts and/or writing off of debts due to non-recovery. Audit also confirmed the recommendation of OPC with regards to the vehicle accident that involved the former Minister of Agriculture. The copy of Irregularity Report and correspondences were provided for audit verification. The approved recommendation by Ministry of Finance was for the Ministry to pay full cost of the vehicle and to renew insurance policies of all Ministry vehicles. Audit also confirmed the full payment for repairing of vehicle license MAF 36.

## **6.7 Follow Up Audit OPC Report 2010/11**

### **Ministry of Agriculture and Fisheries Interim Audit**

**28 June 2010**

<i>1. Issue 2010/11</i>	An outstanding invoice for \$5,000 since 21 August 2009 remained unpaid. Ministry of Finance responded that the transaction was to promote the Ministry's overall vision and long term goals. The debtor was not responsible for paying the outstanding amount to the Ministry but was submitted to Parliament for approval of write off.
<i>Follow-Up 2015/16</i>	Cabinet directive F.K.14 Faapitoa 23 was obtained from Ministry of Finance to confirm the implementation of this issue.

## **6.8 Follow Up Audit OPC Report 2010/11**

### **Ministry of Communications and Information Technology**

**30 June 2009**

- |                          |   |
|--------------------------|---|
| <i>1. Issue 2010/11</i>  | Double counting and posting of receipts were noted due to lack of coordination and reconciliation between the Ministry and Ministry of Finance.   |
| <i>Follow-Up 2015/16</i> | This was still a challenging issue for the Ministry during the follow up audit. The recommendation still remains for the Ministry to work closely with Ministry of Finance on documented and regulated procedures in clearing these receipts on Finance One. The outstanding amount from the financial year 2009/10 needs to be cleared so that the actual account receivables balance reflects the true and accurate amount to be collected. |
| <i>2. Issue 2010/11</i>  | A private broadcasting company was housing its assets within the Ministry's shelters and building at no cost. The Ministry, at the time of the audit, was considering having a proper and formal leasing arrangement.   |
| <i>Follow-Up 2015/16</i> | No evidence of discussion or minutes of meetings to rectify the status of the recommendations were made available during the audit. Audit noted that this issue was still not resolved by the Ministry.   |
| <i>3. Issue 2010/11</i>  | The Ministry did not have adequate records to monitor the Information, Communications and Technology (ICT) Project but relied solely on the Ministry of Finance.  |
| <i>Follow-Up 2015/16</i> | Audit noted that the project was now completed and closed. This was also confirmed from the Project Ledger Module on Finance One system. As for the new projects within the Ministry, the Corporate Services Division (CSD) have individual folders for each project that kept all related documents pertaining to each contract/agreement.   |



## **6.9 Follow Up Audit OPC Report 2010/11**

### **Ministry of Communications and Information Technology**

**Interim Audit conducted on 6 September 2010**

<i>1. Issue 2010/11</i>	The register of accountable forms was not maintained properly with correct information regarding the status of some accountable forms. In addition, some unused invoice books could not be located at the time of the spot check.
<i>Follow-Up 2015/16</i>	Audit confirmed that the issue raised in spot check in 2010 no longer exists. All register for accountable forms were updated and were all provided for audit verification.
<i>2. Issue 2010/11</i>	There was lack of follow up action to recover outstanding debtors totalling \$122,862.67 as of the date of the spot check. The Debtors Aging Report showed that about 84% of this amount was over 90 days overdue.
<i>Follow-Up 2015/16</i>	Audit noted that this was still a challenging issue for the Ministry. With the new ACEO Corporate Services, there has been a noted improvement in following up of debtors. A register was also established to register all the follow up letters from the Ministry with the attachment of the invoice to support the amount owed to the Ministry. However, there is still a lot of work to be done on this area given the significant amount of account receivables being carried forward from previous periods.

**6.10 Follow-up Audit OPC Report 2010/11**  
**Ministry of Education, Sports and Culture Interim Audit**  
**23 August 2010**

<i>1. Issue 2010/11</i>	The spot check in 2010 assessed that various schools such as Avele College, Leififi College, Samoa College and Vaipouli College operated with one bank account. In addition, unrelated expenditure transactions to these schools were incurred using the funds from the trust accounts. The trust accounts were also not properly reconciled. MESC, in addressing the issues reported in 2010 opted for an alternative approach in resolving matters raised in the audit report.
<i>Follow-Up 2015/16</i>	Audit noted that MESC no longer operates and manages Trust Accounts. All transactions previously charged to the Trust Account are now charged to the Treasury Fund Account.

**6.11 Follow Up Audit OPC Report 2010/11**  
**Ministry of Foreign Affairs and Trade**  
**30 June 2008**

<i>1. Issue 2010/11</i>	It was reported that overspending of more than \$100,000 was noted for some outputs.
<i>Audit Recommendation</i>	Audit recommended that the output managers review expenditure to ensure that there is no overspending. In addition, the budgeted figure should also be checked and reconciliations between the MFAT and Ministry of Finance records should always be carried out to confirm any overspending and to ensure that payments charged to the outputs are valid and appropriate payments for that output.
<i>Follow-Up 2015/16</i>	Audit noted that the overspent outputs are now strictly monitored and controlled by the Ministry with the various procedures and internal controls implemented by Ministry of Finance. In addition, audit noted that the UNDP projects are regularly monitored by both MFAT and Ministry of Finance to ensure that the terms and conditions in relation to the cost are accounted and paid for. The Output is under the responsibility of the Ministry for Revenue and Ministry of Finance is responsible for the posting and monitoring of the tax output. The Consular General Office in Auckland and Commonwealth Secretariat overspending were due to the end of year outstanding balances/transactions that were realized in the following financial year budget and thus resulting in budget constraints for that financial year period.
<i>2. Issue 2010/11</i>	It was reported that a significant amount of revenues was collected by the Ministry through apostille fees. The Ministry however did not have a receipt book to receive these revenues but instead turned the collection over to the Ministry of Finance for receipting.
<i>Follow-Up 2015/16</i>	Audit confirmed that recoveries from this output (which is a service provided by MFAT through its various missions in different countries) depends on the need and the unpredictable nature of the activity. The current process for the apostille fees was also reviewed and this was well controlled. MFAT agreed to resolve the issue by transferring the collection to Ministry of Finance Accounts Division directly instead of recruiting other personnel just to monitor this activity and to have a receipt book as recommended. With the current procedure and internal control in place, Audit noted that there was no irregularity existing in this area.
<i>3. Issue 2010/11</i>	It was reported that one other source of revenue for the MFAT is from the usage of the domain name .ws.
<i>Follow-Up 2015/16</i>	From the review of this area, audit noted that the Ministry did not consult with Computer Services Limited (CSL) as to the domain name fees for the 4 months September 2007 to December 2007 not yet received. The same applied to fees for October 2006 to December 2006 and March 2007 of the financial year ended 30 June 2007. Audit noted that since the approval of the Domain contract between the Government of Samoa through MFAT and CSL, all issues and concerns with the domain name were considered depending on the terms and conditions of the approved contract.
<i>4. Issue 2010/11</i>	It was reported that a review of the contract between the Government

through this Ministry and Computer Services Limited (CSL) was long overdue.

*Audit Recommendation*      Audit recommended to the Ministry to have this review done as soon as possible.

*Follow-Up 2015/16*      A copy of the contract dated 14th March 2013 was provided for audit confirmation and is subject to review every three years. The current signed contract is now under review so that terms and conditions could be continued for the benefit of this domain name for the Ministry and Government of Samoa (GoS).

## **6.12 Follow Up Audit OPC Report 2010/11**

### **Ministry of Health**

**June 2008**

*1. Issue 2010/11*

It was reported that the Ministry did not have any subsidiary ledgers (manual or computerized) for its expenditures, revenues, as well as its payroll database but relied heavily on Ministry of Finance (MOF) ledgers for costs and revenues data. Furthermore, it could not prepare any reconciliation to enable a clear understanding of what had been expended by the Ministry on these aspects of cost outlays and revenues information. MOH responded that the Ministry agreed with the concerns over subsidiary ledgers and committed to putting in place solutions.

*Follow-Up 2015/16*

During the follow up, Audit noted that the Ministry took an alternative approach in resolving the concerned issue. The Ministry prepared and reconciled each creditor's transactions instead of reconciliation for overall payments. All payments were based on approved budget amounts and monitoring was done through Budget Comparison Report per financial year. Audit noted that there was an improvement in the issue as raised in 2008 audit. The issued Purchase Order was compared to the official delivery slip and followed up for payment from supplier then Ministry regularly reconciled it with payments made on Finance One system. The Ministry also prepared virements for payment of commitments at the end of financial year so that all outstandings were being cleared before financial year end.

*2. Issue 2010/11*

It was reported that employees' personal files, leave cards, attendance books were not being updated. Some had gone missing, as was in the case for the Public Health Environment and Nursing divisions. MOH agreed with the concerns over personal files, leave cards and attendance books and committed to putting in place solutions.

*Follow-Up 2015/16*

Audit noted that employee personal files were now updated. Interview discussion with MOH confirmed that daily procedures and intact actions were in place by the HR section in updating personal files for all staff.

*3. Issue 2010/11*

It was reported that leave taken by some employees were not posted in their leave cards. MOH offered to correct anomalies relating to posting of leaves to leave cards.

*Follow-Up 2015/16*

It was noted that leave cards for the Ministry were now updated. Audit confirmed that daily procedures and intact actions were in place by the HR section in updating leave cards for all staff.

