



# **Financial and Compliance Audits**

**2018 - 2019**

Nuku'alofa

June, 2020



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*Our Reference:* LC1052/398/20

*Your Reference:*

*Date:* 29<sup>th</sup> June, 2020

Dear Lord Speaker

I have the honour to submit to Your Lordship our special report, “Financial and Compliance Audits 2018-2019”, 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 TOAG carried out during the year 2018-2019.

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, July 2018 to June 2019. This information is usually part of the TOAG's Annual Reports, Section 2 "Reports of Each Division". However, since 2016-17, we started issuing of this special report, Financial and Compliance Audits 2016-17, and this is our third report, Financial and Compliance Audits 2018-19.

As in our previous years report, may I firstly and briefly introduce the nature of financial audit and compliance audit for update of information:

**Financial Audit:** is our independent and objective examination of the Government's, and Public Enterprises', financial statements 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 public enterprises which appointed the Auditor General as their external auditor. For those public enterprises which appointed 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, 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 being audited. 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 carried out 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 all development projects we carried out 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 as a result.

## **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) 2018-19

### 2.1 Summary

Our audit conclusion was a qualified audit opinion on the Government Financial Statements (Public Accounts) 2018–19, and it was the same with prior years’ audit conclusions. The basis of the qualification is the modification of the cash accounting basis in order to bring forth the fair valuations of Government assets and liabilities as of the balance date, 30<sup>th</sup> June, 2019. This modification process has been carried out for several years with very minimal indication of moving forward towards full accrual accounting basis.

We raised forty-five, (45), issues and reported to the CEO for Finance from the audit of the Public Accounts 2018–19, including the follow-ups from previous financial years’ audits. We also issued with the appropriate recommendations for the Ministry’s consideration and appropriate actions. And the responses of the Ministry to the audit issues and recommendations are also herewith included.

### 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 the Tonga Government. The financial results presented in the Public Accounts inclusive of all results of Government Ministries, Departments, and Agencies whose allocation of public funds were approved in the Government budget for the financial year.

### 2.3 Audit Findings and Recommendations

#### 1. Audit Opinion

The audit of the Government financial statements for the year ended 30<sup>th</sup> June, 2019 was completed and the Auditor General’s audit opinion was issued on 2<sup>nd</sup> March, 2020. The Auditor General issued a qualified audit opinion for the Government Financial Statements (Public Accounts) 2018-19.

The basis for the qualifications of the audit opinion was, again, based on the modification of the applicable reporting framework – the *International Public Sector Accounting Standards, IPSAS, Cash Basis of Accounting (OR Accrual Basis of Accounting)*, and this audit conclusion has been consistently raised and issued for several years now.

We also reaffirmed that the *Financial Administration (Public Accounts) Regulation* stated that the “Statement of Assets and Liabilities” of Government be included as an integral statement of the annual Government financial statements. Thus, the fair values of assets and liabilities of Government as of the balance day be accurately and reliably measured, recorded, and reported in the Government financial statements of each financial year.

This is the basis of the Auditor General’s continued support for the continuance of the progresses towards complete recording and reporting of all Government assets and liabilities as of the balance date at the end of each financial year.

We all appreciate that this is not a task for the MoF alone but all *MDAs* are to join in as obligatory parts of this process – all the accounts divisions of all line Ministries, (subject to Government annual budget) – other Government agencies and Public Enterprises. Obviously, the Ministry is leading and coordinating this huge task, but is to ensure the joining in of, and strong linkages with, all *MDAs*.

## Statement of Receipts and Payments:

### 2. Financial result for the financial year

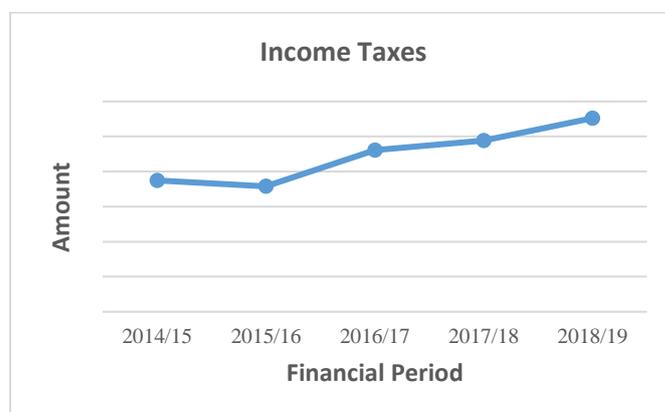
Total operating surplus for the year was TOP\$16,837,666 (2017/18: TOP\$15,013,189) an increase from 2017/18 of TOP\$1,824,477 (12%). The increase is attributed to the increase in budget support. The total operating receipts of the government was TOP\$323,469,715 (2017/18: TOP \$296,309,691). An increase from 2017/18 of TOP\$27,160,024 (9%). The increase in operating receipts is the result of an increase from inflows of government revenue sources; income taxes, trade taxes and domestic fees and licensing. However, the most significant increase in receipts was from the budget support, an increase by TOP\$20,538,012 (142%) from 2017/18. The budget support increase included funding assistance to the cyclone Gita.

There was no significant movements in operating payments for the year.

### 3. Operating Receipts – Significant Changes of Trends.

#### i. Income Tax

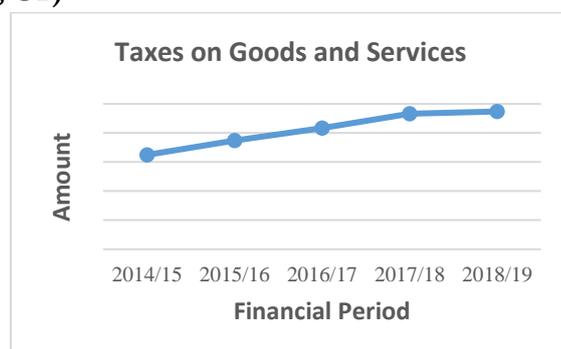
The average increase of income tax revenue per annum in the four years, 2014/15 to 2017/18 was \$3,804,448. However in 2018/19, income tax revenue was increased by \$6,387,219.



The increase in the current year was due to increased corporate tax from large businesses such as Virgin Australia Airline, Air New Zealand, Bank South Pacific, Nishi Trading, to name a few. Also the PAYE from non-government sector businesses was increased in 2018/19. Overall, this was a positive indicator for the economy overall.

#### ii. Tax on Goods & Services, (Consumption Tax, CT)

The average increase of consumption tax, CT, revenue per annum in the four years, 2014/15 to 2017/18, was \$9,404,179. However in 2018/19, CT revenue was increased only by \$1,614,962.



The slower rate of increase of CT for 2018/19 indicated that either the level of consumption was at a lower level in 2018/19 or, this resulted from increased level of CT exemption during the year.

iii. **Excise Tax:**

The average increase of excise tax revenue per annum in the four years, 2014/15 to 2017/18, was \$9,383,555. However in 2018/19, excise tax revenue was dropped by (\$4,190,971) from 2017/18.



The decrease in excise tax in 2018/19 was explained as from decreased volume of cigarette imported for the year.

Overall, the justifications for the changes of trends of the above three main sources of government revenue were not clearly stated and documented. It is obvious from the above the direct correlation of the CT with Excise Tax, which inconsistent with 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.

We also recommend that the Treasury Division is to ensure that monthly reconciliation of revenue with line Ministries be completely and effectively carried out. This will ensure that all revenue collection agencies and the Ministry maintain reconciled and consistent government revenue records and figures at all times. It also assist with the crucial tasks of clearing the outstanding credits in the monthly bank reconciliation statements.

**Ministry's Response:**

*"Recommendations are duly noted. Ministry of Finance duly agreed of the need to appropriately document and quantify all revenue policy changes to enable the analysis and explanation of significant changes on overall revenue collections. With monthly revenue reconciliation, Treasury Division is continuously carrying out this very critical task and working closely with large collection ministries, especially MoRC and banks, on ways to improve and timely address and record all revenue collections of government."*

**4. Reversed Transactions – Both Receipts and Payments**

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.

The Ministry's response to this issue in the previous year was; *"the Ministry will:*

- (i) Emphasize this area in Sun System training within the Ministry and related MDAs; and*
- (ii) Strengthen and enforce timely checking and reconciliation of all revenue and payments posting."*

We hereby repeat the audit recommendation once again for the issue is not improved to the level expected in the current financial year.

***Recommendation (Repeat):***

That general journal entries for adjustment into the Sun System should be independently checked by the internal audit division on a regular basis to reduce risks of errors in posting transactions.

***Ministry's Response:***

*Duly noted the audit findings and recommendations. We also note that there is a significant reduction in the number of reversals (transactions) reported, from the last Public Accounts audit, ... . Agreed with engaging the Internal Audit Division to independently check the system to minimize risk and errors in posting transactions, also continuous regular training of Line Ministries, (MDAs), as turnover of sun system users is very high."*

**5. Development Fund Balance**

The figure in the financial statements amounted to TOP\$38,337,459 while the Note 8 balance amounted to TOP\$38,334,930, which has been corrected in the signed financial statements.

***Recommendation:***

It is recommended that the financial statements needs to be properly reconciled to ensure all figures agreed before it is submitted to audit.

***Ministry's Response:***

*Noted and agreed with the recommendation provided.*

**6. Budget Supports**

The Budget Support funds related to previous financial year 2017/2018 amounted to \$4,578,755 from the EU. However, the fund was actually received during the 2018/19 therefore it was recorded as an income of 2018/19 although it was for 2017/18.

We noted it is normal for the EU fund to be received after the financial year to which it related to, however at the time of preparing the financial statements, this amount should be included in the financial statements.

***Recommendation:***

It is recommended that management should ensure that all budget supports related to the financial year are disclosed in the financial statements including supports not yet received.

***Ministry's Response:***

*Duly noted the recommendation for further actions in the upcoming financial year, noting that the reasons for the delays in receiving the budget supports were beyond the government's control.*

## Statement of Comparison of Budget vs Actuals:

### 7. Account for In-Kind contributions:

The final revised budget in the statement include the in-kind figures in addition to the re-current budget figures. However, the actual figures represents 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.

***Recommendation:***

That the Ministry can either disclose a more detailed explanations of the variance between budget vs actuals in the notes to the financial statements or exclude the in-kind from the statements to ensure budget and actual are consistently reported.

***Ministry's Response:***

*The MOF duly noted the audit comments. In this Statement the in-kind figures are excluded, for the very reason that they are not accounted yet in the sun-system, the budget figures and actuals do represent both recurrent and developments. MOF agreed and noted the need to report also the government in-kind budget and actuals. There is continuous effort to ensure these reports are fully disclosed in the financial statements.*

## Statement of Changes in Fund Balance:

The statement explains the changes in total Fund Balance which is consistent with the Statement of Assets and Liabilities. We reviewed the two significant accounts in the statement which were:

- i. Prior Year Adjustments; and
- ii. Effect of Accounting for Assets and Liabilities

### 8. Prior Year Adjustments:

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.

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.

***Ministry's Response:***

*Issues are well noted, and will look into the next Chart of Accounts, Co.A, to ensure all transactions have an appropriate code in the system, instead of treating most as "prior year adjustments". MOF will also review regularly all transactions to ensure they are recorded accurately.*

### 9. Effect of Accounting for Assets and Liabilities

We reviewed the account balance and noted there are still a number of transactions that is still being incorrectly posted to the effect of accounting for assets and liabilities account balance. These has been correctly reversed and transferred to their correct accounts. These involved;

- Issuing of new shares by the government
- Drawdown of external debt
- Additional transfer value

The final breakdown of the account balance after all adjustments has been corrected are set out below:  
Total final balance amounted to TOP \$84,024,816.00 CR.

**Table 2.** Balance of effect of accounting for assets and liabilities

	2016/17	2017/18	2018/19
Closing balance from 2016/17	74,614,077.00		
Exchange difference on receivable		1,416,629.00	1,381,782.00
Exchange difference on investment		318,226.00	318,226.00
Exchange difference on public debt		-86,140,382.00	-85,724,824.00
Closing balance		<b>-84,405,527.00</b>	<b>-84,024,816.00</b>

**Recommendation:**

To ensure that all entries are posted to their correct account balance instead of posting to the Effect of accounting for assets and liabilities. As agreed with audit, only entries relating to exchange differences are to be posted to this account balance.

**Ministry's Response:**

MOF duly noted the on-going reconciliation regarding this balance and fully agreed with the audit recommendations on future treatment of this account.

## Statement of Assets and Liabilities

### 10. Cash at bank and on hand

We confirmed the balance of Cash on Hand at 30 June 2019, Statement of Assets and Liabilities and Note 5, and confident that all cash on hand at all centres of Government have all been included. A minor variation for the cash float in Vava'u, where one pay-in was yet to be posted to the sun system.

We obtained the list of all the Government bank accounts which is categorized into Operating, Short Term Deposits, Trust and Development accounts and confirmed these to the Bank Confirmation. We are satisfied that all bank accounts are beneficially owned by the Government and have all been included in the financial statements.

We reviewed the bank reconciliations for every bank accounts and witnessed the actions taken confirmed that it was all reconciled and agreed with the disclosed balance in the Trial Balance and financial statements.

Our review of the Government Operating Account (BAC0125) revealed that there are still long outstanding (3 years old) unrepresented cheques, direct debits, and direct credits yet to be cleared in the bank reconciliation statements. Details are as follows.

**i. Unrepresented Cheques, TOP\$14,969,523.36, (gone back to 2015/16).**

Total bank balance as at 30 June 2019 amounted to TOP\$13,868,412.52 while the unrepresented cheques for the last 3 months of the financial year, (April, May, & June 2019), amounted to TOP\$14,778,025.39.

**ii. Direct Debits, TOP\$727,318.19, (gone back to 2015/16).**

Direct debit is a direct deductions at the bank from the Government Operating account. Total of \$699,544.20 was the dishonoured cheques from pay-ins. Since there were dishonoured cheques in pay-ins, the bank automatically deducted those cheques from the Government Operating Account (Pay-in account) to complete the pay-ins.

Dishonoured cheques are already posted to the sun system as a revenue when the Ministry submitted the T9 after the pay-in. Therefore, the direct debit is an overstated balance of revenue receipt but not yet identified.

A timely negotiation with the bank to identify those direct deposits and obtain dishonoured cheques to return to the Ministry where the pay-in came from and reconcile the system by reverse that pay-in revenue amount.

iii. **Direct Credits, TOP\$73,028.81, (gone back to 2015/16).**

We followed up all the audit issues raised last year in respect of Direct Credits, Direct Debits and Unpresented Cheques and even though there are great improvements in this financial year, our recommendations are repeated for continuance of the corrective actions.

**Ministry's Response:**

*"MOF duly noted the audit findings, and we have made necessary adjustments and implement measures to minimizing outstanding balances in these reconciling items at the end" of the financial year.*

## 11. Receivables

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 30<sup>th</sup> June 2019. The total amount of interest actually received was TOP\$431,306.23. Total interest receivable totalled to TOP\$17,914,587 which is not accounted for in the financial statements.

This issue and recommendation are repeated again in this year's audit.

**Ministry's Response:**

*Noted the request for Receivables.*

## 12. Investments:

i. Term Deposits

We recalculated interest on investments to be TOP\$152,939.83. Similar to previous years' findings, this amount is not disclosed in the financial statements. It was noted that the bank confirmation did not include this amount in the bank balance which was an error on the bank's side. This is again raised in last section "follow-up issues in previous year's audit".

ii. Share Minority holding (Air Pacific Limited)

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.

iii. Ocean Royal Shipping Company Limited.

Similarly there is also an investment held in Ocean Royal Shipping Company Limited amounted to TOP\$1,386,392 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.

iv. Investment in Public Enterprises.

