



## **Special Report**

# **Financial and Compliance Audits 2023**

**Prepared by:**

**Office of the Auditor General,  
Tonga.**

**Nuku'alofa  
May 2024**



Our Reference: LC1052/405/24

Your Reference:

Date: 30<sup>th</sup> May 2024

Dear Lord Speaker

I have the honour to submit to Your Lordship our special report, “**Financial and Compliance Audits 2023**”, pursuant to section 24 of the *Public Audit Act 2007 (as amended)*.

This special report summarizes the audit findings and recommendations of all the financial and compliance audits the Tonga Office of the Auditor General carried out during the year 2023.

Respectfully

Sefita Tangi FCPA(Aust.)  
AUDITOR GENERAL



cc: Hon. Prime Minister  
Prime Minister's Office



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## CHAPTER 1: INTRODUCTION

This report summarizes the results of all the financial and compliance audits that we carried out and reported during the working year, 2023. This summary information is compiled in this special report, Financial and Compliance Audits, in our endeavour to assist the oversight functions of Parliament.

As in our previous years' report, may I first briefly introduce the nature of financial audit and compliance audit for reference information for all the Honourable Members, MPs:

**Financial Audit:** is our independent and objective examination of the financial statement of Government, Public Enterprises, Development Projects, and other entities as of the end of each financial year. In complying with the *Public Audit Act 2007*, we conduct the audit of the financial statements of Government, (the Public Accounts), and those entities that appoint the Auditor General as their external auditor. For those public enterprises which appoint private accounting firms as their external auditor, the Auditor General is to review and approve their audited financial statements.

The objectives of our audit of financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. The applicable reporting framework is either the International Financial Reporting Standards, *IFRSs*, the International Public Sector Accounting Standards, *IPSASs*, or as specifically stated by law.

The expressing of an audit opinion is normally issued on all audits of financial statements and are of two forms; (i) unmodified opinion, and (ii) modified opinion.

- (i) **Unmodified opinion:** is expressed when the Auditor General concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework; and
- (ii) **Modified opinion** is expressed when the Auditor General:
  - (a) concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
  - (b) is unable to obtain sufficient appropriate evidence to conclude that the financial statements as a whole are free from material misstatement.

### Type of Modifications of the Auditor's Opinion:

#### **Qualified Opinion**

The Auditor General expresses a qualified opinion when:

- (a) having obtained sufficient appropriate evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements; or
- (b) is unable to obtain sufficient appropriate evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

#### **Adverse Opinion**

is expressed when the Auditor General, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

### ***Disclaimer of Opinion***

is expressed when the Auditor General is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

**Compliance Audit:** is based on the premise that management is responsible for the entity's compliance with the law governing the entity. In complying with the *Public Audit Act 2007*;

*“the Auditor General shall monitor compliance with the requirements of any Act governing the management and control of public money and public resources”, (section 10(4)).*

It also states that;

*“the Auditor General shall review and confirm the discharge of financial management obligations, including maintenance of accounting records and an adequate accounting system of accounting control, to ensure that Ministries, Government agencies and public enterprises have complied with their financial management obligations under the law”.*

“Monitoring compliance” is through compliance audit which we carried out to all Government Ministries, Departments, and Agencies (MDAs). The report of compliance audits is through “audit management letters” to the CEOs or Head of the MDA. All of the audit management letters are summarized and reported in this Financial and Compliance Audits Report.

Government MDAs do not prepare a separate financial statements at the end of each financial year. However, they are all required to comply with all financial obligations under the law. We conduct the compliance audit and report on the “financial management obligations under the law”, as stated in the *Public Finance Management Act 2002*, its *Regulations*, the *Treasury Instructions*, and policies and directions issued by the Minister of Finance from time-to-time.

We put the audit of development projects under Compliance Audit, since the significant part of their audits is the review and confirm the compliance with the terms and conditions under respective signed project documents, the standards and operational manuals of the applicable donor, and compliance with the *Public Finance and Management Act 2002*.

In this situation, compliance audits usually are performed in conjunction with financial statements audit since we have to issue our audit opinion on the projects’ financial statements.

## **Chapter summary and background**

Each chapter starts with the summary of the overall results of the audits covered in that Chapter. It follows by a short background of the nature of audits reported in each Chapter then the summary of audit findings and recommendations.



## CHAPTER 2: GOVERNMENT FINANCIAL STATEMENTS (PUBLIC ACCOUNTS) 2023 AND QUARTERLY SUMMARY OF RECEIPTS AND PAYMENTS.

### I. GOVERNMENT FINANCIAL STATEMENTS (PUBLIC ACCOUNTS) 2023.

#### 2.1 Summary

The financial statements of the Government for the year ended 30<sup>th</sup> June, 2023 was prepared and presented in compliance with the Cash Basis of Accounting and Reporting of the International Public Sector Accounting Standards, (*IPSAS*), similar to the prior financial year, 2021-22.

Our audit conclusion was a qualified audit opinion on the Government Financial Statements (Public Accounts) 2022-23. The basis of the qualification was on account area of Property Plant and Equipment.

The complete accountability and effective management of all government assets are a major long outstanding issue, evident by the variance of \$577,864,226.00 between the current updated fixed asset registers and the accumulated balance from the Sun-System. The Ministry of Finance is currently in progress with assets counting and reconfirming the fixed assets registers of line Ministries.

We raised forty-four, (44), issues and reported to the *CEO* for Finance from the audit of the Public Accounts 2022-23, including the follow-ups from previous financial years' audits. We also issued with the appropriate recommendations for the Ministry's consideration and appropriate actions.

#### 2.2 Background

The Government accountability and transparency is supported by the preparation and audit of the Public Accounts.

The Public Accounts is prepared by the Treasury Department of the Ministry of Finance, (MoF) and presented by the Minister for Finance. The Public Accounts provide information to assist in assessing the financial performance and position of Government. The financial results presented in the Public Accounts inclusive of all results of Government Ministries, Departments, and Agencies whose allocation of public funds are approved in the Government budget for the financial year.

#### 2.3 Audit Findings and Recommendations

##### Audit Opinion

The audit of the Government financial statements for the year ended 30<sup>th</sup> June, 2023 was completed and the Auditor General's audit opinion, qualified audit opinion, was issued on 29<sup>th</sup> February, 2024.

## 1. Statement of Receipts and Payments

### 1.1 Operating Receipts

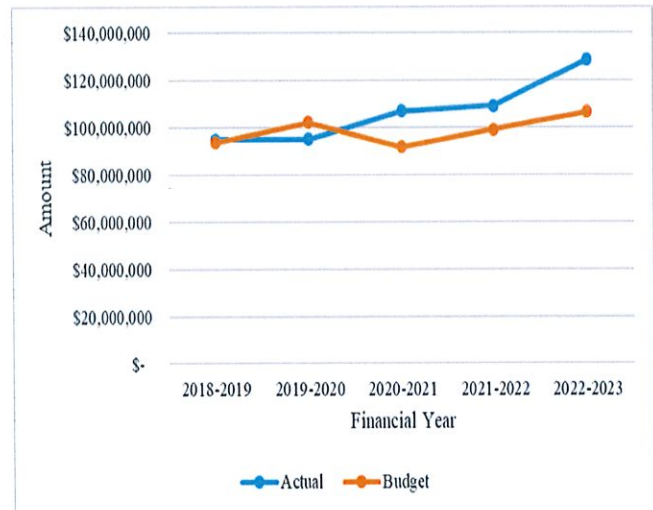
#### a. Four (4) Main Revenue Sources – 5 Years Trends

##### 1. Income Taxes



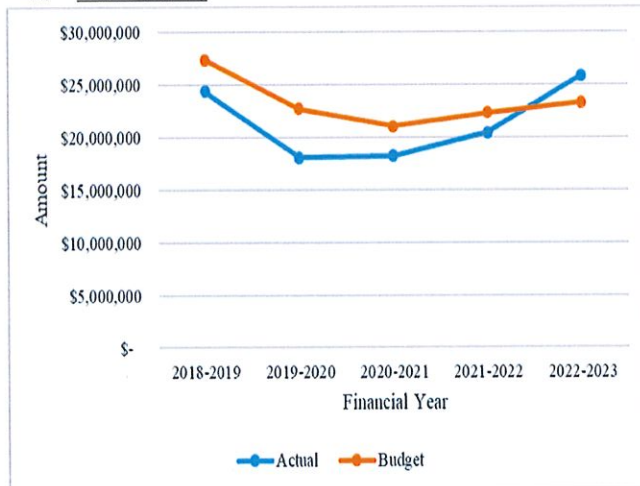
Income Tax increase was mainly due to the increase in Corporate Tax – Large Businesses.

##### 3. Taxes on Goods & Services



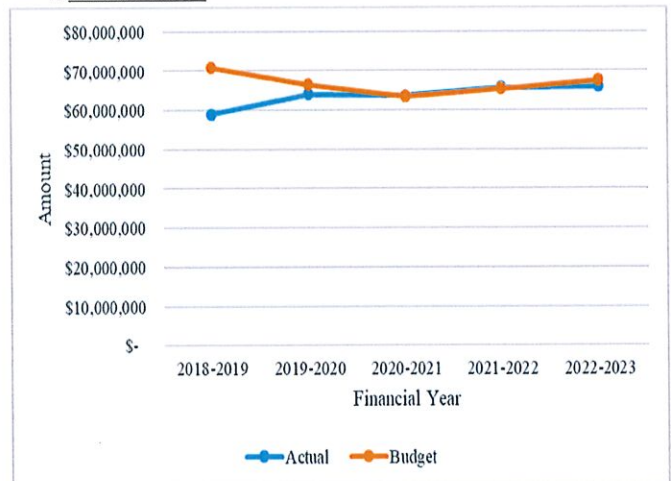
Taxes on Goods & Services increased from the previous financial year was mostly from Consumption Tax for Imports.

##### 2. Trade Taxes



Trade Taxes increased mainly due to the increase in Business Import Duties.

##### 4. Excise Taxes



Excise Taxes increased from the previous financial year.



## Follow up Issues

- **Revenue Policies**

From previous year's audits, we requested if there were changes to the revenue policies to verify the material changes of the 4 revenue heads above, between financial years. For the financial year, (FY), 2022-23, we have been explained that there was no change or additional new item to the Revenue Policies during the FY 2022-23, in the Ministry's record.

The assumptions for the increase of about 11% of the 4 main revenue heads would be either from; (i) picked up of the economy as a whole, and/ or (ii) improve tax administration systems in 2022-23.

### **Ministry's Response:**

*"The increases in the identified revenue... , is largely due to the recovery of the economy since the pandemic."*

- **Reversed Entries:**

The issue for reversed entries is still in existence. Comparing the total number of reversed entries for this financial year 2022-23 to the previous financial year 2021-22 and noted that it increased by 232 entries, also the dollar amount increased by \$30,466,711. Thus, this issue on reversed entries is still outstanding.

The previous financial year had an amount of \$4,666,751 in total for Reversed Entries for Receipts. For this financial period 2022-23 amounted \$35,133,462.

Tops of the list are the Ministry of Revenue & Customs and Ministry of Finance.

### **Ministry's Response:**

*MOF noted the root causes for these reversals and yes, we believe to minimize/ eliminate, and these need careful planning, accurate recording, and proactive management of financial data by all accountable officers at all levels.*

## **1.2 Budget Support**

Budget Support confirmed to have actually received in 2022-23 totalled \$53,733,317;

- (i) Australia (DFAT), \$5,934,487.12;
- (ii) New Zealand (MFAT), \$4,798,830.00;
- (iii) World Bank (WB), \$43,000,000.00;
- (iv) European Union, (EU), support for the financial year 2022-23 was received on 11 July 2023, which will be reported in this FY, 2023-24, financial statements.
- (v) Asian Development Bank (ADB), support was not received in FY 2022-23. According to the information in the Budget Statement 2022/23, it mentioned this fund delayed to 2023-24.

We would very much appreciate the confirmation of the ADB budgeted support for 2022-23 as mentioned above.

### **Ministry's Response:**

*Yes, there was no Budget support (BS) receive from ADB during the reporting period. The planned budget support came during the following year, as per understanding with ADB.*

### 1.3 Operating Payments

Details for the major movements from Prior Year 2021/22 to Current Year, 2022/23.

Operating Payments	Current Year Figure 2022-23	Prior Year Figure 2021-22	Movement from the prior year	% Change from prior year
Established Staff	150,299,451	157,012,321	(6,712,870)	(4%)
Unestablished Staff	13,234,716	19,290,234	(6,055,518)	(31%)
Travel and Communication	23,047,682	12,378,629	10,669,053	86%
Maintenance and Operation	35,871,736	33,565,558	2,306,178	7%
Purchase of Goods and Services	104,487,438	86,395,483	18,091,955	21%
Operational Grants and transfer	88,859,977	85,402,943	3,457,034	4%
Development Duties Expenditure	2,721,451	2,843,772	(122,321)	(4%)
Pension and Gratuities	4,106,425	3,854,341	252,084	7%
Private Sector Development Support	1,385,197	-	1,385,197	100%
Trust Payments	13,790,970	15,647,244	(1,856,274)	(12%)
<b>Total Operating Payment</b>	<b>437,805,043</b>	<b>416,390,525</b>	<b>21,414,518</b>	<b>5%</b>

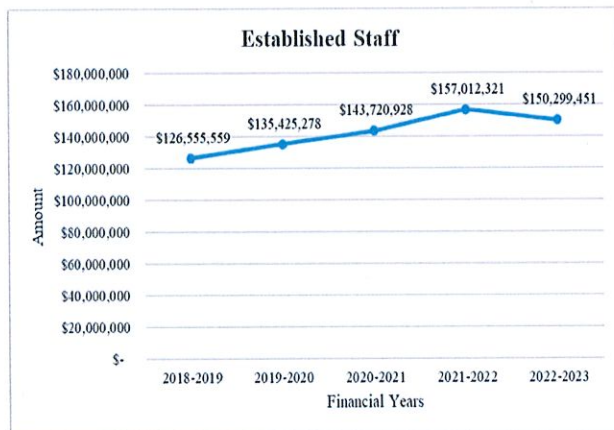
#### 5 Year Trends (Operating Payments)

##### 1. Established Staff 2022-23 2021-22

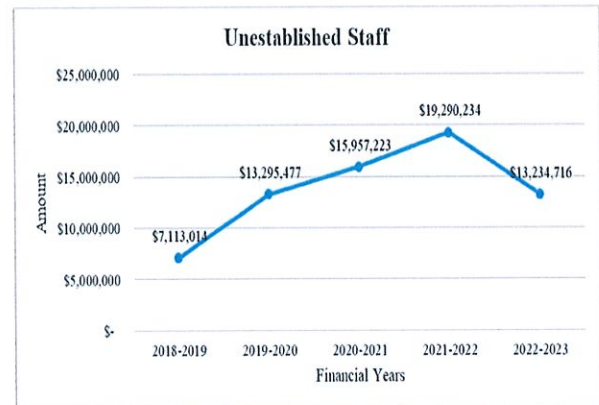
Codes	Details	FY 2022/23	FY 2021/22	Movement
1001	Salaries	118,662,724	113,925,613	4,737,112
				-
1002	Overtime	9,235,144	19,082,353	9,847,209
				-
1003	Other Allowances	3,261,019	5,151,723	1,890,705

##### 2. Unestablished Staff

Codes	Details	2022/23	2021/22	Movement
1101	Wages	9,301,833	10,039,130	- 737,298
1199	Contract Labour	3,932,884	9,251,104	- 5,318,220
<b>TOTAL</b>		<b>13,234,716</b>	<b>19,290,234</b>	<b>- 6,055,518</b>



The Decrease in Established Staff was an amount of \$6,712,870. It was mainly due to the decrease in Overtime with \$9,847,209 and the other Allowances. The big decrease in overtime was due to the strengthening of the control system and overtime policy during the year.



The decrease in Unestablished Staff was due to the decrease of Contract Labor during the financial year.



### 3. *Travel & Communications*

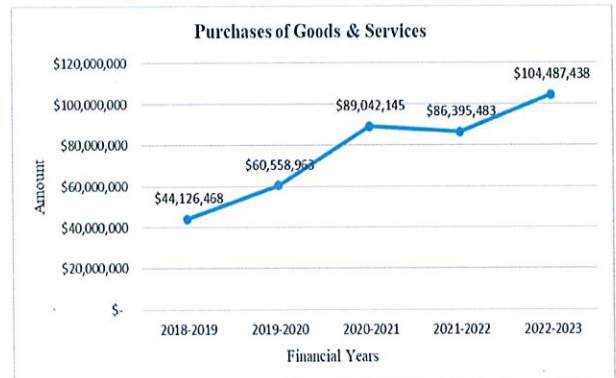
Codes	Details	2022/23	2021/22	Movement
1202	Overseas Travel	8,636,222	1,501,228	7,134,994
1210	Email & Internet	4,207,078	735,849	3,471,229



Total Travel & Communications increased by \$10,669,054. This was mainly due to the lift of the restriction of the overseas travel re COVID-19, and increase in services through email and the internet.

### 4. *Purchase of Goods & Services*

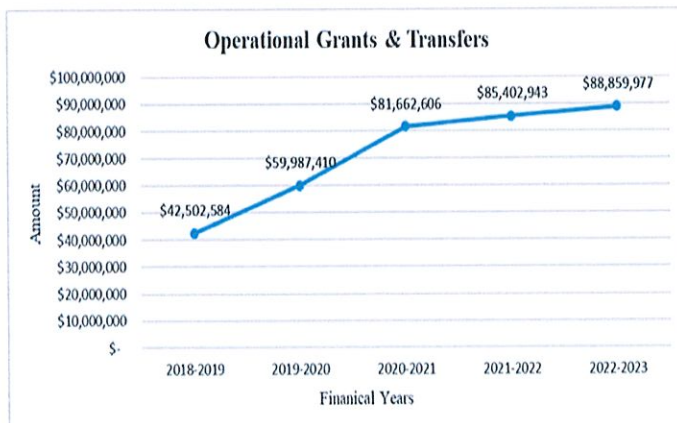
Codes	Details	2022/23	2021/22	Movement
1443	Community Development Programs	15,444,423	2,875,575	12,568,848
1480	Consultants Technical Assistants Professional Fees	15,455,531	8,235,741	7,219,790



Purchase of Goods and Services increase with an amount of \$18,091,955. This was mainly due to the increase in community assistance and development re. HTHHP event, & water tanks were also provided to those affected.

### 5. *Operational Grant & Transfers*

Code	Details	2022/23	2021/22	Movement
1501	Subsidies	20,393,582	9,243,911.08	11,149,670.92
1503	Contributions to Organizations	4,070,417	2,640,420.32	1,429,996.68
1506	Prizes and Awards	974,750	424,104.43	550,645.57
1514	Student Allowances	1,783,074	526,053.82	1,257,020.18
1570	Hunga Tonga Hunga Ha'apai Volcanic Eruptions	1,032,338	691,712.47	340,625.53



The increase in Operational Grant & Transfers was mainly caused by the increase in Subsidies which was an amount of \$11,149,671. This increase is due to the Subsidy of Government Petroleum for Tonga Power Limited, also the subsidy for Niua voyages – MV Kelesi. Payment to TVET Grants and Non-Government School Grants.

✓ **Changes in the system for processing payments:**

- The change was the decentralizing to some of the line Ministries from the Treasury Division of the checking of the payment vouchers before payment is incurred.

However, the need for the double checking by the Treasury Division of Ministry of Finance of compliance and accuracy of certain payments is to remain. For instance, payments supposed to comply with the procurement regulations, travels, and allowances.

**Ministry's Response:**

*Authorisation and Checking were decentralized as per Treasury Circular, reference 15/23/128, dated 9th February 2023. We note your concern and will consider how best to address this.*

✓ **Payroll System**

- In reviewing the accounting system for Payroll we can identify that these issues faced within the Ministry in the system for Payroll (Micro-pay) are not resolved. It is still outstanding. Details are listed below:
  1. All changes between the salary, OT, and acting votes are done manually to the individual name and it is difficult to cater to the larger Ministries i.e. MOH, etc.;
    - This issue is still outstanding it is because the system cannot differentiate the two votes (Overtime and Acting Allowance)
  2. The terminated employees are not separated from the existing employees within the system;
    - This issues still ongoing and the reason for this is due to keeping the information for further purposes. For example, Pension members tend to claim their pension twice, and keeping that information within the system helps to solve that issue when it arises.
  3. The system cannot auto-detect all errors that arise. For example;
    - a) Zero hour mean zero pay, but the current system can pay full salary for zero hours worked;
    - b) Exceeding 80 hours per day;
    - c) Paying more/less than 5% 10% or 20% contribution, RFB;
    - d) Missing member or government contribution, RFB;
    - e) Paying more/less than the fortnightly amount.
      - This issues still outstanding, and it is not because of the system but because of the user inputs.
  4. The payroll system does not auto-detect the names of those who are receiving more than salary for tax adjustment purposes; and
    - This issues still outstanding, and it is not because of the system but because of the user inputs.
  5. The payroll database is not linked with the PSC database system to enable timely updates on HR information to minimize the risk of salary overpayment. Currently, PSC is relying on the payroll system for updates on the staff list, basic salary, and other HR information. Also, the risk of salary overpayment is increasing significantly due to delays in receiving PSC Decisions regarding the resignation, SLWOP etc.
    - This issue is still ongoing, PSC Database is no longer used, and they rely on the payroll system of the Ministry of Finance for updates on the staff lists, basic salary and other HR information.

**Ministry's Response:**

*MoF duly noted these issues, and we will consider how best to address them.*



✓ **Salary Overpayments:**

- This issue is still outstanding in this year's audit.
- The total overpayment for this financial year is \$144,590.25. The prior year's figure was \$132,075.77, increased by an amount of \$12,431.51. The total outstanding amount for overpayments as of 30<sup>th</sup> June 2023 is \$93,457.86.

**Summary of Salary Overpayment as of 30.06.2023**

<i>MDAs</i>	<i>Total Overpayment</i>	<i>Total Payment</i>	<i>Total Outstanding</i>
1. Ministry of Education and Training	83,000.36	10,465.34	72,535.02
2. Ministry of Agriculture	14,375.01	11,174.08	3,200.93
3. MEIDECC	1,211.66	900.00	311.66
4. Ministry of Health	45,590.25	28,180.00	17,410.25
5. Ministry of Revenue & Customs	330.00	330.00	-
<b>TOTAL</b>	<b>144,507.28</b>	<b>51,049.42</b>	<b>93,457.86</b>

**Irrecoverable debts in Payroll:**

- The total amount of non-recoverable in payroll for this financial year is \$42,926.70. The reason for this non-recoverable in payroll is due to the staff who were dismissed from work, retired, and late advice of study leave without pay.

*We recommend to disclose the amount of unrecoverable in payroll by this entry:*

*DR Accrued Income (Salary Overpayment)    \$42,926.70*  
*CR Salary: Established Staff                                \$42,926.70*

***Ministry's Response:***

*We note the concern and work is currently carrying out to address this. Recommended adjustments have also been processed.*

✓ **Reversal entries: Expenditure:**

The issue for reversal entries is still outstanding, however, there is an increase in total reversed entries for payment compared to the previous figures. The previous financial year had an amount of \$23,880,326 in total. For this financial period 2022/23, the amount is \$29,778,171.08, an increase of \$5,897,845. The audit highlighted that the Ministry with the most increase is the Ministry of Finance with \$6,391,792. We explained that this is mainly from wrong posting.

We repeated that this area be corrected in order to obtain a managed level of reversed entry for one financial year.

***Ministry's Response:***

*MOF noted the root causes for these reversals and yes, we believe to minimize/eliminate, and these need careful planning, accurate recording, and proactive management of financial data by all accountable officers at all levels.*



## 1.4 Development Fund:

### 1.4.1 Development Fund Balance and Cash Balance

- i. The total cash balance of Developments Funds (development projects funds), as of 30<sup>th</sup> June, 2023 is confirmed \$200,846,455.00.
- ii. The total the list of all Development Projects with remaining balance as of 30<sup>th</sup> June, 2023 – Development Fund Balance – agreed with the cash balance, \$200,846,455.00.

However, in verifying the list of the Development Projects by following up the outstanding variance from FY 2021/22 of \$567,398, we came up with the following:

#### **Outstanding Variance from FY 2021-22, (Follow-up Issue):**

While verifying the lists of Development Projects, we investigated the remaining variance of \$567,398 from fiscal year 2021-22. Corrective actions were reportedly taken to fully account for this variance and maintain complete records (particularly General Journal Vouchers for the alleged transfers).

However, we found only five (5) Journal Vouchers presented to us, totalling \$225,837.00. This leaves a remaining \$341,561.00 in un-transferred funds. This issue originated in FY 2020-21, and we are concerned that the 2022-23 Development Fund Balance appears reconciled despite the relating records are incomplete, (not covering the total variance, \$567,398, brought forward from 2021-22).

We therefore hereby strongly recommend that appropriate and valid representation (or to provide the complete records) is to be presented to the Auditor General of this variance still in existence vs. the Cash Balance and Development Fund Balance agreed, as stated above.

#### ***Ministry's Response:***

*We noted and we urgently working on this to provide soonest.*

#### **Significant Increase in "Old Projects":**

Our analysis of active projects as of 30 June 2023, a significant increase in the "Old Projects" category. The balance for FY 2022-23 totalled \$5,053,391.00, compared to \$3,914,226.00 in FY 2021-22 (and even lower in FY 2020-21 at \$3,882,145.00). This represents an increase of \$1,139,165.00 from 2021-22 to 2022-23 that requires further confirmation.

#### ***Ministry's Response:***

*We noted and yes, the total "Old Projects" balance have increased. This balance includes completed/closed projects also projects that are still on hold, pending final confirmation from donors on how to utilise the remaining unspent portions.*

## 2. Statement of Assets and Liabilities

### a) Cash at Bank and on Hand

		Closing Balance 30 <sup>th</sup> June 2023 (Sun-System)
FLOAT-TTP	CASHIER FLOAT-TONGATAPU	2,105,417.77
FLOAT-NTT	CASHIER FLOAT-NIUTOPUTAPU	122,151.99
FLOAT-E2	CASHIER FLOAT-'EUA	45,170.50
FLOAT-NF	CASHIER FLOAT-NIUAFO'OU	35,433.21
FLOAT-VV	CASHIER FLOAT-VAVA'U	30,357.51
FLOAT-HP	CASHIER FLOAT-HA'APAI	20,116.95
		<b>2,358,647.93</b>

As of June 30, 2023, the total cash on hand is \$2,358,647.93. We reconciled these float balances with the cash count records at the end of the balance date.

#### Adjustment

Dr	Training and Conference (Exp)	\$200	
Cr	Float Ha'apai		\$200

(To account for the payment vouchers yet to be posted into the sun-system).

#### Recommendation:

To reconcile the cash balance for the Ha'apai Float with the Sun-system, adjust the cash balance at the balance date by \$200.

#### Ministry's Response:

Fully agreed and have made the necessary adjustments.

We also identified a variance between the Niutoputapu Float cash count and its corresponding Sun-system record.