*4. Issue 2010/11*

It was reported that the Fixed Assets Register (FAR) was poorly kept. Some assets were not registered and some assets registered could not be located and appeared missing. Fixed assets written off for the year under audit could not be verified in the absence of any write off forms documentation. MOH noted the issue over fixed assets and declared that it has now been updated and properly maintained.

*Follow-Up 2015/16*

Audit noted that Fixed Asset Register (FAR) was now completed and status for fixed assets was updated. With the existence of the new Asset Module on Finance One system, the Ministry re-numbered and reallocated its assets to ensure the reflection of the new module within the Ministry as

well as the physical existence and valuation of fixed assets. Audit obtained an updated fixed asset register and register of written off assets. Audit re-examined and verified both registers with the Ministry and confirmed that the Fixed Asset Register for the Ministry was now completed and updated.

*5. Issue 2010/11*

It was reported that a special Health Building Purpose Account was established to facilitate payments of a new Nurse Residence Building under the 2007/2008 budget with a total cost of \$250,000. The Project was delayed due to preparation of bids and tender documents. Based on our review of this account, \$235,000 was the agreed contract price for total construction cost for this Building.

*Follow-Up 2015/16*

It was noted that 72% of the construction cost had been paid to the Contractor, but the work was nowhere near completion and in fact the construction of the building had been discontinued with the bulk of the work incomplete. As stated by MOH, this issue has been dealt with which resulted in the early termination of the employment contract of the ACEO CSD at the time. The building, was demolished as the structure was not safe according to the supervisor who supervised the works. The special purpose account was closed by the Ministry of Finance. Since then, no special accounts have been created for the Ministry. The new building under Sector Wide Approach (SWAP) was done using the current tender process. MOH mentioned that this was dealt with mainly by the former CEO and the former ACEO CSU at the time. There was also an involvement from Ministry of Finance (Ministry of Finance) and Attorney General Office (AGO) in resolving the issue. MOH noted concerns over the nurse residence building and declared that the corrective actions have been taken in 2010. Audit obtained a copy of F.K (09)02 dated 21st January 2009 which stated the action for the issue raised.

*6. Issue 2010/11*

It was reported that natural accounts were excessively spent by the Ministry compared to approved estimates for the 2007/2008 financial year. MOH noted the concerns on the overspending and responded that the bulk of the overspending was in travel and catering expenses. Travel expenditures had to be incurred to use the capacity building opportunities available from overseas and all of these were approved by Cabinet. Catering expenses is a mixture of a high number of visiting teams of consultants as well as settlement of outstanding from previous years. Analysis over the 8 periods for the concerned Natural Accounts showed that there were fluctuation trends over the actual amount versus budget amount.

*Follow-Up 2015/16*

MOH explained that the main overspending under these items was from projects under the Ministry and these payments were allowed for under various agreements and it was also part of the Government support towards the initiatives funded by the projects through the Ministry paying for some of these activities from the local budget. The majority of travel during this time was for capacity building for the health sector and not just the Ministry. All travel expenses were endorsed and authorised by Cabinet. Audit noted that these aspects have been minimised dramatically. Although the percentages on the overspending of these Natural Accounts have proportionally decreased over the 8 financial years, it was still very high. Audit acknowledged the Ministry efforts for measures in place for controlling their catering and travelling expenses. However, controls need

to be strengthened to manage catering and travelling expenses within budget provided.

**6.13 Follow Up Audit OPC Report 2010/11**  
**Ministry of Justice and Courts Administration**  
**30 June 2008**

<i>1. Issue 2010/11</i>	Receipts for adoption and divorce cases could not be verified as receipt amounts noted could not match the actual filing fees payable for cases dealt with in the files. A special audit investigation was made of this particular aspect of work performance and the matter had been taken over by the Police.
<i>Follow-Up 2015/16</i>	MJCA responded that this was all due to the lapse in procedures back then. Since this incident, internal controls within the procedures for adoption and divorce cases have been changed and revised accordingly. There were improvements to the process to ensure that there was transparency and ease of process being followed by the public and adhered to by the staff of MJCA. The incident was referred to the Ministry of Police (MOP) for investigation and resulted in an imprisonment of the cashier. There is improved control within the current procedures as compared to the previous procedures for the concerned area. Audit confirmed that the issue was now resolved and recommendation was fully implemented by the Ministry.
<i>2. Issue 2010/11</i>	It was reported that the Fixed Assets Register (FAR) was incomplete in that not all assets were recorded and registered. Some assets were not labelled or marked and some written off were found to be still within the compound of the Ministry.
<i>Follow-Up 2015/16</i>	MJCA responded that the Ministry has moved all its written-off assets to Vaimea for disposal. The Ministry is slowly delving into understanding the Asset Module on Finance One whilst maintaining a manual register for reconciliation purposes. The issue is heavily geared towards the relocation of assets, preventing auditors to sight the location of the assets with reference to the register. The Ministry has then devised a standard Transfer of Assets Form to be filled out by each division if an asset is shifted to a new location for the asset officer to update the location of each asset. Audit confirmed that the Fixed Asset Register for the Ministry was now completed and updated.
<i>3. Issue 2010/11</i>	It was reported that rating stickers that were counted on hand were not registered within the Ministry's register for stickers received. There was also a lack of control in the monitoring of stickers by the Ministry as there was no reconciliation prepared by the Accounts Section to record the number of stickers issued to the Censorship Division and the actual number of stickers issued by the Censorship Division to the Public.
<i>Follow-Up 2015/16</i>	MJCA responded that monitoring of rating stickers are done monthly on the Database (Shared Drive within the Ministry). These can also be monitored daily if needed to be and with the Shared Database Network used by the Ministry; this really drives the Censorship Division to meet its annual target and update its divisional activities. Audit noted that with the current internal procedures in place, this was no longer an issue. That is, all rating sticker processes and monitoring were handled by the Censorship Division and receipting process was handled by CSD. Therefore, the number of rating stickers received, stored, and issued by the Censorship



Division should be reflected in the revenue collection of rating stickers with the CSD.

*4. Issue 2010/11*

It was reported that there were 8 petrol order books (TY76) missing and could not be obtained for audit verification. The Ministry for the last 6 months of the year did not comply with the petrol limitation of \$5,000 petrol consumption by each vehicle as per Cabinet Directive F.K (8) Fa'apitoa 06. The 10 Ministry vehicles examined, exceeded the limit by \$1,743 for the last 6 months of the year.

*Follow-Up 2015/16*

MJCA responded that it now only uses one TY76 for the whole fleet and all petrol slips must be obtained from the Corporate Services unit. Petrol consumption is still a challenge to the Ministry because the majority of all Ministry vehicles are contractual entitlements for Judges. The nature of Ministry operations requires the vehicles to be running all day for Probation and Parole field visits, mail delivery of Land and Title matters, collection of outstanding warrants, site visits conducted by the Samoan Judges etc with the fluctuation in petrol prices affecting the spending as well. The Ministry will continue to implement different saving measures to control spending on this component of the budget.

Audit noted that the issue with the missing TY76 booklets was resolved with the current procedures and internal controls in place for processing and monitoring of TY76 booklets for all Ministry vehicles. There was an increased need of vehicle services by the public and the Ministry was obliged to provide the services as it is governed in their legislations, regulations and constitution. Hence the Ministry was trying their best effort in meeting its objectives in providing their services and at the same time minimise the costs of petrol consumption.

*5. Issue 2010/11*

It was reported in previous audit reports, the Ministry had not complied with the provisions of the Criminal Procedures Act 1972 regarding the warranting of fines. There was quite a delay in warranting of fines which took 6 to 8 months in FY 2007/2008 on top of the 28 days given by the Court for fines to be paid.

*Follow-Up 2015/16*

MJCA responded that the strategies or innovative measures taken by the Warrants Section to address some of the issues in relation to warrants of committed or unpaid fines have resulted in significant improvement. There were substantial amounts of outstanding warrants in the period under audit. Old warrants that could not be executed anymore or unlikely to be collectible were to be presented again to Court for permission to be written off if appropriate or to seek an opinion from the Attorney General Office for clearance of long outstanding warrants. The Ministry exercised some of the measures towards implementing the issue raised. MJCA also advised that the process is a little shorter at the moment compared to back then, as the warrant is only prepared within 2 months from the beginning of the process until the dispatch of the warrant.

*6. Issue 2010/11*

It was reported that there was a non compliance by the Video Shops with the provisions of the Film Control Act 1978. There were 933 deficiency films that had not been censored but were displayed on shelves for rental to the public.

*Follow-Up 2015/16*

MJCA explained that even though the advancement of technology supersedes this function of the Ministry the Censorship Division strongly

regulates and monitors the compliance of the agents with the provisions of the Film Control Act 1978, through having weekly spot checks around the video shops in both Upolu and Savaii. There were only 12 Movie Shops, 12 TV Stations and 1 Cinema in the whole of Samoa. It was also mentioned that revenue collection was not significant however, the Censorship Division still managed to achieve its revenue targets for each financial year. There were two rejected films that were still loaned out to the public by one of the DVD Shops. Also a DVD shop was renting and loaning out DVDs to the public, however, this shop was not licensed to operate such a business as it did not hold a business license or an operator's license from the Ministry of Justice as the legal film censor.

*7. Issue 2010/11*

It was reported that the construction of a new office building for the Ministry at Tuasivi received seven (7) bids. The bid that won was \$486,512 inclusive of Value Added Goods and Services Tax (VAGST) and all other applicable taxes, duties and costs. There were variations made which took the total cost to \$529,232.50. This represented a 9% excess over the original bid. The building was not only in excess of the contract price but the building also displayed poor construction quality and workmanship as some parts of the building were fractured and cracked.