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.

**Recommendation (repeat):**

It is vital that the Ministry ensure it has its own independent records of all the Government investments which then should be used to cross check against any formal confirmation obtained from external sources. This will ensure all investments of the Governments are completely accounted for and are correctly recorded.

**Ministry's Response:**

*Duly noted audit findings and recommendations. Ministry will ensure in the next financial year all supporting documents are provided.*

### 13. Property, Plant and Equipment

Similarly to previous years, the works to record and compile all the assets of all government ministries is still an on-going process but very minimal progress been made especially with attempting to compile the fixed assets register.

The amount of the property, plant and equipment owned by the government as disclosed in the financial statement are as follows:

	Property, Land and Buildings	Other Assets	Total
<b>Costs</b>			
At 1 July 2018	68,638,991	171,044,852	239,683,843
Additions	-	15,334,935	15,334,935
Disposals	-	- 44,653	- 44,653
<b>At 30 June 2019</b>	<b>68,638,991</b>	<b>186,335,134</b>	<b>254,974,125</b>

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 has been accounted for and posted to the sun system.

The issue and recommendation are repeated from previous years' audit.

### 14. Public Debt

We confirmed the total repayments and interest paid by the Government are as follow:

Categories	Principal Repayments	Interest paid	Total
Foreign Loans	6,438,087.00	1,449,832.00	7,887,919.00
EXIM Bank of China	6,973,434.00	4,880,860.00	11,854,294.00
Domestic Loan	15,153,000.00	1,688,260.00	16,841,260.00
<b>Total</b>	<b>28,564,521.00</b>	<b>8,018,952.00</b>	<b>36,583,473.00</b>

- The financial statements did not disclose interest payables on both foreign and domestic loans.
- The interest free loan with the China Development Bank for Ha'apai High School Project was forgiven and therefore treated as a grant. This agreement was formalized in December, 2018. There was no documentation available to us for the confirmation of this however, the statement of account from the bank showed that this loan has a nil balance.
- The total amount of drawdown for foreign loans for the year amounted to TOP \$10,771,588 was posted to the account; Effect of Accounting for Assets and Liabilities. During finalization of the account, this has been correctly transferred to public debt account balance.
- We noted there is no coordination between the Aid and Debt Divisions in regards 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.

#### **Recommendations:**

- The Debt Division is to coordinate and work together with the Aid Division so that all loan agreements and documentations are shared to ensure loan principal and interest payables are disclosed correctly in the financial statements;
- The Debt Division is to also ensure that all drawdowns are properly received and accounted for in the CS-DRMS system; and
- The Debt Division is to more closely monitor loan repayments to ensure it is paid on time. To ensure this, there needs to be also close coordination with the Aid Division.

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

*Duly noted all audit findings and recommendations.*

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

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

### 1.1 Audit Matters raised in 2017/18

Prior Year Audit Matters	Status observed in 2018/19 audit
<p><b><i>Cut-off issues of budget support</i></b></p> <p><b>Description</b> The final result of the Government operating receipts and payments for the year has been adjusted by bringing up the "Budget Support" received for the year 2017/18, together with the comparatives of 2016/17 to add together with the "Receipts". Thus receipts is consistent with payments which already included the payments from the budget support received.</p>	This issue is still outstanding.
<p><b><i>Rolled-over interest on investment in the statement of receipts and payments.</i></b></p> <p><b>Description</b> The adjustment to "Entrepreneurial and Property Income" for the rolled-on interest received of \$104,556 has been made as well.</p>	This issue has been resolved.
<p><b><i>Misclassification of revenue</i></b></p> <p><b>Description</b> There were a great number of reversal entries and adjustments of operating receipts and payments in the Sun System due to miss posting or posting into incorrect head/code. The total number of reversal and adjustment entries was 4,896.</p>	This issue is still outstanding. Refer to item 4 above.
<p><b><i>Unrealized foreign exchange gains of development funds</i></b></p> <p><b>Description</b> The translations of receipts from Development Partners into TOP were resulted in the foreign exchange gains, totaled \$428,504.53</p>	This issue has been resolved.
<p><b><i>Misclassification of expenses – posted by line Ministries to Sun System</i></b></p> <p><b>Description</b> There were lots of reversal entries and adjustments of operating payments in the Sun System. These variations were mainly identified at Treasury, (Vouchers' Checking Section). The total number of reverse and adjustment entries was 21,620 with total amount of \$22 million. These are the operating payments that were incorrectly posted and later corrected to the Sun System.</p>	This issue is still outstanding. Refer to item 4 above.
<p><b><i>Explanation of variance on Budget Support</i></b></p> <p><b>Description</b> Reasons of why the variance between the actual and budget figures on Budget Support are yet to have been fully disclosed in Notes 9 of the financial statements.</p>	This issue has been resolved

Prior Year Audit Matters	Status observed in 2018/19 audit
<p><b><i>Contingency Fund</i></b></p> <p><b>Description</b> Note 4, Contingency Fund, the table totaled \$3,663,319 which seemed to include the \$1.5m as well as the transfer between votes during the year through the Contingency Fund line item.</p>	This issue has been resolved.
<p><b><i>Net Changes building loans and trust money</i></b></p> <p><b>Description</b> 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>	This issue is still outstanding.
<p><b><i>Consolidated Statement of Comparison of Budget and Actuals</i></b></p> <p><b>Description</b> The budgets and actual of Budget Supports are yet to disclose in the financial statements.</p>	These issues has been resolved.
<p><b><i>Unaccounted items in the Statement of Income and Expenditure</i></b></p> <p><b>Description</b> The following accounts are to be noted to start accounted into this statement in the next financial year/s as part of the move to accrual accounting rather than continuing with their accounting to the “Effects of Accounting for Assets and Liabilities”.</p> <ul style="list-style-type: none"> <li>• Budget support received and receivable;</li> <li>• Interest on Investment, compounded/roll-over;</li> <li>• Interest on Receivables;</li> <li>• Interest on external and domestic loans;</li> <li>• All exchange gains and losses;</li> <li>• Write-offs and de-registrations;</li> </ul>	This issue is still outstanding except the interest on investment compounded/roll over has been resolved.
<p><b><i>Untimely Review of Lodgment not credited on regular basis – monthly.</i></b></p> <p><b>Description</b> The pay-ins were not deposited to the Government’s bank account at all; pay-ins were not appropriately identified.</p>	This issue is still outstanding.
<p><b><i>Unpresented Cheques</i></b></p> <p><b>Description</b> Unpresented cheques total amount is very material – untimely review and adjustment of unpresented cheques on regular basis – 3 monthly, 6 monthly or 12 monthly in the end of each financial year is to be carried out.</p>	This issue is still outstanding. Refer to item 10 above

Prior Year Audit Matters	Status observed in 2018/19 audit
<p><b><i>Direct Debits</i></b>  <b>Description</b>  Direct debits to the bank are not yet identified to account for those deduction into their proper expense's category. The risk arise here is that; there can be a fraud in these transactions but not identify in the reconciliation process. Closely liaise with the bank to provide proper particulars for these direct debits</p>	This issue is still outstanding. Refer to item 10
<p><b><i>Direct Credits</i></b>  <b>Description</b>  Direct credits were not yet identified and to account to their correct revenue sources as well. The risk arise in this issue is that; the system for direct bank deposits from line Ministries is incomplete/uncertain, hence immediate corrective actions are to be taken. Negotiation with the bank to provide additional information to the current particulars in the bank statements might help if needed.</p>	This issue is still outstanding. Refer to item 10
<p><b><i>No Longer Operated Receivable</i></b>  <b>Description</b>  One account, Sea Star Fishing Limited, was no longer operated but still recorded as receivable. Principal amount of TOP\$3,645,900 and TOP\$5,618,014 interest receivable as of 30 June 2018.</p>	This issue is still outstanding.
<p><b><i>Unsigned Loan</i></b>  <b>Description</b>  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 and TOP 2,028,374 interest receivable as of 30th June, 2018.</p>	This issue is still outstanding.
<p><b><i>Fixed Asset Register</i></b>  <b>Description</b>  There is no Fixed Asset Register for all Government Assets. Since there is no fixed asset register, we found it hard to verify the existence and value disclosed in the financial statements of \$239,683,843.</p>	This issue is still outstanding.
<p><b><i>No depreciation policy</i></b>  <b>Description</b>  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>	This issue is still outstanding.
<p><b><i>Unaccounted accrued interest in the financial statements.</i></b>  <b>Description</b>  There were also accrued interest of \$226,942.21 from the TDB bank confirmation received as of balance date, which had not been included in the financial statements.</p>	This issue has been resolved.
<p><b><i>Dishonored cheques</i></b>  <b>Description</b>  We identified several cheques which has been dishonoured from the bank. Dishonoured Cheques identified were for the financial year as far back as 2006/07 up to the current financial year (2016/17). The impact of dishonoured Cheques is that it results in loss of revenue for the government and further it is difficult to chase up customers. This is evident in several cheques which has been dishonoured in 2007 and has yet to be recovered.</p>	This issue remains outstanding.  Refer Item 10 above

Prior Year Audit Matters	Status observed in 2018/19 audit
<p><b><i>Aging Reconciling Items</i></b>  <b>Description</b>  We identified from our review of bank reconciliation there are aging reconciling items which are still included in the bank reconciliation forms. For e.g. there are items for Lodgement not yet credited which are dated back to 2013/14. The ministry has yet to identify these outstanding items. Aging Reconciling items not yet identified increased the risk of fraud going undetected if these relates to public funds not yet paid in to the bank.</p>	<p>This issue remains outstanding</p> <p><i>Refer Item 10 above</i></p>
<p><b><i>Bank Reconciliation</i></b>  <b>Description</b>  We noted bank reconciliation is not being prepared on a timely manner and reviewed. There were significant delays in providing bank reconciliation for audit review. Timely preparation of bank reconciliation will ensure timely availability of financial information to aid in decision making. This will also prevent and detect errors or fraud on a timely manner.</p>	<p>This issue has been resolved.</p>
<p><b><i>Inactive Bank Balances</i></b>  <b>Description</b>  We noted from our review of bank confirmation, there are inactive bank accounts which has not been closed. These bank accounts has NIL balances and are still open. The impact of inactive bank accounts is that the government could incur unnecessary cost in respect of bank fees if not closed in a timely manner</p>	<p>This issue remains outstanding  However, audit commend with the closing of Inactive Trust Accounts for over five (5) years up to June 18.</p>
<p><b><i>Safe Custody of Cash on hand</i></b>  <b>Description</b>  The recent misappropriation of funds at the Vava'u branch shows the vulnerability of cash on hand in the Ministry's safe to the risk of fraud. Cash on Hand is a high risk item and that sound internal control procedures should be in place to ensure such risk is mitigated. The weaknesses in the internal control surrounding cash on hand is highlighted in this recent fraud</p>	<p>This issue had been resolved.</p>
<p><b><i>Independent record kept by the Ministry</i></b>  <b>Description</b>  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 is still outstanding.</p>

Prior Year Audit Matters	Status observed in 2018/19 audit
<p><b><i>Subsequent Events</i></b>  <b>Description</b>  MoFNP is yet to perform any tasks to identify, records and disclose subsequent event.</p> <p>The Ministry records and disclose adjusted prior year adjustment on this year account for previous year's transaction and event that had not been accounted for. If there would be any transaction or events identified now or later on this year 2018/19 that is related to 2017/18 account, then it would be recorded and disclosed on 2018/19 Financial statements as prior year adjustment.</p> <p>This is not consistent with the requirement of <i>IPSAS 14</i> Events after the reporting dates, which requires disclosure by way of Notes on material transaction or event as of balance day to the date of issuance of the financial statements</p> <ul style="list-style-type: none"> <li>• Adjust financial statements figure to reflect adjusting events after balance date</li> <li>• Disclosed non-adjusting events after the reporting date; the nature of the event and estimate of its financial effect</li> </ul>	<p>This issue is still outstanding</p>
<p><b><i>Risk Assessment</i></b>  <b>Description</b>  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>  <b>Description</b>  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>  <b>Description</b>  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>This issue is still outstanding</p>

<p>Related parties include:</p> <ul style="list-style-type: none"> <li>(a) Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;</li> <li>(b) Associates (see IPSAS 7, “Investments in Associates”);</li> <li>(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;</li> <li>(d) Key management personnel, and close members of the family of key management personnel; and</li> <li>(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.</li> </ul> <p>Related party transaction is a transfer of resources or obligations between related parties, regardless of whether a price is charged.</p> <p>Related party transactions exclude transactions with any other entity that is a related party solely because of its economic dependence on the reporting entity or the government of which it forms part.</p>	
<p><b><i>Financial Reporting Framework</i></b></p> <p><b>Description</b></p> <p>The move from cash basis accounting to accrual basis accounting started in early 2007/08. As of this financial year, there has been no progress to the status when initially started. A timetable and timeline for the road to full accrual accounting and reporting needs to be established</p>	<p>There has been no progress to the status from previous audits.</p>

## 2.4 Review of Quarterly Performance of Receipts and Payments

Unqualified Audit Certificates were issued on the 2<sup>nd</sup> March, 2020 for the Quarterly Summary Reports of Receipts and Payments of public funds for these periods respectively:

- i. July 1<sup>st</sup> to September 30<sup>th</sup>, 2018;
- ii. July 1<sup>st</sup> to December 31<sup>st</sup> 2018; and
- iii. July 1<sup>st</sup> to March 31<sup>st</sup>, 2019.

The major issue raised in our review is the preparation of the above Quarterly Summaries did not meet the statutory timeline as per *Public Finance Management Act 2002*. We received the above summaries on 23<sup>rd</sup> January, 2020. That was between 6 to 12 months late and thus, needs immediate attention and remedial actions.

## 2.5 Tonga Trust Fund Financial Statement 2014-15

On 22<sup>nd</sup> January, 2019, an unqualified audit opinion was issued on the Financial Statements of the Tonga Trust Fund for the financial year ended, 31<sup>st</sup> March, 2015.

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

### 3.1 Summary

We completed the audit of 36 units (in Line Ministries, Departments and Agencies, *MDAs*), 200 audit certificates and 1 special audit during the year.

We raised and issued 445 recommendations. As usual, we included the responses from the MDAs that we received.

### 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 Ministry of Revenue & Customs (MoRC) – Revenue Department Period Covered: May 2017 – January 2019 (21 months)

##### 1. Follow-ups

<i>Issues raised in previous years</i>	<i>Current issues</i>
Government PAYE Tax	Not yet solved
Small Business PAYE Reconciliation	Not yet resolved
Missing Assets from the Office	Not yet resolved
Revenue Arrears	No yet resolved
Incompleteness of log book	Resolved

##### 2. Inward Cash

###### **a. Cash Count**

Cash count was fine.

###### **b. Receipts and Banking**

All cash collected were receipted and banked.

###### **c. Cancelled Receipts**

Audit identified cancellation receipts during the audit period. Further work on this area and will report separately.

### **3. Revenue**

#### **a. Late Lodgement of PAYE Tax Form**

Reconciliation of PAYE Tax records are not done on a timely basis. Furthermore, when Ministries lodged their forms to the Ministry of Revenue they are stamped to ensure it is received and to confirm the date of received but they were not. These issues were raised in our previous audit and no remedied action been considered.

The late lodgement were generating penalties and increases the amount of tax owed by the taxpayers. As the amount owed by taxpayer increases the arrears increases and often leads to being overdue for a longer period.

#### ***Recommendations***

1. The Ministry take into account this matter more seriously and to immediately enforce that all PAYE are to be lodged on a timely manner.
2. Repetition of this is to be considered as a serious breach of conduct on relevant officers.