#### Adjustments

Dr	Loss/ Shortage	\$12,523.84	
Cr	Float-NTT		\$12,523.84

(To account the shortage that has been verify in the last financial year 2021/2022.)

#### Recommendation

Take immediate action to account for this variance. Monitor the reconciliation at month-end to prevent similar losses from happening again.

#### Ministry's Response:

We fully agreed and have made the necessary adjustments.

### ✓ Bank Accounts

Total BACs	Closing Bal FY 2022-23
Operating Cash at Bank	91,868,697
Development Cash Balance	200,846,455
Trust Fund Cash Balance	30,231,473
	<b>322,946,625</b>

Total Cash at Bank as of 30<sup>th</sup> June 2023 is \$322,946,625. One account (NRBT - IDA Grant No.628-TO (TPTRP)), general ledger balance of \$37,816.80 with no corresponding bank reconciliation. Upon examining the bank confirmation, we found that the entire balance was transferred to the Government Operating but the Accounts Division has not yet updated the system to reflect this change.

### Adjustment

Dr	BAC0160	\$37,816.80	
	Cr BAC0213		\$37,816.80

*(To update the record of the transfer from BAC0213 to BAC0160 account)*

### **Recommendation:**

That immediate action to update the record of the transfer.

### **Ministry's Response:**

*We noted and have made necessary adjustment.*

### **i. Reconciling Items**

Our focus was on the reconciliation of then Government operating account (BAC0125), which holds the majority of reconciling items. We observed improvement compared to the previous financial period. Below is the aging of the reconciling items for Government Operating Account (BAC0125).

#### **Unpresented Cheques**

Particular	Amounts	2022-2023		
		1-3 months	3-6 months	6+ months
Unpresented Cheques	19,136,386.89	18,927,855.26	121,461.17	87,070.46

#### **Lodgement not credited**

Particular	Amounts	2022-2023		
		1-3 months	3-6 months	6+ months
Lodgement not credited	41,277.82	41,277.82	0.00	0.00

- It was cleared at the beginning of the FY 2023-24

#### **Direct Debits**

Particular	Amounts	2022-2023			2021-2022
		1-3 months	3-6 months	6+ months	
Direct Debits	35,409.71	2,507.80	3,650.00	29,101.91	150.00

- Details for the direct debit provided and it is related to the dishonoured cheques pay-in from the line ministries.
- It was confirmed that these revenue were already accounted for and posted into the sun-system.
- Given that it is over a year old, we recommend reversing this direct debit balance.

### Adjustment.

Dr	Prior Year Adjustments	150.00	
	Cr BAC 0125		150.00

*(To adjust the long outstanding direct debit)*

### **Recommendation;**

To eliminate the long outstanding direct debit over one year. The adjustments are required.

### **Ministry's Response:**

*Agreed and have made necessary adjustments.*



**b). Loan On lending.**

**1. Tropical Cyclone Gita Loan**

- i. To replace the total balance of TC GITA Loan, \$2,611,994 as per draft financial statements, 30 June 2022 by the amounts as per signed account 30 June 2022, \$2,715,819.
- ii. During the period from August 2019 to November 2021, the Government disbursed the amounts of \$2,998,500, as a loan to assist anyone who affected by the TC Gita (Gita Loan Recovery Fund). The interest on loan was 1% and to be repaid with the principal amounts within one (1) year to four (4) years.

The majority of the borrowers are civil servants in Government. An example, 11 out of 458 borrowers are employees of TOAG.

As of 30<sup>th</sup> June 2023, the closing balances of TC GITA Loan was total to \$2,677,261 (only \$321,239 of cumulative principal repayments). From the history of the loan repayments, it seems that the Ministry did not perform the due process and proper enforcement of the loan agreement since the establishment of the loan recovery fund.

**2. Here are the additional Loan On-lending during the financial period as follow:**

i.	Micro Loans for Women lot 9	74,100.00
ii.	Micro Loans for Women lot 10	101,500.00
iii.	Micro Loans for Women lot 11	<u>35,000.00</u>
	<b>Total</b>	<b><u>210,600.00</u></b>

**3. The comparison of Provisional for Loan On-lending to the financial statements, it is understated by \$30,800.**

Dr	Loan-On-lending (TMCL & TAMAL)	30,800	
	Cr	Exchange Difference	30,800
(to adjust the financial statements to agree to the provisional and DS-DRMS)			

**4. The Ministry for Finance recalculated the interest receivable as of 30 June 2023 and here are the details shown below:**

As of 30 June 2023, the amount of interest receivables totalled TOP\$17,628,417. We recommend making this adjustment below to the financial statements, (this account balance as of 30<sup>th</sup> June, 2022 was \$17,065,838):

Dr	Accrued Interest & Loan On-lending	562,579	
	Cr	Interest Revenue	562,579
(to include the interest revenue to the financial statements)			

**5. During the financial year 2012 to 2014, the Government lender of funds of \$1,296,893 to the Agricultural and Fisheries as loan on-lending with interest of 1%, and to be paid within a year. As of 30<sup>th</sup> June, 2023, the remaining balances outstanding for the loan on-lending are total to \$1,170,282 (Still in progress from previous year)**

We recommend for the management to make an appropriate action to immediately recover this long outstanding receivable.

**6. The loan agreement between the Government of Tonga and the City Assets (Molisi) is yet to sign with the amount TOP\$6,761,247 (issue from previous year is still outstanding).**

We recommend for the management to make the appropriate action to resolve this long outstanding issue.

**7. The actual interest paid by the Government for the financial year to the Export-Import Bank of China was total up to TOP\$2,927,108. The actual amount of interest received from Loans On-lending from this fund was total to TOP\$108,000, 30<sup>th</sup> June 2023 (Royco).**

**Ministry's Response:**

*We noted and have made necessary adjustments.*

### c). Property, Plant and Equipment

Total property, plant, and equipment disclosed in the financial statements is \$407,379,952. In comparison, the total of fixed assets recorded in the government fixed assets register is \$985,244,179.14. There is a variance of \$577,864,227.14.

	Financial Statement 30 June 2023	Fixed Asset Register 30 June 2023 (FAR Received)	Variance
Property, Land and Buildings	115,541,329	716,423,997	-600,882,668
Other Assets	291,838,624	268,820,182	23,018,442
<b>Total</b>	<b>407,379,953</b>	<b>985,244,179</b>	<b>-577,864,226</b>

Currently, the Asset Division of the Ministry is carrying out the count and verifying of the assets listed by the line ministries and ensuring the registering of all identified assets.

We sincerely hope that this work will result in accounting for all assets of Government with the true and fair value, financial statements be consistent with the assets' records.

#### *Ministry's Response:*

*Noted that the public account discloses an accumulated balance for Fixed Assets, which does not match the amount recorded and provided by the MDAs in their Fixed Asset Register.*

### d). Trust Money

1. The prior year figures as per signed account 2021-22, totalled \$30,848,362 but the details of prior year figures in this year financial statements are understated by \$849,745. This is due to the reclassification of Trust Money in note 3.8 to the financial statements.

We recommend excluding the total variance from "Other Trust Accounts" in the prior year figures in this year, 2022-23 financial statements.

#### *Ministry's Response:*

*Noted, that draft account's details were overstated due to re-clarification as mentioned.*

2. Here are the correspondence of Trust bank balance and Trust money liabilities as of 30<sup>th</sup> June 2023:

✓ Trust Fund Cash Balance	30,231,473
✓ Trust Money (Liabilities)	<u>30,231,473</u>

3. PSRF Trust Account (Private Sector Reconstruction Facility) having an arrears from the Private Sector totalled \$1,233,709.94. We recommend disclosing it in the notes to the financial statements.

#### *Ministry's Response:*

*Noted and we will consider.*



e). **Public Debt**

1. After the recalculation of foreign loan, we recommend making this adjustment to the financial statements.

Dr Public Debt 6,108,219  
 Cr Exchange Difference 6,108,219  
 (to account for the public debt as per loan confirmation from the lenders as well as the drawdown amounts during the audit period)

2. Here are the details of the loan repayments and proceeds from borrowings:

Items	Amounts as per schedule	Amounts as per St. R & P	Variances	Remarks
Loan Repayments	15,782,216	36,081,373	20,299,157	These variances occurred due to the drawdown amounts of \$20,951,336 are not recorded in the notes to the financial statements, and \$670,128 for the loans # ADB 3509 & IDA 5689 which were not direct deposited to any Government Bank Account.
Proceeds from borrowing	43,548,984	43,549,734	(750)	

3. Here are the details of interest payable as of 30<sup>th</sup> June 2023 as follow:

Loan Items	Amounts (\$)
✓ Domestic Loan	720,460
✓ ADB Loan	103,249
✓ IFAD	1,179
✓ IDA	262,937
✓ IMF	377,579
✓ EXIM	0
<b>Total</b>	<b><u>1,465,403</u></b>

The opening balance of interest payable as of 30<sup>th</sup> June 2022, totalled \$2,163,292. However, the closing balance of interest payable as of 30<sup>th</sup> June 2023 stated above, total to \$1,465,403, net variance of \$697,889.

We recommend disclosing the amounts of interest payable in the financial statements by this journal entry:

Dr Interest Payables 697,889  
 Cr Interest Expenses 697,889  
 (to account for the interest payable as per 30<sup>th</sup> June 2023)

**Ministry's Response:**

*Noted, and confirm herein that there were some disbursements made directly to the project, and not to the Government Bank Account.*

f). **Investments**

	Current Year Figure 2022-23
<b>Investments</b>	
Current Investment	11,175,371
Non-current Investment	14,622,251
Equity Investment	178,710,266
<b>Total</b>	<b>204,507,888</b>

1. **Treasury Term Deposits Investment**

- A total of TOP\$11,175,371 short-term deposit; four (4) at TDB and two (2) at the ANZ Bank. These investment accounts have been confirmed and agreed.
- A total of TOP\$14,622,251 long-term deposits at TDB were all confirmed.
- There was interest received amounting to TOP\$888,452.40, disclosed in the Statement of Receipts and Payments under Entrepreneurial and Property Income.
- The accrued interest of TOP\$261,980.85, as confirmed by the audit, was not accounted for in the financial statements. Refer to the adjustment below:

Dr Accrued Interest                      \$261,980.85  
 Cr                      Interest Revenue                      \$261,980.85  
*(to account the investment accrued interest for the year)*

**Ministry's Response:**

*Noted and agreed.*

2. **Share Minority**

	Financial Statement
Air Pacific Limited	76,032
Ocean Royal Shipping	1,447,724
	<b>1,523,756</b>

**Follow-up Issues:**

**Lulutai Airlines Limited**

- Government's Share in Lulutai Airlines Limited - The share certificate was provided to the audit on 5 February 2024, confirms ownership of 2,100,000 shares by the Government at \$10 per share.

**Air Pacific Limited**

- Government's Share in Air Pacific Limited - We received a copy of the confirmation from Fiji Airways on 23 February 2024, regarding the 70,400 shares owned by the Government at \$1 per share.

**Ocean Royal Shipping**

- PC No. 196 of 21<sup>st</sup> August 2000 on the establishment of this body and the Government's capital contribution.
- A 20 February, 2024 accounting system report identified a remaining balance of USD\$575,040 in government shares of Ocean Royal Shipping. This follows a principal repayment of USD\$424,960 received on February 17, 2010. Notably, a copy of the share certificate remains unfilled.

**Ministry's Response:**

*Noted and have shared all related documents on hand.*

### 3. Investment on Public Enterprises

A total of TOP\$177,168,510 has been invested in public enterprises, as directly confirmed by the Ministry of Public Enterprises (MPE) and through share certificates filed by the Treasury Division. The Ministry of Finance has now completely filed all Government share certificates, indicating ownership investing in Public Enterprises.

#### *Ministry's Response:*

*Noted.*

### 3. Internal Audit Function:

We reviewed six internal audit reports of the Ministry's Internal Audit Division, from 2022-23 financial year, which confirmed the risk of non-compliance with Procurement Regulations, totalling \$6,097,580.09, Ministry of Infrastructure, (MoI). This non-compliance resulted in:

- **No Formal Contracts (Documents):** Formal agreements were absent from various projects, including roadside drain cleaning, road sealing, widening, coral delivery, and speaker box supply. This lack of contracts raises concerns about accountability, transparency, and potential financial risks.
- **Unapproved rates:** MoI utilized unauthorized rates for the projects. This deviation from approved rates is a potential breach of procurement regulations and raises concerns about the fairness and value for money in these transactions.

The above instances always occurred from major malpractice of executive management over-ruled the system of internal control and regulated procedures, which is the procurement regulations in these cases.

We recommend that appropriate actions be actively and effectively executed during the processing of all the transactions subject to public procurement regulations before any payment is made. The most essential part of this is for the Ministry of Finance be strict on checking and declining non-compliances. And to held the officer/s concerned account and responsible for the identified non-compliance.

#### *Ministry's Response:*

*We note the concern, and we will look at how best to address this.*



#### 4. Follow-up of Issues raised in previous years audits:

The following issues were raised in our previous management letters. We have followed up on these issues in this year's audit and their status is stated below:

Prior Year Audit Matters	Status observed in 2022/23 audit
<p><i>Government revenue trends and revenue policies.</i></p> <p><b>Description</b></p> <p>Overall, the justifications for the changes of trends of the main sources of government revenue were not clearly stated and documented. It is obvious there must be some direct correlations in the changes of trends between CT, Excise Tax and Income Tax. A more accurate quantification of changes to revenue policies in the financial year would definitely explain and justify the changes of such revenue trends. Thus, we strongly suggest that any material changes in the government revenue policies be appropriately quantified and documented.</p>	<p>This issue is still outstanding.</p> <p><i>re: item 1.1 page 4</i></p>
<p><i>Reversed Transactions</i></p> <p><b>Description</b></p> <p>There are significant amount of reversal entries and adjustments for both operating receipts and operating payments in the Sun System and this issue is still outstanding from previous financial years.</p>	<p>This issue is still outstanding.</p> <p><i>re: item 1.1 page 5</i></p>
<p><i>Account for In-Kind contributions.</i></p> <p><b>Description</b></p> <p>The final revised budget in the statement of Comparison of Budget and Actual included the in-kind figures in addition to the re-current budget figures. However, the actual figures represent only the re-current actuals. It does not include the in-kind actuals because it is disbursed outside the Sun system. This has caused distortion when comparing the proportion of budget against actuals.</p>	<p>This issue has been settled.</p>
<p><i>Prior Year Adjustments</i></p> <p><b>Description</b></p> <p>The prior year adjustment accounts were made up of reversing journal vouchers and exchange differences. There are still incorrect entries posted to the prior year adjustment account although they are not related to previous year. We again raised the recommendation we provided last year in that; we do not have enough evidence on the cut-off, validity, and correct value of this prior year adjustment account.</p> <p>The Ministry responded that they agreed to take note and review all transactions accounted for as prior year adjustments during the year. Justifications and full supporting documentations for these transactions will be filed accordingly.</p>	<p>This issue has been resolved.</p>
<p><i>Cash at bank and on hand (Aging reconciling items)</i></p> <p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Long Unpresented Cheques, (gone back to 2015-16).</li> </ul> <p>All the outstanding items in the bank reconciliations are current to the financial year 2021-22.</p> <ul style="list-style-type: none"> <li>• Direct Debits, (gone back to 2015-16).</li> </ul> <p>The direct debits from dishonoured cheques are current to the financial year 2021-22.</p> <ul style="list-style-type: none"> <li>• Direct Credits, (gone back to 2015-16).</li> </ul> <p>The direct credit are current to the financial year 2021-22</p>	<p>This issue has been resolved.</p>

<p><b>Receivables</b></p> <p><b>Description</b></p> <p>The interest charged on receivable recorded only interest that has been received in cash and excluded the interest yet to be received (receivable) as at 30th June 2020.</p>	<p>This issue has been resolved.</p>
<p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• <b>Term Deposits</b></li> </ul> <p>Similar to previous years' findings, the interest receivable is not disclosed in the Notes to the financial statements. It was noted that the bank confirmation did not include this amount.</p> <ul style="list-style-type: none"> <li>• <b>Share Minority holding (Air Pacific Limited)</b></li> </ul> <p>There are shares invested by the government on Fiji Airway (formerly Air Pacific Limited) is a Fiji Airway according to the ministry, amounted to TOP\$77,222. There was no formal documentation available to audit to verify the amount except an email from the company confirming this amount.</p> <ul style="list-style-type: none"> <li>• <b>Ocean Royal Shipping Company Limited.</b></li> </ul> <p>Similarly there is also an investment held in Ocean Royal Shipping Company Limited amounted to TOP\$1,429,926 which has been sitting in the financial statements from years back but no documentation is available at the ministry or from the company to verify this amount.</p> <ul style="list-style-type: none"> <li>• <b>Investment in Public Enterprises.</b></li> </ul> <p>For the purpose of preparing the financial statements, the ministry relied on information provided from external sources such as the Ministry of public enterprises and other agencies where there are investments held by the government.</p>	<p>This issue is still outstanding. <i>re: item 2.6 page 26</i></p> <p>This issue is still outstanding <i>re: item 2.6 page 26</i></p> <p>This issue is still outstanding. <i>re: item 2.6 page 27</i></p> <p>This issue is has been resolved. <i>re: item 2.6 page 27</i></p>
<p><b>Property, Plant and Equipment</b></p> <p><b>Description</b></p> <p>As such, the audit was limited to the review of the movements of property, plant and equipment (additional assets purchased during the year). We confirmed all additional assets purchased during the year have been accounted for and posted to the sun system.</p>	<p>This issue is still outstanding. <i>re: item 2.3 page 22</i></p>
<p><b>Public Debt</b></p> <p><b>Description</b></p> <ul style="list-style-type: none"> <li>• The Notes to the financial statements do not disclose interest payables on both foreign and domestic loans.</li> <li>• We noted there is no coordination between the Aid and Debt Divisions in regard to the current payable amount of loans. As a consequence, the Debt Division is not aware of the amount of loan and interest payable at year end when preparing the accounts. Thus, it records current payable amount only when the invoice for payment is received from the lender.</li> </ul>	<p>This issue has been resolved.</p>
<p><b>Net Changes and Balances of Trust Moneys</b></p> <p><b>Description</b></p> <p>Bringing in and adding back the funds which are outside of the balance of receipts and payments but are included in the "Cash at Bank and on Hand" as of the balance day.</p>	<p>This issue has been resolved.</p>
<p><b>Unsigned Loan</b></p> <p><b>Description</b></p> <p>The loan agreement between the Government of Tonga and the City Assets (Molisi) is yet to sign with the amount TOP 6,761,247 principal.</p>	<p>This issue is still outstanding. <i>re: item 2.2 page 20</i></p>



<p><b><i>Fixed Asset Register</i></b></p> <p><b>Description</b></p> <p>There is no Fixed Asset Register for all Government</p>	<p>This issue is partly resolve</p> <p><i>re: item 2.3 page 25</i></p>
<p><b><i>No depreciation policy</i></b></p> <p><b>Description</b></p> <p>There is no depreciation policy and expense charged against the value of assets at balance date. Therefore, the balance of assets is an accumulated amount over the years.</p>	<p>This issue is still outstanding.</p> <p><i>re: item 2.3 page 22</i></p>
<p><b><i>Independent record kept by the Ministry</i></b></p> <p><b>Description</b></p> <p>We noted that for Investment and Transfer Preserved Accounts, there is no independent record maintained by MoFNP. During the preparation of the financial statements, external confirmation are sought from the Ministry of Public Enterprises, Public Enterprise's audited accounts and Retirement Fund Board for the closing balance which is manually inserted into the Statement of Assets and Liabilities.</p>	<p>This issue has been resolved.</p> <p><i>re: item 2.3 page 27</i></p>
<p><b><i>Risk Assessment</i></b></p> <p><b>Description</b></p> <p>The risk management of the Ministry and especially to the records and preparation of the Government financial statements is in similar position as in previous year – yet to start.</p>	<p>This issue is still outstanding.</p>
<p><b><i>Evaluation of the Internal Control Environment</i></b></p> <p><b>Description</b></p> <p>This is particularly related to the evaluation of the internal audit function as the fundamental part of the internal control system. The internal audit function needs to be more proactive in evaluating the ministry's control environment, especially physical checking to be down at the transaction level.</p>	<p>This issue is still outstanding.</p>
<p><b><i>Related Party</i></b></p> <p><b>Description</b></p> <p>MoFNP is yet to perform any tasks or procedures to particularly deal with identifying and disclosing related parties transaction from all line ministries in accordance with IPSAS 20 Related Party Disclosures.</p> <p>Disclosure to include;</p> <ul style="list-style-type: none"> <li>- Identify related parties</li> <li>- Transaction with related parties</li> <li>- Key management compensation including non-cash benefits</li> </ul> <p>Related party parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.</p> <p>Related parties include:</p> <p>(a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;</p> <p>(b) Associates (see IPSAS 7, "Investments in Associates");</p>	<p>This issue is still outstanding.</p>

<p>(c) Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;</p> <p>(d) Key management personnel, and close members of the family of key management personnel; and</p> <p>(e) Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in (c) or (d), or over which such a person is able to exercise significant influence.</p> <p>Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.</p>	
<p><b><i>Payroll System</i></b></p> <p><b>Description</b></p> <p>We noted from our testing of the Payroll system that there were variances between the Micro-Pay Report and the Payroll Journal Voucher. Further, the costing sheet printed from the Micro Pay were not filed with the salary voucher, and there was lack of segregation of duties as salary officer was handling most of the salary process.</p>	<p>This issue has been partly resolved.</p>
<p><b><i>Operational Grant Agreement</i></b></p> <p><b>Description</b></p> <p>Audit found that operational grant paid out by ministries on behalf of the government to third parties does not have grant agreements. While, these grants have cabinet decisions attached, it is still required that agreements be made and signed with third parties to comply with section v, clause 35(2) of the Treasury Instruction.</p>	<p>This issue is still outstanding.</p>
<p><b><i>Development Projects outside Government Accounting System</i></b></p> <p><b>Description</b></p> <p>It was accepted that the MFNP has no control over donor funded projects implemented by NGO and that funds are transferred directly from the donor to NGO. However, disclosure of these development projects is encouraged. Audit recommended that these projects be disclosed by way of notes to the financial statements.</p>	<p>This issue is still outstanding.</p>
<p><b><i>Treatment of External Assistance</i></b></p> <p><b>Description</b></p> <p>Issue with respect to the external assistance raised in the previous management letter still stands.</p>	<p>This issue is still outstanding.</p>
<p><b><i>Payment by third parties on behalf of the government</i></b></p> <p><b>Description</b></p> <p>Payments made by third parties on behalf of the government is not disclosed in the financial statements. This is required to be disclosed in the Statement of Receipt and Payments in accordance with IPSAS Cash Basis. The Statement of Accounting policies note (vi) stated, MFNP has not been formally advised of whether payment has been made or has otherwise verified any payments. Regardless, this is still a required disclosure under the IPSAS Cash Basis.</p>	<p>This issue is still outstanding.</p>

## II. AUDIT REVIEW OF PUBLIC FUNDS QUARTERLY SUMMARY OF RECEIPTS AND PAYMENTS.

The audit review of Public Funds Quarterly Summary of Receipts and Payments was completed for the following Quarters during the period reported:

- i. Quarter ended 31<sup>st</sup> March, 2023; an Unqualified Audit Certificate was issued on April, 2023;
- ii. Quarter ended 30<sup>th</sup> September, 2023; an Unqualified Audit Certificate was issued on November, 2023.;
- iii. Quarter ended 31<sup>st</sup> December, 2023; an Unqualified Audit Certificate was issued on Feb 2024;

The key issues raised in our reviews are:

- ✓ Variations between the transactions listing and the Quarterly Statements because of posting of receipts and payments into the Sun-System after the cut-off dates;
- ✓ Bank reconciliations were not completed for all bank accounts at the time of audit field works for the appropriate review by the audit team;
- ✓ At times, the float balances were not confirmed directly to Board of Survey since there was no Board of Survey received by the audit team;
- ✓ Subsequent work added to the system done after the submission of the Quarterly Statements, and this is from delayed information being received from the outer islands and overseas missions; and



## CHAPTER 3: GOVERNMENT MINISTRIES, DEPARTMENTS, AND AGENCIES (MDAs)

### 3.1 Summary

We completed and hereby report the audit of 40 units (in Line Ministries, Departments and Agencies, *MDAs*), and 30 grants to Non-Government Schools.

We raised and issued 206 recommendations. As usual, we included the responses from the *MDAs* that we received.

In addition, we have audited 17 Constituency Fund for the period February 2021 to January 2023 and was reported to the Speaker on 30<sup>th</sup> August 2023.

### 3.2 Background

The financial reporting function of Government is centralised in the MoF, which prepared the Public Accounts for each financial year. *MDAs* do not prepare end of financial year's financial statements.

However, *MDAs* are to manage, process, and record all their financial activities in compliance with the financial accounting systems of Government as stated by law. And we are to audit the discharge of their financial management obligations in compliance with the requirements of the laws governing the management and control of public money and public resources.

Our compliance audits of *MDAs* cover the period of operation continuously. That is, we plan and carry out the audit from the end of the period covered by the last audit up to the time of commencing the current audit. The period covered in each audit is also stated here as in our audit management letters.

The audit findings are from our normal audit procedures designed primarily for the purpose of examining and reviewing the accounting system and control procedures of each *MDAs*. Consequently, our work did not involve the detailed review of all aspects of the systems and cannot be regarded as the comprehensive statements of all weaknesses that exist, or of all the improvements that might be made.

### 3.3 Audit Findings and Recommendations

#### 3.3.1 Palace Office

**Period Covered: July 2019 – May 2023.**

##### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
The attendance register was not properly kept for inspection	Still outstanding and hereby repeated
Post-approved overtime plan	Resolved
Maintenance and Operation expenses – Non-compliance with the Procurement process	Resolved
Motor vehicle as a spare part	Resolved
Fixed Assets Register was not updated	Resolved.

## **2. Expenditures**

### **a. Attendance Register.**

The attendance register was lost from October 2022. The new attendance register was used until March 2023. The audit could not verify the attendance and pays in those five missing months.

#### **Recommendations:**

1. That Supervisor ensures that all employees comply with attendance instructions.
2. The Supervisor ensures that the attendance register is safely kept in the office.

### **b. Overtime – Incomplete filing the copies of work-plan and overtime records.**

Supporting documents were incompletely provided whereas some overtime payment vouchers were with no copies of the work plan and attendance records attached.

#### **Recommendation:**

3. The Accountable Officer ensures that all copies of the approved work plan and all overtime records are completely filed.

## **3.3.2 Office of the Ombudsman**

**Period Covered: July 2020 – June 2023.**

### **1. Follow-up Issues**

Issues raised in previous year	Current Position
Original overtime work plan was not filed and not available	Resolved
Overtime Request Form was not filed	Resolved
Attendance registers for overtime did not agree with the timesheet	Resolved
Copies of overtime vouchers were not filed	Resolved

### **2. Expenditure**

#### **a. No record of electronic attendance registers to verify the completion of normal working hours before overtime work is performed.**

The Office of the Ombudsman has an electronic attendance register that records their log in and log out time during their normal working hours. However, the accounts section at the Ombudsman does not print out hard copy and file. For overtime, attendance is signed in and out manually. Hence, we were not able to verify whether the overtime staff at Ombudsman completed their conditioned 40 hours per week before overtime work was carried out.