*Follow-Up 2015/16*

MJCA responded that the issue was out of their control as they do not have much influence on the process of Tenders Board. The winning contractor was the lowest bidder of the tender and they could not provide for the full cost allocated for the Tuasivi Office construction. However, the only shortcoming according to MJCA was of the monitoring of the progress of the project that somehow lead to another variation and further work maintenance to keep the building safe and strong. Since this incident MJCA had been performing well in managing and monitoring of recent and current projects in progress to avoid variations and overspending of budget.

**6.14 Follow Up Audit OPC Report 2010/11**  
**Ministry of Natural Resources and Environment**  
**30 June 2008**

<i>1. Issue 2010/11</i>	There were daily cash collections that were marked cancelled and yet services had been provided. The amount of \$24,973.20 uncollected was calculated from the total daily collection from the Weighbridge System less debtor invoices, and excluding actual cash received.
<i>Audit Recommendation</i>	Audit recommended the Ministry to transfer the uncollected cash of \$24,973.20 to charges/debtors and follow up for recovery. Audit also recommends MNRE to strongly advise the public of the cash basis only service provided at Tafaigata Landfill.
<i>Follow-Up 2015/16</i>	MNRE responded that the issue with uncollected cash of \$24,973.20 was discussed with the Division concerned (Environment and Conservation, Waste Section) and agreed that the Ministry will attempt to recover whatever it can of the uncollected revenue. The Accounts will work with the Waste Unit to transfer uncollected cash to charges/debtors and follow up for recovery.
<i>2. Issue 2010/11</i>	There were inconsistencies with the Weighbridge System classifications. Cash should be used when actual cash is received; charge is used for approved debtors companies and no charge is used for the contracted companies of the Ministry. This would increase the risk of inaccurate total charges and actual cash received could be manipulated.
<i>Audit Recommendation</i>	Audit recommended the Ministry to place more emphasis in this area and provide more training to the cashiers.
<i>Follow-Up 2015/16</i>	MNRE responded that the Corporate Services and the Division of Environment and Conservation will provide further capacity building to the cashier(s) to ensure having in place the appropriate knowledge and skills including refresher trainings so as to address inconsistency issues as raised by the Audit Office.
<i>3. Issue 2010/11</i>	Cancelled receipts were not marked cancelled and reasons were not stated. There were genuine cancelled receipts due to system error and human error. However, these could not be identified as there was no mark 'cancel' on original receipt attached in the daily summary. This would increase the risk of manipulation and it would be very difficult to identify between legitimate cancelled receipts and altered or fraudulent receipts.
<i>Audit Recommendation</i>	Audit recommended the Ministry (cashier) to cross out cancelled receipts and provide the reasons for cancellation, and to attach cancelled receipts to the daily summary for audit verification.
<i>Follow-Up 2015/16</i>	MNRE responded that the Ministry supports the recommendation and will strengthen its internal controls including having in place a cash float of \$100 to provide change for customers and clients. This is to ensure non-recurrence of this issue.
<i>4. Issue 2010/11</i>	It was reported that there was no register to record purchases for inventory supplies and other consumables for the following divisions: Planning and Urban Management Agency (PUMA), Forestry Division, Draughting Division and Land Management Division. As a commitment to corrective action the Ministry took note of this issue and committed to require Divisions to

	establish database and register all purchases for inventory of supplies and other consumables.
<i>Follow-Up 2015/16</i>	During audit walkthrough on 21st May 2015, Audit noted that respective divisions of the Ministry rely on the Excel database that is maintained by the Administration Section. The only consumable register that is kept separate by the divisions is the one with related projects. These only record inventory/ consumables that were procured under the project and all items purchased under the local budget are registered in the Excel database.
<i>5. Issue 2010/11</i>	It was reported that there were unauthorised extensions calling cell phone numbers.
<i>Follow-Up 2015/16</i>	<p>MNRE responded that the issue with staff using extension lines to access cell phone numbers was discussed and the Corporate Services Division conducted a preliminary investigation with all Divisions in late 2014 to try and identify staff involved. However, based on the recent information from the audit spot check it is clear that there is still a number of staff deliberately accessing Ministry phone lines to call cell phone numbers despite previous warning and reminder memo. The Ministry has now taken disciplinary measures under the PSC Act 2001 to charge staff identified and proceed with the necessary actions.</p> <p>In comparison to the period under OPC review, the Ministry has improved immensely. With the availability of the Clear Terminal system, audit was able to identify unauthorised extensions that were able to access cell phone numbers. Audit recommends the Ministry to use the Clear Terminal system on a daily basis to ensure that every dial out number is captured. We also recommend the management to regularly review reports from Clear Terminal system and investigate on the unauthorised extensions calling cell phone numbers except approved by appropriate personnel.</p>
<i>6. Issue 2010/11</i>	It was reported that there was also a large amount of money paid for internet but there were no records kept and filed for verification as to utilization.
<i>Follow-Up 2015/16</i>	MNRE responded that they are currently under a capped plan with Computer Services Limited (CSL) for the main office and offsite locations, through the Samoa National Broadband Highway (SNBH) connection and capped plan with Bluesky for Meteorology and Disaster Management Office (DMO). Audit noted that internal controls are now in place for monitoring of internet usage and all internet bills are kept properly by the Accounts Division for future verification and audit purposes.

## **6.15 Follow Up Audit OPC Report 2010/11**

### **Ministry of Police & Prisons**

**30 June 2008**

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|--------------------------|--|
| <i>1. Issue 2010/11</i>  | There were no reconciliations of payments or expenditures. The payment register was not complete.  |
| <i>Follow-Up 2015/16</i> | During follow up Audit noted that the Ministry took an alternative approach in resolving the concerned issue. The Ministry prepared and reconciled each creditor's transactions instead of overall payments. All payments were based on approved budget amounts and monitoring was done through Budget Comparison Report per financial year. Audit noted that there was an improvement from the 2008 audit. The issued purchase order was compared to the delivery slip and followed up for payment from supplier and then the Ministry regularly reconciled it with payments made on Finance One system. The Ministry also prepared virements for payment of commitments at the end of financial year so that all outstanding balances are being cleared before financial year end roll over. |
| <i>2. Issue 2010/11</i>  | Employees' personal files were not updated.  |
| <i>Follow-Up 2015/16</i> | Audit noted that employee personal files were now updated. Discussion with Human Resource (HR) officers confirmed that daily procedures and intact actions by the Human Resource Section in updating personal files for all staff. Information that must be updated within employee personal files include recruitment and selection approval, educations and qualifications, leave approval and taken, staff disciplinary actions for any wrongdoings and any other relevant information for the respective employee.   |
| <i>3. Issue 2010/11</i>  | It was reported that some of the assets sampled and registered under the various divisions were found to be missing from their respective locations. There were items purchased but have not been recorded within the Ministry's Fixed Assets Register. MPP replied that Asset Register has been updated and quarterly inspection is conducted to ensure assets are placed at their allocated locations. All assets registers are now in place including register of write off and are reconciled on a monthly basis. There were assets noted within the Fixed Asset Register (FAR) as written off, but could not be matched to the write off forms filed and kept by the Ministry.  |
| <i>Follow-Up 2015/16</i> | Audit noted that the Fixed Asset Register was now complete and status for fixed assets was updated. Audit obtained sample of inspection reports for confirmation; an updated Fixed Asset Register and register of written off assets. Audit re-examined and verified both registers with the Ministry and confirmed that the Fixed Asset Register (FAR) for the Ministry was now complete and updated.   |
| <i>4. Issue 2010/11</i>  | It was reported that expenses pertaining to the Ministry's utilities such as telephone, electricity and water rates had been overspent during the financial period under audit. MPP responded that the overspending in the Ministry utilities in the audit period (2008) was due to the clearing of outstanding invoices related to previous financial years. The Ministry of Police and Prison (MPP) noted the issue raised by the audit on the excessive usage of telephone and advised that controls are in place to monitor phone calls. Investigations were also conducted and salaries of  |

	responsible officers were deducted to reimburse charges paid by the Ministry. The Ministry also noted audit recommendation for a register of overseas calls.
<i>Follow-Up 2015/16</i>	Audit noted an excessive usage of mobile phones was realized with many calls registered of more than 10 minutes and other calls more than an hour. The Ministry did not have a proper register in place for monitoring of overseas calls. Utilities were still a challenging area for the Ministry. Audit noted effort and attempts by the Ministry in controlling the usage of electricity, telephone, internet and water. However, unfavourable variances in budget versus actual were still occurring due to the growing number of staff within the main office as well as outposts. Audit recommends the Ministry continue to reduce and remain at the minimum usage and cost to ensure the Ministry maintains its utilities cost within budget.
<i>5. Issue 2010/11</i>	The Ministry did not keep a Register of Dealers for Arms and Ammunitions for effective control and proper monitoring of arms. There were no details of the types that had been approved and issued to the public, nor those that had been confiscated and destroyed. MPP responded that audit recommendations for proper records on arms and ammunitions have been implemented in financial year 2009.
<i>Follow-Up 2015/16</i>	From audit verification of the current procedures and processes in place, the Ministry had fully implemented the recommendation as raised in the 2008 audit. There were two separate registers (manual and Access database) used to register general public arms and ammunitions. Both were noted updated and complete as of date of walkthrough. There was also a separate manual register for arms used for guard of honour and for policing purposes. This register contains all the details of the whereabouts of arms within the Ministry and who is responsible for operating it as well as the purpose of using it. The Commissioner or Acting Commissioner is the only person that can give consent for using the Ministry arms for policing purposes. A list of all guns from raids and other court cases was provided and were kept separate from the Ministry arms. These arms were well kept and locked by the Ministry in a proper storage secured area.
<i>6. Issue 2010/11</i>	It was reported that there was insufficient food storage for frozen food supplies for the Tafaigata prison, and as a result orders for frozen foods were made and supplied but the balances of supplies that could not be accommodated were stored at the Wholesaler's freezers and supplied to Tafaigata as and when required. MPP explained that in the past years, rations for prisoners at Tafaigata were supplied weekly. With the current process, the rations are now supplied on a monthly basis which required increase in the storage capacity for frozen food. The management will submit a request for additional freezer through the budget estimate.
<i>Follow-Up 2015/16</i>	The record keeping of food supplies for the Tafaigata prison appeared poor and needed prompt upgrading to enable some effective count of food supplies received, food stock issued out and stock left on hand. Discussion with ACEO CSU noted that this issue was no longer with the Ministry of Police since the official separation on 1 January 2015. However, before the separation of the Ministry of Police and Samoa Prison and Correction Services came into effect, the process of ration for prisoners was issued on a monthly basis, and regarding the freezer issue, factoring in additional cost of electricity, the Ministry at the time still had the remaining

order with the wholesaler and a stock card was verified between finance officer of the Ministry and the wholesaler staff and personnel handling the store at Tafaigata before any good was released as a control.