#### **b. Failure to lodge CT returns monthly**

Some large businesses did not lodged their CT return on time by the due date and also some businesses lodgement of CT return are not updated to the Ministry.

This will leads to payment late of tax which increases penalties for late lodgement and non-lodged taxes returns and will also increase revenue arrears.

#### ***Recommendations***

3. That the Ministry should enforce the requirement for lodgements of CT return.

#### **c. Late Payments**

Late payments of Consumption Tax is increasing.

#### ***Recommendations***

4. That the Ministry take into consideration this matter raised above, to enforce payments to be on a timely basis to avoid any further late payment.

### **4. Arrears**

Revenue arrears increases from last audit visit by \$97,202,467.92.

#### ***Recommendations***

5. That the Division shall perform practical and cost-effective effort to recover arrears which is still outstanding.

### **5. Missing Asset**

Missing asset from previous audit is still missing

#### ***Recommendations***

6. The Ministry should provide to Audit a full report on the status of these asset still missing from the Office.

### **3.3.2 Ministry of Revenue & Customs (MoRC) – Inland Revenue, Vava’u Branch (IRD-Vava’u)**

**Period Covered: October 2015 – February 2019 (41 months)**

#### **1. Follow-ups**

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
Wrongly format of Fixed Asset Register	Not yet solved

## **2. Inward Cash**

### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019.

### **b. Receipts and Cash Book**

All cash collected for the IRD Vava'u were recorded on cash records, and paid into the Bank on a regular basis.

### **c. Pass Book**

#### ***Recommendations***

1. That the Officer-in-Charge, should contact the previous Officer-in-Charge, immediately to provide the detail code for the safe as it is the property of the government and no one else.
2. That once the pass book is obtained from the safe then a copy should be provided to audit for confirmation.
3. That the pass book is to be kept at the Office at all times as required by the Treasury Instructions 2010.

#### ***IRD Vava'u reponse***

*The Officer-in-Charge agreed.*

## **3. Revenue**

Revenue collected for IRD Vava'u were accurately charged, completely recorded and accounted for to respective financial records.

## **4. Expenditures**

### **a. Log books are not completely recorded**

#### ***Recommendations***

4. That log book for P1744 should be completely recorded and updated at all times by the responsible driver as required by the Public Service Policy Instructions 2010 and that of the Treasury Instructions 2010.
5. That a senior officer should review the log book on a regular basis to avoid this issue from happening in the future.

#### ***IRD Vava'u response***

*The Officer-in-Charge agreed.*

### **b. No independent checking for log book P1744**

Given that the log book of P1744 is not completely recorded indicates that independent checking and review by a senior officer on the log book of P1744 were not carried out.

#### ***Recommendations***

6. That a senior officer is assigned by the IRD Vava'u to ensure that review of log book on a regular basis is carried out as complied with Treasury Instructions 2010.

#### ***IRD Vava'u response***

*The Officer-in-Charge agreed.*

## **5. Fixed Asset Register**

#### ***Recommendations***

7. That the Officer-in-Charge should take responsibility to maintain and update the Fixed Asset Register at all times at the Office as required by the Treasury Instructions 2010.

#### ***IRD Vava'u response***

*The Officer-in-Charge agreed.*

**3.3.3 Ministry of Revenue & Customs (MoRC) – Inland Revenue, ‘Eua Branch (IRD-‘Eua)**  
**Period Covered: September 2015 – February 2019 (42 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Late banking and lapping	Not yet solved
Arrears of Revenue	Not yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

**b. Receipts and Banking**

The cash collected during the period were receipted and banked.

**c. No independent checking**

There was no independent checking of the pay-in records and documents before banking for the period September 2015 to 18<sup>th</sup> October 2019. Independent checking commenced after the 18<sup>th</sup> October up to February 2019. Audit encourage IRD ‘Eua to keep up this great work.

***Recommendations***

1. That the IRD ‘Eua to continue with performing of independent checking of pay-in cash and records.

**d. Late banking**

Even though late banking still exist, there has been an improvement in the number of receipts being banked late. The responsible officer could not provide reasonable explanation for late banking of receipts she was responsible for.

***Recommendations***

2. Accounts Officer to carry out pay-in on a daily basis or as early as practical.

**e. Incorrect details posted to Cash Book**

In verifying posting of revenue receipts to cash book, five receipts were identified to have been incorrectly posted to cash book.

Swapping of receipts details is prohibited by the Treasury Instruction 2010 as the revenue collector is required to record complete details of all receipts in the cash book as per Treasury Instruction 2010 (56).

***Recommendations***

3. Independent checking to ensure that correct receipts details are posted to the cash book.

**f. Incorrect receipt date recorded in Cash Book**

In reviewing posting of receipts to cash book, there were many postings which the receipt date in the cash book differ from the actual date in the receipt book.

***Recommendations***

4. The revenue collector to discontinue posting incorrect receipts dates to the cash book.
5. That the independent checking carried out by the Government Representative to ensure this practice is not recurring.

**g. Incomplete checking by Sub-Treasury**

In reviewing revenue receipts, cash book and T-9 records, it was noted that some pay-in, Sub-Treasurer has failed to sign, date and stamped those pay-in. Signing, dating and stamping the cash book by Sub-Treasurer is an evidence that checking has been done to confirm that the banking record, T-9 and details in the Cash Book agrees.

**Recommendations**

6. That the Sub-Treasurer ensures that cash book is always signed, dated and stamped when they complete their checking of revenue deposited.

**3. Revenue**

**a. Revenue in Arrears – no register maintained by IRD ‘Eua**

There is no arrear register kept and maintained by IRD ‘Eua. This is an issue raised in our last audit report. According to IRD ‘Eua, all arrears are maintained by the Head Office. To be consistent with Clause 75(1) of the Treasury Instruction 2010 we recommend that each MDAs shall maintain an arrears of Revenue Registers.

**Recommendations**

7. That the IRD ‘Eua Branch to maintain a register of tax arrears.

**b. Tax returns not properly filed**

In reviewing revenue collected and in trying to confirm whether the amount received agreed with what should have been paid which should be clearly stated in the returns (either for income tax, PAYE or Consumption Tax). There were many receipts where the corresponding return was not filed in the individual file of the tax client. Audit also noted that when returns were requested, a pile of unfiled returns were obtained by the responsible staff which she was searching through. The responsible staff was asked to file the returns immediately to the individual file of tax client.

**Recommendations**

8. That the only staff at the IRD ‘Eua Branch ensure that all returns received and paid are filed.

**4. Fixed Assets**

**a. No fixed asset register in place**

When fixed asset register was requested it was explained that the IRD ‘Eua does not have and maintain a Fixed Asset Register.

**Recommendations**

9. That a fixed asset register be established and maintained by the IRD ‘Eua Branch.

**3.3.4 Ministry of Revenue & Customs (MoRC) – Customs Vava’u Branch  
Period Covered: October 2015 – February 2019 (41 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Late Banking	Resolved
Fixed Asset Register not updated	Not yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand held on the 1<sup>st</sup> April, 2019 was fine.

#### **b. Receipts and Cash Book**

All cash collected from Customs Vava'u Branch were recorded on cash records and accounted for to correct revenue code and paid to the Bank on a regular basis.

### **3. Revenue**

Revenue collected for Customs Vava'u Branch were accurately charged, completely recorded and accounted for to respective financial records. There were outstanding arrears from Instalments of \$45,311.05.

#### ***Recommendations***

1. That immediate system of recovering these revenue arrears of TOP\$45,311.05 rests with the Officer-in-Charge, to implement and collected as soon as possible as directed in the Treasury Instruction 2010.

#### ***Customs Vava'u Branch response***

*The Officer-in-Charge agreed.*

### **4. Expenditure**

#### **a. Not filing of employment contract renewal of daily paid labourers**

The relevant documents such as employment contract renewal for daily paid labourers were not completely filed.

#### ***Recommendations***

2. That the Officer-in-Charge should ensure that all relevant employment contract of all daily paid labourers are filed at all times as required in the Treasury Instructions, 2010.

#### ***Customs Vava'u Branch response***

*The Officer-in-Charge agreed.*

### **5. Fixed Assets Register**

Audit identified that Customs Vava'u Branch no longer updated nor maintained the Fixed Asset Register. No comment was provided to this issue.

#### ***Recommendations***

3. That the Officer-in-Charge, should ensure that the fixed asset register is maintained and updated at all times at the Office and this should be available at the next audit visit.
4. That all assets of the Customs Vava'u Branch should be registered in accordance to the Treasury Instructions, 2010.

#### ***Customs Vava'u Branch response***

*The Officer-in-Charge agreed.*

### **3.3.5 Ministry of Revenue & Customs (MoRC) – Ha'apai Branch Period Covered: September 2015 – February 2019 (42 months)**

#### **1. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Cash Book**

The cash collected during the audited period were receipted and accounted for into the Cash Book and paid-in to Sub-Treasury and Tonga Development Bank on a regular basis.

## **2. Expenditure**

The Branch's disbursements were validly incurred and properly accounted for. Also, the supporting documents were completely filed and monthly reconciliations were performed regularly with the Ministry of Finance through Sub-Treasury Ha'apai.

## **3. Fixed Asset Register**

There were no Fixed Asset Register maintained at the Branch. It is vital to have fixed asset register for proper recording and accounting for the Branch's assets at all time.

### ***Recommendations***

1. Ministry of Revenue & Customs – Ha'apai Branch should establish a Fixed Assets Register and records all the Branch's assets in the register.
2. The Branch should ensure that it is fixed asset register is updated on a regular basis, when a new asset has been purchased.

### ***Ha'apai Branch response***

*Officer-in-Charge said that the Ministry's fixed asset register is compiling in their Head Office in Nuku'alofa.*

## **3.3.6 Ministry of Justice**

**Period Covered: May 2015 – October 2018 (41 months)**

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

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
Separate Banking Account	Resolved
Registration Fees	Resolved
Vote Book not updated	Resolved
Fixed Asset Register not updated	Resolved

### **2. Revenue Source**

#### **a. Sales of Legal Document**

There were discrepancies in the Revenue Register Book with the physical stock take on Legal Document of the Ministry. The reason provided for these variances is that the revenue register book was not updated. Audit also provide physical stock take held on the 12<sup>th</sup> November, 2018.

### ***Recommendations***

1. That Treasury Instruction 2010, instruction 58(4) should be complied with, ensuring that the revenue register is updated and accurately recorded on collection of legal documents issued by the Ministry.

#### **b. Updated of Application Register – Refundable Cash Bond Money**

We reconciled the register on the 30<sup>th</sup> November, 2018 and found a surplus of \$900. Given this surplus, audit considers that since the register of applications was not maintained on the 18<sup>th</sup> April, 2018 at the time the T20,750 were deposited to the Ministry of Finance, there is an elements of doubt as to whether these were all the applications received or not, and whether the register was completely maintained to show the surplus in order to seek refund of surplus deposited.

We acknowledged the effort being made to update the register for application and hope that the Ministry would continue to maintain it at all times.

***Recommendations***

2. That the \$900 surplus consist of elements of doubt and is not to be refunded.
3. That the register of revenue for Refundable Cash Bond Money is to be completely updated at all times.

**3. Expenditure**

**a. Log Book**

Out of the thirteen (13) vehicles of the Ministry, three (3) vehicles' log books was not regularly reviewed by a senior officer as an evidence of regular reviewing of the vehicle log books of the Ministry.

This is not complied with Treasury Instruction 2010, instruction 90(6).

***Recommendations***

4. That the Ministry is to ensure that all the Ministry's vehicles' log books are reviewed and signed by a senior officer on a regular basis in compliance with the Treasury Instruction..

**3.3.7 Ministry of Justice & Prison – Vava'u Branch**

**Period Covered: September 2015 – February 2019 (42 months)**

**1. Follow-up**

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
Payment received for first issued of birth certificates	Resolved
Format Fixed Asset Register	Resolved
Log book not maintained	Resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

**b. Receipts and Cash Book**

The cash collected during the audited period were receipted and accounted for into the cash book and paid-in to Sub-Treasury and the Bank on a regular basis.

**3. Expenditure**

Audit found that the expenditure incurred during the audit period were properly authorized and completely recorded and filed in the Office.

**4. Assets**

Audit found that the fixed assets register is not updated although the format complied with Treasury Instructions 2010. The last updated was 30<sup>th</sup> June, 2018.

***Recommendations***

1. That the responsible officer should update asset register at all times and be reviewed on a quarterly basis as directed by the Treasury Instructions 2010.

***Justice Vava'u Branch response***

*The Magistrate agreed.*

## **5. Log Book**

### **a. Log Book not completely recorded.**

Audit found that the log book is not completely recorded.

#### ***Recommendations***

2. That the responsible drivers of both P.1644 and P.1838 should completely records log books at all times as required by the Public Service Policy Instructions 2010 and that of the Treasury Instructions 2010.

### **b. No independent checking for log book P.1644 and P.1838**

The independent checking of these two log books were not properly carried out by a senior officer.

#### ***Recommendations***

3. That a senior officer is assigned by the Ministry of Justice Vava'u Branch to ensure that review of log books on a regular basis is carried out as complied with Treasury Instructions 2010.

#### ***Justice Vava'u Branch response***

*The Magistrate agreed.*

## **3.3.8 Ministry of Justice & Prison– Ha'apai Branch** **Period Covered: September 2015 – February 2019 (42 months)**

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

There were no issues reported that require follow-up from our previous management report, LW157/191/15 dated 16<sup>th</sup> December, 2015

### **2. Inward Cash**

#### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

#### **b. Receipts and Cash Book**

The cash collected during the audited period were receipted and accounted for into the cash book and paid-in to Sub-Treasury and the Bank on a regular basis.

#### **c. Revenue collector misused public fund received**

There had been an incident where the Clerk Class I misused \$100 Court Penalty Fees.

#### ***Recommendations***

1. That this is a serious breach of duties and the responsible officer should be disciplined.
2. That future repetition of the above irregularity would be resulted in severely discipline including the dismissal from the public service.

#### ***Justice Ha'apai Branch response***

*The Magistrate explained that the Officer concerned has been transferral on 22<sup>nd</sup> October, 2018 to Ministry of Justice & Prison Head Office in Tongatapu.*

*The Officer admitted that she had misused the \$100 and forgot to pay it back. The Officer paid back this amount on 23<sup>rd</sup> May, 2019, Receipt No.520412.*

### **3. Expenditure**

Audit confirmed that the Branch disbursements were validly incurred and properly accounted for. Also, the supporting documents were completely filed and monthly reconciliations were performed regularly with the Ministry of Finance through Sub-Treasury Ha'apai.

#### **4. Assets**

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

The Fixed Asset Register provided were not properly updated.

##### ***Recommendations***

3. That supervisor of account should ensure that the fixed asset register is accurately and completely updated at all times.
4. All asset should be accounted for in the register.

##### ***Justice Ha'apai Branch response***

*The Magistrate agreed.*

### **3.3.9 Ministry of Justice & Prison– Justice 'Eua Branch Period Covered: September 2015 – February 2019 (42 months)**

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

There were no report on previous audit visit.

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Cash Book**

The cash collected during the audited period were receipted and bank accordingly.

#### **3. Revenue Source**

##### **a. Revenue collected but not banked**

An amount of TOP\$10 of the revenue collected was not deposited and account for at the time of pay-in.

##### ***Recommendations***

1. That the responsible staff recover this amount and pay-in to the Branch
2. That the head of the Ministry issued a formal warning for this staff. Any repetition of such act in the future be subject to serious disciplinary.
3. Because there is only one staff in this Office, Sub-Treasury staff to assist with independent checking of pay-in to ensure all receipts are accounted for and banked.