#### **Recommendations**

1. The Supervisor of Accounts is to ensure that electronic attendance records sent in from the Retirement Fund IT section are printed and filed for completion of Office records.

#### **b. Late Payment of Overtime**

A total \$5,840.61 payment for overtime works paid after the authorized period of one (1) month of the overtime period.

#### **Recommendations**

2. That the Supervisor of Accounts should ensure that all overtimes are paid on time within one month after the overtime period.

#### **c. Overtime work on Sunday**

It has been confirmed that two (2) contracted laborers at the Vava'u Office of the Ombudsman recorded overtime works on Sunday.

#### **Recommendations**

3. The Office of the Ombudsman both Tonga and Vava'u shall immediately cease overtime work on Sundays.



**d. No filing of expenditure records**

We were not able to verify a total \$32,744.71 transactions in FY2020-21 and \$7,550 in FY2021-22 as documents and records for these transactions were not found.

**Recommendations**

4. That the Accountable officer is to be severely disciplined for not ensuring that copies of vouchers and supporting documents are completely filed at all times.

**e. Vote Book Reconciliation**

Vote books are not maintained as the office relies on their access to Sun System.

**Recommendations**

5. The responsible officer whether having access to Sun System or not, is to maintain vote book similar record for expenditures and reconcile with Treasury on a monthly basis.

### 3.3.3 His Majesty Armed Forces

**Period Covered: July 2019 – April 2023.**

**1. Follow-up Issues**

Issues	Status of the Issue
Loss Cash Book	Issue has been resolved
No proper handover	Resolved
No Independent check of receipts banked	Resolved
Official fees charged for boat hire	Issue is raised again in Section 6
No revenue register	Resolved
Non-compliance with Procurement process	Resolved
Payment of expense unrelated to the operation of the Army from the Army's budget	Resolved

**2. Inward Cash and Revenue Sources**

**a. Late banking**

There are some instances of late banking still occurred due to leave and absent of revenue collector.

**Recommendations**

1. That Accounting Head must ensure that banking is done on a daily basis or the next working day according to Treasury Instructions.

**HMAF response**

- HMAF agreed to the issue raised."

**b. Established Bank account for Royal band without approval of the Minister of Finance.**

A Bank Account at ANZ Bank used for revenue collected from fee charged by the Royal band (ROCOM) for their service to the public, funerals and other occasions. There was no document of any approval by the Minister for Finance for this separate Bank account.

**Recommendations**

2. That Chief of Defence Staff is to inform and seek approval of the Minister for Finance of this Bank account.

**HMAF response**

- "The ROCOM account was established based on an agreement, between former Chief of Defence Staff Brigadier (retired) Tau'aika Uta'atu and the Minister for Finance of that day around 2002. HMAF apologize that a record of that agreement is not found."



**c. Fees charged for hire of HMAF's vessels.**

The issue has been raised from the previous audit, however we have discussed it again with the Deputy CDS- Sione Ulakai as we have not identify any action on the issue in this audit.

**HMAF response**

- *HMAF Board decision clash with Instructions to propose the fees for hire of the boat. The Board decision for hire the boat is to pay for the fuel expense only according to the distance of travel but not commercialize the operation of HMAF boats in order to earn profit.*

**3. Expenditure**

**a. Approved Transfers during the period audited were not completely filed.**

Approval of transfers made during financial year 2019-20 and 2021-22 were not completely filed. Total amounts that did not have the transfers approval filed were \$6,978.86 for 2019-20 and \$48,578.75 for 2021-22. This is not complied with Treasury Instructions 14(3).

**Recommendations**

3. That Accounts Div. Head is to ensure that all Approved Transfer Forms between programs be completely filed at all times.

**HMAF response**

- *HMAF agreed as "the issue is a shortfall of finance staffs for not ensuring that copies are made of every transfer to be filed ..."*

**b. Insufficient supporting document for Deployment/Sea going allowance.**

Vouchers for deployment and sea-going allowances were not supported with sufficient supporting documents. A sum of \$497,892.53 from the overall payments of \$1,677,597.78 was found that only the vouchers filed with no other supporting documents.

**Recommendations**

4. That Accounts Div. Head must ensure that all relevant supporting documents are attached and filed with related vouchers at all times.

**HMAF response**

- *HMAF agree that this was the shortfall of finance staffs.*

**c. Store register for Rations is incompletely recorded and maintained.**

Store register recorded only the rations received with no details of quantities in particular. Also, rations going out are not recorded as well.

**Recommendations**

5. That Accounts Div. Head should assign an officer responsible to review store register on a monthly basis.
6. That the officer responsible for store register should record the goods goes in/out to/from the store as well as the quantities ordered and received corresponding to amount of order.

**HMAF response**

- *"HMAF ration issue has been monitored and recorded from the main store at the HMAF Headquarters then the Commanders of the receiving HMAF Units are responsible for checking the rations being issued and recording the goods packing lists. However, due to this recording issue, and the risk of fraud records, the HMAF is currently conducting training for all HMAF major unit store men on the ration registration book with the hope to be ready for future audit sessions."*

d. **Vote reconciliation is not carried out on a monthly basis.**

Vote reconciliation with Treasury department is not carried out according to Treasury Instructions.

**Recommendations**

7. That Accounts Div. Head should ensure that vote reconciliation is carried out monthly according to Treasury Instructions.

**HMAF response**

*"The past reconciliations were completed, while the FY during the audit session was halted and not completed. The rest of the reconciliations were up to date. Therefore, the month when the audit was conducted and yet to be reconciled and left incomplete."*

**4. Fixed Assets**

a. **Asset not available to sight during the audit period.**

Physical inspection of the assets purchased during the period audited confirmed that some assets were not at the location registered in Fixed Assets Register.

- 1 Single Door Fridge - \$6700.00- Navy Base

**Recommendations**

8. That Accounts Division Head should ensure that stock take should undertake at the end of each financial year and label with tag each asset for easily identification.
9. That new assets purchase after this audit should be registered according to Treasury Instructions threshold. (Assets cost above \$5000 should recorded in FAR and \$100-5000 to be recorded in an Inventory register for control and monitoring).

**HMAF response**

*"This SD Fridge was defective and kept at technical workshop to be fixed and soon to be returned to Navy store."*

**5. Log books**

a. **Log books for vehicles were not completely recorded with no evidence of independent checking.**

Log books for 20 vehicles of HMAF is maintained, however it is not completely recorded - the movements and fuel intake. Independent checking of logbooks was also not carried out according to Treasury Instructions.

**Recommendations**

10. That Accounts Div. Head should enforce drivers as well as staff authorized/assigned to drive government vehicles to record and update movements of vehicles and intake in the Log books at all time.
11. That Senior Officer assigned for Independent Checking must act responsibly on checking completeness of vehicles' Log books.

**3.3.4 Ministry of Public Enterprises**

**Period Covered: July 2019 – June 2023.**

**1. Follow-up Issues**

Prior Year Issues	Current Status
Dividend – no revenue register	Partly Resolved
Property, Plant and Equipment – no official document for transfer of the Ministry's vehicle P1810 to the Prime Minister	Resolved
Motor Vehicle Log Books – missing log books	Resolved
No approved work plan was provided to the audit for overtime work.	Resolved
Overtime staff not signing the Ministry's attendance register at the start and end of overtime work.	Resolved
Inadequate sufficient document filed for travel allowance paid to the former CEO of the Ministry.	Resolved
Driver for CEO	Resolved



## **2. Inward Cash**

### **a. Incomplete Revenue Register**

The Ministry kept and maintained a Revenue Register, but it is not completely recorded with the full details; when a dividend is being declared and received.

#### **Recommendation**

1. The Revenue Collector be reprimanded for not fully acting upon the recommended action put forward by the previous audit to maintain a proper revenue register to ensure all public money received is accurately recorded and accounted for and any arrears are easily identified and monitored.

#### **Ministry's Response:**

*It is unfortunate that the revenue register we have is not a proper revenue register which we acknowledge the shortfall and moving forward. Management will ensure that a correct and proper revenue register is in place and that all relevant information regarding dividends received is recorded and up to date.*

## **3. Expenditures**

### **a. Lack of Independent Checking on Vehicle Log Books**

There was lack of independent checking by a Senior Officer of vehicle log books.

#### **Recommendations**

2. That a Senior Officer must be assigned the task of reviewing and checking the Ministry's vehicle logbooks and signed on it.

#### **Ministry's Response**

*Management notes and agrees with the recommendation. One of our staff (SAS-HRO) has been assigned to review and check the log books.*

## **4. Fixed Asset Management**

### **a. Fixed Assets given to the Ex-Minister has not yet been recovered**

One (1) laptop; HP Spectre X360 Flip Ultrabook & Microsoft Windows 11 Pro 64 bit price \$7,150.00 and one (1) mobile phone; Apple iPhone 13 Pro Max price \$5,431.00 was failed to recover from the Ex-Minister (Mr Poasi Tei) when he exited the Ministry.

#### **Recommendations**

3. The Accountable Officer to recover these assets immediately and update the Fix Asset Register.

#### **Ministry's Response**

*Management noted the recommendation and will action on it immediately.*

### **3.3.5 Office of the Public Service Commission**

**Period Covered: July 2019 – May 2023.**

The audit was reported on 8<sup>th</sup> September, 2023 that the financial operations of the Office was satisfactorily carried out with no audit issue raised.

### **3.3.6 Statistics Department**

**Period Covered: March 2019 – April 2023.**

#### **1. Follow-up Issues**

Issues raised in previous year	Current status
Assets Register was not updated	Resolved



## **2. Inward Cash**

### **a. Missing Passbook, Cash book and copies of T-9**

The Passbook and the cash book and copies of T-9 used by the Department from March 2019 to the year 2020 were missing.

#### **Recommendations**

1. That the responsible officer be severely reprimanded to ensure that all revenue records and documents are safely kept and filed at all times and any repetition of this breach will be subject to more severe disciplinary measures.

#### **Ministry's Response**

*We ensure and control this responsible officer for the revenue records and documents are maintained and safely kept daily and try not to happen in the future*

### **b. Late Pay-In and Banking**

A \$40 was paid-in late on May 18, 2023. This revenue was received and receipted on April 13, 2023 which is a 34 day delay for pay in. This is non-compliance.

#### **Recommendations**

2. That all revenue collected is to be paid-in and deposited to the bank and Treasury on time in compliance with TI 47(3)

#### **Ministry's Response**

- *In the Future, we will try to follow the Treasury instructions for this section of pay-in.*

## **3. Revenue**

### **a. No approval for rates used.**

The Statistics Department did not submit in writing to the CEO Finance a proposed rate for the Department's reports requested by interested parties to buy.

#### **Recommendations**

3. That the Department submits to the CEO for Finance the rates for review and endorsement.

#### **Ministry's Response**

- *In the Financial year 2023/24, we will prepare the approval for all rates of the individual reports before receiving cash from selling the statistical reports and Bulletin.*

### **b. Handwritten of the carbon copy of the receipt**

This is a non-compliance with TI 46 "Receipt shall not be altered. If a receipt is drawn in error or requires amendment it shall be cancelled and retained in the receipt book/filed in the system and a new receipt written out/printed out"

#### **Recommendations**

4. In situation like this, that the responsible officer shall cancel the wrong receipt and issue a new receipt.

#### **Ministry's Response**

- *The Office will try to avoid this exercise in the future.*

## **4. Expenditure**

### **a. Staff Overtime**

#### **Late Overtime Payment**

Overtime payment is not settled within 1 month after overtime work completed according to Treasury Instructions.

**Recommendations**

5. That the supervisor of Accounts should review the overtime system and ensure that all overtime is paid on time within one month after the overtime period.

**Ministry's Response**

- *The lesson we learned is to pay on time the Overtime applies to the Treasury Instruction in the future.*

**b. Reconciliation of Salary and Wages Register were not carried out regularly****Recommendations**

6. That the responsible officer do the reconciliation of salary and wages to ensure the register of staff overtimes are kept up to date

**c. Travel Expenses**

We acknowledge the effort made by the staff in filing of payment vouchers and support documents for domestic and overseas travel expenses.

**d. Maintenance of Buildings and Compounds**Expenses for Maintenance of Structural Building Windows

Payments for removing old windows and installing new windows were not in accordance with the terms of the agreement signed by the Lessee and Lessor.

**Recommendations**

7. That the Department's liaise with the Lessor to redeem the \$5,710 to the Government.  
8. The Accountable Officer shall ensure that internal controls are in place to make sure that payments made do not exceed the amount appropriated to each vote and comply with the Lease Agreement.

**Ministry's Response**

*The department will closely follow the contract to be aligned in the future to avoid repeating this mistake.*

**e. Missing Tablet – Office Supplies****Recommendations**

9. That the Department shall ensure that there is a proper system in place to avoid any occurrence of similar problem in the future

**Ministry's Response**

*The total number of tablets bought was only 832 but the supplier top-up the purchase by 12 extra tablets to cover if some of the tablets were lost or broken.*

**f. Catering- \$2,495.**Food expenses for Staff breakfast and lunch.

The Total \$2,495 in 2020/21 was used on purchasing of breakfast and lunch for coffee week.

**Recommendations**

10. This practice shall be ceased going forward.

**Ministry's Response**

*This financial year 2023/24 will not repeat in the future.*

**g. Vote Book Reconciliations**

Vote books are maintained but there is no regular monthly reconciliation carried out.

**Recommendations**

11. The responsible officer is to reconcile the vote books with Sub-Treasury vote records on a monthly basis.



## 5. Fixed Assets

The Statistics Department properly maintain an up-to-date fixed assets register. However, they do not keep a list of inventories whose value is between TOP \$100 to TOP \$5,000.

### *Recommendations*

12. The responsible officer is to prepare and maintain a list of inventories to keep track of the assets whose value is between TOP\$100 to TOP\$5,000.

## 3.3.7 Ministry of Police

**Period Covered: May 2019 – December 2022.**

### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
The revenue Register is not updated.	Resolved
Invoices were received before the Purchase Order was approved.	Resolved
Fixed Assets Register not updated.	Issue remains outstanding

### 2. Revenue Sources

#### a. Arrears of Revenue

Arrears of Revenues from Liquor Licenses were not being completely collected.

### *Recommendations:*

1. The monthly reports of revenue arrears be prepared and submitted to the Ministry of Finance.

### 3. Expenditures

#### a. Salary registers are not up to date.

This is an ongoing issue and no remedied actions taken.

### *Recommendations:*

2. The Officer in charge of the Finance division makes it a priority to update the salary register to be complete and maintained.
3. The Officer in charge of the Finance division shall review the salary register regularly to ensure they are kept up to date and reconciled.

#### b. Staff overtime payments exceeding the appropriate one-month period.

Staff overtime payments beyond the required one-month period is a non-compliance with the Treasury Instructions.

### *Recommendations:*

4. The Officer in charge of the Finance division ensures that complete copies of vouchers and supporting documents are completely filed and maintained at all times.
5. The Accountable officer takes appropriate action to comply with the Treasury Instructions, 33 (9) and process payment of staff overtime within one month.

#### c. Claiming staff overtime without completing the conditioned hours

Some of the staff overtime payments were to staff who did not complete their conditioned hours hence ineligible for staff overtime payment.

### *Recommendations:*

6. The Officer in charge of the Finance division thoroughly checked the timesheet so that only excess hours of conditioned hours are being claimed and paid.
7. The Officer in charge of the Finance division ensures that she complies with Public Service Policy & Instructions 2.A.7.1 (6) and checks accordingly.



**d. Unauthorized maintenance of a vehicle.**

Maintenance works paid for vehicle defects caused in an accident, P1546. No report was filed on this accident, and confirmed with the Asset Manager that no report was submitted.

**Recommendations:**

8. The Asset Manager file a monthly report on the maintenance of vehicles and submit it to the Deputy Police Commissioner – Corporate Services Division - for further review.

**e. No evidence that the hospitality function including alcohol consumption was properly controlled.**

There was no appropriate evidence to justify the expense incurred in the farewell party hosted including alcohol was properly controlled.

**Recommendations:**

9. The Deputy Police Commissioner for the Corporate Service Division establishes proper controls in place when hosting hospitality events involving alcohol.
10. The Deputy Police Commissioner for the Corporate Service Division ensures that any waste of public money by the Tonga Police is mitigated.

**f. Reimbursement to Tonga Police employees for the use of their private assets.**

Payment to Tonga Police employees of \$8,300.00 as reimbursement for the use of their private assets such as mats, pig, kava plant, and tapa does not comply with the Treasury Instructions, 22 (1).

**Recommendations:**

11. The Deputy Police Commissioner for the Corporate Service Division sees that this practice is to be ceased immediately.
12. The Deputy Police Commissioner for the Corporate Service Division designs adequate internal controls for using private assets.

**4. Assets**

**a. Fixed Assets Register not updated.**

This is an ongoing issue with no remedied actions taken.

**Recommendations:**

13. The Asset Manager establish a complete and up-to-date Fixed Assets Register and maintain at all times.

**b. No Annual Stock-take of assets.**

There was no evidence found that the annual stock-take of assets was carried out.

**Recommendations:**

14. The stock-take of assets be carried out by the end of June 2023.
15. The Assets Manager is to prepare a report of the stock-take, to the Police Commissioner and send a copy to the Auditor General.

**3.3.8 Ministry of Police – Vava'u Branch**  
**Period Covered: April 2021-March 2023.**

**1. Follow-up Issues**

Issues raised in previous year	Current status.
Arrears of revenue	Issue still outstanding
Revenue Register	Issue still outstanding
Proper updating of the vehicle logbook	Resolved
Independent checking of logbook	Resolved

## 2. Assets not found

The two (2) items in the fixed asset register were not at the office shown in the table below.

**Table 1: Assets not found**

Date of Purchase	Asset Description	Book Value	Location	Condition
25.01.2020	Desk Formica	\$526.11	PD Intel	Good
20.05.2020	P2174 spare tyre	Not stated in the register	Neiafu	Good

### **Recommendations**

1. That the branch shall carry out a proper physical count of assets and to locate and return the assets that were not found.

## 3.3.9 Ministry of Police – Ha’apai Branch

Period Covered: April 2021 – March 2023.

### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Revenue Arrears	Still outstanding

### 2. Revenue Sources

#### a. Revenue Arrears

There were no monthly reports for the revenue arrears submitted to the Sub-Treasury. This is not complying with *Treasury Instructions 2020*, 71. (1) & (2).

### **Recommendations:**

1. The Branch continues following up of the outstanding licensees, recovering the outstanding revenue to the government.
2. The Officer in Charge is to submit a report of revenue arrears to the Sub-Treasury every month and send a copy to the Secretary of Finance and the Auditor General.

### 3. Assets

There was no Fixed Assets Register maintained at the Ha’apai branch. This is a non-compliance with *Treasury Instructions 2020*, 73. (4).

### **Recommendations:**

3. The Officer in Charge ensures that an Assets register is established accurately and completely updated at all times, as soon as possible.
4. The Officer in Charge ensures that a record of the physical count at the end of each financial year is maintained at the Office.

## 3.3.10 Tonga Fire and Emergency Services Department

Period Covered: July 2019 – December 2022.

### 1. Follow-up Issues

Issues raised in previous year	Current status
Renovation of re-roofing	No remedied action taken

### 2. Expenditure

#### 2.1 Overtime

##### a. Overtime voucher and transfer of funds form not properly filed

Vouchers for overtime not properly filed, thus we were not able to verify the overtime as there were no vouchers filed.



Transfer forms of funds to overtime vote not completely filed, as overtime line item was overspent during audit period.

**Recommendations**

1. That the Supervisor for Accounts should ensure that all vouchers and transfer of funds forms are completely filed.

b. Overtime not paid on a monthly basis

**Recommendations**

2. That the responsible officer makes sure that overtime should be paid on a timely basis.

**2.2 Maintenance and Operations**

a. Bowser register was not properly updated and maintained.

The previous register for the Department's bowser was not found, the audit only based on the last three months of the audit period, which is October to December 2022 as this is the only register available.

**Recommendations**

3. That the responsible officer should be disciplined for not properly keeping and maintaining the complete bowser register.
4. That the bowser register must be kept and be completely maintained at all times.

b. Not completely maintaining the logbooks of the Department's vehicles

Also, independent checking of logbooks should be carried out.

**Recommendations**

5. That logbooks for every vehicle of the Department should be completely maintained.
6. All drivers of the Department's vehicles and Supervisors must ensure to fill in the logbooks on every run, to keep track of the usage of the government vehicles and fuel.
7. The supervisor of Accounts should perform a regular independent checking of the logbooks on a regular basis.

**3. Fixed Assets**

a. **Assets not found**

There were missing and damaged mobile phones. Appropriate actions to account for the missing mobile phones are yet to be carried out.

b. **Special leave with mobile phones**

There is no written authorization by the Commissioner for Fire and Emergency Services for officers taking with them the Department's mobile, when on leaves.

**3.3.11 Tonga Fire and Emergency Services – Vava'u Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Fixed Asset**

a. ***Fixed Asset Register (FAR) not updated***

Tonga Fire and Emergency Services Fixed Asset Register was not accurately and completely updated during the period.

**Recommendations**

1. That the Branch should ensure that the fixed asset register is properly updated at all times to ensure the Branch's assets are accounted for at all times.



### 3.3.12 Ministry of Education and Training

Period Covered: January 2020 – August 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Textbook pin cards were not updated	Not resolved
No register of revenue arrears	Not resolved
No Salary and Wages Register	Resolved
Fixed Asset Register was not updated and reviewed	Not resolved
Assets not located during stock-take	Not resolved

#### 2. Inward Cash

##### a. Cash Count

Cash count confirmed \$1,917.00 on 5<sup>th</sup> of September 2023.

##### b. Tonga National University, (TNU), fees to new TNU bank account.

###### *Recommendations:*

1. The MET to provide the approval of this new bank account by the Minister for Finance and the depositing of fees it – comply with Treasury Instructions, 42 is to enforce compliance with by the MET.

#### 3. Revenue Sources

##### a. Textbook pin cards were not updated.

This is a prolonged issue about the incomplete records of publications for sale, that is the pin cards not being updated.

###### *Recommendations:*

2. The Head of the Finance division ensures that all available publications for sale are completely recorded.

##### b. No Arrears of Revenue Register

Unpaid school fees are revenue arrears that the MET has still not kept its register.

###### *Recommendations:*

3. The Accountable Officer ensures that the Finance Division maintains an Arrears of Revenue Register.

#### 4. Expenditures

##### a. Incomplete records

The payment vouchers were not completely provided.

###### *Recommendations:*

4. That the Head of the Finance Division be reprimanded for poor management of the division leading to incomplete filing of payment vouchers.

##### b. Claiming overtime work without completing the conditioned hours.

Evidence found from the timesheet of overtime worked and the attendance register, that the conditioned hours were not completed before claiming overtime work.

###### *Recommendations:*

5. That the Head of the Finance Division ensures that the checking of payments is carried out completely and considers compliance with applicable rules.

**c. Artificial division of invoices to avoid procurement threshold.**

The audit identified similar payment vouchers amounting to \$19,800.00 for maintenance work by the same supplier. The supplier confirmed that this was to avoid going through the procurement process.

**Recommendations:**

6. That the Head of the Finance Division cease operating such practice to avoid procurement threshold.
7. The Accountable Officer enforces compliance with the Public Procurement Regulations.

**d. No evidence of proper deliverance and receipt of goods.**

Rations purchased in July and August 2023 totalled \$142,214.55 including the breakfast meal program for primary school students but there was no evidence that the goods were delivered and received by the recipients of the breakfast meal program.

**Recommendations:**

8. The Accountable Officer for MET ensures that the administering of the breakfast meal program is guaranteed to be properly and completely delivered and received.
9. The Accountable Officer ensures that proper controls for processing this program are in place.

**e. No clear written guidance and details of entertainment and hospitality including alcohol.**

\$26,470.76 worth of alcohol paid from the MET's vote held no proper justification for the expenditure.

**Recommendations:**

10. The Head of the Finance Division enforces compliance with Treasury Instructions, 38.

**5. Grants**

**a. No Grant Agreement**

Expenditures charged to Grant vote (code 1516) without any grant agreement is a non-compliance with Treasury Instructions, 28 (2) & (3).

**Recommendations:**

11. The Accountable Officer enforces the establishment of the grant agreement for every grant issued.
12. The Head of the Finance Division ensures that procedures for administering and monitoring grants are well adhered to by relevant parties.

**6. Assets**

**a. No Fixed Assets Register**

There is no Fixed Assets Register provided by the MET throughout the audit.

**Recommendations:**

13. The Head of Finance Division and the responsible officer for asset management be severely reprimanded for non-compliance managing of the government assets of the MET.
14. The Fixed Assets Register be established by the responsible officer, within one month of receiving this report.
15. A stock-take of the MET's assets be carried out as soon as possible.



### 3.3.12.1 Audit of Government Grants (TSSS) to Non-Government Schools.

These were the TSSS grants submitted and audited during the year:

<i>Schools</i>	<i>Year</i>	
	<i>2021</i>	<i>2022</i>
i. ACT's Community School		84,700.00
ii. 'Apifo'ou college		430,539.71
iii. Takuilau College		275,046.80
iv. St Peter Chanel College		177,100.00
v. St Joseph Community College		74,900.00
vi. St Andrew High School		137,555.46
vii. Ocean of Light International School		96,221.46
viii. Tokaikolo Christian Schools	111,438.74	
ix. Maama'anga Christian College	38,562.00	
x. 'Ofamo'oni College	13,539.60	
xi. Tupou College, Toloa	731,696.00	8,693.66
xii. Queen Salote College	713,409.00	26,718.12
xiii. Tupou High School: All Campuses	301,178.00	160,447.00
xiv. Taufa'ahau Pilolevu College	91,700.00	63,766.52
xv. Tupouto'a College	23,210.00	19,010.19
xvi. Hofangahau College	88,604.00	37,075.20
xvii. Vaini Middle School	18,247.00	14,450.86
xviii. Houma Middle School	5,999.00	19,298.47
xix. Peteli Middle School	9,800.00	9,800.00
xx. Mo'unga'olive College	35,700.00	32,900.00
xxi. Maamaloa Side School	23,100.00	25,200.00
xxii. Mailefihi Siu'ilikutapu College	151,481.00	145,180.80
xxiii. Tailulu College: Tongatapu	477,349.00	273,064.00
xxiv. Tailulu College: Vava'u	132,358.00	110,658.20
xxv. Tailulu College: Ha'apai	40,213.00	36,013.00

### 3.3.12.2 TVET Grants to Non-government TVET Schools.

<i>Schools</i>	<i>Year</i>			
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
i. Monfort Technical Institute	-	37,200.00	55,800.00	
ii. Hango Agricultural College	-	6,600.00	21,600.00	121,920.00
iii. Pouono Technical Institute	60,600.00	20,400.00	34,800.00	88,680.00
iv. Tupou Tertiary Institute	425,400.00	232,200.00	246,000.00	1,154,640.00
v. Vou Fashion	24,600.00	23,400.00	45,600.00	



### 3.3.13 Ministry of Education and Training – Vava'u Branch Period Covered: April 2021 – March 2023.

#### 1. Log Book

##### a. Not maintaining the record and updating of the Log Books

One motor vehicle with private license plate, L19520, owned and used by the branch do not keep and maintaining a logbook. This vehicle is a gift to the Vava'u Branch. Also, vehicle P1738 not completely maintained its log book from March 2021 to July 2021. Fuel intake to the vehicles and the boat was not completely recorded in the Logbooks.