**6.16 Follow Up Audit OPC Report 2010/11**  
**Ministry of Police Interim Audit**  
**20 September 2010**

*1. Issue 2010/11*  
*Follow-Up 2015/16*

Warrants administered by the Ministry were not properly maintained. Audit noted that the registers for warrants were now properly administered – one manual, one electronic. Both registers were sighted by audit. These are updated daily by the responsible officers, with regular spot checks by the Senior Sergeant in charge.



**6.17 Follow Up Audit OPC Report 2010/11**  
**Ministry of the Prime Minister and Cabinet**  
**30 June 2008**

- |  |   |
|--|---|
| <p><i>1. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>It was reported that the register did not record the receipt of new passport supplies when received from the supplier.</p> <p>From follow ups Audit noted that the concerned passports were given by the office drivers to the secretary of the CEO at the time and were registered by the secretary in the register at the CEO's office. It was also mentioned that there is an improvement in the process for handling of new passports from supplier. That is all new passport issues were to be registered and properly kept by the Corporate Services Division at the main office ready for disbursement to the Immigration Office at Savalalo. Audit confirmed that this was no longer an issue.</p> |
| <p><i>2. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>It was reported that there was no shipment consignment documentation to verify the new supply of ordinary passports with number sequence from T251001–T280000 found on hand at the time of the passport count. The concerned passports referred to the first issue mentioned above.</p> <p>Audit noted the internal controls in place for the process of receiving and issuing of passports were effective. The measures in place were already implemented however the Ministry is yet to document it and approve it as an internal policy or procedure to govern its daily operations. Audit noted that this issue no longer existed.</p>   |
| <p><i>3. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>It was reported that passports Number T238900–T238999 which were not entered in the Register were noted to be issued out of the Auckland Consulate Office.</p> <p>Audit noted that these passports were issued from the Immigration office in Apia. These were re-checked again on the passport register from the Office of the CEO and confirmed that these passports were registered and issued as recorded. It was also confirmed from the audit for FY 2015 that this was no longer an issue.</p>  |
| <p><i>4. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>It was reported that passports Number T239000–T239999 registered in the Register as issued to the Immigration Office at Apia were instead issued to Auckland without correcting the register.</p> <p>Audit noted that these passports were issued from the Immigration office in Apia. These were re-checked again on the passport register from the Office of the CEO and confirmed that these passports were registered and issued as registered. This issue no longer exists.</p>   |
| <p><i>5. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>It was reported that there were thirty one (31) spoilt travelling documents missing and not available for audit verification at the time of this check.</p> <p>Audit noted this issue resurfaced again in the audit reports for FY 2009–2011 and FY 2011–2013 but did not recur in FY 2014 and the latest audit in FY 2015. Audit noted that the current process in handling spoilt travelling documents was now implemented. The statuses of the passports were identified on the passport system; so damaged/spoilt passports were noted and physically kept in the applicant file instead of box storage. In this case, spoilt travelling documents can be readily found for investigation or audit</p> |

purposes.

*6. Issue 2010/11*

It was reported that the Immigration Services Division did not keep a register for passports received from the Chief Executive Officer's (CEO) office and there was no cross referencing possible of passports received from the CEO's office and passports issued by the Immigration office.

*Follow-Up 2015/16*

Audit noted this is no longer the practice with the Ministry. All passports issued from the CEO's office to the Immigration Office are done through a request form requested by the ACEO or Acting ACEO Immigration Division and approved by CEO or Acting CEO for releasing of new passports to be used. The request form should be properly filled in with all the required details as well as the names of the personnel handling the passports at the time. This was also confirmed from the audit for FY 2015.

*7. Issue 2010/11*

It was reported that there were 3 receipt books each with 200 leaves missing at the Corporate Services under Immigration office for FY 2007/2008. Some of the receipt leaves from the missing receipt book 3134 were found master receipted but the rest of the receipts could not be accounted for.

*Follow-Up 2015/16*

Audit analysis of previous audit reports showed that this issue continued to occur up until FY 2013. Although the latest audits did not report any missing receipt books, audit noted this issue as ongoing due to the incidents from the other periods and the high risk nature of receipt books. MPMC noted that receipt books are properly processed, recorded and kept in a safe.

*8. Issue 2010/11*

It was reported that there were outstanding cheques of \$1,450 which the Ministry had not recovered from the customers, yet the total amount of these cheques had not been accounted for in the Ministry's account receivables and as revenues earned by the Ministry.

*Follow-Up 2015/16*

Audit noted that the recovery from these dishonoured cheques was not successful as businesses/individuals involved were no longer to be found or became bankrupt. However, audit noted the great effort by the Ministry in preventing dishonoured cheques being received by the Ministry. Currently, the cashier pre-checks all the cheque payees before the Ministry receives it. A monthly blacklist from Ministry of Finance is also used by the cashier to check it or verify it to the bank for more clarification and confirmation. Audit also noted that this issue no longer resurfaced since 2009.

*9. Issue 2010/11*

It was reported that record keeping and accounting for receivables or debtors were not up to expectation. Total debtors for the audited period as submitted by the accounts section was \$136,208 comprising of Savali debtors \$117,374 and \$18,834 for Immigration debts. The debtors list as submitted was noted to be incomplete as most of the invoices issued as per the Finance One Revenue ledger were not included.

*Follow-Up 2015/16*

Audit follow up noted this was one of the challenging issues for the Ministry due to the increasing number of debtors for Savali Newspaper and Immigration services. Audit noted the restructuring of staff and functional roles to ensure staff for debts recovery is incorporated. The audit for FY 2015 noted few follow up letters to the debtors and posting was also updated. Files for each debtor were kept that included correspondences

between the Ministry and respective account receivable. MPMC noted an improvement in the process with Savali services with purchase orders from authorized personnel before any advertisements. The same applies to immigration matters for official and diplomatic passport requests. The Accounts team also continues with follow up and identifying irrecoverable debts for write off.

*10. Issue 2010/11*

It was reported that there were no reconciliations for non payroll payments made by the Ministry of their records against those of the Ministry of Finance.

*Follow-Up 2015/16*

Audit noted that this was due to the unavailability of staff or man power to perform this very important role in the Accounts section. It was also noted that the Ministry was performing adjustments via journal entries if any discrepancies occurred. The journal entries process was to be initiated by the Ministry and approved by Ministry of Finance for adjusting any incorrect postings.

*11. Issue 2010/11*

It was reported that there were cheques totalling \$13,331 paid out to suppliers without any approved supporting documents according to Finance One print out, and at the same time there was a print out with invoices totalling \$16,374 still unpaid.

*Follow-Up 2015/16*

Audit noted that cheques paid out to suppliers could not be released without proper documentations as per current processes. All these cheques were supported with payment vouchers during the payment process. However copies of these could not be obtained by the audit during verification. Analysis of the latest audit reports noted that this issue no longer resurfaced since 2011. All payment vouchers were now properly kept by the Corporate Service division as per audit recommendations. The issue with outstanding invoices total of \$16,374.14 was cleared at the end of FY 2008.

*12. Issue 2010/11*

It was reported that the Attendance book was not signed by some employees in various divisions as to whether they were working or on leave hence leave cards were not posted and leave entitlements were difficult to establish. Issues noted with the attendance book were due to the lack of responsible staff, as quoted by the management. The Ministry Human Resources section is working hand in hand with the Accounts section in resolving this issue by strengthening its current procedures in collecting attendance books from various outlets of the Ministry on fortnightly basis. This is to check and ensure that all employees are to sign the attendance book properly and update leave cards accordingly for calculation of leave benefits and entitlements.

*Follow-Up 2015/16*

The audit for FY 2015 noted that this issue was no longer resurfacing since spot check in 2009.

*13. Issue 2010/11*

It was reported that there were employees who were marked as on leave without pay on the attendance book and leave cards for certain days but these leave without pays had never been actioned.

*Follow-Up 2015/16*

Audit noted that this is no longer an issue to the Ministry as all the postings for Leave Without Pay are now done from the Ministry whereas before all postings were handled by Ministry of Finance. Since the devolvment of this function, the Ministry is able to action its Leave

Without Pay for its staff involved immediately to correspond to the accuracy of the attendance book and leave cards.