##### **b. Lapping**

Audit found that there was a \$200 receipted on Receipt No.440787 on 12<sup>th</sup> September, 2017. This amount was partly paid-in, \$150 paid on 12<sup>th</sup> September, 2017 and the remaining \$50 on 13<sup>th</sup> September, 2017.

##### ***Recommendations***

4. That the Head of the Ministry emphasize to the Officer the importance of banking public money received on time and practice of lapping is not acceptable.
5. Any repetition of such act within the branch in the future should be subject to serious discipline.

#### **4. Expenditure**

##### **a. Payment vouchers not filed by the Branch**

The Branch payment vouchers for the months of September 2015 to June 2016 (2015/16) were not located and made available for the audit.

**Recommendations**

6. That the Head of the Ministry to ensure that the staff at the Branch are filing all accounting record and be made available at the time of audit.

**b. Monthly reconciliation**

The monthly reconciliation of vote book was not carried out. There was no reconciliation form filed and no indication in the vote book that it has been carried out.

**Recommendations**

7. That the Head of the Ministry to ensure that the staff at this branch is carrying out the monthly reconciliation of vote book with Sub-Treasury on a timely basis.

**c. No Fixed Asset Register**

There were not fixed assets register provided but according to the clerk who was at the office on a temporary appointment, all assets are registered at the head office in Tongatapu. However, no copy of the fixed asset register at the Tongatapu Branch was provided to confirm this explanation.

**Recommendations**

8. That a fixed asset register be created and maintained by the Branch.

**3.3.10 Ministry of Justice & Prison– Prison Vava’u Branch  
Period Covered: October 2015 – February 2019 (41 months)**

**1. Follow-up**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Not recording of movement of the sales of products and produce at the Branch	Not yet solved
No revenue registered	Not yet resolved
Incomplete recording of fixed asset registered	Not yet resolved
No physical checking of asset	No yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

**b. Receipts and Cash Book**

Audit cannot substantiate whether cash recorded in the cash book were complete and paid-in to the Bank on a regular basis. This is due to sales docket and revenue receipt were damaged and destroyed.

**c. Damaged o Cash Sales Docket and Revenue Receipt**

The damaged cash sales docket and revenue receipt book were not reported to the Secretary of Finance. Total of 3 cash sales docket and 5 revenue receipts book were used during the audit period. Out of this total used receipts, 1 cash sales docket book and 4 revenue receipts book were damaged by hurricane Gita as explained by the Officer-in-Charge.

**Recommendations**

1. That any damaged cash sales docket or revenue receipts book is immediately notified to the Secretary of Finance as instructed in Treasury Instruction 2010.
2. That destroying of any damaged cash sales docket or revenue receipts book rests with the direction of the Secretary of Finance and no one else as they are government property.

3. .That repetition of destroying cash sales docket or revenue receipts book without prior notification of the Secretary of Finance and National Planning is to be ceased.
4. That the Officer-in-Charge at all times should ensure that all cash sales docket and revenue receipts book are kept in a safe place as comply with Treasury Instructions 2010.

***Prison Vava'u Branch response***

*The Acting Officer-in-Charge at the time agreed.*

**3. Revenue Source**

There was no revenue register for sales of products and produce at the Branch. This issue have been raised in our previous audit report and still this issue is not yet resolved.

***Recommendations***

5. That revenue register should be immediately prepared and updated to account for sales of produce and products as stipulated in Treasury Instruction 2010.
6. That it is the responsibility of the Officer-in-Charge to make sure that prompt action is taken in regard to this recommendations for this is the second time the issue was raised in our audit visits.

***Prison Vava'u Branch Response***

*The Acting Officer-in-Charge agreed.*

**4. Expenditures**

**a. Vouchers for Domestic Travel not completely filed**

Of the domestic travel vouchers amounted to \$3,149, there were only two (2) vouchers filed and was available for audit which amounted to \$720.

***Recommendations***

7. That the Officer-in-Charge should ensure that all vouchers of payments should be kept in a safe place at all times and be made available for inspection whether related to Ministry of Finance staff or any other related accounting tasks as directed in the Treasury Instructions 2010.
8. That the Officer-in-Charge should ensure to review all vouchers of payments of the Branch on a regular basis to ensure it is filed and maintained in a safe place for future inspection.

***Prison Vava'u Branch response***

*The Acting Officer-in-Charge at the time agreed.*

**5. Fixed Asset Register**

The fixed asset register is not updated. Physical inspection confirmed renovation carried out in the audit period such as: new office, quarter and the prison building that were not recorded in the manual fixed asset register. The Acting Officer-in-Charge explained that the updated fixed asset is stored in his computer but was not able to retrieve from the computer.

***Recommendations***

9. That the responsible officer should update the manual fixed asset register at all times and made available on request during the audit.
10. That the updated manual fixed asset register should also provide evidence of reviewed on a quarterly basis and how stock taking was performed on an annual basis as to comply with Treasury Instructions 2010.

***Prison Vava'u Branch response***

*The Acting Officer-in-Charge agreed.*

### 3.3.11 Ministry of Education and Training (MoET)

#### 3.3.11.1 Update of the audit of Government Grant to Non-Government School

Period Covered: 2014 to 2018 (60 months)

These were the grants submitted and audited during the year.

SCHOOLS	YEARS				
	2014	2015	2016	2017	2018
i. ACTS Community School		35,400.00	24,800.00	10,600.00	29,200.00
ii. Tupou College Toloa	172,400.00	321,000.00	446,400.00	156,600.00	
iii. Tupou High School	146,600.00	500,800.00	247,200.00	178,400.00	
iv. Mo'unga'olive College	6,400.00	29,600.00	42,400.00	16,000.00	
v. Tupouto'a College	12,800.00	15,400.00	26,000.00	7,000.00	
vi. Taufu'ahau and Pilolevu College	50,800.00	67,400.00	86,800.00	34,600.00	
vii. FWC Vaini Middle School	3,200.00	8,400.00	16,000.00	4,400.00	
viii. Maamaloa Side School	7,600.00	11,400.00	16,200.00	5,600.00	
ix. FWC Peteli Middle School	9,000.00	14,400.00	13,400.00		
x. Queen Salote College	176,200.00	359,600.00	577,200.00		
xi. Mailefhi Siu'ilikutapu	141,600.00	173,000.00	253,800.00	84,400.00	
xii. Houma Middle School	14,000.00				
xiii. Ocean of Light International School				46,000.00	
xiv. Hofangahau College	22,000.00	59,600.00	84,800.00	23,200.00	
xv. Mizpah High School	24,400.00	24,800.00	32,400.00	-	
xvi. Beulah Adventist College	123,200.00	147,600.00	140,800.00	-	
xvii. Hillard Memorial School	27,200.00	24,800.00	26,000.00	-	
xviii. Apifo'ou College				245,600.00	
xix. St Peter Chanel College				63,200.00	
xx. St Joseph Community College	34,800	31,600.00	40,800.00	17,800.00	
xi. Takuilau College				71,400.00	
xii. St Andrew High School				189,400.00	
xiii. Tailulu College (Tt)				268,000.00	
xiv. Tailulu College (Vv)				85,600.00	
xv. Tailulu College (Hp)				27,200.00	

#### TVET Grants Paid to Tertiary Schools

SCHOOLS	2017	
	Semester 1	Semester 2
i. Hango College	19,800.00	9,000.00
ii. Tupou Tertiary Institute	184,800.00	194,400.00
iii. Monfort Technical Institute	54,600.00	50,400.00
iv. St Joseph Business College	90,000.00	85,800.00
v. Ahopanilolo Technical Institute	95,400.00	79,800.00

### 3.3.12 Ministry of Education and Training - Vava'u Branch Period Covered: October 2015 – February 2019 (41 months)

#### 1. Follow-up

<i>Issues raised in previous years</i>	<i>Current issues</i>
Log book not updated	Resolved
Branch vehicle with no Plate Number	Resolved
Fixed Assets Register not updated	Not yet resolved
Revenue arrears	No yet resolved

#### 2. Inward Cash

##### a. Cash Count

Cash count of cash on hand held on 1<sup>st</sup> April 2019 was fine.

##### b. Receipts and Banking

The cash collected during the audited period were receipted and banked.

#### 3. Revenue Source

##### a. Revenue Arrears

School fees arrear totalled \$26,668 at the end February 2019 for the first term of 2019.

<i>Recommendations</i>
1. That immediate recovering these revenue arrears of TOP\$26,668.00 rests with the Officer-in-Charge ensure it is collected as soon as possible as directed in the Treasury Instruction 2010.
<b><i>MoET Vava'u Branch Response</i></b> <i>Officer-in-Charge agreed.</i>

#### 4. Expenditures

##### a. Wages register not updated

Audit found that the wages register for 2017/18 and 2018/19 were not updated and no proper explanations were provided.

<i>Recommendations</i>
2. That the wages register be updated containing relevant details as directed in Treasury Instructions 2010.
3. That the Officer-in- to review the wages registers on a regular basis ensuring directions of Treasury Instructions 2010 is comply with.
<b><i>MoET Vava'u Branch response</i></b> <i>Officer-in-Charge agreed.</i>

##### b. Vouchers not properly filed

The vouchers for maintenance and operations were not completely filed.

<i>Recommendations</i>
4. That all vouchers should properly filed in accordance to Treasury Instructions 2010.
5. That regular review of vouchers should be carried out by the Officer-in-Charge to ensure they are completely filed for future inspection.
<b><i>MoET Vava'u Branch response</i></b> <i>Officer-in-Charge.</i>

## **5. Fixed Asset Register**

The fixed asset register is not updated for the year 2018/19 by the Branch.

### ***Recommendations***

6. That the asset register should be updated and made available at all times as accordance to Treasury Instructions 2010.

#### ***MoET Vava'u Branch response***

*Officer-in-charge agreed.*

## **3.3.13 Ministry of Education and Training – ‘Eua Branch Period Covered: September 2015 – February 2019 (42 months)**

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

There were no issue raised in our previous audit report Ref: LW103/153/15 dated 24<sup>th</sup> November, 2015.

### **2. Inward Cash**

#### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April 2019 was fine.

#### **b. Receipts and Banking**

The cash collected during the audited period were receipted and banked.

### **3. Revenue Source**

#### **a. Receipting of exam fees for ‘Eua High School students**

The exam fees were received in lump sum. Hofangahau College collected and receipted the exam fees of its student then make lump sum payment to ‘Eua High School. Exam fees for ‘Eua High School students are received and receipted by the cashier at ‘Eua High School but the fund is deposited to a bank account in the name of School’s PTA. The exam fees collected for individual students is not receipted in the cash sales docket but receipted in a receipt book belongs to the school’s PTA. The cashier at ‘Eua High School also does the banking of the exam fees collected into PTA’s bank account. We could not confirm the accuracy of the exam fees collected and banked into the PTA’s bank account. The Cashier/Revenue Collector of the Branch, who is a Clerk Class I, is a public servant under the Public Service Act.

### ***Recommendations***

1. That the principal of ‘Eua High School who is in charge of Ministry of Education and Training – ‘Eua Branch to consider releasing the role of receipting and banking of individual exam fees to the PTA Treasurer. If the casher at ‘Eua High School is to continue collecting individual fees, then these funds should be receipted in the Cash Sales Docket right away, account for in the revenue and banking records then banked as instructed in the Treasury Instruction 2010 .

### **4. Expenditures**

#### **a. Purchase Orders not authorized**

There were two (2) transactions which the corresponding purchase orders were unauthorized. These purchase orders were for purchase of two (2) desktop computers set for \$1,850 each in June 2016. The officer-in-charge did not sign the purchase orders.

### ***Recommendations***

2. That responsible account officer and authorizer ensure that the purchase order is signed before proceeding with a purchase.

## 5. Fixed Asset

Some of the assets costs were not corrected in the fixed assets register.

<b>Recommendations</b>
3. The responsible staff at the branch to record the costs of fixed assets in the fixed assets register for assets without their value
4. That the responsible staff to ensure that the fixed assets register is completely updated at all times.

### 3.3.14 Ministry of Internal Affairs

Period Covered: January 2016 – December 2018 (36 months)

#### 1. Follow-ups

<b>Issues raised in previous years</b>	<b>Current issues</b>
Late Banking	Not yet solved
No independent checking	Not yet resolved
No documents files for Staff Overtimes	Not yet resolved
No Fixed Assets Register	No yet resolved
Log book not updated	Not yet resolved
Revenue Register kept in the Ministry	Resolved
Changing of travel itinerary with the approval of the Secretary for Finance	Resolved
The Ministry strictly abide by the regulation on overseas calls	Resolved

#### 2. Inward Cash

The main revenue source collected by the ministry were completely receipted and accounted for into related document.

#### 3. Expenditure

##### a. Underpayment of tax deduction on consultants

Audit noted that tax deducted from Mr 'Ikani Taliai consultation fee was less than the amount that should have been deducted.

<b>Recommendations</b>
1. Supervisor of account to ensure the full amount is recovered.
2. Supervisor of account to check details and calculation of every contract payment to ensure compliance with tax regulation.

##### b. Daily paid labourer allowed by Ministry to travel overseas

A daily paid officer travelled to Australia in 2016 in the employment scheme. Audit did not found any approval documents for this overseas travelling.

PUBLIC Service Commission Policy, section 2C.3(b), 2010 stated: "Daily paid labourers are not entitled to overseas travel and acting appointments".

<b>Recommendations</b>
3. CEO to ensure no daily paid labour is to travel on official duties overseas; and
4. To ensure compliance with rules and regulation to avoid paying for non-compliance expenses.

#### 4. **Fixed Asset**

##### a) **Log book not updated and maintained**

Audit confirmed that there are fifteen (15) vehicles under the Ministry of Internal Affairs. Log books of two (2) vehicles were not available and five (5) vehicles were not updated.

##### **Recommendations**

5. All drivers are to be reminded to completely record all details in the log book.
6. Supervisor of accounts to review their log book on a regular basis.

### 3.3.15 **Statistics Department**

**Period Covered: July 2016 – February 2019 (32 months)**

#### 1. **Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Assets register not updated	Not yet solved
Non-comply with MoF on Sun-System	Resolved

#### 2. **Inward Cash**

##### a) **Cash Count**

Audit found that there were cash on hand of \$1,424 kept in the safe. It was subject to a separate audit and report.

##### b) **Late Banking**

There was one instance of late banking during the audited period.

##### **Recommendations**

1. Supervisor of account to check the cashier on a regular basis to ensure banking is done on a daily basis or earliest as possible.
2. The account officer should be reminded the importance of banking on a daily basis.

##### c) **Receipt book not found**

One receipt book was not found, Number 267401-267450.

##### **Recommendations**

3. That receipt book is to be located and to properly file.

#### 3. **Fixed asset register not updated**

The fixed assets register was not updated for there were new assets not included in the fixed asset register.

##### **Recommendations**

4. That Supervisor of account should ensure that the fixed asset register is updated at all time.
5. All asset should be accounted for in the register and physical count them on a regular basis.

### 3.3.16 **Ministry of Tourism**

**Period Covered: March 2016 – December 2018 (34 months)**

#### 1. **Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
No independent checking of pay-ins	Not yet resolved
No revenue register	Not yet resolved

No recording of revenue status for Whale Watching/swimming requirements	Not yet resolved
No agreement for grant	Not yet resolved
Limited information documented on disbursing of grant	Not yet resolved
Grant non-compliance with Treasury Instructions	Not yet resolved
Administering of Government Grants	Not yet resolved
No physical checking of assets	Not yet resolved
Fixed Asset Register not completely recorded	No yet resolved
Salary & Wages Register not updated	Resolved

## 2. **Inward Cash**

### a) **Handwritten of receipt's carbon copy**

Audit identified one (1) receipt issued amounted to \$1,967.50 was written with pen on the copy of the receipt still in the receipt book.