#### *Recommendations*

1. That OIC in Vava'u must ensure that there is a log book for each vehicle and the boat.
2. That OIC should ensure that drivers record each and every run of the government vehicles and boat according to Treasury Instructions.

##### b. Independent Review of Log Book was not carried out

All logbooks were not independently reviewed by a senior officer during the period.

#### *Recommendations*

3. That OIC in Vava'u should ensure that vehicles' logbook shall be reviewed by a senior officer on a regular basis and sign.

### 3.3.14 Ministry of Education and Training – Ha'apai Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Prior Year Issues	Current Status
Log Book	Still outstanding
Fixed Asset Register	Resolved

#### 2. Inward Cash

##### a. Using of Non-Government Official Receipt.

The total cash receipted for the laptop was \$20,708 and only 24% of it, \$4,642.50, posted into the Cash Book. The other 76% was not recorded, even though was fully deposited.

#### *Recommendation*

1. The Revenue collector must use government-printed official receipts for all public funds collected at all times.
2. The Revenue collector must ensure all public funds are recorded into all relevant cash records and submitted to the School's Principal for independent checking before and after every banking.

#### *Ministry's Response:*

- *Agreed*

#### 3. Expenditures

##### a. Incomplete Records

Incomplete supporting documents, no invoice, quotation or receipt, attached and filed.

#### *Recommendations*

3. That the responsible officer ensures all documents supported and related to the expenses are completely filed together with the payment vouchers.

#### *Ministry's Response:*

- *Agreed*

**b. Motor Vehicle's Log Book**

There are two motor vehicles at the Branch, and we found that the logbooks were not completely filled by the drivers.

**Recommendations**

4. That the drivers of these two vehicles must record every run into the Vehicle Logbook and submit to the Principal for independent checking and signed on regular basis.

**Ministry's Response:**

- *Agreed*

**4. Fixed Asset Management**

**a. Broken Assets & New Purchased Assets Not Tagged**

It was found that there are damaged assets and new assets not tagged and the Management to seek approval from the Government Asset Disposal Committee (GADC) to dispose of and write off these damaged assets, as well as labelling new assets before distributing to their allocated locations.

**3.3.15 Ministry of Trade and Economic Development**

**Period Covered: July 2019 – July 2023.**

**1. Follow-up Issues**

Issues raised in previous year	Current Issue
Minister's vehicle has encountered two accidents	Resolved
Asset used by the Minister has not been returned to the Ministry	Resolved
Expired documents for business license	Resolved

**2. Inward Cash**

**a. Late pay-ins**

Late pay-ins of revenue occurred throughout the period.

**b. Independent checking not properly carried out**

Once again, the Supervisor of Accounts or the responsible officer for independent checking shall seriously take into account the importance of proper independent checking so that Government monies are properly accounted for.

**Recommendations**

1. That all revenue collected is to be deposited to the bank and Treasury on daily basis.
2. That independent checking of cash before, and immediately after banking shall carried out by a designated senior office and he/she is to always sign on the deposit book and cash book as evidence of independent checking was truly done.
3. Supervisor of Accounts and the Revenue Collector are to be appropriately reprimanded for non-compliance and to always comply with daily pay-in of revenue.

**Ministry's Response**

- *Late banking occurred due to the state of emergency that was in force at the time given the outbreak of Covid-9.*
- *Recommendations have been implemented.*

**c. EFTPOS receipt**

It has been quite some time that the Ministry used the EFTPOS withdrawal docket as the receipt, which is issued and treated as an official receipt. This EFTPOS receipt is therefore the source document for posting and accounting of receipts to the Cash Book.



Audit views:

- i. We have not yet obtained the proper approval of the EFTPOS receipt as one of Government official form.
- ii. The complete detailed information, (particulars), required for proper and correct accounting and recording of Government revenue are missing, obviously because this EFTPOS docket is a bank withdrawal confirmation docket rather than a government official receipt.
- iii. The fact that the Cash Book is incompletely and incorrectly posted and maintained, confirmed that complete particulars provided by the official receipt are not contained in the Bank's EFTPOS docket.

**Recommendations**

4. That the Ministry is to issue official receipt for each and every bank's EFTPOS docket.
5. That the official receipt always be the source document for posting to the Cash Book, "complete details" and to the correct revenue head, which include in the complete details provided in the official receipt.

**Ministry's Response**

MTED notes the recommendation provided, official receipts are now being issued for every payment made by EFTPOS.

**d. Manipulation in posting of receipts to cash book and pay-ins.**

The Ministry received revenue using three (3) receipts, the government receipt, electronic receipt and EFTPOS receipt.

i. Discrepancies in posting of receipts to cash book.

- ✓ The electronic receipt 202208000016 receipted on the 1/8/2022 and paid in on the 29/9/2023 that is 1 year and a month of not paid-in of \$57.50 government fund.
- ✓ The electronic receipt 202303000696 and 202303000694 totalled to \$86.25 with a cash of \$28.00 to cover for the receipt 753645.
- ✓ The 3 electronic receipts 202208000016, 202303000696 and 202303000694 were not posting to the cash book on the day it was receipted but later post to cash book as shown on the annex 1 late banking.

The officer, (Assistant Registrar), who prepared the pay-ins for all the receipts above into the Cash Book manipulated the exact details in the receipts into the Cash Book.

Notwithstanding, this is a non-compliance with the Treasury Instructions and such reckless practice be stopped and independent checking of inward cash is to ensure this is not happened again.

ii. Weak Internal Controls

There was a weakness occurred but undetected by the system of internal control.

**Recommendations**

6. That Assistant Registrar, be appropriately reprimanded on reckless posting of receipts to cash book.
7. That the Supervisor of Accounts, be reminded of the cruciality of effective carrying out of independent checking.

**Ministry's Response**

The Ministry notes the recommendation provided. A letter from Assistant Registrar was submitted to the Auditor explaining the issues regarding the three (3) receipts. The receipts, cheque and copy of the cash book entry was given to the Auditors on the 28 September. On the 29 September, the Business Registry was advised by the Auditors that the amount owe is to be paid. This payment was reflected in pay-in on the 29 September 2023. Mrs. Ilisapeti Otnafi has been reprimanded accordingly.



e. **Electronic receipt number is not in sequence.**

We could not confirm all the electronic receipts from the system, as the receipts receiving cash are not numbered in sequence. The system is not able to provide all the electronic receipts by cash during the audit period. We are concerned for this is a very high risk for the collection of revenue using the electronic receipt, the adverse results are stated on 2.4 of late pay ins.

**Recommendations**

8. That the Ministry is to take immediate action to strengthening the system by producing the system generated receipt are pre-numbered in sequence.

**Ministry's Response**

*A new system is being developed which will address these issues and recommendations provided.*

**3. Revenue Source**

a. **Business and Company Registry**

- i) *Not all information for complete and correct accounting and recording of revenue collected are in the revenue register (system)*

The Ministry has a computerized system for registration of business and company license, this is used as a revenue register, however receipt number is not included. The records kept for recording of revenue are considered unreliable to provide assurance that all revenue receipted were the correct fee and collected under each revenue sources.

In effect, total receipts under each revenue head in the cash book were not supported with revenue register of different types of licenses, fees and charges approved, in order to complete the proper accountability of revenue.

**Recommendations**

9. That the revenue register should be updated and reconciled on a regular basis in terms of the revenue collected.

**Ministry's Response**

*The online system is a register for registration of companies, business licenses and business names. This is not used as revenue register. A separate database is being used as a revenue register and is updated on a daily basis together with all the details regarding each transaction.*

b. **Price Control**

- i) *There is no proper certificate for weight and measures.*

There is a certificate that issue to businesses for weight and measures with a rate of \$11.50 and \$17.50. Given that there are certificates that print from the computer and are in sequence. However, the certificates are printed and photocopied and used it again, which is not reliable and can be manipulated by the staff.

**Ministry's Response**

*We are currently using the existing process because each certificate is valid for six months, and we must calibrate it every six months per section 8 of the Weights and Measures Act. We achieve this by issuing a sticker to label the scale (measuring length) once its calibrated. This informs us that it has been calibrated and also allows consumers to be aware of it. Even though the audit report expressed concerns about its reliability and susceptibility to manipulation, many other economies use the same method, with the exception of more developed countries which employ QR codes. While we may explore assigning specific weight numbers to each business in the future, our immediate focus is on developing our work plan according to the renewal date of weight/scales for each business.*

ii) Register for issue of weight and measure certificate to businesses not updated

There is a register for issue the certificates to the businesses, but it was just started this year 2023.

#### **Recommendations**

10. That the Ministry should establish and maintain a certificates book for weight and measures.
11. That the revenue register should updated and reconciled on a regular basis in terms of the revenue collected.

#### **Ministry's Response**

The recommendations are noted, and the following has been implemented.

- batch number is already incorporated into our newly developed App and will automatically provide a report of all registered scales.
- a certificate registration book is now arranged to record each certificate with our offices including the Outer Island Offices.

### **4. Expenditure**

#### **a. Overtime**

i) Vouchers not completely filed.

The overtime vouchers were not completely filed.

#### **Recommendations**

12. That the overtime voucher should properly filed.

### **3.3.16 Ministry of Trade and Economic Development (MTED) – Vavaú Branch**

**Period Covered: April 2021 – March 2023.**

#### **1. Log Book**

##### **a. Not maintaining a Log Book/Not recording the vehicle operation into Log Book**

P1442 was not keeping and maintaining a logbook. P2146 and P1915 were not properly recording the operation for February – October 2022 and February – May 2022 respectively. Fuel intake to each vehicle is not completely recorded in the Log book.

#### **Recommendations**

1. That the Officer in Charge of MTED-Vava'u must ensure that there is a log book used for the operation of P1442.
2. That the Officer in Charge should ensure that drivers record each and every run of the government vehicles according to Treasury Instructions.
3. That Officer in Charge should check that fuel expense is recorded in the log book.

##### **b. Independent Checking of Log book is not carried out**

All of the log book for the vehicles used by the Ministry were not independently reviewed by a senior officer during the period.

#### **Recommendations**

4. That Officer in Charge should ensure that vehicle log book shall be reviewed by a Senior Officer and record it on a regular basis and sign.

### **3.3.17 Ministry of Fisheries**

**Period Covered: July 2019 – December 2022.**

#### **1. Follow-up Issues**

Issues raised in previous year	Current Issue
Arrears of 50% ( \$ 14,576.25) of license to export and process Beche De Mer ( Sea Cucumber in 2011)	Raised again in 3.a
No approval rate	Still outstanding
Log book not maintained by Ministry	Resolved
No Renewal agreement for selling fish	Resolved



## **2. Inward Cash**

### **a. Missing Records**

The two cash sale docket missing (CSD #: 264851 – 264900 & 283301 – 283350) with total amount \$11,336.15. That the revenue collected was confirm accounted for to the total 101 receipted book # (553027-584124), (584132-600273) and cash book also deposit to the bank. The responsible Officer is the Accountant have submitted a Representation letter about the missing of Cash Sale Docket on date 11<sup>th</sup> August 2023.

#### ***Recommendations***

1. That the responsible officer be appropriately discipline for the unaccounted official receipt books and be reminded that a more severe disciplining measure will be charged if this is repeated in the future.

## **3. Revenue**

### **a. Revenue Arrears**

The former CEO have granted a license by allowing to pay 50% of the license fees (\$14,576.25) by one customer for processing and export Mokohunu in 2011. Based the decision on the explanation that the applicant did not able to provide process and export Beche De Mer (Sea Cucumber) in 2010 and also that the license was submitted at the last two month of the season, Mokohunu in 2011.

#### ***Recommendations***

2. The Ministry is to be submit a revenue arrears write offs to Cabinet according to the Treasury Instructions 70 (1). Debts shall be written offs in accordance with part VIII after failure of all practical and cost – effective efforts have been taken to recover them.

### **b. Register for revenue sources not properly maintained.**

Not properly maintained the recording of fees charges during the audit period.

#### ***Recommendations***

3. That register of revenue shall be updated and completed to ensure that unaccounted or missing government revenue is managed.

## **4. Expenditures**

### **a. No Contract Agreement**

The Ministry have appointed the debriefer with no Contracts after the completion of a training done by SPC and presented a certificate of competency awarded to debriefer before considering as debriefer.

#### ***Recommendations***

4. That the Ministry shall process the appointment of the debriefer through the commission and then funded from the Ministry's vote.

### **b. No Approval Rate**

The Ministry did not submit in writing to the CEO for Finance the proposed rate (40USD) for appoint of a certify debriefer recommended by the SPC. The SPC presented a certificate of competency awarded to Pacific Regional Fisheries Debriefer and consider as Debriefer.

#### ***Recommendations***

5. That the Ministry is to immediately submit to the CEO for Finance and the PSC the proposed rate (40USD) for review and endorsed.

## **5. Fixed Asset**

### **a. Not updated Fixed Asset Register**

#### ***Recommendations***

6. That the fixed asset Register shall be immediately updated and completed and pass-on one copy to the Auditor General.

**b. Missing Assets at the Ministry's Office and CSD.**

Assets were sited and found that the following fixed assets are missing.

- ✓ Split Air Condition - Minister Office - \$ 3,250.00
- ✓ Buro Essence Chair - CSD - \$ 1,310.00
- ✓ Canon DSLR Entry - CSD - \$ 2,995.00
- ✓ Canon Flashlight CSD - \$ 1,715.00
- ✓ Unit Toshiba Refrigerator- CSD - \$ 990.00

**c. Former Minister does not return Ministry's Asset**

The former Minister did not return the Ministry's laptop and accessories.

- ✓ Laptop ( 12.4 Win Pro 10) - \$ 6,500.00
- ✓ Apple Smart Keyboard - \$ 890.00
- ✓ Apple IPAD Pro 12.9"4 Gen - \$ 4,749.99
- ✓ Apple Pencil - \$ 550.00

**Recommendations**

7. That the Accountable Officer is to report the missing government assets and the responsible officer with the most appropriate recovery actions or to process to the Government Asset Disposal Committee.
8. The responsible Officer be appropriately disciplined and remind that repetition of missing assets in the future will result in more disciplinary measure.
9. That the CEO shall determine the appropriate recovery of public resources or pay back the amount of Asset.

**3.3.18 Ministry of Land & Natural Resources**

**Period Covered: January 2018 – June 2022.**

**1. The same allotment and lot were registered twice by two different applicants**

Audit found one allotment and one lot were registered twice by the ministry, one in Angaha, Eua and the second one in Ma'ufanga. The due diligence and checking of the ministry failed to establish that allotment was already registered. When the second application was launched for the allotment and lot in question, the ministry wrongly assume they were available for grants. This error was picked up by the bank when the allotment was being used to secure a mortgage, which was then confirmed that it was already registered.

**Comments from the Ministry**

- We acknowledge the grave error in our registration process and are taking immediate steps to rectify these cases, including working with involved parties to correct ownership records. We are implementing comprehensive reforms to our due diligence and registration processes, including enhanced verification measures and mandatory secondary reviews by senior staff, to prevent recurrence of such mistakes. Additionally, extensive staff training will be conducted to reinforce adherence to protocols, and disciplinary actions will be considered where necessary. Our commitment is towards significant improvement in service delivery, transparency, and compliance with statutory requirements, ensuring swift and efficient rectification of these issues



## **2. Negligence in performing checking with regards to title search and due diligence**

Land administration conduct a thorough check (title search and due diligence) to ensure an allotment is available for grant, before it is granted. Audit inspect documents and confirm the checking has already signed off, confirming that the allotment was available for grant. In respect of the same allotment being registered twice, the checking did not pick up that it was already registered. In fact it made a recommendation that it was available for grant. This indicate that the checking was done poorly and staff responsible was negligent in carrying out the process.

### ***Comments from the Ministry***

- We acknowledge the gaps in our process, notably in keeping digital and manual map records up to date. The checking was done using the available information including the most recent and updated map. As far as the Division's normal due diligence, this was considered a "proper check". There was no way for the responsible case officer to know that there was already a registered holder on the subject land unless there was a manual check of the Ma'ufanga registry by going page by page. However, the recent implementation of the Land Administration Modernising Program (LAMP) aims to bridge these gaps, enhancing our ability to efficiently cross-check land records. We are committed to a comprehensive review and integration of LAMP to improve verification processes, combining digital and manual checks. This initiative is coupled with enhanced staff training, emphasizing rigorous and accurate checks, thereby ensuring greater accuracy and efficient in our land administration. We recognize the importance of this issue and are dedicated to improving transparency and efficiency in our operations, keeping your office informed.

## **3. Critical and Manual land records is not properly updated**

Audit also found that critical manual records are not properly updated which contribute to the problem of registering twice of the same allotment. As part of the checking process, the land assessment officer referred to the master plan to see whether a name is registered. The master plan is updated manually, by crossing out the previous allotment holder's name and updating with the new holder. Audit confirmed that the master plan is not updated and that names of new allotment holders has not been updated in the plan.

### ***Comments from the Ministry***

We acknowledge the serious lapses in our record management process. To address this, we have introduced the LAMP, a significant step towards rectifying these issues. LAMP will enable more efficient and accurate updates on both digital and manual records, streamlining our processes and reducing the risk of errors. This integration represents a major improvement in our ability to maintain current and accurate land records. We are dedicated to the continuous improvement of our land administration system, closely monitoring the integration of LAMP and providing ongoing training to our staff to ensure adept use of this new technology.

## **4. No coordination and information sharing between division. This creates loopholes in the check and balance, leading to errors and mistakes in the registration process.**

The Land Geographical Information System (LGIS) is responsible for updating the master plan. The Land administration performs due diligence, keeps the deed of grant and the final plan. Audit found that the master plan is not updated by the LGIS division. Upon inquiry, the LGIS noted that the deed of grant is not given to them for their information and necessary action from land administration. Consequently, the master plan is not updated as they are unaware that the plan needs to be updated.

### ***Comments from the Ministry***

- We acknowledge these issues, particularly concerning the non-updated master plan and sharing of final plans and deeds. The LAD clarifies that the final plans are maintained by LGIS, which updates their system with deed numbers before sending them to LAD for registration, thereby negating the need to send registered deeds back to LGIS. We are taking immediate steps to improve coordination and information sharing, including establishing clear protocols for exchanging and updating critical registration information. Systematic changes and staff training will be implemented to ensure accurate and prompt information sharing, with a commitment to enhancing transparency and efficiency in our land administration processes.



**5. Government reserve used to replace allotment registered twice resulting from ministry negligence and error**

The Ministry used allotment from government reserve to replace the allotment that were registered twice as a result of errors and mistake.

***Comments from the Ministry***

- We acknowledge the use of government reserves for replacement allotments due to double registrations, recognizing this as a result of process negligence. To address this, our Land Administration Division (LAD) is compiling files on all double registration incidents from the audit period for correction and prevention of future errors. We clarify that “landholder of a tax allotment” is the accurate term for our records, noting that subdivision of these allotments doesn’t require Cabinet approval, unlike surrender of allotments. To standardize land surrender processes, we are developing a prescribed form to enhance consistency and transparency. our ongoing commitment to operational improvement is underscored by these actions, as we strive for transparency, accuracy, and adherence to proper procedures in our land administration.

**6. Surrender notice not published in government gazette and newspaper as required**

There were no documentations to confirm the Ministry published the surrender notice in the Tongan government gazette and three issues of a Tongan newspaper within two months from the date of notice as required by the act. Failure to publish the surrender notice is a non-compliance with the land act and could have legal implications on the surrendered allotment.

***Comments from the Ministry***

- We acknowledge the lack of compliance with statutory publication requirements and are taking immediate steps to rectify this. We are reviewing our procedures and conducting investigations to understand and address this lapse, including making retrospective publications where necessary. To prevent future occurrences, we are implementing robust new protocols for the publication of surrender notices, enhancing staff training and accountability on legislative compliance, and establishing a system for ongoing monitoring and reporting. These measures, including regular audits, will ensure continuous adherence to publication requirements and will be reported to the relevant authorities and your office, reflecting our commitment to compliance and transparency in our operations.

**7. Policy for surrendering allotment is an unwritten undocumented policy. No documented evidence it has been gazette or formally approved to be exercised.**

The internal policy for surrendering allotment upon subdivision not documented nor was it formally approved to be exercised. It was based on a verbal ministerial direction in 2001.

***Comments from the Ministry***

- The Ministry has developed the “Land Subdivision and Reservation for Public Use Regulations” addressing the previously undocumented policy on government reserves. These regulations drafted with legal advice from the Attorney General’s Office, will soon be revised and consulted, and process for approval marking a significant advancement in formalizing and clarifying our land subdivision and reservation processes. This step demonstrates our commitment to transparency, compliance with statutory requirements, and continual improvement in land management practices. We will keep your office informed about the progress of these regulations’ implementation

**8. No formal register for government reserves**

The Ministry does not keep a record or register of all allotments that has been resumed as government reserves. In the absence of a register for reserved allotments, it is unclear how the ministry keep tracks of all land that has been reserved. Given the high number of lands being surrendered annually, this further exposed the ministry to the risk of fraud and abuse. It will also be difficult for the minister to fulfill his obligation under the Act as there is no formal record for reserved land in the ministry.

***Comments from the Ministry***

- The ministry has implemented the LAMP, to enhance the management and transparency of government reserves. Operational for over a month, LAMP serves as a centralized system, addressing previous limitations in information accessibility and oversight. it ensures comprehensive access to reserve data for both management and relevant departments. We are committed to regular monitoring and effective integration of LAMP, with ongoing staff training to ensure its optimal utilization in our land management practices. This initiative marks a significant advancement in modernizing our operational transparency and efficiency.



**9. False representation by the Ministry mislead allotment holder on the requirement for surrendering allotment.**

Audit interviewed allotment holders who have surrendered part of their allotment upon subdivision, whether it was voluntary as in accordance with the land act. Allotment holder confirmed that surrender of their respective allotment was based on advice from the ministry, that it is a legislative requirement to surrender part of your allotment when it is subdivided. There is no legislative requirement to make a surrender when your allotment is subdivided. The ministry representation that the surrender of allotment is a legislative requirement when subdivided was false and misleading, which had consequentially misled several allotment holders to surrender part of their allotment.

***Comments from the Ministry***

- We acknowledge the misrepresentation issue regarding the voluntary nature of land surrenders, which may have been assumed to have falsely communicated as a legislative requirement, and are taking immediate corrective actions, including a thorough review of affected cases and staff retraining. Concurrently, we request clarification on what constitutes “complete documentation” for allotment subdivisions as mentioned in the audit, to align our documentation processes with expected standards and address any gaps. This dual approach underscores our commitment to rectifying identified issues, enhancing transparency, and ensuring compliance with regulatory standards in our land management practices.

**10. Switching of the allocated lots from what was originally designated and agreed in the surrender agreement.**

Audit found based on matching surrender documents with the final plan, that an allocated lot that was surrendered by the holder did not match the lot number labelled as reserve in the final plan. For instance, Lot number 6 was the allocated lot for reserve, however the ministry designated lot number 7 as the government reserve. This is a possible indication of fraud and could have severe implication on the ministry if legal action is taken by the holder.

***Comments from the Ministry***

- We acknowledge the issue of switching allocated lots in surrender agreements and clarify that there is no prescribed form for these surrenders, and the term “final plan” should be accurately referred to as “scheme plan”. We are conducting a thorough investigation into the identified discrepancies, such as the mismatch between surrendered lot number 6 and the designated government reserve in the scheme plan, and will take corrective actions to rectify any mismatches. Additionally, we will review and update our procedures, including standardizing terminology and creating formalized surrender forms, while reinforcing staff training and enhancing oversight to ensure accuracy and adherence to proper procedures, maintaining transparency and cooperation in our ongoing management.

**11. Conflict of Interest: Ministry staff applying to register allotment which has been reverted back as crown land and reserve.**

Ministry staffs applied to register allotment that has been surrendered as government reserve. A lot within an allotment has been registered by a former employee of the ministry, while a current allotment is in the process of being subdivided for a list of individuals including ministry employees.

The ministry does not have a formal process to address conflict of interest that may arise for staff handling land matters. However, there are guidelines in the PSC code of conducts for dealing with conflict of interest. The ministry needs to be aware that they have access to confidential and sensitive information regarding public lands. Accordingly, this exposed the ministry to risk of conflict of interest (using these information for their personal gains and benefits).

***Comments from the Ministry***

- We request amendment to this section indicating that some reviewed files did have complete documentation, we are addressing the conflict of interest issue involving ministry staff in land registration processes. We are initiating a review of these cases and will develop formal conflict of interest policies, completing our adherence to the PSC code of conduct. Corrective actions, including potential reversal of registrations if practical, will be considered if unethical or unlawful practices are found. Comprehensive staff training on these new policies and regular compliance monitoring will be conducted to ensure ethical conduct and transparency in our land administration operations.



**12. Number of leased allotments exceed the limit allowed under the Act**

The Act specified that no person shall at any given time be the lessee of more than ten (10) tax allotments and/or more than five (5) town allotments<sup>1</sup>. Based on the review of the 31 samples provided, audit identified twelve lessees, in which the total number of allotments they leased exceed the 10 and 5 limits allowed for tax and town allotments respectively. The checking and due diligence done seems to be based on incorrect manual records which are not updated. Similarly, when a lease application is lodged, land assessment officers cannot determined the number of lease already approved for a lessee.

***Comments from the Ministry***

- We acknowledge the issue and have enhanced our lease management system, including the implementation of the LAMP with a dashboard for top lease holders. This development, along with the ability to perform quick registry searches, significantly aids in identifying and rectifying breaches of the act. We are conducting a thorough review of cases to ensure compliance, utilizing LAMP's advances capabilities for ongoing monitoring and ensuring adherence to legal limits, reflecting our commitment to transparency and legal compliance in our lease management operations. We will continue to update our office in our lease management operations.

**13. Prolonged lease not yet finalized and registered**

Audit found that ten (10) leases have not been registered by the ministry, and that the deed of lease has not been signed, and issued to the lessee. Some of these lease dates go as far back as the 1980's, and the ministry has not yet finalized the work required for these leases so they can be registered. Based on review of the lease file, all other protocols has been completed including the approval by Cabinet to grant the lease to the applicant. This is rather extraordinary to leave leases in uncertain situation like that for an unlimited period of time without completing the work required and registered them.