*14. Issue 2010/11*

It was reported that there were assets such as computer sets, computer desks, scanners, three UPS, office chairs and bookshelf that were sighted in existence by Audit, but these were not registered as such in the Fixed Assets Register (FAR). The Assets Register also needs to have all the details such as dates of purchases, costs of assets, serial numbers of assets, suppliers, locations and divisions to which assets had been assigned to.

*Follow-Up 2015/16*

Audit noted that all issues with regards to fixed assets were now resolved. The Ministry is now using the Asset Module on Finance One system for ease of assets monitoring and controlling. Audit re-examined and verified all registers with the Ministry and confirmed that the Fixed Asset Register for the Ministry was now properly maintained.

*15. Issue 2010/11*

It was reported that most petrol order dockets (TY76) were not properly filled out, in that the quantities of litres and cost amounts in tala were not disclosed, and furthermore, these petrol order dockets were noted to be approved by unauthorised staff members.

*Follow-Up 2015/16*

Audit noted that there is only one (1) TY76 booklet used for all Ministry vehicles. This is to control the petrol usage as well as controlling the use of vehicles. The Ministry has special arrangements for the Prime Minister, Head of State and other honorary posts with the Government Bowser for refuelling these vehicles. The issue as noted with the filling of the TY76 no longer exists and approval for petrol is properly authorised and monitored by the Ministry.

*16. Issue 2010/11*

It was reported that a vehicle registered MPMC14 transferred from the Legislative Assembly was not recorded in the Assets Register. Audit noted that the Ministry took an alternative approach in resolving the concerned issue. MPMC decided to write off the concerned vehicle due to the wear and tear capacity.

*Follow-Up 2015/16*

Audit noted that the transferral of vehicle from the Office of the Clerk of the Legislative Assembly (OCLA) was not properly supported with documentation. The management at the time however still registered the vehicle under the Ministry and utilised it for the Ministry's work. MPMC noted that the vehicle has been written off.

*17. Issue 2010/11*

It was reported that the Nissan patrol 4WD with license plate number MPMC01 that was involved in an accident in November 2006 was sighted by Audit as still garaged at a mechanical workshop. This issue was raised in the last audit report for the Ministry to do something about its repairs from the person responsible for the full cost of repairs. Yet to date no action had been taken by the Ministry.

*Follow-Up 2015/16*

During the follow up, audit noted that MPMC took an alternative approach in resolving the concerned issue. The concerned vehicle was used by the former CEO; the vehicle was quite old to undergo repairs and maintenance and it was also involved in an accident. A total of \$12,306.39 had already been deducted from the CEO's final pay to compensate for the cost. The Ministry sighted the vehicle at the mechanic workshop and noted that the option of obtaining vehicle parts needed was far more expensive for the Ministry and hence the write off was prepared and sent to Ministry of

Finance Asset Division for auctioning process.

*18. Issue 2010/11*

It was reported that the Ministry has yet to decide on the fate of its old Mercedes Benz Sedan still counted in the Ministry's fixed assets register as a Government asset. According to MPMC the alternative of replacing vehicle parts needed was more costly for the Ministry hence write off was prepared and submitted to Ministry of Finance Asset Division for auctioning process.

*Follow-Up 2015/16*

Audit noted approved write off form to verify the written off of concerned vehicle.

## **6.18 Follow Up Audit OPC Report 2010/11**

### **Ministry for Revenue**

**30 June 2008**

*1. Issue 2010/11*

For the year ended 30 June 2008, some revenue targets for the Customs Services were not achieved. MFR responded that the setting of revenue targets was a joint budget exercise with the Ministry of Finance involving lengthy consultations and negotiations every year. To meet the expansionary budget expenditure targets, Ministry of Finance had taken the highest targets set for revenue which Ministry for Revenue (MFR) normally would not have taken. MFR pointed out also that this was an exceptional year in that the impact of the global recession was not anticipated to be felt so swiftly; the result was a decreased volume in international trade for Samoa and a drop in Customs revenue collection.

*Follow-Up 2015/16*

Audit noted that the Ministry worked together with Ministry of Finance in projecting and forecasting revenue targets for the Ministry every year. The process is more realistic and well structured approach considering the last 5 years. This was evident through the consistency in revenue targets since 2011 and the Ministry was able to collect the targeted amount in 2010 and 2011. According to MFR the Policy Forecast and Business Improvement (PFBI) division was one of the reforms in 2012 to ensure that revenue projection and business improvement was monitored and to evaluate the impacts on the overall economy. Audit also noted that the Ministry has monthly revenue targets for each division to collect that is recorded in its monthly scorecard and thoroughly discussed by management for continued monitoring.

*2. Issue 2010/11*

Budgeted figures in Finance One reports were different from the approved estimates. For instance, approved estimates for ASYCUDA system maintenance was \$47,767 whereas in the Finance One report, the budgeted figure was \$92,145. MFR responded that the approved budget estimates for ASYCUDA was \$47,767 however, there was an additional provision of \$44,378.00 approved in the First Supplementary Estimates for 2007/2008 to cover the breakdown of the Revenue Management System (RMS) server at the Inland Revenue Service (IRS). These two amounts brought the total cost of this specific expenditure to \$92,145 for the year

*Follow-Up 2015/16*

Audit confirmed these figures on Finance One and noted that the variance in issue was loaded as a revised budget. Analysis and tests were conducted on the same issue for the last seven years (FY2009 to FY2015) and audit noted that the issue has been cleared and fully implemented.

*3. Issue 2010/11*

In the Customs Services section, there were personal cheques found cashed with the cashier, and these cheques had never reached the Bank and totalled \$20,400. There were no shortages discovered in the bank lodgements on the days these cheques were cashed by the cashier. Delays in the timing of the banking would have provided an opportunity to fill any discrepancy.

*Follow-Up 2015/16*

Audit noted that recommendation to this issue was fully implemented. A memorandum on 3 April 2012 from the CEO was circulated to all staff for the change in procedures and awareness with regards to the concerned issue. The Finance Division (now called Revenue Services) former Standard

Operating Procedure 001/2012 clearly outlined the processes and internal controls in place for ease of process and for posting of receipts on the ASYCUDA system. It was noted that the discrepancies of cashing personal cheques with the cashier was allowed by the superiors at the time. The involved personnel was no longer employed by the Ministry and the issue has not resurfaced again.

*4. Issue 2010/11*

It was reported that there was no link between the ASYCUDA and the database which contained the information for deferred accounts; as a result any payment made towards these deferred accounts could not be updated automatically.

*Audit Recommendation*

Audit recommended that management should consider a way of recording and monitoring these accounts so that outstanding balances of deferred accounts were accurately and completely recorded.

*Follow-Up 2015/16*

MFR responded that they maintain subsidiary files for deferred accounts as a measure to ensure accountability and proper safekeeping of information related to deferral accounts. A consolidated list of deferral is readily available on ASYCUDA. Management was able to make huge improvements in the Deferral feature of the ASYCUDA World as part of its modernisation project for Customs Services. Audit noted some individual folders to confirm the details of payments and its linkage of documentation to back up ASYCUDA. An Outstanding Deferred Payment Report in Detail was also attached from ASYCUDA to substantiate the balance carried forward is the same with what is in the manual statement of deferred account. These individual receipts were tallied up monthly to support the collection for each month.

*5. Issue 2010/11*

It was reported that from a review of the payroll, audit noted that Higher Duty Allowances (HDA) totalling \$11,584 was paid to the Secretary of the Liquor Board even though the Public Service Commission declined the Ministry's request for the Secretary to act as Principal Accountant.

*Audit Recommendation*

Audit recommended that the Ministry should comply with employment regulations as set out by the Public Service Commission relating to higher duty allowances.

*Follow-Up 2015/16*

Audit noted that the issue related to the timing of effective dates for the policies of PSC and the implementation of actions for HDA payments. Audit also noted that this issue no longer exists within the Ministry and all policies and procedures of Working Conditions and Entitlements were complied with by the Ministry accordingly.

*6. Issue 2010/11*

It was reported also from the review of the payroll that some employees were paid at a higher rate than the approved rates as per TY15 filed in the employees' personal files.

*Audit Recommendation*

Audit recommended that these mistakes should never arise if proper supervision and checking were made in the initial stages of processing of the TY15.

*Follow-Up 2015/16*

MFR responded that some TY15s may have been altered by the Ministry of Finance or PSC when submitted for payment but not the copies maintained for their files. It is MFR's belief that the rates used by the Ministry of Finance are the correct ones, although some may differ with the current rates in their personal files. Corrective measures will be taken accordingly.

Audit noted that this issue was fully implemented by the Ministry. Updated TY15s were now kept by the Ministry for filing purposes and for confirmation of accurate and correct records filed by the Ministry.

*7. Issue 2010/11*

It was reported that there were employees who took leave as recorded in the attendance book but such leaves were not posted on leave cards which meant that the attendance and the leave cards were not updated and furthermore, details of leaves taken as per the attendance book were not the same as those recorded on the leave cards. As for the Customs Service section, there were no leave returns prepared by the Ministry for the period under audit.

*Follow-Up 2015/16*

MFR explained that it may have lacked regular monitoring in updating leave records and leave cards in the past but monitoring is now carried out on a monthly basis where all staff attendance books are returned to Corporate Services for verification. Leave cards and returns are subsequently updated as a result of these monthly checks. Audit noted that there was a great improvement within the Ministry compared to the previous period. The monthly balances scorecard report provides updated balances of leave for all staff and leave records to be monthly updated by the CSD staff.

*8. Issue 2010/11*

It was reported that from an audit review of the Collector of Customs (COC) account, it was noted that there was an un-reconciled balance of \$24,816.15 at 30th June 2008 and the same un-reconciled amount was carried forward to 30th April 2009. There were lodgements of \$11,000 not credited in 2006 and un-banked receipts of \$20,000 were receipted in April 2009.