#### ***Recommendations***

1. That this handwritten of receipts carbon copy should be ceased immediately
2. That the supervisor of accounts should checked and ensure that this will not happen again.

### b) **Difference dates on receipts and cash book**

There were several instances of posting of wrong dates into the cash book instead of the date in the receipts.

#### ***Recommendations***

3. That posting of receipts in the cash book should be accurately done by posting date of receipts to the cash book before banking.
4. That the supervisor of accounts should checked the details accordingly.

### c) **Daily labour collect public money**

There are times in which the Daily Labour Accounts Clerk, collected cash for the Ministry.

#### ***Recommendations***

5. That allocating of daily paid labours to be a revenue collector should be ceased immediately.

### d) **Late Banking**

Several instances of repetition of late banking during the audited period. The number of days which the banking were late varies from 1 to 18 days. There were no reasonable reason provided. Furthermore, Supervisor of Account, Mrs 'Ana Kava was not aware that late banking existed.

#### ***Recommendations***

6. Supervisor of Account to check the cashier on a regular basis to ensure banking is done on a daily basis or earliest as possible.
7. The account officer should be reminded the importance of banking on a daily basis.

### e) **No proper safe**

Audit noted that cash receipted were stored in the revenue collector desk. These cash are stored in the drawer overnight or in the weekend and even for a period of two (2) weeks.

#### ***Recommendations***

8. Supervisor of Account should ensure public money are banked daily.
9. Supervisor of Account should ensure public money are stored in a secured place in consultation with the Ministry of Finance.

**f) Daily paid labour allowed by Ministry to travel overseas**

Audit found that Mr Giovanni Misinale, Daily Paid Labour Tourist Officer travelled overseas on official trip.

**Recommendations**

10. CEO to ensure no daily paid labour is to travel on official duties overseas
11. To ensure compliance with rules and regulation to avoid non-compliance expenses.

**g) Vouchers not properly filed**

The vouchers for overseas travel were not properly filed.

**Recommendations**

12. That all vouchers should properly filed
13. That supervisor should ensure copies of all payments and attachment are filed in the Ministry.

**h) Missing Assets**

Two (2) assets are missing from the Ministry, (1) a camera purchased on the 16<sup>th</sup> August 2017 of \$6,343.68 and Toshiba laptop purchase on the 15<sup>th</sup> June, 2018 of \$3,095. The explanation given from System Support Officer, that this laptop was used by the Office for its training. He was on leave and when he returned the laptop was not in the Office. The Supervisor of Accounts did not aware of the lost camera and therefore no explanation provided to Audit.

**Recommendations**

14. That the Ministry should ensure a proper system in place to avoid this issue happen again.
15. That the Ministry should find these assets immediately.

**3.3.17 Ministry of Tourism – Vava’u Branch**

**Period Covered: October 2013 – February 2019 (65 months)**

**1. Follow-ups**

There were no issue raised in the previous audit report on Letter Ref:SW218/29/13 dated 16<sup>th</sup> December, 2013.

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand held on 1<sup>st</sup> April, 2019 was fine.

**b. Receipts and Banking**

Cash collected commenced on November 2015 to February 2019 was confirmed receipted and banked.

**c. Pass Book**

Audit found pass book that records the used of revenue receipt book Numbers: 327451 – 327500 not being maintained at the Branch. As explained by the Officer-in-Charge, this occurred when the Branch was merged with the Ministry of Labour. When relocation of the Branch, these pass books were not found.

**Recommendations**

1. That the Officer -in-Charge should ensure that pass book is to be kept and stored safely at the Branch at all times for inspection to comply with Treasury Instruction 2010.

**Tourism Vava’u Branch response**

*The Officer-in-Charge agreed.*

#### **d. Revenue Receipt Book not being kept safe at the Branch**

Audit found that revenue receipts book number 36351-36400 was not kept at the Branch. Again explained by Officer-in-Charge, that this was the time when they were under the Ministry of Labour. Audit again reconfirm to the Ministry of Labour and found that the revenue receipt book was not kept at their Office.

##### ***Recommendations***

2. That the Officer-in-Charge should ensure that all revenue receipt book used by the Branch is to be kept and stored in a safe place to comply with Treasury Instruction 2010.
3. That any loss receipt book of the Branch should be notified immediately to the Secretary for Finance for further action as required in the Treasury Instructions 2010.

##### ***Tourism Vava'u Branch response***

*The Officer-in-Charge agreed.*

#### **e. Cancelled Receipt**

Audit found cancelled revenue receipt not retaining original and carbon copies. The responsible officer was the former Officer-in-Charge of the Branch. Unfortunately, there was no reasonable.

##### ***Recommendations***

4. That all cancelled revenue receipt is to retain both original and carbon copies and that a new receipt written out to comply with Treasury Instructions 2010.
5. That the Officer-in-Charge should review on a regular basis all cancelled receipts to ensure that both original and carbon copy are retained.

##### ***Tourism Vava'u Branch response***

*The Officer-in-Charge agreed.*

### **3. Revenue Source**

Revenue collected were accounted for.

### **4. Expenditures**

#### **a. Goods not yet received**

Physical inspection conducted by audit found two goods purchased by the branch that not yet received. The goods are: (1) Bren Talanoa for construction of 24 drawings (both side) – Ministry of Tourism, Vava'u Branch amounted to \$1,200; and (2) Soane Talanoa for design and drawing a whale for Information Office – Ministry of Tourism amounted to \$1,200. This sign too is not yet assembled.

##### ***Recommendations***

6. That the Officer-in-Charge ensure that all goods purchased are delivered and received before any related vouchers for payments issued to comply with Treasury Instruction 2010.
7. That the Officer-in-Charge allocate a senior officer of the Branch to check and ensure that all goods purchased are delivered and received by the Branch as accordance to Treasury Instructions 2010.
8. That the Officer-in-Charge should immediately contact the suppliers to assemble these drawings and post them at the Ministry of Tourism Vava'u Branch as soon as possible.

##### ***Tourism Vava'u Branch response***

*The Officer-in-Charge agreed.*

### **5. Expenditures**

Audit found that the fixed asset register was completely recorded and updated in accordance to Treasury Instruction 2010.

### 3.3.18 Ministry of Tourism – Ha’apai Branch

Period Covered: September 2015 – February 2019 (42 months)

#### 1. Follow-ups

Audit appreciate the action taken in the issue raised in our previous audit report ref LW167/180/15 dated 14<sup>th</sup> December, 2015 on unpaid salaries of two Officer’s in the Ha’apai Branch although the issue raised on Fixed Asset Register is still outstanding and hereby repeated.

#### 2. Inward Cash

No revenue collected during the audited period.

#### 3. Expenditure

The Branch disbursements during the audited period were validly incurred and supporting documents.

### 3.3.19 Ministry of Tourism – ‘Eua Branch

Period Covered: September 2015 – February 2019 (42 months)

#### 1. Expenditures

##### a. **Prices and awards for ‘Eua Heilala Festival 2017**

In reviewing payments made during the audited period, there was a lump sum payment of \$13,300 for prizes and awards for the ‘Eua Heilala Festival in 2017. The payment voucher was paid out to the only employee at the Office, daily paid labour Assistant Information Officer. He then distributed the cash prizes to the prize winners. Audit cannot confirm whether the prizes were paid to the prize winners and whether all prizes paid out were correct.

##### ***Recommendations***

1. That the Branch not to repeat this practise in the future.
2. That Head of the Ministry to ensure that this practise is forbidden from being exercised by any of the Ministry’s Branch.
3. That all cash prizes should be paid out directly to the prize winner. The Branch to process payment vouchers and make payments to the prize winner.
4. That the Branch to file and keep complete record of all payments.

##### b. **Expenses charged to incorrect vote**

Audit noted that three (3) payments were charged to incorrect vote amounted to \$8,300. These incorrect vote charged was related with the Heilala Festival expenses but were wrongly charged to Rental Vote.

##### ***Recommendations***

5. That the responsible officer not to repeat this practice in the future
6. That the head of the Ministry to consider this as a serious issue and to ensure that this practise is not repeated in any of the Ministry’s outer islands Branch.

##### c. **Edited of the suppliers name on payment voucher, order and invoice**

Audit identified that the payee in the purchase order and the payment voucher were originally made out to the daily paid labour Assistant Information Officer. The invoice was also in the name of the daily labour’s name as the supplier. His name is then struck out and the names presumably those were genuine suppliers were hand written at the top of the payment voucher, purchase order and invoice. According to the daily paid labour, the original voucher was rejected by the Tonga Development Bank at the time due to his being the payee and the supplier. So another copy was issued with the name of the supplier. However, the audit cannot confirm this explanation.

***Recommendations***

7. The responsible officer to not make any more payments to himself on behalf of others.
8. That the Head of the Ministry to forbid this kind of practice and ensure that it does not repeat at any of their Branch.

**d. Assistant Information Officer prepares invoices on behalf of the suppliers**

Most of the invoices were in sequential order even though suppliers were different. The Assistant Information Officer admit that he has an invoice book which be used to prepare invoices for suppliers. The reason behind it, is convenient for him so he does not have to wait long for invoices from suppliers in order to process payment vouchers. He also explained that the suppliers sign and initial at the bottom of the invoices.

***Recommendations***

9. The Assistant Information Officer to immediately discontinue this practice of writing invoices for supplier.
10. That the head of Ministry consider this as a serious issue and ensure that a stop is put to this kind of practise to prevent it from repeated in the future.

**2 Payroll**

**a. Overtime without work-plan**

The Branch paid overtime hours (totalled 112 hours) of the Assistant Information Officer who is a daily paid labour in the months of November and December 2017 but there were no overtime work plan or any supporting documents.

***Recommendations***

11. That the Assistant Information Officer to ensure that when an overtime is to be taken, a work plan should be prepared and get approved.

**3. Fixed Asset**

**a. No fixed assets register kept and maintained by the Branch**

The Branch does not have an asset register to record assets that the Branch owned. We cannot confirm the completeness of assets as what should be at the Office should be recorded in the fixed asset register.

***Recommendations***

12. That responsible officer established a fixed asset register and maintain it.
13. That the Head of Ministry ensure that this branch complies with the requirement regarding fixed asset.

**b. Daily labour employee use branch vehicle after working hours**

The only employee at the office who is a daily labourer is using the office vehicle after working hours. The daily labour explained that he has been authorized to use the vehicle after hours. However, the approval he was referring to was an approval from the Head of the Ministry to the Government Representative to authorize the use of the Branch's vehicle after working hours but for official purpose only.

***Recommendations***

14. That the staff at the branch to discontinue using the branch's vehicle after working hours
15. That the Head of Ministry to consider liaising with Sub-Treasury, 'Eua or Ministry of Police, 'Eua OIC for parking space for the Branch vehicle after working hours either at the police station or Sub-Treasury compound.

#### **4. Log Book**

##### **a. Incomplete recording of log book**

The log book was not properly maintained for the Branch's vehicle. Therefore, audit was not able to assess the reasonableness of the fuel consumption and to confirm that the vehicle, P.1250 was used for official purpose only.

##### ***Recommendations***

16. That the responsible staff to ensure that vehicle log book is updated and properly maintained at all time.

##### ***Overall recommendation***

Most of the issues discussed above are considered serious. It is highly recommended that the Head of the Ministry to seriously consider employing a permanent staff for the 'Eua Branch with capabilities to comply with requirements of government laws, regulations, policies and instructions.

### **3.3.20 Ministry of Foreign Affairs – Immigration Division, Vava'u Branch Period Covered: September 2015 – February 2019 (42 months)**

#### **1. Follow-ups**

There were no issue to follow-up from our previous audit report on letter ref LW224/194/15 dated 16<sup>th</sup> December 2015.

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Cash Book**

All cash collected from two (2) revenue sources operated by the Branch in Vava'u were recorded on cash records and paid into the Bank on a regular basis.

#### **3. Revenue**

Audit noted that there is no revenue register for revenue for visa at Vava'u Branch. The explanation provided by the Immigration Officer Grade II, he was not aware that a register is required provided that he keeps applications of both visa and passport as the evidence of records.

##### ***Recommendations***

1. That revenue register is updated and maintained at all times at the Immigration Branch in Vava'u as required by the Treasury Instruction 2010.

##### ***Immigration Branch Vava'u response***

*The Officer-in-Charge agreed.*

#### **4 Fixed Asset Register**

Assets that need to be disposed are still kept at the Office: office safe and scan jet are broken and no longer in use. Explanation from Officer-in-Charge that there is no further work done to dispose these assets.

##### ***Recommendations***

2. That the Officer-in-Charge should report all disposal assets to the Government Asset Disposal Committee as instructed in the Treasury Instructions 2010.

##### ***Immigration Branch Vava'u response***

*The Officer-in-Charge agreed.*

### 3.3.21 His Majesty Arm Force - Vava'u Branch Period Covered: October 2013 – February 2019 (65 months)

#### **1. Follow-ups**

Audit appreciate the action taken to properly maintained the fixed asset register kept in the Branch which was raised in our previous audit report in Savingram Ref SW216/22/13 dated 4<sup>th</sup> December 2013.

#### **2. Expenditure**

Expenditures were validly incurred, authorized, completely recorded and filed during the audited period.

#### **3. Fixed Asset**

Audit noted that the fixed asset was recorded in the Fixed Asset Register in accordance with the Treasury Instructions 2010 and is properly kept at the Branch.

### 3.3.22 Ministry of Commerce, Consumer, Trade, Innovation & Labour – Vava'u Branch Period Covered: October 2013 – February 2019 (65 months)

#### **1. Follow-ups**

There were no issue to follow-up from our previous audit report ref SW218/29/13 dated 16<sup>th</sup> December 2013.

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand held on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Cash Book**

All cash collected from various revenue sources were recorded on cash records and paid into the Bank

##### **c. Late Banking**

Late banking was occurred during the audit period.

#### ***Recommendations***

1. That all money collected which exceeds TOP\$100 should be banked immediately or as early as possible to the bank in accordance to Treasury Instructions 2010.
2. That the Officer-in-Charge should ensure to review and check that all money collected which exceeded TOP\$100 should be banked immediately.

##### **d. Independent checking not properly done**

It is evidence from the late banking that independent checking was not done properly.

#### ***Recommendations***

3. That the Officer-in-Charge should ensure that independent checking is done all the times when the cash is collected and provide evidence that checking is done before and after banking to comply with Treasury Instructions 2010.

#### ***MCCTIL Vava'u Branch response***

*The Officer-in-Charge agreed to both issues raised by audit on late banking and independent checking.*

**e. Secretary of Finance were not notified on revenue receipt book not being available for audit confirmation**

Audit noted that the Secretary of Finance was not notified on revenue receipt book locked inside the safe of the branch for quite some time. Explanation from the responsible officer that these four (4) revenue receipt books are inside the safe of the Branch when they were merged with the Ministry of Tourism and it was difficult to unlock and obtain this revenue receipt book.

***Recommendations***

4. That the Officer-in-Charge should notify the Secretary of Finance immediately for further action on this revenue receipt book reported as being locked in the safe as to comply with Treasury Instructions 2010.
5. That the Officer-in-Charge should ensure that all revenue receipt book being kept at the branch should be easily accessed when required for future audit inspection.

***MCCTIL Vava'u Branch response***

*The Officer-in-Charge agreed.*

**3. Expenditures**

**a. Log Book**

Audit identified that the log books for P.1442 and P.1773 were not completely recorded.

***Recommendations***

6. That the responsible drivers of both P.1442 and P.1773 should completely record log books at all times as required by the Public Service Policy Instructions 2010 and that of the Treasury Instructions 2010.

**b. No independent checking for log book P.1442 and P.1773**

Given that the log book of P.1442 and P.1773 were not completely recorded indicates that the independent checking and review on these log books were not carried out.