***Comments from the Ministry***

- We acknowledge the issue of ten prolonged leases from as far back as the 1980s that remain unfinalized and unregistered despite completing necessary protocols. It's important to note that the finalization of these leases often depends on the lessees' actions, such a signing deeds and completing registration payments. We are initiating an immediate review to address any internal delays and will proactively contact lessees to facilitate the finalization process. Additionally, we are implementing robust follow-up procedures and improving our tracking systems to prevent future delays in lease finalization and registration, ensuring efficient and transparent lease management.

**14. Documentations missing from the lease file to evidence they have been completed**

Critical documentation was not properly filed to confirm that the process and procedures have been completed. These include copy of the site inspection report and notification letter send to the lessee upon approval.

***Comments from the Ministry***

- We acknowledge the critical importance of maintaining complete and accurate documentation and are immediately reviewing the mentioned lease files to rectify any gaps, particularly concerning site inspection reports and notification letters. We are enhancing our documentation procedures, including staff training on meticulous record-keeping, and are implementing digital record-keeping solutions to improve the accuracy, efficiency, and accessibility of our records. This commitment to enhancing our lease file management practices demonstrates our dedication to transparency and compliance, and we will conduct regular audits to ensure ongoing adherence to these improved standards. We value the insights from the audit and will keep your office updated on our progress.

<sup>1</sup> Land Act s.61



#### 15. Ministry staff providing contractual service using ministry properties

Based on the auditing a government donor funded project, Nuku'alofa Network Upgrade Project (NNUP), the project is administered by the Tonga Power Limited (TPL). It was found that a ministry staff was contracted by the project to provide surveying services. In particular the staff, provide scheme plans for certain areas and households in the area where the project was operating. This was to assist the TPL in navigating through the project so as not to overstep boundary of individual allotments. Audit findings from the project confirmed that the staff received a total of TOP\$129,792 from the project for the financial year 2020/2021. The scheme plans for these areas were from the ministry records. Based on the initial inquiry by audit, the staff has not yet inform the ministry that he is providing surveying service outside work. In addition, he had not registered a surveying business in the business register of the Ministry of Trade and Economic Development (MTED) and does not hold a valid business license. Accordingly, this practice have breached public service regulations and policies.

##### *Comments from the Ministry*

- The ministry was specifically requested by Tonga Power Limited (TPL) to provide cadastral maps for the project, a task which we received due compensation. The staff member involved, directed to fulfill this request, was also compensated by TPL for additional work conducted outside normal working hours, an arrangement made independently of the ministry's involvement. Notably, this officer was asked to resign by the former CEO and has not received pay from the ministry for over a year. During this period, the officer sought opportunities to resume duty within the ministry. The period of withheld pay can be viewed as a form of disciplinary action or penalty for his actions. This experience has served as a learning opportunity for the officer and his colleagues in the division. The ministry emphasizes that while staff are directed to provide service as part of their official duties, any additional compensated work must align with the highest standards of professional ethic and conduct.

##### *Recommendations*

The following recommendations are provided for management consideration and action. Our recommendations are issued with the objective to address, avoid and ensure the problems raised in this issue is not repeated nor occurred in the future.

1. That a Review Committee consisting of the CEO Finance, Solicitor General, Auditor General and the Secretary for the Public Service Commission be established to undertake a review of the overall operation of the Ministry in the area of administration and management of all land matters.
2. The Review Committee may select officers from their ministries as support staff for its services. The Review Committee may also coopt staff from the Ministry of Land to help with their work.
3. The Review Committee shall focus upon the following:
  - i) All the Legislations that are directly and indirectly related to Land
  - ii) The Structural setup in the ministry to administer and manage Land matters
  - iii) Policy Guidelines
  - iv) Process for work implementation
  - v) Procedures
  - vi) Job Descriptions
  - vii) Ongoing Training and Staff development
4. The Review Committee shall work together with the Ministry to carry out the recommendations set out below:
5. The ministry to immediately commence consolidating and documenting the current instructions and directives for establishing government reserve from subdivision of allotment and make them into a formal policy. Upon completion, it is to be referred to the Crown law department for review, before submission to cabinet for approval and to be gazetted.

6. Upon approval of the policy, the ministry to mount an extensive awareness campaign in the newspaper, radio and television, clearly explaining the policy, and how it works when an allotment is subdivided.
7. The Corporate service division of the Ministry, with assistance from the PSC, to conduct an extensive training to all ministry staff on the public service policy, code of conduct and the recently approved fraud policy. This training is to re-emphasize to staff the ethical behavior and morale required of public civil servants.
8. The ministry to establish effective information sharing protocols to ensure that information are properly shared between the critical divisions. These divisions are the land administration, GIS and Survey Servicing.
9. The sharing of information amongst these divisions provides an effective check and balance mechanism within the ministry to avoid errors and prevent fraud. These information shall include the final plans, scheme plans and deed of grant and other related ones.
10. The head of division for land administration, GIS and Survey are to ensure that all records (both manual and electronic) are updated at all times. This will require a thorough review of the current records and registers such as final plan, master plans, town and district register to be updated.
11. That before any deed of grant is signed, it shall obtain clearance from every head of division that due process has been completed, documented and filed before it is finalized and signed.
12. The ministry to establish a monthly independent review of the master plans, final plans and other relevant documents. This review is to be carried out by a senior staff not involved in the registration or surveying process. The review is to confirm that all allotment which has been granted or leased during the month have all been properly updated in all respective registers.
13. The ministry to direct its resources to ensuring that the Land Administration Management Program (LAMP) is successfully being used in the operation and administration of all land records.
14. The ministry to provide every allotments which were registered twice during the audit period (January 2018 – June 2022) including others done up to the date of this report. This is to facilitate further audit work and review.
15. The CEO to issue a stern warning to every staff member in the ministry, to immediately cease making false and misleading representation to allotment holders who wish to subdivide their allotment on the legislative requirement to surrender for government reserve.
16. The ministry to immediately seek legal advice from the Crown Law department on the following issues;
  - a) Legality of using government reserve to grant for allotment which were registered twice by the Ministry.
  - b) How to address lessee with leased allotments above the number of leases allowed under the Land act.

### 3.3.19 Ministry of Tourism

**Period Covered: January 2019- June 2023.**

#### 1. Follow-up Issues

Issues raised in previous year	Current Issue
No independent checking of pay in	Resolved.
No revenue register.	Resolved.
Grant non-compliance with Treasury Instructions.	Still outstanding
Fixed Assets not completely recorded.	Resolved.
No physical checking of assets.	Resolved.
Arrears of revenue- No recording of revenue status for whale watching/swimming registration 2	Resolved.



## 2. Inward Cash

**Late banking:** Receipt No. 661842 and Receipt No. 764854 were for December 2022 and March to April 2023 rental payments. Late banking of two receipts by the responsible officer.

### **Recommendations**

1. That banking of all revenue collected shall be done on a daily basis as per Treasury Instruction 2020.

### **Ministry's Response:**

- *Thank you for noticing this, we will make sure the banking is done daily*”.

## 3. Expenditures

### a. Overtime

#### *i. Incomplete overtime work-plans and timesheets.*

The work-plan and timesheets for overtime were not completely provided.

### **Recommendations**

2. That the Supervisor of Accounts shall review the overtime system and ensure that all supporting documents for overtime are completely filed at all times.

### **Ministry's Response:**

- *“...to endorse by the CEO of MoT”.*

#### *ii. Overtime payment after the authorized period of one (1) month of the overtime period.*

Late payments of overtime after the authorized period of one month as required by the Treasury Instructions.

### **Recommendations**

3. That the accountable officer in charge of overtime is to ensure that all overtime payments are to be paid on time as per Treasury Instructions 2020 and PSC Policy on overtime.

### **Ministry's Response:**

- *“... for OT over 40hrs deliver to PSC and then from PSC to Finance, that's the reason behind late payment of overtime. For overtime under 40hrs is delivered to Finance directly and payments is received on time”.*

### b. Maintenance and Operations.

#### *i. Grant fund for renovation and upgrading of Old Zion Chapel at Sia'atoutai Theological College, STC- \$102,000.*

An agreement between the Ministry of Tourism and Sia'atoutai Theological College, STC, for funding the estimate cost, \$102,000, of maintenance the Old Zion Chapel at the College. This was an accountable cash grant but have paid from the recurrent vote 1318 'Maintenance of Buildings and Compounds' of the Ministry on May 24, 2019.

As such, the payment made by the Ministry for \$102,000 and charge to expense code 1318 is outside the approved authority to spend the appropriation of the Ministry on maintenance of buildings other than those of the government and managed by the Ministry.

**Table 1: Grant Agreement with Sia'atoutai Theological College.**

Agreement No.	Value	Commencing Date	Expiry Date	Purchase Order.
SIA-001/2019	\$102,000	17/05/2019	30/06/2019	PO-039829

The maintenance was to be completed in June 2019 as per contract terms, but the work is not yet commenced as it was delayed. There was no formal record of the approved variance made by both parties to the grant agreement, regarding. However, we confirmed that \$99,207.50 has been paid for goods purchased from NZ for the maintenance of the Old Zion Chapel in January and February 2021.

STC Treasurer at the time, explained that the goods purchased and paid with the government funds has been used for maintenance of other buildings. And that the church would be carried out the maintenance of Old Zion Building when the time comes for the project.

#### **Recommendations**

4. The Culture and Heritage division is to be severely reprimanded for failure to enforce the terms of the agreement with the STC and lack of observation on the application of the grant fund by STC.
5. That Culture and Heritage division shall issue a formal record of variance to the grant agreement otherwise is to reimburse the \$102,000 to the government before the FY2023/24 ends.

#### **Ministry's Response:**

- *To give us a chance to work with the STC to make changes to the contract including changes to the timing and all the changes that were made to comprehend the current state that the building is in". We will try to submit the amend contract at the earliest convenient before end of this current financial year 2023/24.*

#### **c. Purchase of Goods and Services.**

##### i. Training and Conferences.

##### **Purchase of Alcohol.**

\$1,555.95 amount of alcohol purchased with no clear written guidance. This purchase was stated as 'Beverages for Farewell Reception'.

#### **Recommendations**

6. The Accountable Officer is to submit a clear written guidance to the CEO Tourism on whether alcohol will be paid for by the Ministry for any entertainment and hospitality expected to be paid by for by the Ministry.

#### **Ministry's Response.**

- *"This was a direction from the former CEO and Director to purchase alcohol. But note taking for the rest of the MOT events to minimize the purchase of alcohol".*

##### ii. Consultants and Technical Assistants Professional Fees.

##### **Conflict of interest between the supplier (Matapa Services) and the Deputy CEO for Industry Empowerment Division.**

A total of \$55,300 was paid to a single contracted supplier, "Matapa Services", for the provision of training and developing materials for the Industry Empowerment Division. There was no specific project or budget appropriated for these materials, so they were paid from the recurrent vote of the Ministry, 1480- Consultants and Technical Assistants Professional Fees and 1418- Training and Conferences.

Matapa Services is a registered business in the daughter of the Deputy CEO of the Industry Empowerment Division.

The total \$55,300 were made in five (5) payments, all below the public procurement threshold of \$12,000..

##### **Payments made from Consultants and Technical Assistants Professional Fees- 1480.**

- i. \$9,500 training materials for customer services on May 4, 2022
- ii. \$11,500 developing materials for cooking skills on May 31, 2022.
- iii. \$11,000 developing materials for food and beverages handling on June 10, 2022.
- iv. \$11,500 training materials for supervisor in customer services on February 14, 2023.



#### Payments made from Training and Conferences- 1418.

- ✓ \$11,800 training materials. The contract period was June 6 to August 6, 2022 but was signed on August 10, 2022 which is outside the term of the contract.

In addition, the training materials supplied were not checked by any officer independent from the Industry Empowerment Division when received to ensure that all materials were received within the contracted timeframe, printed and filed as documents of the Ministry. The output are just e-copies and are saved in the Deputy CEO's laptop.

#### **Recommendations**

7. That Deputy CEO for Industry Empowerment Division is to be severely disciplined for corruption and committing of fraudulent activity that involved spending of public funds.
8. That the Supervisor of Accounts be reprimanded for failure to ensure proper checking of the terms of the contracts.
9. That the training materials are to be printed out and file as a document of the Ministry.

#### **Ministry's Response:**

- *"The CEO has submitted his report to PSC and a disciplinary decision (Final Warning) has been made for the Deputy CEO for Industry Empowerment Division. Please note the training materials has been printed out and file as documents of the Ministry".*

#### iii. Non-compliance with Grant Agreement PBC-SP01/2022 by Rising Sun Travel & Tours agent in Tonga- Mr. Sitafooti Abo.

Grant Agreement PBC-SP01/2022 was established to govern the grant fund paid by the Ministry to Rising Sun Travel & Tour owner. This is upon his request to the Ministry of Tourism to pay US\$8,350, (TOP\$20,832.75), for the Cruise Ship Inbound Travel & Tour Operator Company Insurance for the first cruise ship arrival in Tonga after the covid 19 epidemic seaport lockdown. However, as required by the grant agreement signed with the owner, he did not submit a final report to the Ministry on how the grant fund was used.

#### **Recommendations**

10. That Sun Travel & Tour owner is to repay the grant fund to government as per Grant No. PBC-SP01/2022, section 9(b) "... if any statements made in the recipient's application of the grant are found to be incorrect, incomplete, false or misleading the government may (b) require the recipient to repay all or part of the grant to Government".
11. That the Accountable Officer is to enforce the procedures for administering and monitoring grants are well adhered to by relevant parties.

#### **Ministry's Response:**

- *"That the letter issued to Mr. Sitafooti Abo to confirm that the Ministry has yet to receive final reports to the Ministry ... The Ministry will give Mr. Sitafooti Abo one month to comply.*
- *I as Director, Principal Tourist Officer, and Cruise Ship unit will responsible to follow up with Mr. Sitafooti Abo".*

#### **d. Government Grant.**

##### *i. Grant disbursed without a valid grant agreement.*

The Ministry administers grant funds that are disbursed to the Tonga Tourism Authority, TTA, from the recurrent vote '1516- Grants' of the Ministry. The grant agreement that the Ministry of Tourism and the TTA establish to govern the grants is 'Purchase Agreement' and has a 3 year period of validation. The current Purchase Agreement was not properly renewed to make lawful the parts of the grant disbursements in the period where the purchase agreement was not valid which stated in the table below.

**Table 2: Grants disbursed with no valid purchase agreement.**

Period	Amount
FY 2019/20	\$1,134,350.00
July 2020 to February 2021	\$850,800.000
FY 2021/2022	\$1,500,000.00
<b>TOTAL</b>	<b>\$3,485,150.00</b>

**Recommendations**

12. That the Ministry is to comply with requirements of the Treasury Instructions for the administration of government grants and ensure there is a valid agreement for grants.

**Ministry's Response:**

- "This is duly noted for the next period and onward, we will make sure to have a valid purchase agreement before any grant disbursement".

**ii. Vote Book Reconciliation.**

Vote Book is maintained but there is no regular reconciliation carried out.

**Recommendations**

13. The responsible officer is to reconcile the vote books with the Treasury vote records on a monthly basis.

**Ministry's Response:**

- "... this is duly noted. The responsible officer will continue to reconcile the vote book with the Treasury's vote records on a monthly basis".

**4. Fixed Assets**

**a. Changing the Ministry's vehicle plate number.**

The Ministry's vehicle P-2263 is currently used by the Minister for Tourism and Foreign Affairs at the Ministry of Foreign Affairs under the plate number- MINOFA 1. This change of plate number P-2263 of the Ministry of Tourism's vehicle to MINOFA 1 was done verbally with no written documentation.

**Recommendations**

14. The Accountable Officers at the Ministry of Tourism and Foreign Affairs are to make the appropriate arrangement in writing for the transfer of vehicle ownership to the Ministry of Foreign Affairs with the involvement of the GADC.

**Ministry's Response:**

- "The CEO will discuss this matter with the Minister when she returns from her official overseas travel. And to suggest the Minister to change the plate number back to P-2263 instead of MINOFA 1 because she is currently the Minister of Tourism, and the vehicle is registered under the Ministry of Tourism".

**b. No list of inventories kept by the Ministry.**

The Ministry properly kept an up-to-date fixed asset register. However, they do not keep a list of inventories, costs between TOP\$100 to TOP\$5,000.

**Recommendations**

15. That the responsible officer is to establish and maintain a list of inventories to keep track of the assets costing between TOP\$100 to TOP\$5,000.

**Ministry's Response:**

- "An e-copy of the Updated Fixed Assets Register is maintained on the computer TOP\$100-TOP \$5000. AR templates attached herewith".



### 3.3.20 Tonga Electoral Commission

Period Covered: March 2019 – December 2022.

#### 1. Follow-up Issues

Prior Year Issues	Current Status
Independent Checking on Cash Records	Still Outstanding
Overspend Budget for Overseas Travel Vote	Resolved
Per Diem Overpaid one (1) night in Auckland	Resolved
Vehicle Log Book Not Updated	Still outstanding

#### 2. Inward Cash

##### a. Late Banking

Instances of irregularity in the inward cash of the Commission. Cash collected was not always banked immediately or earliest the next day. Instead, it was late banked for seven (7) days and up to a year and three (3) months later.

##### **Recommendation**

1. Revenue Collector shall ensure that cash received is banked immediately on the date of the receipt or early the next day.
2. Revenue Collector is to be appropriately disciplined for the non-compliance above and to emphasize that any repetition of the above action will result in a more serious disciplinary action against her.

##### **Ministry's Response**

- "The Commission has noted the recommendation and has made the necessary steps to ensure that appropriate procedures are being followed. In considering appropriate disciplinary actions as recommended, the responsible employee has been issued a written reprimand with a warning that any repetition of the same will result in a more serious disciplinary action."

##### b. Independent Checking of Inward Cash and Records before and after Banking.

The independent checking of cash records before and after every banking was failed to perform by senior staff within the Commission.

##### **Recommendation**

3. That a Senior Officer is to be assigned to perform the duty of independent checking of cash and cash records before and after every banking.

##### **Ministry's Response**

- "Despite the Commission's limited number of staff, we have assigned a senior officer to carry out the checking process whenever there is revenue collected to ensure compliance with the Treasury Instructions and to avoid similar issues from happening again in the future".

#### 3. Expenditures

##### a. No Vehicle Logbook kept by the Commission

The Commission has three (3) motor vehicles and all of them did not keep a logbook to log IN and OUT every run the vehicle made since the year 2020.

##### **Recommendations**

4. Drivers of the Commissions Vehicle must immediately keep a logbook to record and update each and every run made.
5. A senior officer must be assigned to review the updated Vehicle Logbooks independently and signed as evidence of the review.

##### **Ministry's Response**

- "Logbooks are now being kept as required and will continue to do so in accordance with the Treasury Instructions. In addition, an officer has been appointed to review the logbooks and thereafter sign them".

**b. Payment Voucher to a Supplier Twice**

The audit found two (2) payment vouchers of the same amount and same Invoice to the same supplier; PO-041461 & PO-040132.

**Recommendations**

6. Responsible Officer shall ensure that this amount is to be claimed back from the Supplier, and to be receipted and deposited to the Government Operating Account.

**Ministry's Response**

- "The Commission has noted the recommendation and is making the necessary steps to claim the fund that was overpaid to the supplier and that it can be deposited to the Government Operating Account as recommended".

**c. No Salary & Wages Register in Place for Contractors**

No Salary Register is kept, recording and monitoring the salaries and wages of contractors appointed by the Commission.

**Recommendations**

7. Responsible Officer must immediately draw up a Salary and Wages Register specifically for contractors employed by the Commission to monitor their payments.

**Ministry's Response**

- "The Commission has noted the recommendation on this issue and a Salary & Wages Register has been designed to monitor payments for contractors".

**4. Fixed Asset Management**

**a. Fixed Asset Register Not Updated**

Recently bought assets by the Commission were not completely recorded in the Fixed Asset Register. Also, donated assets by various donors were not recorded in the Fixed Asset Register.

**Recommendations**

8. Responsible Officer shall immediately update the Fix Asset Register and inform the audit for another physical counting of assets including the donated assets. That the Fixed Assets Register is to be completely maintained at all times.

**Ministry's Response**

- "The Commission has noted the recommendation on this issue and is making the necessary actions to update the fix asset register and will inform the audit for another physical counting of the assets including donated ones and that the Fixed Assets Register will be completely maintained at all times.

**b. Fixed Asset Not Tagged**

During the physical count of assets, it was noted that they are not tagged or labelled with Identification number.

**Recommendations**

9. Responsible Officer shall ensure that all fixed assets of the Commission are being tagged or labelled and update their Identification Number into the Fix Asset Register.

**Ministry's Response**

- "Commission has noted the recommendation on this issue and is making the necessary actions to label and update the identification number as recommended".



### 3.3.21 Governor's Office – Ha'apai Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in previous year	Current Issue
No formal agreement for grants	Still stand

#### 2. Expenditures

##### a. Grants and Transfers

There was still no formal agreement in place for most disbursements of grants as it has been repeatedly raised in previous audit reports.

In addition, there was no record of reviewing the grants whether achieving the specified outcomes?

And also, there was no report from the recipient groups of their utilizing funds, major risk of noncompliance.

##### *Recommendations*

1. That the Hon. Governor take appropriate action establish and sign grant agreement before every grant is disbursed.
2. That all grants be reviewed regularly as required by the Treasury Instructions 2020, 28(6).
3. That the Office ensures that the grant agreement must include a requirement for the recipient to prepare acquittal reports at the time agreed upon.
4. That the Office ensures that the grant has been used only for the purposes it was intended for.

#### 3. Fixed Asset Management

##### a. Fixed Asset Register not updated and reviewed

The fixed asset register provided was not updated. The records maintained were not updated.

##### *Recommendations*

5. That the Office's fixed assets register should be updated at all times and all assets should be labelled for ease of reference.
6. That the asset register should be reviewed on a quarterly basis to ensure its completeness.
7. That a list/record of assets whose value between TOP\$100 and TOP\$5,000 should be recorded and kept by the Office for control and monitoring purposes as per Treasury Instructions.

### 3.3.22 Ministry of Agriculture, Food & Forests (MAFF) – Ha'apai Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Prior Year Issues	Current Status
No Revenue Register	Resolved
Independent Checking on Cash Records	Resolved
Proper Maintenance of Payment Voucher	Still outstanding
No Independent Checking of Vote Book Reconciliation	Still outstanding

#### 2. Expenditures

##### a. Incomplete Records

The payment vouchers filed, (with supporting documents), within the Branch were incomplete. There was also no work plan nor a savingram with the approval for the overtime work being filed.

##### *Recommendations*

1. The responsible officer ensures that copies of all documents related to the expenses are completely filed together with the payment voucher or order supplies for future reference and audit purposes.

##### *Ministry's Response*

- OIC and the responsible officer agreed that they will improve on this

**b. No Independent Checking of Vote Book Reconciliation**

**Recommendations**

2. The responsible officer ensures that vote book reconciliation is being independently reviewed and signed on the vote book by a Senior Officer for the next audit.

**Ministry's Response**

- *Agreed*

**c. Motor Vehicle's Log Books**

Log Books for the Branch vehicles; P2143 & P1646 were not completely filled by the drivers and no evidence of independent checking.

**Recommendations**

3. The authorised drivers ensure vehicle logbooks are being completely filled for every run made by the Branch's vehicle.
4. That an independent senior officer checked the logbooks and signed them.

**Ministry's Response**

- *Agreed*

**3. Fixed Asset Management**

**a. Broken Assets**

There are damaged assets and the Management is to seek approval from the Government Asset Disposal Committee (GADC) to dispose of and write off these assets. As well as to maintain an updated Fixed Asset Register.

**3.3.23 Prison's Department – Ha'apai Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Follow-up Issues**

Issues raised in the previous audit report	Current Position
No Fixed Assets Register	Resolved

There was no other issue raised.

**3.3.24 Ministry of Justice – Ha'apai Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Follow-up Issues**

Issues raised in the previous audit report	Current Position
Misuse of public funds received	Resolved
Fixed Asset Register was not updated	Remain outstanding

**2. Inward Cash**

**a. Cash Count**

The audit confirmed that \$20.00 cash on hand on the 13<sup>th</sup> of April 2023.

**b. Lost Pass Book**

The Passbook of the Office was not found in the Office. This is noncompliance with Treasury Instructions.

**Recommendations:**

1. The lost passbook be recovered as soon as possible.
2. The Supervisor of the Account ensures that all official revenue records are completely kept and filed at the Office.



### 3. Revenue Sources

#### a. Incomplete records of inventory (certificates)

The audit identified unaccounted serial numbered certificates, sixty-six (66) birth certificates and fourteen (14) marriage/death certificates from the records of certificates issued to the Ha'apai branch. There had never been any inventory physical count of certificates to confirm complete inventory recording. This is noncompliance with Treasury Instructions.

##### **Recommendations:**

3. The Supervisor of the Account ensures that the stock take of the certificates is to be carried out at the end of each financial year.
4. The Officer in Charge ensures that all relevant documents and records are completely filed and maintained at the Office.
5. Repetition of this matter should be treated as a serious breach of duties and face disciplinary action.

### 4. Expenditures

#### a. The vote book was not up to date.

The audit found that the vote book for the Ha'apai branch was not up to date hence not reconciling with the Sub-Treasury's records on a monthly basis. This is a non-compliance with *Treasury Instructions*.

##### **Recommendations:**

6. The Supervisor of the Account ensures that the vote book is completely recording all approved purchase orders and other commitments of funds.
7. The Supervisor of the Account ensures that the vote book is reconciled with the Sub-Treasury's records on a monthly basis.

### 5. Assets

#### a. Fixed Assets Register was not up to date

This is an outstanding issue in which there has been no appropriate action taken to improve the Fixed Assets Register. This is not complying with Treasury Instructions 2020, 73. (4).

##### **Recommendations:**

8. The Accountable Officer ensures that the Fixed Asset Register is accurately and completely updated as soon as possible.
9. The Supervisor of the Account ensures that the Fixed Asset Register is to be reviewed and signed on a quarterly basis.
10. The Supervisor of the Account ensures that the physical count of the assets is to be carried out at the end of each financial year.

### 3.3.25 Ministry of Revenue & Customs – Customs Department, Vava'u Branch

Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in previous year	Current Issue
Revenue Arrears	Resolved
Vehicle logbook not properly updated	Still outstanding
Fixed Asset Register not update	Still outstanding
Independent Checking of Vehicle Logbooks	Still outstanding

#### 2. Inward Cash

##### a. Late banking

On instance of delay in banking of a total \$7,373.03.

##### **Recommendations**

1. That all revenue collected is to be paid-in to the bank and Treasury on a daily basis as per Treasury Instructions.

### 3. Fixed Asset

#### a. Asset not found.

The two (2) items in the fixed asset register were not found in the office:

*Table 2: Assets not found*

Date of Purchase	Asset Description	Book Value	Location	Condition
01.06.2018	Water Blaster	\$ 900.00	MORC-Vv	Not found
06.06.2018	Vacuum Cleaner	\$ 358.40	MORC-Vv	Not found

#### *Recommendations*

2. That the branch shall carry out proper physical count of assets and locate the assets and report to Head Office and Audit Office.