*Audit Recommendation*

This account should be reconciled properly and on a monthly basis so that long outstanding or un-banked receipts could be identified earlier for remedial action.

*Follow-Up 2015/16*

MFR responded that reconciliations for the Collector of Customs account are now up-to-date. Audit noted that reconciliations for the concerned account is now on a monthly basis. Audit also noted that all lodgements were credited and receipts were banked accordingly. Processes and procedures were also in place in checking and monitoring of the account.

*9. Issue 2010/11*

It was reported that total outstanding sight entries of \$221,298.42 that had not been refunded as at 30th April 2009 were not the same as disclosed in the Cash book balance of sight entries outstanding of \$201,476.42 – a difference of \$19,822. These outstanding sight entries dated back to July 2002 up to March 2009.

*Audit Recommendation*

Audit could not understand why it took so long for sight entries to be refunded when in reality the normal procedure was that deposits for sight entries were refunded usually after a month deposit.

Payments deposited into the Collector of Customs account are refunded only upon request of re-assessment of duties. As a result, no refund is made until only and when a request for refund is received by the Ministry.

*Follow-Up 2015/16*

Audit noted that sight entries are no longer used by the Ministry but are replaced with IM5 or Temporary Importation Form. A proper and detailed process is now in place to assist staff with their duties and responsibilities ensuring that compliance and consistency are not compromised. Evidence from a walkthrough by audit confirmed the effectiveness of the process in



place for managing deposited funds for temporary import items.

*10. Issue 2010/11*

It was reported that there were no payment vouchers prepared to support refund payments for depositors. These payment vouchers would provide details of refunds made and proper acquittal for the deposits made.

*Audit Recommendation*

Audit recommended that the Ministry should prepare proper payment vouchers containing all the required documentation of the depositors and deposits refunded and that two signatures should operate this Trust Account rather than having just one signatory operating the account.

*Follow-Up 2015/16*

According to MFR the use of payment vouchers are now reinforced for all refunds made from the COC account. The CEO and relevant ACEOs are the signatories for this special purpose account providing a safeguard for monies received and paid from this bank account. Audit noted that the Post Compliance Audit (PCA) unit now plays a vital role in verifying all the supporting documents before processing of payments for refund depositors. The depositor needs to formally write to the CEO for a refund with supporting documents enclosed where PCA would substantiate the claim and recommend for payment. The ACEO Revenue and team maintain both files for payment vouchers and files for deposits made per financial year.

*11. Issue 2010/11*

It was reported that there was a lack of effort taken by the Finance division in following up of deferred accounts. Some debtors had made no payments for more than three (3) years since their accounts were opened with the Ministry.

*Audit Recommendation*

Audit recommended that improvements were needed in debtors accounting and control. The Ministry was advised to set up a Control Ledger account which should contain all accumulated balances for each debtor. The Control Ledger account should contain all the transactions relating to receivables, and that there should be a debtor's subsidiary ledger which should record all transactions relating to the same debtor.

*Follow-Up 2015/16*

MFR responded that recovery actions were less effective in the past due to limited resources and insufficient staff capacity. MFR is continually striving to improve on its debt collection and recovery strategies in order to reduce its total debt book but there will always be scarce resources hindering the full implementation of its identified outputs. Audit noted that the Ministry was still struggling in implementing and trying to recover its vast range of debts from long outstanding debts as well as current debtors. In the past two years, the Ministry established its Account and Recovery Unit to follow up debtors with only two staff. They also prepared a Debt Management and Recovery Work Plan for 2014-2016 particularly for debts at Customs Services. This work plan clearly laid out the strategic goals of the unit for recovery of debts.

*12. Issue 2010/11*

It was reported that there was no Manual of Accounting used by the Ministry to guide Officers in the performance of their duties.

*Follow-Up 2015/16*

Audit noted that a Financial Management Manual for Revenue was established as recommended. Audit obtained a copy of the manual on 5<sup>th</sup> October 2015 for verification. The Manual contained well detailed procedures for: receipting; reporting from RMS and ASYCUDA Systems; banking procedures; Finance One linkage to MFR databases; invoices;

deferral schemes; unpaid refund/withdraw; Collector of Customs Account and overview of accounting procedures. However, this was no longer in use by the Ministry since the approval of the updated version of Treasury Instructions 2013 from Treasury Instructions 2001. In saying that, most processes and systems employed by MFR are now documented in our Statement of Standard Operating Procedures to guide and assist with performing our core functions and operations.

*13. Issue 2010/11*

There were no revenue reports prepared for discussion by management during monthly meeting. According to the Assistant Chief Executive Officer (ACEO) Finance then, there were no reports prepared because there were no management meetings held.

*Follow-Up 2015/16*

Audit noted that MFR established its Senior Management Team (SMT) which now meets every fortnight to discuss the administration and operation of the Ministry. The monthly balanced scorecard reports identify the critical success factors that determine the achievements and performance of the management towards its annual targets and performance framework. Additional Revenue Analyses were also prepared to support the scorecard especially in regards to trends of Revenue Collection, Cost Recoveries and Arrears. The analyses showed how much percentage was achieved compared to what was targeted and also projected the revenue collection for the next month and the following financial year.

*14. Issue 2010/11*

The list of debtors received was incomplete as it did not include the Savaii debtors. There was a breakdown in communication between the Apia and Salelologa Offices as most of the Savaii records had not been properly updated and posted into the Revenue Management System (RMS) by the Main Office in Apia.

*Follow-Up 2015/16*

Audit noted that since the reform at IRS in 2011, the Savaii office joins the network on Revenue Management System (RMS). The upgrade of RMS resulted in the update of the list of debtors including Savaii debtors. The main office in Apia can now review and check on individual ledger accounts and statements of each taxpayer on the RMS system. While an updated list of debtors could not be obtained by the audit due to confidentiality matters, we noted from interview discussion with relevant ACEOs that all debtors in both Upolu and Savaii are included and recorded in the RMS. Communication between the two offices had also strengthened and improved.

*15. Issue 2010/11*

Bank reconciliation for the financial year 2007/08 for the Income Tax Refund special purpose account was only performed within the month of August.

*Follow-Up 2015/16*

MFR advised that bank reconciliations for both VAGST Refund Account and Income Tax Refund Account are now prepared on a monthly basis. Each tax type has its own separate file for monthly bank reconciliation records and correspondences for any issues that arose. MFR stated that they conducted an internal audit for both VAGST Refund Account and Income Tax Refund Account in 2012 and noted an improvement in the process as well as monitoring and controlling of both accounts.

*16. Issue 2010/11*

It was reported that unarranged overdrafts and bounced cheques fees

*Follow-Up 2015/16*

charged by the bank amounted to \$30,474.23. These unarranged overdrafts arose because of the inability of the accounts section to conduct bank reconciliations on a monthly basis.

MFR explained that there were insufficient funds in the account for refunds of income tax; however the Ministry accommodated increasing refund requests which resulted in bank fees. The Ministry of Finance controls these statutory refund accounts and upon receiving monthly reconciliation statements of both accounts (income tax and VAGST refund accounts) from MFR, they will then issue disbursements to reimburse the respective refund accounts with the ANZ Bank. The bank fees are charged if refund cheques are presented but no funds are available in these accounts. This happens when disbursements from Ministry of Finance are delayed due to either late reconciliation reports from MFR or unavailable funds from Ministry of Finance at certain times. Audit noted that un-arranged overdrafts still exist but not as often as in the past years. From audit analysis of 8 months; only 3 were noted with un-arranged overdrafts, these were May, June and July 2015. Audit noted that these months were towards the end/beginning of financial year when there is increased demand of refunds from respective taxpayers after filing and assessing of their income tax returns and in its effort to meet the legal requirement to issue refunds when due payable, the Ministry processed refund cheques to accommodate the requirement but unfortunately were unarranged. MFR undertakes to avoid this practice at all times.

*17. Issue 2010/11*

Cheques payable to the Ministry totalling \$10,756.77 were still on hand for a period of time without being receipted and banked. These cheques were for business licences and PAYE arrears.

*Follow-Up 2015/16*

MFR responded that these cheques were all accounted for and this issue no longer exists within the Ministry. A change in internal procedures of the Ministry clearly layouts the flow of cheques payable to the Ministry as well as refunds that need to be paid out to the public. Therefore instead of doing individual cheques at one go the Ministry needs to check and prepare internal transfer to save the resources and time for the Ministry as well as the public. These were also closely monitored through monthly bank reconciliations for the special accounts operated by the Ministry.

*18. Issue 2010/11*

About 90% of businesses inspected had not yet lodged their income tax returns. Most taxpayers, especially general shopkeepers, were not aware of legislative requirements.

*Follow-Up 2015/16*

MFR stated that work has been done on cleansing its RMS system to remove businesses that have ceased operation from its production data in order to reflect true information on active taxpayers. The Ministry also performs awareness programs for all taxpayers through its Community Compliance Team targeting information on requirements of our tax laws and the obligations of our taxpayers. Audit noted that the Ministry was still weak in enforcing the compliance of all businesses with provisions of Income Tax Act 1974. The compliance strategies are one of the critical success factors to determine the overall performance of the Ministry. The monthly balanced scorecard report for June 2015 noted an average compliance rates for both VAGST and PAYE. The compliance rates were based on the 'paying on time' and 'filing on time' of tax for Large Entities (LE) and Small and Medium Enterprises (SME).