***Recommendations***

7. That the Officer who is given the responsibility of supervising the vehicles of the branch should regular review that the log books are completely recorded to comply with Treasury Instruction 2010.

***MCCTIL Vava'u Branch response***

*The Officer-in-Charge agreed.*

**4. Fixed Asset Register**

Audit identified that the Branch has not updated nor regularly reviewed its fixed asset register.

***Recommendations***

8. That the Branch should update and regular review the fixed asset register at all times as required by the Treasury Instruction 2010.

***MCCTIL Vava'u Branch response***

*The Officer-in-Charge agreed.*

**3.3.23 Ministry of Commerce, Consumer, Trade, Innovation & Labour – 'Eua Branch  
Period Covered: September 2015 – February 2019 (42 months)**

**1. Follow-ups**

Audit wish to remind again the issue raised in our previous audit reports Savingram LW113/151/15 dated 23<sup>rd</sup> November, 2015 on arrear in Revenue which is again hereby repeated.

## **2. Inward Cash**

### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

### **b. Receipts and Cash Book**

All cash collected during the audited period were receipted and banked.

### **c. No independent checking**

In reviewing pay-in and banking of public funds collected by the Branch, the pay-in was not independently reviewed. It is noted that Price Control Assistant is the only employee in the head office in 'Eua Branch.

#### ***Recommendations***

1. That the Head of the Ministry liaise with Government Representative of 'Eua to carry out independent checking of pay-in for their Branch.

### **d. T-9 Receipt Missing**

Audit found that fourteen (14) transactions of pay-in into the Sub-Treasury had no T-9 filed. The staff at the Branch were asked to locate these T-9 but could not find them.

#### ***Recommendations***

2. That the staff of the Branch to completely file all T-9 forms of all pay-in.

## **3 Revenue**

### **a. Revenue in arrears**

#### ***Recommendations***

3. That the CEO of the Ministry to review whether these arrears are still recoverable. If not, liaise with Ministry of Finance regarding other options such as write-off.

## **4 Fixed Assets**

### **a. Disposed and damaged assets**

Audit found that three (3) assets were not located during the period audited. The Officer-in-Charge explained that these assets were damaged so she got rid of them by throwing them in the trash.

#### ***Recommendations***

4. That the Branch to discontinue disposing assets by throwing them into the trash
5. That the proper disposal method required by the Treasury Instruction 2010 to be followed and complied with by the Branch.
6. That the Head of Ministry ensure that their branches at the outer island are disposing their assets according to Treasury Instructions.
7. That the Ministry to consider completing the process for this disposing assets.

### **b. No written confirmations of assets transferred between the Branch and the head office in Tongatapu**

Fixed Asset in their fixed asset register are recorded as being transferred from Tongatapu. However, audit cannot confirm the completeness and values of assets transferred. There is no formal correspondence when the assets were transferred such as transfer letter from the head office stating details of all assets transferred and their corresponding cost. Also, assets were transferred back to the head office but did not have a transfer letter.

#### ***Recommendations***

8. That any additional asset transferred between the two branches, a written confirmation should be drawn up, signed and accompany the assets that are to be transferred.

9. That Branch to file all fixed asset transfer written confirmation.
10. That the head office to provide all costs of the assets that they transferred to the Branch in writing in order for the Branch to complete the detail in their fixed asset register.

**c. Not all fixed assets in the Fixed Asset Register has corresponding cost being recorded.**

Costs of assets were not recorded in the fixed asset register.

***Recommendations***

11. That the staff at the Branch ensure that fixed asset transfer in the future, the costs is provided otherwise request it from Head Office.

**5. Expenditures**

**a. Payment voucher for prizes for Agricultural show competition were made out to the Branch Staff**

Audit noted that cash prize awarded for Agricultural show competition was cashed out to the Branch's staff and then she made the distribution to the award winners. There was no document attached to the payment voucher of the approved prize to be awarded. No signatures of the award winners on the pay out sheet.

***Recommendations***

12. That the Brach discontinue this practice of making out payments for cash awards to their staff and then distributed to the winners in cash form.
13. That for cash prize awards in the future, all payments to be made out directly to the award winners. Hence, payments should be processed by the Branch to the individual winners each winner can claim their prize from Sub-Treasury.
14. That approval of winning prizes be filed and attached to payment vouchers.

**b. Construction cost of water tank platform exceeded procurement threshold o \$7,500**

In reviewing payments, there were several payments made to an individual that totalled to TOP\$11,850. According to the payment vouchers these were payments for constructing of a platform floor for the Branch water tank.

This project was not going through procurement process. Non-compliance of the above service with the government procurement process and procedures may pose the risk of government paying for services they don't receive or value for money principle is not achieved.

***Recommendations***

15. All purchasing of goods and services over the procurement threshold be procured according to the government procurement procedure and process set out in the government procurement regulation.

**6. Vehicle**

**a. Staff drives Branch's vehicle after hours.**

The only staff at the Branch has not been authorized nor is entitled to use the vehicle after working hours. Staff explained that she was concerned with the safety of the vehicle being parked right outside the Office.

***Recommendations***

16. That the staff at the Branch to discontinue using the Branch's vehicle after working hours.
17. That the Head of Ministry to consider liaising with Sub-Treasurer-‘Eua or Ministry of Police-‘Eua Officer-in-Charge for parking space for the Branch vehicle after working hours either at the police station or Sub-Treasury compound.

**b. Incomplete recording of log book**

The log book was not properly updated, the speedometer is not working. Therefore, audit was not able to assess the fuel usage of the vehicle P.1735.

<i>Recommendations</i>
18. That the fuel consumption recorded in the log book.

**3.3.24 Ministry of Police & Fire Services – Vava’u Branch**  
**Period Covered: October 2015 – February 2019 (41 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Recover revenue arrears	Partially resolved
Fixed Asset not completed recorded	Resolved
No revenue register	Not yet resolved
Log book not properly maintained	No yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

**b. Receipts and Cash Book**

Cash collected during the audited period were receipted and banked.

**3 Revenue**

**a. Revenue in arrears**

The total revenue arrears of \$41,314 yet to be recovered at the Branch. We appreciated the action taken by the Branch in recovering \$1,543.

<i>Recommendations</i>
1. That Acting Superintendent Police should device an appropriate of recovering these revenue arrears of TOP\$41,314.00 as instructed in the Treasury Instructions 2010.
<b><i>MoP Vava’u Branch response</i></b> <i>The Acting Superintendent of Police agreed.</i>

**b. No revenue register**

There was no revenue register for Entertainment License and no reasonable explanation given as to why there is no revenue register.

<i>Recommendations</i>
2. That revenue register should be created immediately to account for entertainment licenses at the Branch and is to be updated at all times as accordance to Treasury Instructions 2010.
<b><i>MoP Vava’u Branch response</i></b> <i>The Acting Superintendent of Police agreed.</i>

**4 Expenditure**

Expenditures were validly incurred, authorized, completely recorded and filed.

**5. Fixed Assets**

The fixed asset register of the Branch is recorded and updated.

## **6. Log Book**

### **a. Log books not completely recorded**

The books of the Branch's three motor vehicles were not completely recorded and there was no explanation provided.

#### ***Recommendations***

3. That responsible drivers of P.1463, P.1621 and P.1854 should completely record log books at all times as required by the Public Service Policy Instruction 2010 and Treasury Instructions 2010.
4. That the Police Inspector who is responsible for supervision of vehicles of the Branch should ensure to review all log books on a regular basis and show evidence of review as to comply with Treasury Instructions 2010.

#### ***MoP Vava'u Branch response***

*The Acting Superintendent of Police agreed.*

## **3.3.25 Ministry of Police & Fire Services – Ha'apai Branch Period Covered: September 2015 – February 2019 (42 months)**

### **1. Follow-ups**

#### **a. Outstanding Fines from committal warrant as at 30<sup>th</sup> June, 2012**

The Bailiff Department in the Ministry of Police & Fire Services is responsible for remedied action to settle this matter and also update the status of any long outstanding warrants. However, the explanation received from the Chief Inspector of Police, -Ha'apai, this responsibility has been transferred to the Ministry of Justice & Prison.

### **2. Inward Cash**

#### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

#### **b. Receipts and Cash Book**

All cash collected during the audited period were receipted and accounted for, into the Cash Book and paid-in to Sub-Treasury and Tonga Development Bank on regular basis.

### **3. Revenue**

The audit was only concerned no register of revenue collected.

#### ***Recommendations***

1. That an appropriate action should be made to establish the revenue register.

#### ***MoP&FS Ha'apai Branch response***

*The Chief Inspector of Police, -Ha'apai, agreed.*

### **4. Expenditure**

The only issue was the utility expenses, electricity and water, of the three (3) residential police quarters are paid from the Branch's vote. Two (2) of these residential quarters are located outside of the station and one (1) is located inside the station. The quarter located inside the station had the same electricity meter with the Police Office building.

### ***Recommendations***

2. That the responsible officer should reconfirm with Head Office in Tongatapu the established policies on paying the police residential quarters' utilities bills.

#### ***MoP&FS Ha'apai Branch response***

*Chief Inspector of Police-Ha'apai Branch, explained that this system had been used by the Branch since its establishment. He also had continuously asked the Head Office in Nuku'alofa for any policy of their staff currently occupying the residential police quarters in relation to this issue, but yet to receive any sort of documentation. However, he agreed to follow-up to the Head Office in Nuku'alofa on this matter.*

## **5. Fixed Assets**

Audit noted that the fixed asset register of the Branch were updated and maintained.

### **3.3.26 Ministry of Police & Fire Services – 'Eua Branch Period Covered: September 2015 – February 2019 (42 months)**

#### **1. Follow-ups**

##### **a. Outstanding arrears on Arms and Ammunition for 2015**

Audit appreciated the action taken to ensure that all weapons were timely licensed and the Officer-in-Charge will review the weapons and ammunition register regularly.

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine

##### **b. Receipts and Cash Book**

Cash collected during the audited period were receipted and accounted for into the Cash Book and paid-in to the Bank.

##### **c. Late Banking**

There were late banking during audited period and the Revenue Collector explained that sometimes late banking happened when she's on leave

### ***Recommendations***

1. Account Officer to carry out pay-in on a daily basis or as early as practical.
2. The Officer –in-Charge to ensure that the branch complies with requirements of Treasury Instructions relates to banking.

##### **d. Short Banking**

A short banking of \$11.50 verified on the receipts of 13/6-14/6/2016. It is the responsibility of the officer-in-charge to carry out independent checking to reduce the possibility of this sort of incident from happening.

### ***Recommendations***

3. That the revenue collector recover this amount and pay to the Branch.
4. That the Head of the Ministry issued a formal warning to this staff. Any repetition of such act in the future be subject to serious disciplinary.
5. That the OIC to carry out proper independent checking of receipts before and after every banking.

#### **e. Incorrect receipt date recorded in Cash Book**

There were many postings which the receipt date in the Cash Book differs from the actual date in the receipt book.

##### ***Recommendations***

6. The revenue collect to discontinue posting incorrect receipts dates to the Cash Book.
7. That the Officer-in-Charge ensure that this practise is discontinued.

#### **4 Expenditures**

Audit found that the expenditure incurred during the audited period were authorized and completely recorded and filed.

#### **5 Asset**

##### **a. Missing Fixed Asset Register**

There was no fixed asset register and the explanation given was that they could not find it.

##### ***Recommendations***

8. That the Officer-in-Charge ensure that the fixed asset register is located and to be updated and maintained.

#### **6 Log Book**

We appreciate work being carried out in completing and maintaining the ministry's log book for each vehicle.

### **3.3.27 Ministry of Police & Fire Services – Tonga Fire & Emergency Services 'Eua Branch**

**Period Covered: September 2015 – February 2019 (42 months)**

#### **1. Follow-ups**

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
No Vote Book reconciliation	Not yet solved
No Fixed Asset Register	Not yet resolved
Lot books not maintained	Resolved

#### **2. Expenditures**

##### **a. Disbursements**

There were fifty eight (58) payment vouchers not filed by the Branch and again the explanation from Officer-in-Charge that this have been misplaced during the natural disaster cyclone Gita.

##### ***Recommendations***

1. That the responsible officer should ensure the vouchers are kept in a safe place.
2. Officer-in-Charge should make sure that all purchase order are authorized and that the vouchers are certified correct before expenses is paid for the Branch.

#### **3. Vote Book**

##### **a. Reconciliation**

The reconciliation of the vote book with the Sub-Treasury was not carried out throughout the audit period.

##### ***Recommendations***

3. That the responsible officer should be reminded his/her responsibilities to reconcile the Branch's vote book with the Sub-Treasury on a monthly basis.
4. That the reconciliation records should be reviewed by the Officer-in-Charge on a regular basis.

#### **4. Fixed Assets Register**

##### **a. Fixed Asset Register not in format prescribed by the Treasury Instruction**

###### ***Recommendations***

5. That the Officer in-Charge to ensure that the Branch fixed asset register is complied with the requirements of the Treasury Instruction 2010.

### **3.3.28 Ministry of Health – Vava’u Branch**

**Period Covered: October 2015 – February 2019 (41 months)**

#### **1. Follow-ups**

Audit appreciated the actions taken by the Branch in updating the fixed asset register during the audit period as raised in our previous audit Savingram ref::SW207/133/15 dated 17<sup>th</sup> December, 2015.

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Cash Book**

Cash collected during the audited period were receipted and banked.

#### **3. Expenditures**

The expenditure of the Branch were validly incurred, completely recorded and properly authorized.

#### **5 Motor Vehicles**

The vehicle P.1366 is to be presented to the Ministry of Infrastructure Vava’u for annual inspection and its log book be fully maintained.

###### ***Recommendations***

1. That the recommendations received from the Examining Officer of the Ministry of Infrastructure Vava’u should be action on immediately.
2. That the Officer-in-Charge of the Ministry of Health Vava’u should ensure that prompt action is taken.

###### ***MoH Branch response***

*The Supervisor of Accounts agreed.*

### **3.3.29 Ministry of Health – Ha’apai Branch**

**Period Covered: September 2015 – February 2019 (42 months)**

#### **1. Follow-ups**

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
Late banking	Not yet solved
Not updated of revenue register	Not yet resolved

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Late Banking**

Late banking still occurred in the Branch with period of almost up to two (2) months late.

***Recommendations***

1. We again re-emphasize the recommendation we have issued in our previous management report on the need to pay-in funds collected on a regular basis in accordance with the Treasury Instruction 2010.

**c. Cancelled Receipts**

Audit found that some of the cancelled receipts were not filed together with their original copies.

***Recommendations***

2. Responsible officer should ensure that all original copies of cancelled receipts are filed in the receipt book.

**5 Asset**

**a Fixed Asset Register**

Audit noted that the fixed asset register is not properly updated. The last updated made was during 2012.

**3.3.30 Ministry of Health – ‘Eua Branch**

**Period Covered: September 2015 – February 2019 (42 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
No fixed asset register	Resolved
Failed to record and maintain the log book	Not yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on the 1<sup>st</sup> April, 2019 was fine.

**b. Late Banking**

Late banking occurred during the audited period and the number of days which the banking were late varies from 1 to 14 days.

***Recommendations***

1. Account Officer to carry out pay-in on a daily basis or as early as practical.
2. The Officer-in-Charge to ensure that the Branch complies with requirements of Treasury Instructions 2010 relates to banking.

**c. Independent checking not properly done**

Audit found large amount of money stored in an unsecured place for a week and during the weekend.

***Recommendations***

3. That the Officer-in-Charge within the Branch to carry out independent checking of pay-in and banking records.
4. That the Officer-in-Charge to monitor banking is done on a daily basis.