### 3.3.26 Ministry of Health – Vava'u Branch

Period Covered: April 2021 – March 2023.

#### 1. Revenue

##### a. Revenue Arrears

There are some businesses continue on doing business without renewing their health certificates and therefore are in arrears.

#### *Recommendations*

1. That the accountable officer should prepare and determine a complete revenue in arrears on a regular basis.
2. That there be a clear recovery procedure of arrears of revenue in accordance with the debt recovery procedures outlined in section 70 of the Treasury Instructions 2020.

#### 2. Fixed Asset:

##### a. Fixed Asset Register not updated

Ministry's Fixed Asset Register was not accurately and completely updated.

#### *Recommendations*

3. That the Branch should ensure that the fixed asset register is properly updated at all times to ensure the Branch's assets are completely accounted for at all times.

### 3.3.27 Ministry of Health – Ha'apai Branch

Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in previous year	Current Issue
No revenue register	Still outstanding
Rations register not properly updated	Resolved
Missing rations	Resolved
No fixed asset register	Resolved

#### 2. Inward Cash

##### a. Late pay-ins of the revenue to the Bank and Treasury

There were late pay-ins throughout the period.

#### *Recommendations*

1. All revenue collected is to be deposited to the bank and Treasury on a daily basis as per Treasury Instructions.
2. Acting Senior Medical Officer is to ensure that daily banking is carried out at all times.



### 3. Fixed Asset Management

#### a. Fixed Asset Register not updated and reviewed

There is an asset register but it is not updated.

##### *Recommendations*

3. That the fixed assets register should be updated at all times and all assets of the Branch should be labelled for ease of identification.
4. That a list/record of assets whose value between TOP\$100 and TOP\$5,000 should be recorded and kept by the Branch for control and monitoring purposes as per Treasury Instructions.

### 3.3.28 Ministry of Internal Affairs – Ha’apai Branch

Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Prior Year Issues	Current Status
Proper Maintenance of Payment Voucher	Resolved
Fixed Asset Register	Resolved
No formal agreement for Grant	Still outstanding
No Log Book	Still outstanding

#### 2. Expenditures

##### a. Incomplete Records

The payment vouchers were incompletely filed with no supporting documents and incomplete fillings for vote reconciliation.

##### *Recommendations*

1. That the responsible officer ensures all documents related to the expenses are completely filed together with the payment vouchers and official orders.

##### *Ministry's Response*

- *Agreed*

##### b. No Vote Book Reconciliation

##### *Recommendations*

2. The responsible officer ensures that vote book reconciliation is completely done every month and submitted to the OIC for independently reviewed and signed on the vote book.

##### *Ministry's Response*

- *Agreed and will improve on this.*

##### c. Motor Vehicle's Logbook

The Branch having no vehicle logbook, an ongoing issue. The branch has one (1) motor vehicle, P1345.

##### *Recommendations*

3. The accountable officer be reprimanded for not maintaining a motor vehicle logbook.

##### d. Record of Attendance

The OIC and staff did not record attendance in the attendance book every working day.

##### *Recommendations*

4. That all officers must sign their time in and out in the Attendance Book every day and be reviewed by the OIC regularly.

##### *Ministry's Response*

- *Agreed and will improve on this.*

### 3.3.29 Ministry of Infrastructure – Ha’apai Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Revenue Arrears	Still outstanding
Barge operating at a loss	Still outstanding
Fixed Assets Register	Resolved

#### 2. Assets

##### a. Government vehicle, P2434

At the time of audit, the vehicle licensed P2434 was not garaged at the MOI – Ha’apai compound but was found at the Town Officer’s residence at Lotofoa. The vehicle was not in good condition as it was involved in an accident. There was no Police report about the accident and no written approval for removal of this government vehicle to the Town Officer.

##### **Recommendations:**

1. The Chief Executive Officer for MOI report on the status of this vehicle; and
2. The Officer in Charge ensures that all government vehicles under the MOI – Ha’apai branch are properly maintained and completely accounted for.

##### **Ministry’s Response:**

The Officer in Charge said,  
*“The vehicle transferred to the Office of the Constituent of Ha’apai 13. However, there was no written record of the transfer.”*

### 3.3.30 Sub-Treasury – ‘Ohonua ‘Eua Period Covered: April 2021 – March 2023

Public fund management of the Sub-Treasury was confirmed to have been consistent with the records kept.

The only issue raised was the incomplete Fixed Assets Register maintained by the Sub-Treasury of its assets.

##### **Recommendations:**

1. That the Fixed Assets Register be completely maintained by ensuring that the minimum information required by the Treasury Instructions be all recorded into the register.

### 3.3.31 Government Representative Office, ‘Eua Period Covered: April 2021 – March 2023

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Unauthorized using of the Government’s vehicle after official hours	Resolved

#### 2. Fixed Assets

##### a. Incomplete Fixed Assets Register

##### **Recommendations:**

1. That the Fixed Assets Register be completely maintained by ensuring that the minimum information required by the Treasury Instructions be all recorded into the register.



**3.3.32 Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communication, MEIDECC – ‘Eua Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Follow-up Issues**

Issues raised in the previous audit report	Current Position
No record of staff Attendance	Resolved
No Vote Book	Resolved
Missing Payment Vouchers	Resolved

**2. Fixed Assets**

The Branch's Fixed Assets Register is non-compliant with the format required by the Treasury Instructions 2020 in that, the costs of assets are not all recorded, especially the assets transferred from the Nuku'alofa Head Office.

**Recommendations:**

1. To ensure that the costs of fixed assets transferred from Tongatapu be all obtained and recorded into the Branch's fixed assets register.
2. To update the fixed assets' register according to the required format from the Treasury Instructions.

**3.3.33 Ministry of Agriculture, Food and Forests – ‘Eua Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Inward Cash**

*Table 1. Summary of Revenue Collected*

Revenue	2020/2021 April – June 2021	2021 – 2022 July 21 – June 22	2022 – 2023 July 22 – March 23	TOTAL
Sale of Produce	\$1,343.74	\$469.63	\$2,906.25	\$4,719.62
Hire Machinery	2,576.17	10,048.27	24,833.49	\$37,457.93
CT	587.59	1,557.10	4,156.76	\$6,321.45
<b>TOTAL</b>	<b>\$4,507.50</b>	<b>\$12,095.00</b>	<b>\$31,896.50</b>	<b>\$48,499.00</b>

**a. Lost Cash Sale Receipt (Book), No.309751 - 309800**

One receipt book identified to have been lost when checking the passbook recording all receipt book issued from Sub-Treasury to this Branch.

The detail:      Receipt Books with receipt No.:      309751 to 309800  
                          Dates of receipts:                              02/09/2022 to 03/10/2022  
                          Total receipts:                                    \$17,165.50

**Recommendations:**

1. That the Accountable Officer shall ensure that all official receipt books, used and unused, are completely accounted for and are to be kept and stored in a secured and safe place.

**2. Fixed Assets**

- The Branch's fixed assets' register is not updated, maintained, and its format is not complied with the requirements of the Treasury Instructions.
- One Branch's vehicle, P1645, and one tractor, P134, explained to have been sent to Nuku'alofa for maintenance however, there was no documentation kept as appropriate record of this transfer of the two assets.

- No tagged identification number on each and every asset owned by the Branch.

**Recommendations:**

2. That the Accountable Officer shall ensure that all assets that come in and out of the Branch must be updated into the Fixed Assets Register, and complete transfer documentation are to be kept and filed.
3. That the Branch shall carry out proper tagging of assets of the Branch.

### 3.3.34 Ministry of Tourism – ‘Eua Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Incomplete Logbook	Resolved

#### 2. Inward Cash

Summary of revenue, April 2021 – March 2023:

✓ Registration fee	\$2,796.50
✓ Rental	2,915.50

#### 3. Fixed Assets

The format of the Branch’s fixed assets register is non-compliant with the Treasury Instructions 2020 – the required information is not completely recorded as per Treasury Instructions.

**Recommendations:**

1. That the complete information required by the Treasury Instructions to record in the fixed assets register be completely added to the register.
2. That the Supervisor, OIC, of the Branch ensures that reviewing for the updated and completed fixed assets register be regularly carried out.

### 3.3.35 Ministry of Police – ‘Eua Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Incorrect receipt and date recorded in the Cash Book	Resolved

#### 2. Inward Cash

- Cash count on 14th April, 2023 was confirmed to the receipt book, \$28.80.
- Total receipts for the audited period, \$19,153, and they were all license fees.
- The Branch did not maintain an updated arrears of outstanding licenses.

**Recommendations:**

1. That the Branch is to maintain an arrear register on unpaid and outstanding licenses and follow-up and recovery procedures.

#### 3. Fixed Assets

- The Branch did not have a fixed assets register.
- Most of the Branch’s fixed assets were transferred from Head Office, Nuku’alofa, however, there was no documentation of the transfers being kept and filed. We could not therefore confirm the completeness of the Branch’s fixed assets.



**Recommendations:**

2. That all transfer documentation on additional assets transferred from Head Office, Nuku'alofa, be completely kept and filed.
3. That a fixed assets register be established and the cost of each and every Branch's asset be completely recorded into the fixed assets' register.

**3.3.36 Ministry of Justice – 'Eua Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Inward Cash**

- Total revenue of the Branch during the audited period, \$52,300; court fees and fines.
- Instances of late banking, which we recommended that public revenue be always safely custodian and be timely deposited as per Treasury Instructions.

**2. Fixed Assets**

- Incomplete fixed assets register, not updated and format is not as per Treasury Instructions.

**Recommendations:**

1. That the fixed assets register be updated at all times and to include the complete information required by the Treasury Instructions.

**3.3.37 Ministry of Education & Training – 'Eua Branch**  
**Period Covered: April 2021 – March 2023.**

**1. Follow-up Issues**

Issues raised in the previous audit report	Current Position
Incomplete recording of Logbook	Still outstanding, raise again in item 3 below

**2. Inward Cash**

- Total revenue of the Branch during the audited period, \$305,988.75; school & exam fees and part payment of students' laptops.

**3. Logbook**

The logbooks were not completely recorded, the fuel refills were excluded.

**Recommendations:**

1. That logbooks be completely recorded; the fuel be included and to be reviewed by an independent supervisor on a regular basis.

**4. Fixed Assets**

The Branch's fixed assets register was incompletely maintained, not all the required information as per Treasury Instructions included.

**Recommendations:**

2. That the accountable officer is to ensure that complete and updated fixed assets register as per Treasury Instructions be maintained at all times.

### 3.3.38 Ministry of Health – ‘Eua Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Late Banking	Still outstanding, raised again in item 2 below
Fixed Assets Register	Still outstanding, raised again in item 3 below
Missing Payment Vouchers	Resolved
Vote Book Reconciliation	Resolved
Incomplete recording of logbooks	Resolved

#### 2. Inward Cash

- Total revenue of the Branch during the audited period, \$20,289.50; fees and charges.
- Late banking still occurred, lateness vary from 2 to 10 days.

<i>Recommendations</i>
1. That the responsible officer is to ensure that all revenue be deposited daily and the Officer in Charge, OIC, ensure compliance with Treasury Instructions and to carry out independent checking.

#### 3. Fixed Assets

- Incomplete fixed assets register.
- No transfer/handing over documentation of fixed assets transferred from Head Office, Nuku’alofa.
- No tagged identification number of the Branch’s owned assets.

<i>Recommendations:</i>
2. To ensure that Fixed Assets Register is to completely maintain, record the minimum information as per Treasury Instructions.
3. To completely kept and filed the documentation of transfers of assets from Head Office, Nuku’alofa for the completeness of the Branch’s records.
4. That each and every fixed asset of the Branch be tagged with identification number, which indicate it’s the Ministry’s

### 3.3.39 Ministry of Internal Affairs – ‘Eua Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Payments charged to incorrect vote line item	Resolved.

#### 2. Fixed Assets

- No transfer documentation filed for assets transferred from Head Office, Nuku’alofa.
- Incomplete Fixed Assets Register, minimal information as per Treasury Instructions is not all recorded into the register.

<i>Recommendations:</i>
1. To ensure that Fixed Assets Register is to completely maintain, record the minimum information as per Treasury Instructions.
2. To completely kept and filed the documentation of transfers of assets from Head Office, Nuku’alofa for the completeness of the Branch’s records.



### 3.3.40 Ministry of Trade and Economic Development – ‘Eua Branch Period Covered: April 2021 – March 2023.

#### 1. Follow-up Issues

Issues raised in the previous audit report	Current Position
Non-compliance with appointment of Revenue Collector	Resolved
Missing record – deposit documentation	Resolved
No transfer documentation being filed for the assets transferred from Head Office, Nuku’alofa	Still outstanding and was raised again
Not recording the cost of some of the assets in the Fixed Assets Register	Still outstanding and was raised again

#### 2. Fixed Assets

- Still no transfer documentation being filed for the assets transferred from Head Office, Nuku’alofa; and
- Maintaining an incomplete Fixed Assets Register by not including all the minimum information required by the Treasury Instructions.

## CHAPTER 4: DEVELOPMENT PROJECTS

### 4.1 Summary

We audited twenty-three (23) projects of which by the 31st of December 2023 we issued 22 unmodified audit opinions for the financial statements of the 22 projects for the year ended 30th June 2023. One (1) project was in progress by the end of December 2023.

We raised twenty-one (21) issues in our management audit reports and twenty-four (24) recommendations for the appropriate remedial actions for management to consider.

### 4.2 Background

All the development projects that submitted their financial statements to be audited for the financial year ended 30<sup>th</sup> June 2023 had all been completely audited except for one project that submitted their financial statement to be audited again for the period ended 30<sup>th</sup> September 2023. Audit work has been completed but it is yet to issue its audit opinion by the end of 2023.

The appointment of the Auditor General as the external auditor for a development project is from either the donor organisation and/or the Implementing Agency which is mostly the Government Ministry that implemented the project.

The service of the TOAG is always considered as part of the contribution of the Government to the project hence, our audits are free of charge and no audit fees revenue. This applies to all the projects that we audited.

### 4.3 Audit Findings and Recommendations

#### 4.3.1 Tonga Climate Resilient Transport Project, (TCRTP). Financial year ended 30<sup>th</sup> June, 2023

The audit of this project for the financial year ended 30<sup>th</sup> June, 2023 has been completed and we issued an unmodified audit opinion on 20<sup>th</sup> December 2023, (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> December, 2022).

There was no issue raised in our management report.

#### 4.3.2 Tonga Climate Resilient Transport Project II, (TCRTP II). Financial period ended 30<sup>th</sup> June, 2023

The audit of this project for the financial year ended 30<sup>th</sup> June, 2023 has been completed and we issued an unmodified audit opinion on 20<sup>th</sup> December 2023, (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> December, 2022).

There was no issued raised in our management report.



#### **4.3.3 The Pacific Resilience Program (PREP) Financial year ended 30<sup>th</sup> June, 2023**

The audit of the PREP for the financial year ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 28<sup>th</sup> November, 2023, (also an unmodified audit opinion on the previous year, 2021/22 was issued on 16<sup>th</sup> December, 2022).

The following issues were raised in our management report:

- ✓ Follow-up issue: the damaged assets were recommended to compile and refer to the Government Assets Disposal Committee for their disposal has been addressed by the Project.
- ✓ Audit noted the following; the overspending of the Budget for Component 2 and Component 3 as per the Statement of Comparison of Budget and Actual. *The Project Finance Officer responded that it's from the result of the impact in the exchange rate used to convert to TOP currency.*

#### **4.3.4 Tonga Digital Government Support Project, (TDGSP). Financial years ended 30<sup>th</sup> June, 2023.**

The audit of the TDGSP for the financial year ended 30<sup>th</sup> June, 2022 was completed and we issued an unmodified audit opinion on 31<sup>st</sup> October 2023, (also an unmodified audit opinion on previous year, 2020/21 was issued on 31<sup>st</sup> October, 2022).

There was no issue raised in our management report.

#### **4.3.5 Tonga Renewable Energy Project, (TREP) Financial year ended 30<sup>th</sup> June, 2023**

The audit for the TREP for the financial year ended 30<sup>th</sup> June, 2023 was been completed and we issued an unqualified audit opinion on 30<sup>th</sup> October 2023, (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> December, 2022).

The issues raised in our management report were as follows:

- ✓ Follow-up issue: to obtain the proper approval of the Tonga Power Limited's Board of Directors for the TPL's contributions to the project is still outstanding.
- ✓ There is no record and proof that the consultants of the project pay the PAYE tax in compliance with ADB policy and the Income Tax Act.  
We recommended that the PMU staff is to fulfil their tax obligation in compliance with the Income Tax Act.

#### **4.3.6 TREP Special Purpose Financial Report Financial period ended 30<sup>th</sup> June, 2023**

The audit of the GCF for the financial year 2021/22 ended 31<sup>st</sup> August 2022 was completed and we issued an unmodified audit opinion on 27<sup>th</sup> October 2023

#### **4.3.7 Transport Project Development Facility, (TPDF). Financial year ended 30<sup>th</sup> June, 2023.**

The audit of the TPDF for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 7<sup>th</sup> December 2023, (also an unmodified audit opinion on the previous year, 2021/22 was issued on 27<sup>th</sup> October 2022).

There was no issue raised in our management report.

#### **4.3.8 Outer Islands Renewable Energy Project, (OIREP)** **Financial year ended 30<sup>th</sup> June 2023**

The audit of the OIREP for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 27<sup>th</sup> October 2023 (also an unmodified audit opinion on the previous year, 2021/22 was issued on 20<sup>th</sup> December 2022).

The issues raised in our management report were as follows:

- ✓ No PAYE tax deductions for the Project Management Unit's local consultants.  
This issue has been addressed by some of the consultants. It is then encouraged that the responsible officers liaise this with the Revenue Authority for the remaining period of the Project
- ✓ Irregularities in accounting for Tonga Power Limited's contributions to the project; this issue has been resolved
- ✓ There was no issue raised in our current management report.

#### **4.3.9 OIREP Special Purpose Financial Report** **Financial period ended 30<sup>th</sup> June 2023**

The audit of the OIREP for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 27<sup>th</sup> October 2023 (also an unmodified audit opinion on the previous year, 2021/22 was issued on 4<sup>th</sup> November 2022).

- ✓ There was no issue raised in the previous management report
- ✓ Again no issue raised in this current management report

#### **4.3.10 Statistical Innovation and Capacity Building in Tonga Project, (SICBTP).** **Financial years ended 30<sup>th</sup> June, 2023.**

The audit of the SICBTP for the financial year ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> December 2023, (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> December, 2022).

The issues raised in our management report were as follows:

- ✓ One Stylus pen, that was NOT identified or sighted by the audit, 1 GPS noted as missing, 3 armchairs could not be identified or sighted AND 14 missing power bank, and 9 which audit cannot be identified or sighted.

We recommended to recover the assets or the costs by the Accountable Officer

#### **4.3.11 Integrated Urban Resilience Sector Project, (IURSP).** **Financial years ended 30<sup>th</sup> June, 2023**

The audit of the IURSP for the financial year ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 31<sup>st</sup> August 2023, (also an unmodified audit opinion on previous year 2021/22 was issued on 16<sup>th</sup> December, 2022).

Issues reported in the current management report;

- ✓ The audit noted that there was a Withholding Tax of 15% declared under the EGIS AU payment claim from the Project that has not been confirmed paid to the Revenue Authority



- ✓ Misappropriation of asset, one (1) motor vehicle a white double cab MAZDA BT-50 plate L27649 was not made available for the audit to view until it was driven by the engineer from the Waste Authority Limited to the Audit Office reporting that it was just fixed. It was recommended that;
  - (i) *The responsible officer be appropriately disciplined and fully report on the damage to the motor vehicle for the completeness of the Project records (and also to the record of the conditions of the motor vehicle).*
  - (ii) *That all assets of the Project be made available for the audit team at the time requested for physical inspection as part of the audit procedures.*
  - (iii) *The Project Finance Officer ensures that the Fixed Asset Register is inspected and updated in a timely manner.*

#### **4.3.12 Tonga Safe Resilient School Project, (TSRSP). Financial years ended 30<sup>th</sup> June, 2023.**

The audit of the TSRSP for the financial year ended 30<sup>th</sup> June, 2022 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> December, 2023 (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> November, 2022).

The issues raised in our management report were as follows:

- ✓ Ineligible expenses for one (1) night accommodation at Tanoa Hotel for 7 rooms @ \$380 per room. In this payment voucher, other items such as venue, meals and dinner reception were also paid for by the Project, a total of \$3,580.00.  
We recommended, that the Ministry of Education shall pay back the amount of \$2,660.00 to the Project for the accommodation expenses.

#### **4.3.13 Pathway to Sustainable Oceans Project, (PSOP). Financial year ended 30<sup>th</sup> June, 2023**

The audit of PSOP for the financial year ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> November 2022 (also an unmodified audit opinion on previous year, 2021/22 was issued on 20<sup>th</sup> November, 2022).

The issue raised in our management letter report were as follows.

- ✓ We identified a total of \$4,716.40 expenses in Ha'apai with no record filed by the project Accountant at the Ministry of Fisheries "MOF"  
We recommended that the Project Accountant shall maintain and keep complete projects files in secure Cabinets located within the MOF at all times.

##### ***Project Management Response***

*The project accountant with the support of the PMU will work closely with the Fisheries staff in Ha'apai by carrying out refresher training and to emphasize the importance of filing supporting documents related to expenses funded by the project. The PMU will also request the support of the Ministry, that the responsible officers in the outer island to file a copy of financial records and shall scan and quarterly to the Project.*

#### **4.3.14 Skills and Employments for Tongans, (SET), Project. Financial year ended 30<sup>th</sup> June, 2023**

The audit of SET for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> December 2023, (also an unmodified audit opinion on the previous year, 2021/22 issued on 20<sup>th</sup> December 2022).

The issues raised in our management report were as follows:

✓ Follow-up issue:

- One (1) Galaxy Note 10 mobile phone is yet to be recovered by the Project.

**Project's Management Response:**

*This is now being handled by the police to recover the phone or cost of the Asset. However, note the mobile Galaxy Note 10 is included in our current list of assets disposed*

- Incomplete Records, this issue has been resolved.
- Ineligible Expenditures on alcohol \$2,300.00 and accommodation \$3,900.00

**Project's Management Response:**

*This issue has been addressed. The ineligible expenditures were approved by the Government to be paid back into the project vote and designated account from the relevant vote of the Ministry of Education and Training (MET).*

- One (1) laptop not existed, this issue has been resolved.

- ✓ Ineligible Expenses TOP\$4,800.00 the Project paid accommodation for "SET Project Retreat" in August 2022 to Villa Ishadora.

**Project Management Response:**

*.....The Retreat has always been an essential annual planning activity for the whole Project implementation team involving the PMU, MIA – Various Component Heads, MET – Component 2 Head and staff, MOF and CSU.....*

*SET Project's RESET Retreat is an annual internal planning, monitoring, learning, and management process that provides the space for the whole SET Project staff and LA to pause and reflect on our progress, achievement and challenges. Capacity building also takes place during the Retreat, as well as improving operational procedures....*

- ✓ Project Assets not exist, two (2) Lenovo Thinkpad 3 and three (3) HP Probooks were not provided for viewing at the time of physical counting of assets as well two (2) broken laptops HP Probooks CSULT20 & CSULT01.

**Project Management Response:**

*It was just unfortunate that during the audit sighting, the owner of these assets was not at the workplace due to official reasons.*

- ✓ Incomplete Fixed Asset Register (FAR), the FAR provided was missing some key details such as staff the asset is entrusted and identification numbers for all additional assets.

**Project Management Response:**

*The above recommendations are noted for relevant actions.*

- ✓ Cash reconciliation was not properly done, the cash book reconciliation was not properly done to match the Bank Balance at the end of the financial period as well as SunSystem transactions were not properly reconciled to the Bank.

**Project Management Response:**

*"The above recommendations are noted for relevant actions of responsible officers however it should be noted that the reconciliation of PMU designated accounts is dependent on what Treasury pays out and the time those payments are being made and which account they make those payments from. This is beyond the PMU's control and cannot be hold accountable for those decision making by Treasury!"*

#### 4.3.15 Nuku'alofa Network Upgrade Project, (NNUP).

##### Financial year ended 30th June, 2023

The audit of NNUP for the financial year ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> December, 2023 (also an unmodified audit opinion on previous year, 2021/22 issued on 20<sup>th</sup> December 2022).



The issues raised in our management report were as follows:

- ✓ Every invoices of updated household boundary maps was in total amount only but not in details of how many hours of works to each maps. This is not complied with contracts signed on 21st August 2021, which is \$ 50 per hour of works.  
We recommended that the practice of incomplete invoices is to be ceased immediately. All payments are to be processed complete and detailed information as per the contract.

#### 4.3.16 Systems Strengthening for Effective Coverage of New Vaccines in the Pacific, (SSECNV).

Financial years ended 30<sup>th</sup> June, 2023

The audit for the SSECNV for the financial period of 12 months ended 30<sup>th</sup> June, 2023 was completed and we issued an unmodified audit opinion on 23<sup>rd</sup> October, 2023 (also an unmodified audit opinion on the previous year, 2021/22 issued on 11<sup>th</sup> July 2022).

- ✓ Follow-up issue; late submission of Draft Account, this issue has been resolved as the current account (30<sup>th</sup> June 2023) was submitted to TOAG ahead of schedule.

- ✓ Incomplete records, only one payment voucher was not on file: Reference 15/52/1169.

***Project Management Response:***

*....The audit recommendation is taken into consideration and we will make sure that all payment vouchers are kept and filed in the office and related policies and regulations for procurement are being followed for all payments at all times.*

- ✓ Poor management of assets, the physical count of tag assets (freezer tag and fridge tag) was found to be zero (0) in stock. It was found that these tags have been fully utilized or disbursed without a proper register to record who issued these tags, the quantity, for what purposes and the issue date.

***Project Management Response:***

*.... The tags from the fridges were part of the emergency response to the COVID-19 pandemic in early 2020 and were not recorded at the time. However, this is well noted and has been discussed with the Supervising nurse and all responsible officers....*

#### 4.3.17 Introducing E-Government through Digital Health Project (IEDHP7

Financial year ended 30th June, 2023

The audit of the above project for the financial year 2020/21 was completed and we issued an unmodified audit opinion on 19<sup>th</sup> December, 2023.

There was no issue raised in our management report.

#### 4.3.18 Outer Islands Solar Electrification Society Project (OISES) Financial period ended 31st May, 2023

The audit of the OISES for the financial year ended 31<sup>st</sup> May, 2023 was completed and we issued an unmodified audit opinion on 29<sup>th</sup> November 2023.

The following issues were raised in our management report:

- ✓ Follow – up of monthly vote reconciliation is not carried out – the issue has been resolved.
- ✓ Follow – up of improper filing and inadequate supporting documents – issue is still occurred and is raised again as issue.
- ✓ Follow – up of no Savingram or Approval on Travel Expenses – the issue has been resolved.
- ✓ Follow – up of the approved non-project officer to use the Project laptop with no Authority for Approval – the issue has been resolved and the laptop has returned.
- ✓ Incomplete filing and inadequate supporting documents

We recommend that the Finance and Administrative Officer must ensure that all financial records, supporting documents, statistical documents and other records of the project are properly maintained and filed.