**6.19 Follow Up Audit OPC Report 2010/11**  
**Ministry of Women, Community and Social Development**  
**30 June 2008**

<i>1. Issue 2010/11</i>	Revenue collected in Savaii was receipted in sub-receipt books which were brought to the main office in Apia for master-receipting and banking. This caused considerable delays in master-receipting of sub-receipts and delay in banking. Ministry of Women Community Social and Development (MWCSO) responded at the time that all receipts were now done at the main office in Apia.
<i>Follow-Up 2015/16</i>	MWCSO has taken up an alternative approach in solving the issue as raised in the 2007/08 audit. All receipts for Savaii are now handled at the main office in Apia. However, the Ministry does not keep a receipt book for Savaii collection.
<i>2. Issue 2010/11</i>	The Accounts Receivable balance of \$1.5 million for the financial year 2008 increased by \$436,969 from the previous financial year. The bulk of these outstanding debts related to unpaid printing accounts that were likely unrecoverable.
<i>Follow-Up 2015/16</i>	Cabinet has approved the write-off of outstanding debts for MWCSO.
<i>3 Issue 2010/11</i>	There was a significant increase in catering expenses for the financial year 2007/08. Actual spending was \$42,674 compared to allocated budget of \$9,000; an excess of 375%.
<i>Follow-Up 2015/16</i>	Although excess over budget of catering expenses has proportionally decreased over the 8 financial periods (from 375% to 83%), it was still very high. Controls need to be strengthened to manage expenses within budget provided.
<i>4. Issue 2010/11</i>	The fixed asset register was incomplete, with unrecorded and missing assets.
<i>Follow-Up 2015/16</i>	Audit re-examined both registers on Finance One and the register from the Ministry to confirm that the fixed asset register was now complete and updated.
<i>5. Issue 2010/11</i>	There were excessive calls to mobile phones, with some lasting up to two hours.
<i>Follow-Up 2015/16</i>	MWCSO has resolved this issue by removing access to dial mobile numbers from all other telephone lines except for those belonging to the CEO and ACEOs. There has been a lot of improvement in this area. Audit confirmed that all cell phone calls could not be dialled directly from any other lines within the Ministry except for the approved ones.
<i>6. Issue 2010/11</i>	Telephone, electricity and water expenditure exceeded budgeted provisions in the financial year 2007/2008.
<i>Follow-Up 2015/16</i>	MWCSO responded that the huge reduction of budgets for electricity resulted in huge variances for utility expenses. MWCSO attributed high electricity consumption to air conditioning when the main hall is used for meetings, training and consultations, particularly with the addition of electricity surcharge and waste water charges. Audit noted that this was

one of the challenging areas for the Ministry.

*7. Issue 2010/11*

A lost receipt book used for registry of women in Skill Building Programmes was raised within the OPC examination.

*Follow-Up 2015/16*

Audit confirmed from the Ministry that the receipt book was found and receipts were accounted for.

**6.20 Follow Up Audit OPC Report 2010/11**  
**Office of the Consulate General Auckland**  
**30 June 2009**

*1. Issue 2010/11*  
*Follow-Up 2015/16*

There were no personal files for Consulate staff members.  
Through correspondence, it was confirmed that all staff have personal files with the Consulate Office. The issue was not raised again in the following audit for period ending 30 June 2010.

*2. Issue 2010/11*  
*Follow-Up 2015/16*

Except for one, the contracts of all staff members expired on 30 June 2006. The Guideline on the Terms and Conditions for Diplomatic Officers in the Samoan Foreign Service 2014 was provided to audit for verification. This is now used by all diplomatic officers/posted staff to various locations overseas. The newly approved declaration for diplomatic officers was also confirmed by audit. For locally engaged staff, their employment terms and conditions depend on the legislations of the respective country in which the mission office is operated.

**6.21 Follow Up Audit OPC Report 2010/11**  
**Office of the Electoral Commissioner**  
**30 June 2008**

- |  |  |
|--|--|
| <p><i>1. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>Budgeted revenue collections were not achieved.</p> <p>The Office of the Electoral Commissioner (OEC) agreed and explained that this was because there were no bi-elections during the financial year under audit.</p>  |
| <p><i>2. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>An outstanding debt of \$950 since 6 December 2004 was reported from 2004 to 2007 audits with no recovery action.</p> <p>The debtor as reported in the report 2007/08 related to the hiring of the office camera by Polynesian Airlines in 2004/05. The Office was unable to secure any payment since. As a result of this follow up, audit confirmed that the outstanding debt was paid and receipted on 24 March 2010. The OEC is advised to strengthen follow-up measures to ensure debts are recovered promptly and to assist in achieving budgeted revenue collection.</p> |
| <p><i>3. Issue 2010/11</i></p> <p><i>Follow-Up 2015/16</i></p> | <p>There were no written quotes from suppliers of items costing more than \$5,000.</p> <p>OEC has since complied with this policy as raised in the audit report and confirmed by OPC. However, the procurement of new computers and printers in 2007/08 could have still been supported with proper documentation to validate this payment.</p>  |

## 6.22 Follow Up Audit OPC Report 2010/11

### Public Accounts

30 June 2007 and 30 June 2008

<i>1. Issue 2010/11</i>	Public Accounts in 2007 noted an operating surplus of \$16.63 million which was much higher than the budgeted surplus of \$0.21 million. In 2008, an operating deficit was realized. Ministry of Finance explained that operating surplus/deficit varied over the years depending on the events and their impact during each financial year.
<i>Follow-Up 2015/16</i>	Audit noted inconsistencies with the operating deficit from the financial years 2008 – 2010 and financial years 2012 – 2014 and was a result of activities and unforeseen events during the year. These include global conferences, international games, natural disasters, external grants and others are monitored through the Budget Committee during budget review and screening. Audit acknowledged the various reforms by Ministry of Finance towards resolving the issue. One of the reforms was the introduction of the International Public Sector Accounting Standards (IPSAS) in the financial year 2010 as guidance for reporting the financial operations of the Government of Samoa. The General Purpose Financial Report and Generally Accepted Accounting Principles as well as the Public Finance Management Act 2001 reporting requirements were used by Ministry of Finance as basis of reporting.
<i>2. Issue 2010/11</i>	In 2007, term debt continued to decrease since 2004, with income-to-debt service improving further. In 2008, term debt increased to \$500 million tala while income-to-debt service remained at the same level compared to the previous year.
<i>Follow-Up 2015/16</i>	Debt forgiveness was implemented by Ministry of Finance during the period 2004 – 2007 for China loans. The improvement was due to the rate of increase in income (receipts) faster and higher than the rate of increase in debt service of the same period. There was also a new loan contracted from EXIM Bank of China which contributed to the increase in term debt and these loans contracted by the Government of Samoa were mainly on concessional terms. As such, it takes time for principal repayment (average 10 years) to begin repaying whereas interest payment amounts were lower compared to commercial borrowing terms. Public Finance Management Reform programmes were some of the reforms that were geared towards addressing of the concerned issues.
<i>3. Issue 2010/11</i>	Total receipts increased from the previous year but were below budget.
<i>Follow-Up 2015/16</i>	This was due to taxes and duties, and dividends not being achieved or fell short of the budgeted collection.
<i>4. Issue 2010/11</i>	Total expenditures increased from the previous year however still below the amount appropriated.
<i>Follow-Up 2015/16</i>	A continuous increase in expenditure was noted over the 7 year period 2007-2014. Regardless of the general increase, the actual expenditure was still spent within the budgeted amount.
<i>5. Issue 2010/11</i>	Expenditure exceeded allocated budget.
<i>Audit Recommendation</i>	That Ministry of Finance be reminded of its responsibilities and obligations



	under section 13 of the Public Finance Management Act 2001 (PFMA 2001) in relation to spending over amounts appropriated by Parliament.
<i>Follow-Up 2015/16</i>	This was still a challenging area with all the Ministries. Ministry of Finance must ensure that the Ministries do not exceed in their overall appropriation budgets and also monitor these expenditures at output and natural account level.
<i>6. Issue 2010/11</i>	There was failure to prepare regular reconciliation for all the bank accounts of the Treasury Fund.
<i>Follow-Up 2015/16</i>	Bank reconciliations have improved, and daily reconciliations have been implemented for major operational bank accounts for cash management controls. Ministry of Finance produced and included its very first Statement of Cash Flows in the financial year 2014. In the same financial year, there was a change in the classification of receipts and payments due to the changes made to the Chart of Accounts for transparency and reliability purposes.
<i>7. Issue 2010/11</i>	Concerns were raised regarding overdrawn and inactive project funds and accounts.
<i>Follow-Up 2015/16</i>	Major work was done by Ministry of Finance to coordinate the financial files between the Projects and Aid Division. Overdrawn projects had been offset to inactive projects fund with the approval of the donors. Some overdrawn projects were written off through Cabinet approval. Ministry of Finance still needs to review the budget/funding levels for these projects, as well as monitoring project agreements set up under different implementing Ministries.

## **6.23 Follow-Up Audit OPC Report 2010/11**

### **Samoa Embassy Brussels**

**1 July 2005 - 30 June 2008**

<i>1. Issue 2010/11</i>	There was an issue of non-compliance with the conditions of employment contracts for diplomatic staff working in overseas missions. In particular, the shipment of personal effects at the end of contract and the interpretation of the clause concerning school fees and allowances for children over 18 years old.
<i>Follow-Up 2015/16</i>	The Guideline on the Terms and Conditions for Diplomatic Officers in the Samoan Foreign Service became effective on 1 July 2014 and all issues concerned were reviewed and updated in the guideline. Emphasis was also placed for the posted staff to comply with the current guidelines as per signed declaration form.
<i>2. Issue 2010/11</i>	Leave cards were kept in electronic records.
<i>Audit Recommendation</i>	That manual leave cards be maintained properly for reliability and effectiveness.
<i>Follow-Up 2015/16</i>	Manual leave cards were kept by the Embassy together with the electronic records as recommended. This issue did not resurface in the audit for periods ending 30 June 2009 to 30 June 2012.
<i>3. Issue 2010/11</i>	There was no register for consumables and a high turnover of consumption items.
<i>Audit Recommendation</i>	That all consumable items registered separately from assets.
<i>Follow-Up 2015/16</i>	MFAT responded that the mission staff members were responsible for assets and a separate register for consumables was in place. Audit noted that the Embassy has already done a comprehensive review of its fixed assets as stipulated in the Samoa Overseas Missions Accounting Procedures Manual (revised October 2012).