**4 Expenditures**

**a Disbursements:**

There were missing payment vouchers, payment vouchers with the same order numbers, and purchase orders not being authorized. There was no explanation for the missing records, duplicate purchase order number and unauthorized purchase order.

***Recommendations***

5. That the accounts officer to ensure all payment vouchers are completely filed.
6. Officer-in-Charge to ensure all payment vouchers' corresponding purchase orders are properly authorized.
7. That account officer to ensure that purchase order numbers are not duplicated.

**5 Log Book**

**a. Incomplete recording of log book**

The log book was not updated

***Recommendations***

8. That for all vehicle without log book, that one be put in place and be properly maintained.
9. That the Officer-in-Charge of the Branch ensure that the log books of Branch vehicles be established and maintained as per Treasury Instruction and Public Service Policy and Instruction.

**6 Vote Book**

**a. Vote Book Reconciliation**

Audit found that the reconciliation of the vote book with the Sub-Treasury was not carried out monthly though out the audited period.

***Recommendations***

10. The account officer to be reminded of her/his responsibility to reconcile the Branch's Vote Book with Sub-Treasury on a monthly basis.
11. That the Officer-in-Charge to ensure that the vote reconciliation is carried out on a monthly basis.

**7 Fixed Asset**

**a Fixed Asset Register not updated**

T Branch's fixed he register was not updated to record the additional assets during the audited period.

***Recommendations***

12. That responsible officer should ensure the fixed asset register is updated.
13. That the Officer-in-Charge ensure that the Branch complies with the Treasury Instruction requirement for fixed asset register.

**b. disposed and damaged assets**

During physical inspection of fixed assets, there were assets that have disposed of by throwing them in the trash, the explanation given.

***Recommendations***

14. That the Branch to discontinue disposing assets by throwing them into the trash.
15. That the proper disposal method required by the Treasury Instruction 2010 to be followed and complied with.
16. That the Head of Ministry ensure that their branches at the outer island are disposing their assets according to the Treasury Instructions.

**d. No written confirmation of assets transferred between the Branch and the head office in Tongatapu**

The Branch does not have vote to purchase fixed assets. Fixed Asset in their fixed asset register has been transferred from head office at Tongatapu. However, in reviewing the completeness and value of assets transferred, there is no formal correspondence when the assets were transferred such as transfer letter from the head office stating details of all assets transferred and their corresponding cost.

Audit cannot confirm the completeness of the assets that should be existed at the Branch and their costs which should also be recorded in the fixed asset register.

***Recommendations***

17. That any additional asset transfer between the two branches, a written confirmation should be signed and accompanied the transferred assets.
18. That the Branch to file all fixed asset transfer written confirmation.

**3.3.31 Ministry of Agriculture, Food & Forests (MAFF)  
Period Covered: February 2015 – February 2019 (49 months)**

**1. Recruitments**

**a. Recruitment of Consultant to the Ministry not complied with government recruitment process**

The appointment of the Consultant, Mr Viliami Taufu, did not go through PSC process as well as was confirmed it did not process through procurement.

***Recommendations***

1. That the Ministry’s executives ensure that engagement of any consultant should be processed according to PSC Policy and Instruction.
2. In engagement of a consultant, CEO should identify the need for this position and also budget in the first place.

**b. PMO’s vehicle used by the Ministry’s Consultant without official transfer**

The vehicle used by Mr Viliami Taufu, Consultant, as part of his contract remuneration, was registered under the Prime Minister’s Office. Transfer letter from the Prime Minister’s Office for this vehicle was requested but there was none.

***Recommendations***

3. That any vehicle use by the Ministry, CEO should ensure that these are the Ministry’s own asset which they are responsible for fuelling and maintenance.

**2. Receipting and Banking**

**a. Ministry operates a bank account that the Ministry of Finance is not aware of its existence**

In reviewing sponsorship funds, these funds were deposited into a BSP bank account operates by the Ministry without the aware of the Ministry of Finance. The signatories to this bank account are the CEO and two (2) other staff from the Ministry. The name of the bank account: MAFFF Plant Genetic Resources Project, implies that this must have been operate for the purpose of a project fund that is no longer exist.

***Recommendations***

4. That the Ministry discontinued using this bank account unless proper approval is given by Ministry of Finance for the Ministry to continue using this bank account.

**b. Lost Cash Books**

In reviewing cash receipts, one Cash Book was not located.

***Recommendations***

5. That the Head of the Corporate Division to locate and present this Cash Book.
6. That the Head of the Corporate Division should always ensure there is a Cash Book that records all cash receipts and pay-in of the Ministry.

**c. Receipting of revenue using unofficial receipts**

Audit noted that the ministry has receipted revenue of register in Agricultural Show in an unofficial receipts books. There were 200 unofficial receipts book ordered for the Agricultural show, of

which 122 receipt books was available for the audit, 43 was used and 79 was still unused. The remaining 78 has been explained as being used for the outer island show.

**Recommendations**

7. That the Ministry should immediately stop issuing of unofficial receipts for receipting of public fund.
8. Cash Sales Docket to be used to receipt all revenue collected by the Ministry.

**d. Shortage of receipts the collection from Forestry division**

In reviewing collection from Forest Division, it was identified that there was a shortage of \$15 pa'anga. The receipt where the shortage incurred was not signed by the receipting staff

**Recommendations**

9. That the responsible staff for this shortage pay back this fund.
10. That the CEO to reprimand responsible staff.
11. That the senior staff who check the pay-ins should ensure that all public fund receipted are accounted for and deposited.
12. Any repetition of the same act in the future should be subject to serious discipline.

**e. Revenue collected but not banked**

There was a revenue collected amounted to \$33 that was not banked by the Livestock Division. Accounting at the Head Office did not notice this shortage

**Recommendations**

13. That this amount be recovered and pay-in to the Ministry.
14. That the head of the division check the pay-in summary and cash before pay-in is made to head office.
15. That the CEO reprimand the responsible staff.

**f. Late pay-ins from all Divisions**

The Divisions: Extension, Forestry, Research and Livestock pay-ins to Head Office which carried out the depositing to the bank/Treasury. However, these divisions fail to make pay-in on a timely basis if it is above \$100.

**Recommendations**

16. That the head of each division should ensure that the money collected at their respective location is paid in to head office on a timely basis.
17. That the accountant at the Head Office to follow up with each division if pay-in are not done on a daily or regular basis.

**g. Lapping occurs regularly from Forestry pay-in**

In reviewing receipts and pay-ins from the Forestry Division, there were occasions of lapping during the period under review.

**Recommendations**

18. That the Head of Forestry Division ensures that the Division's pay-in is done daily/regularly and the receipts are paid-in in sequence order. Any lapping should be looked into and corrected.

**h. Unauthorized Cashier**

In reviewing collections at the Extension Division it was noted that were was a daily labour collecting public funds at the division.

**Recommendations**

19. Head of Divisions should discontinue this practice.

**i. Cash Sale Docket (CSD) issued without date and signature**

In reviewing issue of CSD at the Quarantine Division, at two CSD were issued to the Airport team without date and sign the register book.

***Recommendations***

20. That the responsible staff for CSD ensure all CSD are issued to authorized staff only and that staff signs the register book.

**j. Two cash sale dockets used simultaneously**

***Recommendations***

21. Head of Division ensure that only one receipt book is used at one point in time.  
22. That the Head of Division discontinued this practice.

**k. Excess cash identified during cash count was not receipted and banked.**

A cash count was carried out 20<sup>th</sup> February, 2019 which record an excess cash of TOP\$316 at the Quarantine Division – Airport.

According to the OIC at the time, these are accumulations of float that are provided by the staff as the Ministry does not provide this. There were also cash which are gifts from friends and relatives of the staff. He also mentioned that foreign currency were received for payment, which they have already converted to TOP amount. They have no record of the float nor of the foreign currency transaction. The OIC was asked to receipt the excess cash and banked.

***Recommendations***

23. That the CEO look into this matter and the excess cash be receipted and banked.  
24. That the CEO and Head of Division – Quarantine to resolve the issue of cash float.  
25. That the Head of Division – Quarantine to ensure all importing documents including cash sales docket are completed and issued to the passenger/importer at the time of processing their cargo/goods.

**3 Revenue**

**a. Lack of documentation to support fee changes at Livestock Division**

In reviewing of revenue received by the Forestry Division, Audit identified the changes of fees charge by Livestock division in financial year 2017/18. A request for the relevant regulations or authorizations for this changes and the effective date was made during the audit but it was not provided. Request has been made for Directors approval from the Head of Division Corporate and Head of Division Forestry but none was provided.

***Recommendations***

26. Directors should ensure that changing of fees are authorized by relevant authority according to laws and government relevant regulations.  
27. That the Director's Approval to be provided to audit as soon as possible.

**4. Attendance and Payroll**

**a. Head of Division not recording his attendance in the Ministry's official attendance book**

During confirmation of payroll to attendance record, the Corporate Head of Division has not been signing the attendance register book to record his attendance

***Recommendations***

28. That the Deputy Director, Corporate, should start signing attendance in the attendance register book.  
29. That the CEO ensure that his deputies sign attendance register book as this is the official attendance record for all public servant.

**b. Export Quarantine Staff recorded their attendance at work in the Export registered book instead of Attendance Book Registered.**

The overtime hours of staff works at the Export Section working hours recorded in the Export Book registered instead of the official Attendance Book.

***Recommendations***

30. Officers of the Export Section to record their attendances at the Attendance Registered Book of the Division instead of the Export registered book.
31. HOD to ensure that his staff record their attendance in the official attendance book.

**c. Approval of Overtime's Work Plan.**

In reviewing payroll, work plan for overtime was in place however, the work plan was signed approved subsequent to the date the overtime was carried out, not complied with Treasury Instructions.

***Recommendations***

32. CEO shall ensure that overtime work plan(s) is prepared and submitted and approved prior to commencement of any overtime work. This is in accordance with the Treasury Instruction.
33. That no overtime should be paid if overtime work plan is approved after the overtime has been taken.

**d. Incomplete documents attached to timesheet vouchers**

In reviewing overtime expenses, the vouchers were not supported with documents required such as staff timesheets, other documents required to support the staff overtimes.

***Recommendations***

34. Accountant to ensure all supporting documents are completely file for overtime.

**5. Sponsorship Fund**

**a. Money received from sponsorship not recorded in accordance with Treasury Instructions.**

***Recommendations***

35. The Ministry create a Register for the sponsorship funds for the agricultural show.
36. That proper records are kept for the movement in the register.
37. The register should be reviewed and reconciled on a regular basis.

**6 Expenses**

**a. An expense under maintenance and operation had no supporting documents**

***Recommendations***

38. That the Accountant ensures that all payment vouchers and supporting documents are properly filed.
39. That the Accountant ensures that the filing system used is orderly in locating payment vouchers.

**b. Not all payment vouchers available for the CEO & Minister Benefits vote**

Documents which were not provided and obtained include:

1. Payment vouchers for housing allowance; and
2. Documents regarding the disbursements from "Other Allowances".

***Recommendations***

40. Audit would like to emphasize the matter of completely providing of records for audit.

**c. There were no purchased order request form for some of the expenses for the show**

In reviewing expenses for the Agricultural show, there were some expenses without Purchase Order Request form.

***Recommendations***

41. Accountant/Senior Accountant ensure that all payments must have a purchase order request form before processing payments.

**7. Fixed Assets**

**a. Fixed Asset Register not updated**

There were new assets purchased during the audit but were not included to the asset register.

***Recommendations***

42. That the responsible officer assures the asset register is up to date, accurately recorded which will not underestimate its value in the Public Account and in compliance with instruction stated in the Treasury Instructions.

**b. Ministry vehicle used by one of the Deputy Director outside working hours**

One of the Ministry's vehicle is used by the Deputy Director for Livestock after working hours.

***Recommendations***

43. That the Deputy Director of his division to discontinue using the Ministry vehicle's after working hours unless a written approval is granted for her to do so.

**c. Assets unavailable for audit asset's physical stock take**

1. 2 mist blowers at Research Division at Vaini;
2. An intel laptop at the Extension and Women Division was explained to have been taken by one of the one of the staff.
3. A very expensive pot purchased to use during the agricultural show, explain from the Women Division provided that it was used in Vava'u and that was the last location of the pot.
4. Camera – The camera was ordered during the 2018/19 period claimed that it was taken by one of the staff at the 'Alaki Office.
5. Weed eater/Brush cutter – explained the weed eater has been taken for service with no record of the request for the service of this weed eater.
6. Four face gas stove – explained that it has been taken to the Office at Vava'u but no official letter of this transfer has been provided.

***Recommendations***

44. That the CEO hold his HOD accountable for these missing assets  
45. That the account section should undertake a physical stock of all assets once a year to ensure the completeness and conditions of the Ministry's assets.

**d. Missing Payment vouchers for assets purchased**

In reviewing payments for assets, two of the payment vouchers were not available: (1) server netgear ready NAS RN314 (software) amounted to \$1,774.51 and (2) computer set for Food Division amounted to \$1,750.00.

***Recommendations***

46. That responsible officers made sure that vouchers are properly and completely file for audit and future references.

**e. Project vehicle not yet registered with P license plate number**

In reviewing fuel, a vehicle without a P license number plate was identified. Explanation given, that this vehicle originally belonged to a project and it has been transferred to the Ministry but yet to have been registered as Ministry/Government's vehicle.

***Recommendations***

47. That the Ministry to process P license number plate for this vehicle.

**3.3.32 Ministry of Agriculture, Food & Forests – Vava’u Branch**  
**Period Covered: October 2015 – February 2019 (41 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Not properly maintain of log book	Resolved
Revenue arrears	Not yet resolved

**2. Inward Cash**

**a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

**3 Revenue**

Revenue collected for MAFF Vava’u Branch were accurately charged, completely recorded and accounted for to respective financial records.

**a. Revenue Arrears**

Revenue arrears of the Quarantine Division total to \$6,749.75 is yet to be collected by the Branch. Further, the current revenue arrears were not prepared by the Branch at the time of the audit.

<b><i>Recommendations</i></b>
<ol style="list-style-type: none"> <li>That immediate system of recovering these revenue arrears of \$6,749.75 rest with the Officer-in-Charge to be implemented and collected as soon as possible as complied to Treasury Instructions 2010.</li> <li>That the Officer-in-Charge should establish a system of reviewing revenue arrears on a regular basis as instructed by Treasury Instructions 2010.</li> </ol> <p><b><i>MAFF Vava’u Branch response</i></b>  <i>Acting Officer-in-Charge agreed.</i></p>

**b. No Revenue Register**

Audit noted that there were no revenue register maintained for sales of seedlings which is collected at the Branch.

<b><i>Recommendations</i></b>
<ol style="list-style-type: none"> <li>That a revenue register should be immediately prepared and updated at all times at the Branch to account for all revenue on sales of seedlings as stipulated in Treasury Instruction 2010.</li> </ol> <p><b><i>MAFF Vava’u Branch response</i></b>  <i>The Acting OIC agreed.</i></p>

**4 Expenditures**

**a. Reconciliation of expenditures**

The reconciliation of expenditures was not carried out on a monthly basis.

<b><i>Recommendations</i></b>
<ol style="list-style-type: none"> <li>That vote book of the Branch should be reconciled on a monthly basis as stipulated in the Treasury Instructions 2010.</li> <li>That the Officer-in-Charge ensure to regularly review that reconciliation on a monthly basis.</li> </ol> <p><b><i>MAFF Vava’u Branch response</i></b>  <i>The Acting OIC agreed.</i></p>

## **5 Fixed Asset**

The fixed asset register was not recorded and updated.