- ✓ Project asset was not found during physical inspection.

During physical inspection for the existence of asset, audit found that there are 2 office chairs that was not able physically verify and identify its location. The chairs is recorded with a reference tag number which is OISES01D 20/21 and OISES01I 20/21. The Acting Finance officer said that she did not know where are this 2 office chairs.

We recommend That Project Coordinator and Finance officer should ensure that all assets are property of the Project and to find the location of the assets that are not available during the audit.

***Project Management Response:***

*Project team is aware of the missing chairs but they still not able to identify the location of the chairs.*

#### 4.3.19 COVID-19 Emergency Response Project Financial period ended 7th September 2022

The audit of the COVID-19 ERP for the financial year ended 7<sup>th</sup> September 2023 was completed and we issued an unmodified audit opinion on 27<sup>th</sup> October 2023.

The issues raised in our management report were as follows:

- ✓ Follow-up issues; no separation of duties, poor record keeping, and inadequate supervision were all resolved.
- ✓ Non-compliance with the Particular Covenant where the financial report were received by TOAG on 17<sup>th</sup> August 2023 eleven (11) months later from the Project closing date.

***Project Management Response:***

*The concern and recommendation are being noted for the timely submission of the report taking into account that there will not be another emergency declared to the nation.*

#### 4.3.20 Green Climate Fund Project (GCF) Financial period ended 31<sup>st</sup> August, 2022

The audit of the above project for the period ended 31<sup>st</sup> August 2022 was completed and we issued an unmodified audit opinion on 20<sup>th</sup> December, 2023.



The issues raised in our management report were as follows:

- ✓ There were three laptops confirmed missing during the period.
  - Two Apple 23' Macbook Air Retina ( 2020) - \$5,500.00
  - Hp-Laptop 15.6 FHD intel i7 – \$ 3,395.00

We recommended to recover the assets or the costs by the Accountable Officer.

#### **4.3.21 Nuku'alofa Port Upgrade Project (NPUP)** **Financial period ended 30<sup>th</sup> June, 2023**

The audit of the above project for the financial year 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 30th August, 2023.

There was no issue raised in our management report.

#### **4.3.22 Climate Resilience Sector Project (CRSP)** **Financial period ended 30<sup>th</sup> June, 2021**

The audit of the above project for the financial year ended 30<sup>th</sup> June 2021 was completed and we issued an unmodified audit opinion on 30th September 2023.

The issues raised in our management report were as follows:

- ✓ Late submission of Financial Statement 2020/2021

The submission of the Financial Statement for FY 2020/2021 is late by two financial years (FY 2020/2021, FY 2021/2022). The project Accountant left the project and was not able to submit the Financial Statement in the year 2021. In 2023, a different accountant was stepped up to complete the preparation of the Financial Statement and submitted it on the 10th of July 2023 for audit.

We recommended that the Executive Agency and Implementing Agency ensure that this issue does not happen in the future.

- ✓ No Fixed Asset Register

The project was completed in 2021 and the Project Accountant (Daniel Hamala) also finished. The new person (Other Project's Accountant) (Pesi Henwood) was trying to complete the work for the audit but did not find the record of the fixed asset register. There was no additional fixed asset, purchased during the audit period FY 2020/2021.

We recommended that the Executive Agency and Implementing Agency consider the issue of finishing the term of references of a Project Accountant but not yet completing the audit of the financial statement.

- ✓ No Progress Report

This project is completed and the project progress report should be prepared by the PMU before closing the project. The PMU does not prepare the project progress report during the period.

We recommended that the Executing Agency (EA) discuss with the Implementing Agency (IA) the issue of not availing the project progress report during the audit period.

## CHAPTER 5: PUBLIC ENTERPRISES

### 5.1 Summary

We carried out ten (10) financial statements audit during the year and issued 10 unmodified audit opinions. We raised 66 issues in our management audit reports as well as recommendations for the appropriate remedial actions for management to consider.

### 5.2 Background

We audited the Public Enterprises, (PE) that appointed the Auditor General as their external auditor. For those PEs that appointed other private accounting firms/individuals as their external auditor, the Auditor General reviewed and approved the audited accounts of those PEs.

The main challenge we encountered in this Division from year-to-year is the untimeliness and the quality the draft accounts to be audited and the audit working papers (of the other external auditors) to be reviewed. Moreover, the number of audit and review we carried out is limited to only the draft accounts and working papers of other auditors submitted and received. This challenge is the major stumbling block for this Division.

We charged audit fees on this part of our audit services and deposited in full to the Ministry of Finance

### 5.3 Audit Findings and Recommendations

#### 5.3.1 Tonga Broadcasting Commission (TBC) 2022-23

The audit of the TBC financial statements for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 28<sup>th</sup> November 2023.

The issues raised in our management report were as follows:

##### a. Follow-up Issues

##### 1. Long Outstanding Receivables

As per Aging Reports, 47% of its aged were over 90 days, amounting to \$730,350. Most of those receivables were the government ministries amounting to \$530,445. Outstanding receivables increased the risk of bad debt and revenue loss. This issue is still outstanding.

##### 2. Doubtful Debt

From our review of doubtful debts, we noted it is calculated at 10% of total receivables, but this is not based on an analysis of debt collection history or trend. As per the aging analysis of debtor, the total debtors balance over 90 days (more than three months outstanding) amounted to 67% of total debtor which indicate the current provision could possibly be insufficient. The commission could determine doubtful debt based on a detailed review of the aging listing. This issue is still outstanding.



b. **Current Issue**

1. **Consumption Tax (CT)**

***Description***

There was variance noted during the recalculation of the consumption tax (CT) payable to the Ministry of Revenue and Customs (MoRC). The variance is due to incorrect accounting and computation for CT collected from revenue and CT paid on expenses. This resulted in inaccuracies in the net amount owed to the MoRC in addition to posting being credited to revenue instead of CT payable. The reconciliation and checking of CT need to be more rigor to ensure this is picked up and corrected timely.

***Recommendations***

1. Management should ensure that an independent person from the preparer of CT Filing review the calculation before it is filed with the MORC. This will minimize risk of error.

5.3.2 **Tonga Cable Limited (TCL) 2022-23**

The audit of the TCL for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 11<sup>th</sup> December 2023.

The issues raised in our management report were as follows:

a. **Follow-up issues: 30 June 2023**

Prior Year Audit Matters	Status observed during the audit
<b><i>Misclassification</i></b>  <b>Description</b> One incorrect posting was noted relating to the misclassification of director fees to salaries and wages.	This issue has been resolved.
<b><i>Stale Cheques</i></b>  <b>Description</b> Testing of the bank reconciliation identified one cheque dated 17/04/2018 still unrepresented as at 30/06/2022. This cheque is more than 3 years old and therefore should be reversed from the reconciliation.	This issue has been resolved.
<b><i>Exchange rate at balance date</i></b>  <b>Description</b> It was noted from testing closing bank balance the NRBT Account was using different rate of exchange at 30/06/2022 which had caused a slight variance.	This issue remains unresolved
<b><i>Variance between accounts and aging debtor list</i></b>  <b>Description</b> Based on reconciliation during the audit of the debtor list and the account, a variance of TOP\$7,675 was noted. The debtor list was later updated to agree with the accounts and the variance was properly justified.	This issue has been resolved.
<b><i>Variance between asset register and financial statements</i></b>  <b>Description</b> Based on reviewing of the asset record a variance was noted between the fixed asset register and the financial statements of TOP\$16 million. The fixed asset register was later updated to agree with the accounts.	This issue continued in the current financial year, although the variance is immaterial. We have seen improvement in addressing this issue.

b. **Current Year Issues:**

1. **Exchange Rate at Balance Date**

Upon conversion from USD to TOP, an incorrect exchange rate used and resulted in understatement of TOP balance by \$374,164.19. This error happened on the BSP Current Account Commercial (USD).

Adjustment has been made to the Accounts.

***Recommendation***

1. Management should ensure that the balance of cash at bank in foreign currency is translated using the exchange rate at the balance date, (30th June 2023).

2. **Employees Benefits**

This is a compliance with IAS 19, "Employees Benefit". The company's liability for unused annual leave is covered by this requirement.

We calculated the carried forward annual leave of the staff from prior calendar years to be 54 days amounted \$5,333.36. There has not been recognized by management of this liability with any instructions regarding its settlement.

It is likely that this liability will be carried forward to future financial years that it is most appropriate to decide on disclosing it in compliance with IAS 19, and to manage the risk of ignoring this liability going forward.

3. **Incorrect Depreciation Calculation**

Upon recalculating depreciation, it was discovered that the depreciation expense was undervalued due to an incorrect calculation method used to determine the depreciation. TCL's depreciation expense only accounted for five (5) months.

Adjustment has been made to the Accounts.

***Recommendation***

2. Recalculate depreciation expense using the correct method and adjust financial statements accordingly.
3. Reconcile the depreciation recorded in the fixed asset register with the posted depreciation in the accounting system to ensure the completeness of depreciation for the year.

4. **Right of use Assets**

IFRS 16 requires companies to recognize Right-of-Use (ROU) assets for leases. Tonga Cable hasn't done this for their land leases (Sopu, Vava'u, Ha'apai) and only recorded lease payments. To comply, they should implement IFRS 16.

Adjustment has been made to the Accounts.

***Recommendation***

4. Tonga Cable should implement IFRS 16 to account for Right-of-Use (ROU) assets and lease liabilities associated with their land leases in Sopu, Vava'u, and Ha'apai. This will ensure compliance with lease accounting standards.



### 5.3.3 Tonga Market Corporation Limited (TMCL) 2022-23

The audit of the TMCL for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 13<sup>th</sup> February 2024.

The issues raised in our management report were as follows:

#### a. Follow up Issues - 30<sup>th</sup> June 2022

Prior Year Audit Matters	Status observed during the audit
<p><i>Credit Sales in American Samoa</i></p> <p><b>Description</b> The report from American Samoa office noted that some of the crops have been sold on credit to customers. TMCL is yet to have a credit policy for selling crops on credit, so this exposed the entity to the risk of revenue loss and bad debt.</p>	This issue has not yet been resolved.
<p><i>Supporting documents for expenditures.</i></p> <p><b>Description</b> Supporting documents for expenditures incurred in American Samoa need to be sent back to Tonga for proper filing and reference purposes.</p>	This issue has been resolved.
<p><i>Capitalization of expenditure</i></p> <p><b>Description</b> There were materials purchase for maintenance work at Talamahu Market included in the cost of the additional shelter at Tofoa. This has been reversed and adjusted accordingly. Capitalizing expenditures has the effect of overstating assets and net profit while understating expenses.</p>	Similar issue aroused in this year's audit.
<p><i>Incorrect Depreciation Calculation</i></p> <p><b>Description</b> A variance with the financial statement figures of TOP\$1,276. The error was due to cut-off date being incorrectly applied. Incorrect calculation of depreciation lead to overstated profit and assets.</p>	This issue has been resolved
<p><i>Incorrect cut-off of accounts payable</i></p> <p><b>Description</b> Errors were noted from testing the cut-off of trade payables. These relates to outstanding bills in June which has yet to be accrued on the balance date (30th June 2022). These were adjusted in the final accounts and correct to accrued expenses.</p>	This issue has been resolved

#### b. Current Year Audit Issues

##### 1. Capitalization of expenditure

The audit confirmed the accuracy of depreciation expense calculation for the year. However, an inconsistency was identified regarding a building repair cost (investment property). An expense of \$6,136 incurred for building repairs was incorrectly capitalized and added to the investment property's value. According to accounting principles, such repairs should be classified as repairs and maintenance expense in the current period.

**Recommendations**

1. We recommend a reclassification of \$6,136 from the investment property account to a repairs and maintenance expense account. This adjustment will ensure the financial statements accurately reflect the building's value and current year expenses.

Adjustment has been made to the Accounts.

### 5.3.4 Tonga Asset Managers and Associates Limited (TAMAL) 2022-23

The audit of the TAMAL for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 12<sup>th</sup> December 2023.

The issues raised in our management report were as follows:

a. Follow up Issues

Prior Year Audit Matters	Status observed during the audit
<i>Timeliness of reconciling the company's tax obligations.</i> <b>Description</b> Timeliness of the reconciling of the company's tax obligations with the Ministry Inland Revenue was always delayed and there was a difference between the company's record and the ministry.	This issue has been resolved.
<i>Critical documentations relating to the transfer of property are not maintained.</i> <b>Description</b> The company leased one of its properties during the year, Plot#17 to a tenant but the complete record was not made available for the audit.	This issue has not yet been resolved.
<i>Receivable from Government</i>	The issue has been resolved, has been written off.
<i>Timeliness of debt collection</i> <b>Description</b> There was no recovery action has been taken against long outstanding debtors.	This issue has been resolved
<i>Misclassified Expenses</i> <b>Description</b> Incorrect capitalizing expenses	This issue has been resolved

b. Current Year Audit Issues.

1. Tenant Lease not yet registered

There are quite a few tenants lease which have not yet been registered in the Ministry of Lands & Natural Resources (MLNR). Lease must be registered before it is finalized in the Ministry. If a lease is not registered there is no clarity on the lease commencement date and the term and conditions of the lease. Accordingly, it exposed the company to significant risk as it can't enforce any terms which may have been agreed verbally with the tenants.



We acknowledged that this is not the responsibility of the company as this was passed on from the former, Ministry of Labour & Commerce who administer the Small Industry at the time the lease was initiated.

**Recommendations**

1. We encourage the company to constantly and vigorously follow-up with the MLNR to confirm these leases as soon as possible to avoid any future complications that may arise.

**2. Stale Cheque**

From the review of the bank reconciliation, audit identified 2 unpresented cheque which has not been presented in the bank statements although it is now more than 6 months old. These are as follows:

Particular	Date	Cheque #	Amount
Tonga Water Board	31/08/2022	786081	137.46
Tonga Power Limited	16/05/2023	473210	724.75

Cheque #473210 was still outstanding at the conclusion of the fieldwork in November 2023.

**Recommendations**

2. Management to ensure reconciliation with bank statement are done on a timely manner to identify stale cheques in the future.

### 5.3.5 Waste Authority Limited (WAL) 2022–23

The audit of the WAL for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 11<sup>th</sup> October 2023.

The issues raised in our management report were as follows:

**a. Follow up Issues**

Prior Year Audit Matters	Status observed during the audit
<p><i>Timeliness of reconciling the company's tax obligations.</i></p> <p><b>Description</b></p> <p>For years WAL has calculated waste (trade) receivables by taking total expected monthly waste revenue (calculated by multiplying the total number of customers against their rate) less monthly cash receipts from Tonga Power Ltd (TPL). Waste revenue was also realized on a cash basis and only a portion of the receivable amount is realized in the financial statements. This was due to lack of unavailability of information from TPL and WAL planning to only pay CT on revenue that has been "actually received" rather than on total revenue. While this is reasonable it is not in compliance with the requirement of the standards, IFRS, for recognizing of revenue.</p>	<p>This issue is still outstanding.</p>

**b. Current Year Audit Issues**

**1. Waste Fees**

From reviewing of the company's waste fee revenue, including the calculation, recognition, and measurement of waste fee revenue in the financial statements. We identified an understatement of waste fee revenue amounting to \$34,025. This understatement was primarily due to errors in billing and customer disputes.

#### ***Recommendations***

We recommend that the company take the following corrective actions:

1. Recalculate the waste fee revenue for the affected period.
2. Adjust the financial statements to reflect the corrected waste fee revenue and the corresponding reduction in trade receivables.
3. Implement procedures to prevent billing errors and customer disputes.

#### **2. Personnel Expenses**

During our analytical testing procedures for new hires in the Collection & Transport Division (totalling 41 employees), primarily responsible for waste collection, we identified a discrepancy. We requested contracts or appointment letters for all personnel, but only received two for audit. This lack of complete documentation represents a potential control issue.

#### ***Recommendations***

4. Requiring all new employees to complete and sign an appointment letter or contract outlining the terms and conditions of their employment.
5. Implementing a system for tracking and storing appointment letters to ensure that they are readily available for review and verification.

#### **3. Variance between billing and the account receivable in the financial statement.**

A variance was identified between the total of positive balances in the accounts receivable subsidiary ledger and the accounts receivable balance disclosed in the financial statement. The audit figure was \$2,007,307, while the financial statement balance was \$1,973,537. This variance of \$33,770 is considered material and requires adjustment.

#### ***Recommendations***

6. The auditors recommend that the company adjust the accounts receivable balance in the financial statement by \$33,770 to reflect the correct total of positive balances in the subsidiary ledger. The company should also implement procedures to prevent similar discrepancies from occurring in the future.

#### **4. Overstatement of depreciation.**

Audit recalculated the depreciation and confirmed that there is a variance between the audit figures and the depreciation posted in the financial statement. Depreciation for motor vehicles and plant and equipment was overstated.

#### ***Recommendation***

7. Enhance Internal Controls: Strengthen internal controls over the depreciation process. This may involve implementing segregation of duties, establishing approval workflows, and conducting periodic reconciliations of depreciation records.

#### **5. Understatement of Employee Benefits**

We have been reviewed the company's employee benefits disclosures, including the calculation and accrual of employee benefits expenses, the valuation of employee benefit liabilities, and the disclosures related to employee benefits in the financial statements. We identified an understatement of employee benefits expenses amounting to \$2,188.64. This understatement was primarily due to the underestimation of the company's liability for accrued staff leave.

#### ***Recommendations***

8. Recalculate the employee benefits expenses for the affected period, including the correct estimation of the liability for accrued staff leave.
9. Adjust the financial statements to reflect the corrected employee benefits expenses.



#### 6. Overstatement of Deferred Income

From our reviewing of the company's deferred income accounts, including the recognition, measurement, and presentation of deferred income in the financial statements. We identified an overstatement of deferred income amounting to \$8,634. This overstatement was primarily due to the failure to account for the depreciation of donated assets during the financial year.

##### **Recommendations**

10. Recalculate the depreciation expense for the donated assets during the financial year.
11. Adjust the financial statements to reflect the corrected depreciation expense and the corresponding reduction in deferred income.

### 5.3.6 Tonga Post & Tonga Fast Print 2022-23

The audit of the Tonga Post Limited for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 19<sup>th</sup> December 2023.

The issues raised in our management report were as follows:

#### a. Follow-up Issues

##### 1. Indifferences between the bank reconciliation and Trial Balance

Tonga Post operating account (BSP account no. 2000673828) has a variance on trial balance compared to the balance of the reconciliation of TOP 596.74. This variance is due to the figure on credit which has carried forward from the previous years by the record (QuickBooks – Accounting Software) in Tonga Post Ltd. This issue has been resolved.

##### 2. Long Outstanding Unpresented Cheques

There were outstanding unpresented cheques which is over years old. This issue is still outstanding.

##### 3. Un-deposited Fund

The amount of undeposited fund totalled to \$157,969 as of 30<sup>th</sup> of June 2021. TPFPL used the cash sale from the operation of Tonga Post and Printing to operate the MoneyGram service until MoneyGram reimbursements later. TPFPL does not organize daily banking, as this is put it in a safe box at the office in Vaolōloa for a week before they deposit it. The proper record to ensure that the cash sale of Tonga Post and Printing were transferred to MoneyGram without doing a daily deposit to the bank is not available to the audit. This issue is still outstanding.

##### 4. Indifferences between the stock-list and financial statements

The stock list was obtained which was based on the inventory figure on the financial statement. A variance was noted as when compared to the stock-take done by the audit officer on 30<sup>th</sup> June 2021. The variance is due to errors on the record of the inventory quantity. This issue is still outstanding.

##### 5. Contra Accounts

The amounts of Related Party Receivables and Related Party Payables are net-off in the financial statements with Related Party Receivables outstanding balances of \$41,192. This amount was not recorded in the books of Tonga Fast Print as inventory was paid by Tonga Post limited. This issue is still outstanding.

##### 6. Different Depreciation Rates

Audit confirm that the Parent (Tonga Post) and the Subsidiary (Fast Print) has different depreciation rates on the same PPE from the Depreciation Schedule and when stated on the Financial Statement. The Group uses the Diminishing Value Method to their PPE. This issue has been resolved.

7. **Bank Reconciliation**

Bank reconciliation for all bank accounts should be prepared on a monthly basis and should be reviewed by an independent officer from the preparer. The bank reconciliation of the USD BSP bank accounts has not been reconciled on a timely basis and this resulted in gain in exchange rates of TOP\$89,389 that was subsequently picked up and finalized. This issue has been resolved.

8. **Long Outstanding Receivables**

The account of the Tonga Fast Print Limited contains a long outstanding receivable of TOP\$12,405 which has been sitting in the balance sheet for more than a year, as current asset. Management should ensure these long outstanding receivables are reviewed and if appropriate be removed from the financial statements. This issue is still outstanding.

9. **Provision for Doubtful Debts**

Provision for doubtful debt for Tonga Post Limited amounted to TOP\$14,383 which is carried forward provision from the assessment conducted last year. This amount is not based on an analysis of the company's history of debt collection or trend. The total debtors has also increased during the year. This issue is still outstanding.

b. **Current Issue**

1. **Donated Assets**

*Description*

The company records the two vehicles granted under the agreement with UPU to revenue and assets. However, as per accounting requirements for the recognition of grants, donations or assistance in International Accounting Standards (IAS 20), a grant or donation shall be recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate”.

*Recommendations*

1. Management should ensure that donated assets and grant is in accordance with the requirement of accounting standards.

2. **Posting of revenue remain incomplete at year end**

From the review of revenue, it was noted that for terminal dues – operations revenue the revenue for the month of January, 2022 was not yet posted to the general ledger. This amounted to a total of USD \$2,357.68 equivalent to TOP\$5,308.88.

*Recommendations*

2. Management should ensure that every transaction is completely posted to the General Ledger and that a review of all supporting documentations such as receipts and cash books is carried out to ensure that all revenues have been completely posted to the general ledger and the financial statements.

3. **Supporting documentations not properly maintained**

Payment vouchers and other documents were not completely kept and filed. 43 vouchers were selected for testing, 30 of those vouchers were provided and 10 not provided.

*Recommendations*

3. Management to ensure that the supporting documents is properly maintained as set out in the financial procedure.



**4. Overpayments of the Acting CEO salary**

The previous CEO of the company resigned during the year and the Coordination manager, Selu Tapa Kavakava became the Acting CEO of the company from the 16th October 2021 to 13rd March, 2022 (12 pay periods & 12 working days). During this period, she received her salary for her current post (Coordination Manager, \$39,765) and the Acting CEO minimum salary, \$41,600.

***Recommendations***

4. Management is to ensure that the company policy is updated with provision for acting appointment to avoid any future overpayments if circumstance arise. In the meantime, the company can refer to the government policy as reference before the company policy is finalized and implemented.

**5. General Journal**

Based on review of the bank reconciliation an unidentified entry of TOP \$118,920.70 was posted to the bank rec as unpresented cheque as of 30th June 2022. There was no supporting documents to verify nor justify this entry. Journal entries needs to have proper supporting documents to confirm its validity and accuracy and that it is properly approved.

***Recommendations***

5. Management should ensure that there is a review of journal entries by someone other than the one who do the posting.

**6. Long outstanding unpresented cheques**

As per bank reconciliation, there were unpresented cheques that are outstanding for more than a year.

***Recommendations***

6. Management should ensure that these outstanding cheques are reversed to ensure the cash and bank balance is correctly recorded in the company accounting system.

**7. Non-existent cash bank balance**

During the audit, it was noted there were amounts stated in the financial statements as cash on hand which no longer exist in the Company, totalled of \$5,870.76.

***Recommendations***

7. Management should ensure that stricter control is exercised on company cash to ensure that the risk of fraud is eliminated or minimized to an acceptably low level.

**8. MoneyGram – Surrounding controls**

A review of the internal controls around the Money gram cash on hand and the safe revealed there are control deficiencies which could potentially expose the company to the risk of fraud. The cash for MoneyGram is kept in the safe box inside the CEO office. This cash is average from \$20k to \$50k. Every person in the finance division has access to the safe box. The safe box is locked, and the key is in the cabinet beside the safe box. Only the CEO and Coordination manager has the key to the CEO room.

***Recommendations***

8. Management should ensure the internal control around the MoneyGram is strengthened. We noted that the company, under the direction of the CEO, has already put in place a register of the cash going in and out of the safe box.

**9. Unidentified differences between the stocklist and financial statements**

The stock list was obtained which was based on the inventory figure on the financial statement. A variance was noted between the stock list and the closing balance of the stock-take report. The variance is due to errors in the inventory quantity.

***Recommendations***

9. Management should ensure that any variation identified during stock-take is properly justified and that correcting entries be posted to the QuickBooks system.

**10. Long Outstanding Receivables**

The total amounts of Trade Receivables were total to \$4,155,972 as of 30th June 2022, provision for doubtful debt of TOP\$216,738 resulting in net trade receivable of TOP\$3,939,234.

The total amounts of receivables outstanding for more than 90 days, totalled \$3,437,832 (i.e. 83% of total receivables). This is a prior year issue which was raised.

***Recommendations***

10. We recommend enforcing the procedures on debt recovery policies and updated to ensure and that receivables that are in default, proper writing off procedures be exercised.

**11. Capitalizing of income expenditure**

The finance policy of the company also follows closely the requirement of IAS 16: Property, plant and equipment. Based on review of the company fixed asset register and the general ledger it was noted that there were several items of PPE which were capitalized as assets although their value are significantly below the threshold. These amounted to a total of TOP\$5,642.82.

***Recommendations***

11. Management should ensure that they correctly capitalize PPE items in line with the requirements of ISA 16 and the finance policy.

**12. Asset Addition recorded CT inclusive.**

Based on review of the company's PPE it was noted that the value of the PPE items was CT inclusive. The amount of CT inclusive in the PPE value amounted to a total of TOP\$24,815.60.

***Recommendations***

12. Management should ensure that CT is properly split when transactions are recorded and then recorded into CT payable to ensure that the financial statements is free from material misstatements.

**13. Fixed Asset Register not updated.**

An asset register is a detailed list compiled of all the company's assets. It includes details on assets such as location, condition, and owner. The purpose of an asset register is to enable the Company to know the status, procurement date, location, price, depreciation, and the current value of each asset.

Audit noted that the company did not update its fixed asset register as of 30th June 2022. This is a prior year audit issue which is again raised for consideration.

***Recommendations***

13. Management should ensure that the register is properly updated.



#### 14. Extra-territorial Office of Exchange (E.T.O.E.) bank balances and payables

E.T.O.E. payables are amounts due to foreign countries in regard to their global express mail services which are done using the country mail express code. This service is organized by the international mail company, CJAH. Reconciliation are done at year end and CJAH deposit the payable amounts to Tonga Post's bank accounts, in particular the E.T.O.E bank account. Tonga Post will pay the payable amounts to each country postal agency.

##### **Recommendations**

14. Management to ensure that the balance of the E.T.O.E. bank account is monitored properly to ensure sufficient fund to pay country's outstanding amount when required.