**6.24 Follow-Up Audit OPC Report 2010/11**  
**Samoa High Commission Office Canberra**  
**30 June 2009**

<i>1. Issue 2010/11</i>	There was no register to record all receipt books. This was also raised in the previous audit.
<i>Follow-Up 2015/16</i>	Audit noted the issue as fully implemented as confirmed in the last mission audit on 24 April 2015. The register was sent through by the Office in Canberra to the Apia Office.
<i>2. Issue 2010/11</i>	The fixed assets register was updated without the registration of four crucial items: the House and land at 30 Kareelah Vista O'Malley, the Deakin Property, the BMW and the Holden Commodore.
<i>Follow-Up 2015/16</i>	The fixed assets were now accounted for in the fixed assets register together with other associated assets.
<i>3. Issue 2010/11</i>	The costs associated with the land rates of the Deakin Property and the rent of the High Commission Office put together was close to AUD\$100,000 a year. These costs have been ongoing for over ten years.
<i>Follow-Up 2015/16</i>	The Samoa High Commission Office project in Deakin was suspended due to land contamination. Land at Yarralumla has been swapped for the contaminated area at Deakin Property. The Yarralumla land was used to build the Chancery and High Commissioner's residence. Cabinet Directive FK(16)16 was issued on 13 April 2016 to approve the funding of the project and to state the winning bidder.

**6.25 Follow Up Audit OPC Report 2010/11**  
**Samoa High Commission Office Wellington**  
**30 June 2009**

<i>1. Issue 2010/11</i>	There was no fixed asset register.
<i>Audit Recommendation</i>	That proper assets register be updated to incorporate all mission assets in real estate like the land and building properties, and that all obsolete and damaged items were to be written off.
<i>Follow-Up 2015/16</i>	The fixed asset register was updated for the Samoa High Commission in Wellington. Fixed assets were now accounted in the register together with other assets including the official residence, High Commission Office, and the Samoa High Commission.
<i>2. Issue 2010/11</i>	There was a case of 10 days advance leave.
<i>Audit Recommendation</i>	The 10 days sick leave should be treated as Leave Without Pay, and recovery actions should be effective immediately through repayment by instalments from fortnightly salaries. The officers responsible for leave records and payroll should be warned and ensure that these records are properly updated to avoid undue penalties due to the negligence/non-performance of duties and responsibilities.
<i>Follow-Up 2015/16</i>	The High Commission Office in Wellington responded that the personnel involved was immediately suspended. The attendance book well kept, and the bank statement confirmed the pay deduction to action the 10 days Leave Without Pay as approved by the Head of Mission.

## **7. SPECIAL AUDITS**

### **7.1 Special Audit Land Transport Authority**

**July 2013 – June 2015**

1. The special audit was conducted upon request from the Chief Executive Officer on behalf of the Board based on a letter of complaint from a former employee of Land Transport Authority (LTA).
2. The complainant raised many allegations against a number of employees of LTA on breaches of administrative policies, non-compliance of legislations relating to finance, assets, property and personnel.
3. The special audit was not a criminal investigation but was focused solely on allegations raised by the complainants on breaches in the performance of duties by certain employees especially in the Corporate Service Division.
4. The following allegations raised by the complainant were investigated and proven to be true against some of the identified employees in the Human Resource Division including the complainant herself:
  - Unauthorized use of drivers and office vehicles for personal use;
  - Unauthorized use of office stationeries for personal use;
  - Unauthorized alteration in payroll deductions;
  - Unauthorized use of the license system;
  - Lack of compliance in enforcing procurement requirements;
  - Undeclared conflicts of interests by employees during recruitment;
5. LTA needs to reform its organizational culture and human resource management supported by reinforcements to governance, oversight, internal controls and compliance with policy and legislative requirements.
6. LTA needs to look at the ethics, past achievements and performance of management and the Corporate Services Division.
7. LTA was advised that matters from the special audit may warrant the Board and appropriate authorities to determine if further investigations are required for criminal proceedings.

## **7.2 Special Audit on Police Maritime Wing**

**August 2015**

A special audit was conducted on Police Maritime Wing (PMW) upon request from the Office of the Attorney General on allegations of theft as a servant relating to PMW assets and inventory. The Special Audit assistance was conducted under a Memorandum of Understanding with the Attorney General's Office.

The audit was required to identify whether there were missing assets or inventory as a result of theft occurring, and to identify the responsible employee. The specific assets and inventories include lumber, timber, diesel, fuel and food supplies.

1. The following was noted in the assessment of controls:
  - No asset register to record purchase, receipt and movement of assets; and
  - No reports prepared for maintenance work such as construction/maintenance quotes and reports.
2. Internal control weaknesses exist over the requisition and food rations for patrol boats. There were no formal requests for requisition of food. There was also no register or any other alternative method of recording the amount of food received from suppliers and/or used during each patrol. Absence of proper controls increases the risk of unaccounted and/or misappropriated supplies.
3. A total of \$8,422.80 (2,800 litres) was spent on petrol for small vessel operations for the 12 months ending 30 June 2014. The following weaknesses in internal control were identified in support of reported expenditures and use of supplies:
  - No patrol reports maintained for small vessel operations – not all activities were reported and/or recorded in Police Maritime Wing (PMW) activity log; and
  - No fuel register for small vessel operations.
4. Weaknesses in the accounting and management of stores administered by PMW:
  - No inventory register maintained for any of the three stores or any alternative procedure to monitor movement of assets and inventory within these stores;
  - No dedicated officer responsible for overseeing items in stores; and
  - No stock-take conducted for store items.
5. Analytical reviews of patrol logs and fuel register maintained for the Nafanua revealed 50,220 litres of unaccounted diesel for the 12 months ending 30 June 2014. The unaccounted diesel was attributed to:
  - Actual litres of fuel added onboard Nafanua as per fuel register were inconsistent with litres purchased and listed in payment vouchers;
  - Inconsistencies in reported fuel usage detailed in patrol report (including Search and Rescue mission reports) entries and fuel register entries of the Nafanua;
  - Missing entries/logs of Nafanua activities/operations substantiating used or burned fuel for various periods of time;
  - No reports/records of maintenance work on board the Nafanua which require the operating of generator consuming/burning fuel.
6. Assessment of controls over fuel register maintained for the Nafanua boat noted the following weaknesses:
  - Inconsistency in recording fuel;

- No signature of officer who made the measurements and/or evidence of review/check conducted by senior officers;
  - Incorrect additions of fuels per tank/incorrect tank readings noted in fuel register;
  - Blank dates noted for some fuel measurements, with recordings made in pencil.
7. There was non-compliance with Chapter 14 of the Police Maritime Wing Ship Safety Order (PMWSSO):
- No reports were furnished at the end of each month to show the daily number of victuals, provisions received onboard, notes for any store damage and a muster sheet indicating stocks remaining;
  - No inventory account was maintained to monitor movement of stock, and there was no regular review of muster sheets;
  - No evidence of proper requests put forth by heads of department. Requests for supplies were mostly verbal especially for food which sometimes meant reprocessing the most recent requisition form.
8. There were discrepancies in patrol reports and activity logs. The discrepancies included non-recorded entries in patrol reports, while entries were being made in activity log or vice versa. In addition, there was an inconsistency in reported days in the activity log and the number of days the Nafanua was in operation as reported in patrol reports.

## 7.3 Samoa Ports Authority Special Audit

27 November 2015

1. The overall objective of the audit was based on a letter of request from Samoa Port Authority (SPA) to carry out a special investigation on one of its employees, the Manager of Commercial and Marketing Division. The special audits were on allegations of dishonest conducts in performance of duties.
2. The audit was not a criminal investigation but largely administrative in nature i.e. non-compliance, breaches of administrative policies, legislations, performance requirements and expectations relating to finance, property leases, assets, bonds and personnel.
3. The common issues identified and found proven against the employee were in relation to the following allegations.
  - Abusing position by over-riding management internal controls for personal favours contrary to SPA regulations and policies;
  - Making side dealings with other SPA employees;
  - Unauthorized approval of waived bonds without Board and/General Managers consent;
  - Performing duties under undisclosed conflict of interests;
4. The major contributing factors to issues and allegations were mainly due to non-compliance.
5. SPA could not fully quantify some of its lost revenue from the actions and services administered by this employee.
6. There was also a general audit on other allegations such as unfair treatments of employees in terms of pay grade. It was noted that a number of Principal level officers including one Senior were paid above \$50,000 while other principals were paid at \$46,369. There is a need to revise SPA's organizational structure to ensure there were approved positions with corresponding salaries.
7. Those charged with governance – the Board, the CEO and management – were reminded of their duties and responsibilities to SPA and the accountability and transparency of its operations.
8. Numerous observations made during the special audit warrant immediate attention from the Board and management. Some of these issues include communication-breakdown, overriding of policies and internal controls, and non-compliance with prevailing legislations through decisions of key management.