### 5.3.7 Tonga Gas Limited 2022-23

The audit of the Tonga Gas Limited for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 1<sup>st</sup> February 2024.

The issues raised in our management report were as follows:

#### a. Follow up Issues

##### 1. There is a risk that the receivables recorded by Tonga Gas may not be recoverable

We note that currently Tonga Gas Limited is making repayments on behalf of Tonga Power Limited for the borrowings that Tonga Power obtained from ANZ to acquire Tonga Gas and Home Gas Limited. Each month Tonga Gas records a receivable from Tonga Power for the repayments it makes. As at 30 June 2020, receivable from Tonga Power amounts to \$2.2m We note that currently there is no repayment plan in place between the parties. There is a risk that the receivable recorded by Tonga Gas may not be recoverable.

##### 2. Director's other expenses – This issue is still outstanding.

Tonga Gas Ltd bought a new mobile Samsung Galaxy S21 + 256GB Dual Sim card \$3,335.00 to one member of the Board of Directors on the 6th September 2021. As per remuneration package of the Directors, they entitled to a director's fees, Meeting fees and Gratuity. Every Directors were not entitled to the mobile phone.

This expenditure was approved by the Board of Directors in Tonga Power Limited Board Meeting Minutes during the financial period. The CEO approved the purchase order and authorized the payment voucher on the 27th September 2021.

##### 3. No formal arrangement between the Kosilio Faka-Kolo Kolomotu'a & Description

Kosilio Faka-Kolo Kolomotu'a was prepaid to the Tonga Gas Limited an amount of \$10,324.63 during the lock down. The purpose of the payments was to gather for the LPG needs of the Kolomotu'a's society during the lock-down. However, the Kosilio Faka-Kolo of Kolomotu'a was not enter to a mutual arrangement on how and when to distribute the LPG to its constituency society.

#### b. Current Issues

##### 1. Lack of Revenue Reconciliation to the Cybil software daily reports

During the audit, revenue reconciliation was not performed by the Company throughout the year on a daily basis. However, the outcome of the analytical review, marks a variance of \$38,651.92 (0.42% of LPG sales) due to the lack of reconciliation of LPG sales.

##### **Recommendations**

1. We recommend for the revenue reconciliation is to be done daily, reconcile the Cybill Report (daily) and Sales (Credit Sales, Transfer, and Cash Sales). If there any variances, must be fully documented and address it on a daily basis.

## 2. Treating capital expenditure as a revenue expenditure

There was one payment voucher from the Office Expenses totalled \$1,269.57 (HP 27INCH MONITOR IPS G4 \$1,269.57) were classified as an expenditure instead of capitalize as an asset.

### *Recommendations*

2. We recommend to make the adjustment shown below to the financial statements:

Dr	Office Equipment	1,269.57	
	Cr	Office Expenses	1,269.57
<i>(to account for the capital expenditure which was treated by the entity as an expense)</i>			

## 3. Long unrepresented cheques

We confirmed the bank reconciliation statements at year end and the long outstanding unrepresented cheques that are greater than 1 year.

### *Recommendations*

1. We recommend to adjust the long outstanding unrepresented cheques.

## 2. Long deposited not yet credited

The bank reconciliation shown a long deposited not yet credited for a several months and a year.

### *Recommendations*

4. We recommend to adjust the long deposited not yet credited.

## 3. Delaying of the monthly bank reconciliation

The trial balance for the second draft financial statements shown the un-deposited fund of 5million was due to the delaying of the monthly bank reconciliation throughout the financial year. Resulted of postponing the finalization of the financial statements for the year ended 30 June 2023.

### *Recommendations*

5. For the management to develop a simple automated bank reconciliation tool to match those records that are correct, thus allowing the clerk to focus on reviewing the data records which are in error.

## 4. Obsolete Stock

Audit confirmed no inventory were obsolete on the financial year through the G/L however from the stock taking on 30 June 2023 there were damaged goods listed below:

8 damage water heater 20L	\$ 5,528.00
46 damage water heater 8L	\$ 5,198.00
55 13kg LPG cylinder	\$ 7,260.00
	<u>\$ 17,986.00</u>

### *Recommendations*

6. For the management to consider the appropriate action of recovery or write-off the obsolete stock from the financial statements.

## 5. Differences between the stock count sheet and the financial statements

This previous issue is still outstanding on this financial year. Below are the variance between the stock count and financial statement figures

Item	Stock List	G/L	Financial Statement	Variance
LPG Inventory	267,554.58		347,320.00	(79,765.42)
Appliance Inventory	150,231.74		128,098.00	22,133.74
Total	417,786.32	\$ 475,418.00	475,418.00	57,631.68

### *Recommendations*

7. For the management to ensure that reconcile the general ledger to the stock count sheet as at 30th June every year.



6. **Capitalization of expenditure**

During the period, TGL ordered a Gear Box for the delivery vehicle, J8864, at Touliki Terminal. The custom fee for the Gear Box was capitalized by TGL as an asset rather than expenditure as repair & maintenance, totaled to \$2,412.90.

***Recommendations***

8. We recommend to make the adjustment to the financial statements accordingly.

7. **Land Assets**

During the year, TGL make an additional land lease at Alakifonua and Lakepa. The valuation of the land leases was total to \$404,800 and TGL records these amounts as land in the financial statements as well as the FAR. However, this was not in line with the IFRS 16, "Leases".

***Recommendations***

9. We recommend to reverse the original journal entries were posted by TGL.

8. **Recalculation of Right of Use Assets & Lease Liabilities**

After the recalculation of Right of Use Assets and Lease Liabilities, we come up with the variance between audit figures and the financial statements figures.

***Recommendations***

10. We recommend to make the adjustments to the financial statements accordingly.

### 5.3.8 **Tonga Power Limited 2022-23**

The audit of the Tonga Power Limited (TPL) for the financial year ended 30<sup>th</sup> June 2023 was completed and we issued an unmodified audit opinion on 28<sup>th</sup> February 2024.

The issues raised in our management report were as follows:

a. **Follow up Issues**

1. **Non-regulated revenue: Internal controls in place over billing system**

TPL is currently on the way to fully installed smart meter in Tongatapu which will allow the billing to be read automatically by the system. At the moment, TPL reach an 80% of their customers are read automatically using smart meter and only 20% are read manually included outer islands. However, the total adjustments made to the billing system during the financial period was total to \$650,102. This adjustment has been made due to:

- Variances occurred on meter reader; and
- Indifferences between the master meter and the sub-meter especially in the large building which is rent it out.

The current practice used by TPL for every adjustments occurred must adjusted to the current month of billing system. On the other hand, every adjustment in prior periods must adjusted to the current period.

This issue is still outstanding.

2. **Tax on other benefits of executive staff**

Audits confirm that the tax on other benefits of executive staff was paid by TPL but it is the responsibility of the executive staff to pay their own taxes on other benefits. We do not have any approval document to express that the TPL are responsible to pay these taxes. This issue is still outstanding.

**3. Tax on retirement fund allowance**

In January 2021, majority of the TPL staff fully claimed their retirement fund up to the 30th June 2020, as per "Audit Finding Report on TPL Retirement Fund, dated 20th April 2021", before they move to National Retirement Fund Board (NRFB) in February 2021. Therefore, TPL staff are responsible to pay PAYE on employer's contribution as audit has confirmed that they do not pay this tax. This issue is still outstanding.

Description	Employer contribution (7.5%)
Tonga Power Ltd	1,244,155.63
NNUP (Project)	39,036.46
Tonga Gas & Home Gas Ltd	67,474.64
<b>TOTAL</b>	<b>\$ 1,350,626.73</b>

**4. No records of proper approval for the rates charged on bonding**

We request for the approval of rates charged for the bonding, but the General Finance Manager – Sitiveni 'Esau said there is no proper rates approved but it was depending on the calculation made by Design and Planning team after inspected the new houses. Mr 'Esau said the current boards approved to discontinue the bonding. This issue is still outstanding.

**5. Not complied with the Bonding Policy (no trust account/separate account)**

We discussed with the Finance Manager, whether the customer bonding has a separate account, and she said it was deposit to the Operation account. We noted the TPL not comply with Bonding policy, Section 2, (a), "Until it has to be applied to cover costs incurred by or revenue not received by Tonga Power, the bond remains customer's own money and must be held in a trust or separate bank account until the end of the customer contract or until returned in accordance with this policy, (b) The bond cannot be used by any party or person unless by written agreement or by a court order". This issue is still outstanding.

**6. Finance having system admin access to the billing system**

We note that the Financial Accountant has super user access to the Orion billing system. The user can perform addition, deletion and modification of transactions and no review controls are present to mitigate the open access provided.

This could result in unauthorized changes being made in the billing system which may impact revenue recognized in profit or loss. This issue is still outstanding.

**7. Policies and procedures manual to be updated.**

We note that the current policies and procedures manual relating to the finance function are outdated and are not reviewed and have not been updated for a number of years. We also noted that the policies and procedures manual in place do not cover all areas of the financial management function.

The absence of an up to date effective and formal policy and procedures manual could result in inconsistency in work practices. This may also result in an increased risk of errors and irregularities. There is also the risk that the current financial policies and procedures do not incorporate key financial procedures. This issue is still outstanding.

**8. Controls over the billing process**

Based on our review of the sales process we note that stringent controls currently do not exist to address the following potential issues:

- Invoice is incorrect either for price or quantity of power;
- Meter is not calibrated correctly; and
- Meter is read incorrectly.

This may result in incorrect billings being made. This issue is still outstanding.



**9. Formal disaster recovery and/or business continuity plan**

A Business Impact Analysis (BIA) has not been performed by the Company to determine how critical the various IT systems and applications are and how long the business could operate without each application. Also, the effects on the business of a loss of any key facilities has not been formally assessed.

There also appear to be no formal continuity planning in either the business or IT areas. Without the performance of a BIA across the Company, the impact of a loss of key elements of the Company's operations may not be fully known. In the absence of full knowledge of these impacts, adequate continuity planning cannot be achieved.

The risk to the organisation following the occurrence of a disaster may be great, however these risks have presently not been assessed and consequently covered. This issue is still outstanding.

**10. Impairment assessment of non-financial assets**

Based on our review, we note that the Company does not carry out assessments for impairment of non-financial assets (property, plant and equipment, intangible assets, goodwill on consolidation and investment in subsidiaries).

*LAS 36* Impairment of Assets identifies two types of impairment testing:

- Mandatory annual impairment testing (CGUs allocated goodwill and indefinite life intangibles)
- Indicator based impairment testing (other non-financial assets).

We note that there was no documented assessment of impairment. Based on the requirements of International Financial Reporting Standards (IFRSs) and the accounting policy of the Company non-financial assets should be assessed for impairment. This issue is still outstanding

**11. Lack of review of an asset's useful life subsequent to capitalisation**

We note that there is no documentary evidence of review of the assessment of useful life of software and plant and equipment subsequent to capitalisation. There has been significant changes and upgrades to plant and equipment each year that could also impact on the useful lives. This issue is still outstanding.

**12. Revaluations not conducted on a timely basis**

From our review of the fixed assets register we note that land and buildings which is recognised under the revaluation model was last revalued in April 2014 after which no assessments on revaluations have been made. This issue is still outstanding.

**13. Physical fixed assets verification**

We note that the nature of some item is such that they cannot be distinguished and therefore cannot be identified and counted. However, due to the nature of plant and equipment, the geographical reach of the Company's plant and equipment and the recent ongoing upgrades to the Company's network assets, a full physical fixed assets verification must be performed. This issue is still outstanding

**14. Lack of evidence of review of journal entries**

We note that there is no evidence of review of manual journal entries via sign-offs. Hence, we couldn't substantiate whether manual journal entries are being reviewed before posting in the system. This issue is still outstanding.

**15. Repairs and Maintenance**

We note that repairs and maintenance expense was high in the current year relative to prior years. Based on our discussions with management, we note that this is partially attributable to postponing of needed maintenance in the past. This issue is still outstanding.

**16. Compliance with debt covenants to be monitored on a regular basis**

We note that the Company does not monitor its compliance with debt covenants. The Company currently has loans with ANZ which has several debts covenants which need to be adhered to. This issue is still outstanding.

**17. Depreciation policy**

Tonga Power Limited's depreciation policy provides a large range of depreciation rates for different classes of property plant and equipment. This issue is still outstanding;

**b. Current Issues**

**1. Electricity loss during the financial period**

***Description***

During the financial year 2022/23, there was an electricity loss as summary below:

Parasitic loss (kWh)	3,286,751
Line loss (kWh)	<u>5,382,986</u>
Total loss	<u>8,669,737</u>

Parasitic loss was the loss between the power units produced by each generator and the power units send out from to the distribution lines. The line loss was the differences between the power units send out from each generator to the distribution line and the power units read by billing system.

In average, the total value of electricity loss was total to \$9,323,435 or 12% of total regulated revenue.

***Recommendations***

1. For the management to ensure that implementing any more efficient high-voltage transmission lines to reduce the electricity loss in the coming future.

**2. Lack of Monthly Revenue Reconciliation to the total billed throughout the period**

Since there was no linkage of billing system to the accounting system, the finance division input manually on a monthly basis from the billing system to the accounting system. During the year, Tonga Power Limited billed customers of Tongatapu and Outer Islands for 72,411,817 kWh. We expect that the total revenue must agree to the total billed kWh, times the quarterly tariff. However, we end up the variance of \$254,335 as a result from lacking of monthly revenue reconciliation to the total billed.

***Recommendations***

2. The management should ensure that monthly revenue reconciliations are complete before posting to the financial statements.

**3. Incomplete financial records – Expenditure source documentation**

The general ledger (G/L) reflects purchases of electricity from four solar farms: Pacific Green Energy (Matatua), Government of Tonga - Tonga Police, Solar Island Technology (Matafonua), and Sunergise NZ (Liukava Solar Masilamea). These purchases are recorded on a monthly basis using KWH units.

We experienced a significant increase of \$1 million in renewable energy costs compared to the previous financial year. To facilitate the audit process, we have provided the following documentation for verification:

- Detailed breakdown of renewable energy expenses
- Supporting documents for each expense, including:
  - ✓ Contracts with Pacific Green Energy, Government of Tonga, and Sunergise NZ
  - ✓ Sample vouchers for each purchase.



This information allows to verify the total cost and the cost per KWH as stipulated in the contracts.

**Recommendations**

3. That management should follow the existed financial procedures for the expenditures and recommend to the Board of Directors to update the Financial Policy of the Company.

**4. Overspent and underspent of Company's Annual Budget 2022/23**

Concerns for the overspent (>100%) and underspent (30%) of expenses comparing to the budget.

**Recommendations**

4. That management should keep track on the expenses and to limit their overspending.

**5. Declining Cash Flow**

We note that cash flows of the Company has continued to decline in the current year. This is even with the limited capital expenditure that the Company has had during the financial year. As shown on the table above, the net cash as of 30th June 2023 was total to, \$4,106,738 as bank overdraft (compared to bank overdraft \$654,027 in 2022).

Compared to prior year, we note that the decline is primarily due to the following:

- The decline has been partly offset by receipts from customer and payments to the supplier as fuel cost during the period (\$772,605 payments over receipts from customer);
- No proceed from borrowings, \$892,080 on this financial year; and
- Increase dividend outflow by \$504,587.

**Recommendations**

5. We recommend that management should reconsider the financing facilities available to the Company and the Company's capital expenditure strategies in order to maximize the ensuing benefits and in order to ensure that the renewal energy targets are met.

**6. Bank overdraft exceeded board-approved limit.**

As of June 30, 2023, the company's bank balances showed an overdraft of \$5,141,403, exceeding the approved limit. According to the board meeting minutes of December 20, 2022, the Board of Directors authorized an increase in the ANZ Bank overdraft limit to \$5 million until June 2023.

This represents an overdraft of \$141,403 above the approved limit.

**Recommendations**

6. For the management to minimize any additional bank fees, by closely monitor the overdraft limit to prevent exceeding it.

**7. Negative Balance on Trade Receivables Aging Report**

The company relies on two separate and unconnected systems for managing its finances: Orion System for billing and accounts receivable, and TechOne for financial reporting. This lack of integration between the systems has resulted in negative balances appearing on the Aging Report, \$5,413,448.

**Recommendations**

7. To ensure accurate financial reporting and avoid potential understatements, management should implement a monthly reconciliation process between the Orion and TechOne systems. This reconciliation should verify that all debtor payments recorded in Orion are matched to their corresponding invoices in TechOne.

8. **Unaccounted for WIP's general ledger in the financial statements**

The audit identified discrepancies in the mapping of the trial balance to the financial statements. Specifically, general ledger (GL) codes totalling \$1,634,657.07 were present in the trial balance and general ledgers but not reflected in the financial statements.

***Recommendations***

8. We recommend for the management to update the FAR and financial statements as of 30th June 2023.

9. **Related party payables**

TPL took a long-term loan on 2013 of TOP\$600,000 for the acquisition of Home Gas Limited. In 2015, TPL took an additional loan of TOP\$3,200,000 for the acquisition of Tonga Gas Limited (TGL). TGL are currently making repayments on behalf of TPL the amount of \$30,077.70 per month. During the financial year 2022/23, TGL paid TOP\$360,932.40 and records as receivable from TPL. TPL record it as related party payables to TGL.

As at 30 June 2023, payable to Tonga Gas Limited amounted TOP\$2,814,137 (2021/22, TOP\$3,175,069). This issued was raised in the past two year's audit. Up to this year's audit, there has not been any formal arrangement in writing if this amount would be reimbursed back to Tonga Gas Limited as per name of the account, "Related Party Payables". Thus, we go further on this matter, and we would like to highlight it once again the uncertainty that the payable may not be paid due to no formal arrangement in writing approved by the Board of Directors. This issue is part of the audit opinion as mention in the "Emphasis of matter paragraph" on the previous year audit reports.

***Recommendations***

9. We recommend that the Board of Directors for TPL and TGL enter into a mutual arrangement between the parties on how the related party transactions will be settled.

### 5.8.9 Friendly Island Shipping Agency (FISA) 2020-21

The audit of the FISA financial statements for the financial year ended 30<sup>th</sup> June 2021 was completed and we issued an unmodified audit opinion on 29<sup>th</sup> August 2023.

The issues raised in our management report were as follows:

a. **Follow-up Issues**

1. **Insurance of Vessels**

The insurance policies were not made available to the audit team thus, we could not be able to confirm the validity, completeness and ownership of insurance expense of \$499,774 as the full insurance premium for the year, given the decrease mentioned above. We also noted the insurance prepayment of \$100,040 disclosed in the financial statements. This issue is still outstanding.

2. **Debt Recovery Policy**

Under the Financial Policy of the Agency, the Credit Policy, says, "This policy is to have procedures to ensure that customers do not get too far in debt without a payment plan being put into place or service being withheld".

There is no written procedures or any appropriate recovery actions evidenced from the Agency's records.6. This issue is still outstanding.



3. **Separate report on the financial performance of each vessel**

The accounting of revenue and expenditure of all vessels; MV 'Otuanga'ofa, MV Tongiaki, and MV Niuvakai, are all put and grouped together in the accounting systems and financial records. As evident from the financial statements, the operational details of each vessel with individual financial performance for the financial year could not be obtained. This issue is still outstanding.

4. **Bareboat Charter Agreement**

That the Ministry of PE be acted upon the Decision No. 5 of the CD 336 of 15th March, 2019 to formula and signed a Bareboat Charter Agreement between the Government of Tonga and the Agency urgently. This issue is still outstanding.

5. **General Journals**

During the audit period, the management provides the General Journals Entries to clear long outstanding receivables and reversed all of the negative balances on Account Receivable's Aging Report. However, the process of general journal entries is not properly documented. This includes the preparation and documentation, processing and approval/review of the journal entries. This issue is still outstanding.

6. **Going Concern Issues**

The ability of the Agency to meet its current financial obligations is very much subject to the Government's and consideration of assistance to the Agency in the coming financial years.

The obligations of the Agency, mainly the long-term loan repayments and building up of financial reserves for the coming replacement of MV 'Otuanga'ofa indicated by the existing bareboat charter payables, and its current daily operations are mostly covered by the MV. 'Otuanga'ofa.

b. **Current Issue**

1. **Double Posting of Receipts # RT02315**

The receipt number RT02315 has been double posted to the general ledger in different figures.

***Recommendations***

1. Recommend to reverse the receipt number RT02315 which was not agreed to the original copy of the Receipt.

2. **Wrong Posting of the amounts for a receipt number RT04528**

Receipts #RT04528 was wrong posted to the revenue, overstated by \$42,978. The correct amounts as per receipts, was only \$494 but posted the amount of \$43,472 to the general ledger.

***Recommendations***

2. Recommend to make the adjustment to the Financial Statement.

3. **Incorrect posting to the General Ledger**

We have identified that the Miscellaneous Income was increased by \$1,006,866 from previous year. We did review the G/L and found out the wrong posting of Cargo and Ticket Sales to the Miscellaneous Income.

***Recommendations***

3. Audit recommend to adjust the Miscellaneous Income in the financial statements.

4. **Incomplete Financial Records**

Some of the payment vouchers and its supporting documents were not completely kept and filed by the Agency include;

- Some General Journals had no General Journal Vouchers
- Approval of the General Journals

<b>Recommendations</b>
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- |   |
|---|
| 4. Audit recommend that management should follow the existed financial procedures for the expenditures especially for the General Journals. |
|---|

5. **No Bank Reconciliation**

There were no bank reconciliations for the 3 different bank accounts of the Friendly Islands Shipping Agency (MBF Contingency Account, USD Account ANZ, and Vessel Replacement Account BSP).

<b>Recommendations</b>
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|---|
| 5. Audit recommend that the Accounts Supervisor is to ensure that the bank reconciliations of all bank accounts of the Agency are to be performed on a monthly basis. |
|---|

6. **Long Unpresented Cheque**

We confirmed the bank reconciliation statements at year end and the long outstanding unpresented cheques that are greater than one year.

<b>Recommendations</b>
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| 6. Audit recommend to adjust the financial statements with the amount of long unpresented cheques to an amount of \$34,430.96. |
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7. **Inconsistent applied of Depreciation Rate on MV Tongiaki Vessel**

The depreciation methods as per depreciation policy in the notes to the financial statements, Note 12, stated as 12.5% pa, straight line methods. The details of the inconsistencies of this policy with the MV Tongiaki's depreciation in the financial statements, 5%, straight line methods.

<b>Recommendations</b>
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- |   |
|---|
| 7. Audit recommends for the management to ensure that the depreciation for the vessels are completely and fairly stated in the coming financial year. |
| 8. Audit also recommends to adjust the financial statements to the accounting policy, 12.5%, straight line methods.                                   |

#### 5.8.10 Lulutai Airlines Limited 2020-21

The audit of the Lulutai Airlines Limited for the financial year ended 30<sup>th</sup> June 2021 was completed and we issued an unmodified audit opinion on 1<sup>st</sup> August 2023.

The issues raised in our management report were as follows:

1. **Impairment Assessment of Airport Inventory**

The company have not done any impairment assessment of its inventory at the 30th June 2021. Airport inventory consist of the following

- shelf life
- consumables
- spare parts.

*The International Accounting Standards (IAS) 2* requires the reporting entity to assess and realize if appropriate an allowance for obsolete / expired inventory at year end.

<b>Recommendations</b>
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- |  |
|--|
| 1. Management should ensure that an impairment assessment is carried out on around year end. At or around June 30 <sup>th</sup> , management needs to inspect shelf-life inventory whether they have passed their expiration date. Any expired / impaired items are properly identified, and appropriate allowance is realized in the inventory ledger and the financial statements. |
|--|



2. **Fair Value of Land and Building**

At the inception of the company, the government donated land and building as contributed capital to the company amounted to TOP\$3.5 million. There were no documentation to verify the valuation of TOP\$3.5 million since the cost of land and building were acquired by the government from the Tonga Power Limited (TPL) for TOP\$2.5million. This indicate that the fair value of the land and building has been assessed and had appreciated by an amount of TOP\$1 million. However, we were not provided with any valuation report when the asset was transferred to the company, during 2020.

***Recommendations***

2. The company should ensure that valuation documentation for the land and building is obtained and kept on file for future reference and audit purpose.

3. **Variation between general ledger and flown report**

Monthly posting to the general ledger did not agree with the monthly flown report prepared by the revenue assurance (RA) team.

Based on matching done, monthly posting of passenger revenue to Quick-books did not match the monthly report from RA. According to accounts, the posting to Quick-books was done before RA finalized the flight and flown report.

***Recommendations***

3. RA and the Accounts teams needs to carry out a monthly reconciliation of both their record to ensure that flight revenues are accurate and complete at all times. This reconciliation to be conducted once the flight report has been finalized and closed off in the system.

4. **Shortage and surplus of cash paid-in**

There were several instances of shortages and surpluses between amount of cash paid in to the bank, when it was matched against the total amount of cash collected from each counter. This was raised with management who confirmed each respective cashiers were asked to pay back the shortage amounts in the pay-in on the day.

***Recommendations***

4. The company should ensure that independent checking of pay-in is carried out more robustly. Explanation for shortage should be documented and kept on file. A warning or reprimand letter should be issued to the responsible cashier upon discovery of shortage.

5. **Accounting for lease (Saab 340B+)**

The company signed an agreement with the "Montrose Asia Pacific" on 31st July 2020, to lease the aircraft, Saab 340B+ together with two engines and two propellers. The lease was for three years and after which the two parties will renegotiate for the renewal of the lease.

In accordance with the new IFRS 16, a company must bring any leased assets into its balance sheet and there is no distinction between finance and operating lease as all lease are treated as finance lease. Accordingly, the company has to account for the leased SAAB 340B+ by realizing a (1) Right of use assets and (2) lease liability in its balance sheet, and by determining the net present value of future lease payments to ensure compliance with IFRS 16.

***Recommendations***

5. Right of use assets and lease liabilities has been disclosed in the financial statements. Accounts section need to ensure that these balances are updated on an annual basis to reflect the correct value of the lease in the balance sheet.

6. **Filing of Income tax return**

The company needs to commence preparing and filing its income tax returns to prevent any further financial implications.

7. **Accounting for Income and Deferred Tax**

We reviewed the income tax calculation and noted that the company has not accurately prepared and disclosed the following:

- current income tax
- deferred tax
- movement in temporary differences.

<b><i>Recommendations</i></b>
6. Accounts should ensure that income tax are accurately calculated in accordance with the requirements of IAS 12: Income tax and the relevant provision of the Income Tax Act.

8. **Emerging Issues/Risks**

- ✓ The company has completed its proposal for a loan from the Retirement Fund Board (RFB) in July 2023 to fund the acquisition of a new aircraft. As of the date of this report the loan has been approved and the acquisition of the new aircraft has been completed. Financial due diligence needs to be carefully conducted to ensure it is beneficial and result in improved profitability for the company.
- ✓ Aircraft maintenance continue to be one of the significant cost borne by the company. Maintenance will require aircraft to halt operation for a while causing downtime in operation. Management needs to ensure that maintenance are carefully and strategically planned to have minimal impact on company's cashflows and profitability.

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