### ***Recommendations***

6. That the fixed asset register maintained at the Branch should be reformat, completely recorded and updated to the required instructions of Treasury Instructions 2010.
7. That the Officer-in-Charge should review regularly the fixed asset register to comply with Treasury Instructions 2010.

***MAFF Vava'u Branch response***  
*The Acting OIC agreed.*

## **3.3.33 Ministry of Agriculture, Food & Forests (MAFF) – Ha'apai Branch Period Covered: September 2015 – February 2019 (42 months)**

### **1. Follow-ups**

<b><i>Issues raised in previous years</i></b>	<b><i>Current issues</i></b>
Log books not completely recorded	Not yet solved
Not yet established fixed asset register	Not yet resolved

### **2. Inward Cash**

#### **a. Cash Count**

Cash count of on hand on 1<sup>st</sup> April, 2019 was fine.

#### **b. Receipts and Banking**

The cash collected during the audited period were properly receipted and accounted for, into the Cash Book but not timely paid-in to Sub-Treasury and Tonga Development Bank on regular basis.

#### **c. Two (2) substantial late banking instances**

This issue was raised by both the Ministry of Finance, Savingram Ref No.3G/1126 and MAFF – Head Office, Savingram Ref No.1/8/10 to the Auditor General. There were two (2) substantial late banking instances; (i) \$1,288 accrued revenue collection form 24<sup>th</sup> October, 2017 were paid in after 195 days late on the 25<sup>th</sup> July, 2018; and \$3,907.70 accrued revenue collection from 25<sup>th</sup> July, 2018 were also paid in after 42 days late on 21<sup>st</sup> September, 2018. The responsible officers were the daily paid labourer, under supervision of the Officer-in-Charge at the time.

### ***Recommendations***

1. That the above practice should be ceased immediately.
2. That the MAFF Head Office should ensure proper consultation with their Outer Island Officer-in-Charge with the requirements of the Treasury Instruction 2010 and related public service polices.
3. That the Officer-in-Charge should review all financial records on a regular basis to ensure timely banking of government revenue.

***MAFF Ha'apai Branch response***  
*Agreed.*

### **3 Revenue**

The revenue collected were receipted and accounted for.

#### **a. Not updated Revenue Register Book**

Audit found instances where most revenue collected were not properly and completely recorded in the Register of Revenue. There were also revenue collected that do not have any Register of Revenue.

**Recommendations**

4. That the Supervisor of Accounts of MAFF Ha’apai Branch should establish and update Register of Revenue at all times.
5. That the Officer-in-Charge to ensure regular review of Register of Revenue collection.

**MAFF Ha’apai Branch response**

*Agreed.*

**4 Expenditures**

Audit confirmed that the Branch disbursements were validly incurred and accounted for. Also, the supporting documents were completely filed and monthly reconciliations were performed regularly with the Ministry of Finance through Sub-Treasury – Ha’apai Branch.

**5. Secretariat of Pacific Community (SPC) Project – Improving fruit tree and vegetable production and consumption in Ha’apai**

**a. No documentation – variation and amendment to signed agreement**

Audit noted that there were no documentation in writing made available from MAFF to confirm any approved variation and amendment to the SPC agreement with MAFF on the execution plan and implementation phase of this project. Audit confirmed the establishment, operation production activities and promotion of consumption of fruit trees in Ha’apai for this project were not in accordance with the agreement between SPC and MAFF.

**Recommendations**

6. That the MAFF should locate and review any approved documentation between both parties on variation and amendment made to the SPC agreement on this project.

**MAFF Ha’apai Branch response**

*Audit could not obtain explanation from SPC Representative Crop Production Coordinator, Mr Siosua Halavatau except discussion made in our meeting with the Acting Deputy CEO Corporate Service Division at the time on 29<sup>th</sup> April, 2019 that they are not aware with the status of this project.*

**b. Total project funds receipts and expenditure**

The total project funds received was TOP\$70,000.00 that were receipted to MAFF Ha’apai Branch development funds instead of the TOP\$110,000.00 approved funds on the SPC agreement with MAFF. The remaining project funds of TOP\$40,000.00 is yet to confirm since there were no documentation in writing made available to confirm any approved variation and amendment to the SPC agreement with MAFF. However, the total project funds expenditure utilized by the MAFF Ha’apai Branch were \$78,292.45

**Recommendations**

7. That the MAFF Head Office to consult with SPC on any variation with the approved actual funds.
8. That the MAFF Head Office to also consult with Ministry of Finance on the actual development funds received on this project.

**MAFF Ha’apai Branch response**

*Audit could not obtain information from SPC Representative Crop Production Coordinator, except discussion made in our meeting with the Acting Deputy CEO Corporate Service Division at the time, who admitted that they are not aware of the status of this project.*

**c. Reimbursement of funds disbursed to OIC**

A total of \$18,495 disbursed funds from this project was reimbursed back to the OIC MAFF-Ha’apai Branch at the time, confirmed by those whom the payments were made to and received the payments.

**Recommendations**

9. That the above practice should be ceased immediately.
10. That this is a serious breach of duties and appropriate procedures be followed
11. That the MAFF Head Office should ensure proper consultation with their Outer Island Officer-in-Charge with the requirements of the Treasury Instruction 2010 and related public service policies.
12. That MAFF Head Office to obtain complete representation of OIC at the time Mr Samiuela Vaea regarding the reimbursement funds.

**MAFF Ha'apai Branch response**

*In our interview meeting with the OIC MAFF-Ha'apai Branch, he confirmed that all funds reimbursed to him were deposited to their staff social committee, except the \$4,500 reimbursed from one person was used to funds schools' sport completion on promotion of fruit tree and vegetable planting in Ha'apai. He also mentioned that most reimbursement of funds were to accommodate for expenses incurred by the MAFF Ha'apai Branch staffs, including himself for catering carried out on various workshops performed on this project.*

**d. Non-compliance with SPC's Agreement**

- **No copies file on work plan for monitoring and evaluation system**

There was no work plan made available to audit that was developed by both SPC and MAFF to timely monitor and assess the progress and performance during the duration of the project. Also, there was no six (6) monthly progress/status reports.

**Recommendations**

13. That the MAFF should locate and review any approved work plan for monitoring and evaluation purpose on the implementation of this project.
14. That MAFF should locate and review any project progress reports had been submitted to SPC
15. That the MAFF should locate and review any approved documentation between both parties on variation and amendment made to the SPC agreement on this project.

**MAFF Ha'apai Branch response**

*Audit could not obtain information from SPC Representative Crop Production Coordinator, except discussion made in our meeting with Acting Deputy CEO Corporate Service Division at the time, who admitted that they are not aware of the status of this project.*

- **Ineligible expenses**

Audit identified two (2) payment vouchers do not relate to production and consumption of fruit trees and vegetables specified in the SPC agreement with MAFF amounted to \$8,000.

**Recommendations**

16. That MAFF should liaise with SPC on appropriate procedures be followed with these ineligible expenditures.

**3.3.34 Ministry of Meteorology, Energy, Information, Disaster Management, Climate Change and Communications – Vava'u Branch  
Period Covered: September 2015 – February 2019 (42 months)**

**1. Follow-ups**

<i>Issues raised in previous years</i>	<i>Current issues</i>
Vote Book to record all its expenditures	Resolved
A log book to record vehicle usage	Resolved
Fixed Asset Register not updated	Resolved

## **2. Inward Cash**

### **Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

## **3 Revenue**

### **a. Revenue register**

Audit found that there is no register prepared and filed for revenue collected by the Branch. The revenue collected on radio and television licenses are renewed on an annual basis therefore, audit cannot verify whether the licenses collected at the time are new licenses or expired licenses.

#### ***Recommendations***

1. That revenue register is updated and maintained at all times at the Branch as required by the Treasury Instructions 2010.

#### ***MEIDECC Vava'u Branch response***

*The Officer in-Charge agreed.*

## **4 Expenditures**

Expenditures were validly incurred; authorised, completely recorded and filed during the audited period.

## **5 Fixed Assets Register**

The fixed asset register is completely recorded and updated.

### **a. Assets not kept at the Branch**

The assets are: (1) Lawn mower-victor model; (2) Grass trimmer/Brush cutter. These assets were kept at the house of the Ground Keeper of the Branch.

#### ***Recommendations***

2. That the Officer-in-Charge should ensure that both the lawn mower-victor model and the grass trimmer/brush cutter should be returned to the Branch's premises and is stored for they are government property.
3. That the OIC should ensure that there is proper system in place to record and account for all assets of the Branch which is held under their care as complied with the Treasury Instructions.

#### ***MEIDECC Vava'u Branch response***

*Officer-in-Charge agreed.*

### **3.3.35 Ministry of Fisheries – Vava'u Branch**

**Period Covered: July 2019 – February 2019 (79 months)**

#### **1. Follow-ups**

Audit appreciates the action taken by the Branch in resolving the issue on Fixed Asset Register:

#### **2. Inward Cash**

##### **a. Cash Count**

Cash count of cash on hand on 1<sup>st</sup> April, 2019 was fine.

##### **b. Receipts and Banking**

Cash collected during the audit period were receipted and banked

#### **3. Expenditures**

Expenditures were validly incurred; properly authorised, completely recorded and filed during the audited period.

### 3.3.36 Ministry of Fisheries – ‘Eua Branch Period Covered: September 2015 – February 2019 (42 months)

#### 1 Expenditures

##### a. Payment vouchers not filed by the Branch.

Payment vouchers were not completely filed and available at the Office during the audit.

###### *Recommendations*

1. That the responsible officer should ensure payment and supporting documents vouchers are completely kept and filed.
2. That the Head of the Ministry ensure proper handover is taken place when a staff transfer from the Office. This ensures that all files and records are handed over and properly store by the Office.

##### b. Expenses incurred before approval

Audit noted that some of the expenses incurred were not approved beforehand.

###### *Recommendations*

3. That the responsible staff ensure all expenses are approved before they are incurred.
4. The head of the Ministry to ensure that outer island branches are complying with government payments process.

##### c. Payment of expenses incurred in previous financial period

Audit noted that some of the expenses paid during 2018/19 financial period were incurred in the financial period 2017/18.

###### *Recommendations*

5. That the responsible staff ensure that all expenses incurred during the financial period are paid in that financial period.
6. The Head of the Ministry ensures that the Ministry is accounted for all commitments not yet paid for at the end of the financial period and budget for in the next financial period's budget.

##### d. No monthly reconciliation of vote book with Treasury vote book

Reconciliation has not been carried out on monthly basis with Sub-Treasury's vote book

###### *Recommendations*

7. The responsible officer to be reminded of her/his responsibility to reconcile the Branch's Vote Book with Sub-Treasury Vote Book on a monthly basis.

#### 2 Asset

Audit noted that the format of the fixed assets registered is not complied with the requirement of the Treasury Instructions 2010.

###### *Recommendations*

8. That the responsible officer to update the fixed asset register to comply with the requirements of the Treasury Instruction 2010 and liaise with the head office in Tongatapu for the complete listing of the assets that should be at the Branch in ‘Eua.

### 3.3.37 Special Audits

#### 5.3.6.2 Special Audit of Petition to Parliament No.1/2018

We completed and reported this special audit to Parliament on 22<sup>nd</sup> October, 2018.

## CHAPTER 4: DEVELOPMENT PROJECTS

We audited eleven (11) projects. We issued 11 unmodified audit opinions for the financial statements of the 11 projects that we audited for their financial statements for the year ended 30<sup>th</sup> June, 2018.

We raised sixty (60) issues in our management audit reports (47 in 2017) and ninety two, (92), recommendations for the appropriate remedial actions for management to consider (81 in 2017).

### 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, 2018 had all been audited.

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 mostly the Government Ministry that implemented the project.

The service of the TOAG is always considered as part of the contribution of 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 with the exception of about one project.

### 4.3 Audit Findings and Recommendations

#### 4.3.1 Tonga Aviation Investment Project (TAIP) Financial year ended 30<sup>th</sup> June, 2018

The audit of TAIP of Tonga for the financial year ended 30<sup>th</sup> June, 2018 was completed and we issued an unmodified audit opinion. The issues raised in our management letter were:

##### 1. Prior year issue 2017-18

<i>Outstanding issue</i>
1. Classifying of receivables and payables as cash and cash balance. Payables and Receivables should not be included in the calculation of Cash and Cash Balance.  <b>Current Position:</b> <i>Payables and Receivables be excluded from calculation of Cash Balance is not yet resolved.</i>

#### 4.3.2 Transport Sector Consolidation Project (TSCP) Financial year ended 30<sup>th</sup> June, 2018

The audit of TSCP for the financial year ended 30<sup>th</sup> June, 2018 was completed and we issued an unmodified audit opinion. The issues raised in our management report were as follows:

##### 1. Status of Prior Year's Audit Issues:

1. <b>Bank Reconciliation not independently reviewed.</b>  <b>Recommendation:</b> 1. The project accountant to ensure that monthly bank reconciliation is signed prepared and dated by her and that it gets reviewed by either the Project Manager of the Contract Manager.  <b>Current Position:</b> <i>No action.</i>
2. <b>Project Steering Committee (PSC) not meeting on a regular basis.</b>  <b>Recommendations:</b> 2. Member of the Steering Committee to consider this issue seriously.

3. Audit is aware that members of this committee are higher level officials and may not always be available to attend meetings. Committee should consider conducting the meeting in other means if not all can always be physically present.
4. Member of PSC to consider delegating of this role should they not always available to attend the meetings.

***Current Position:***

*No action*

**2. The requirement of the Shopping procurement method for at least three quotations provided was not complied with**

World Bank Procurement guideline requires for Shopping Method that “quotation obtain from several suppliers (in case of goods) with a minimum of three to assure competitive price...” In shopping for the two Cab UTE (van) purchased during the financial period, only two suppliers were invite to provide quotation and only one quotations was received.

***Recommendations***

5. Management and procurement officer should ensure that procurement requirements are met before awarding any contact.

**4.3.3 Tonga-Fiji Connectivity Cable Projects (TFCP)  
Financial year ended 30<sup>th</sup> September, 2018**

The audit of TFCP for the financial year ended 30<sup>th</sup> September, 2018 was completed and we issued an unmodified audit opinion.

The issues raised in our management report were as follows:

**a. Incorrect closing rate applied for conversion of bank balance from USD to TOP**

In reviewing the financial statements in the local currency (TOP), the exchange rate used was not the rate at the end of the financial period from NRBT.

***Recommendations***

1. Accountant should ensure that correct rate applied. However accountant has obtain and agreed to use the rate at the end of the period from the NRBT.

**b. Contract for purchase of goods exceed the budget allocated and the quoted price from suppliers**

***Recommendations***

2. Management and accountant should ensure that a contract award to any contractor does not exceed the budget.

**4.3.4 Climate Resilience Sector Project (CRSP)  
Financial year ended 30<sup>th</sup> June, 2018**

The audit of CRSP for the financial year ended 30<sup>th</sup> June, 2018 was completed and we issued an unmodified audit opinion. The issues raised in our management report were as follows:

**1. Prior year issues:**

**a. Conflict of interest not identified and dealt with appropriately**

***Recommendations***

1. That all members of the Project Steering Committee declare any interest they have in relation to the project.

2. That declaration of interest be documented in a Conflict Interest Register together with all remedial actions taken.
3. That the Conflict of Interest Register becomes part of the standard item in the committee's agenda for every meeting.

***Status of the recommendations***

*Project has prepared a conflict of interest register for each member in PSC but are yet to be completed by the PSC Member.*

**b. Project vehicle operate without a valid license plate and valid registration**

***Status of the Recommendations***

*Vehicles have valid vehicle registration. However, project vehicle still remain with MEIDEC's management.*

**c. Incomplete Fixed Assets Register**

The project is required to maintain a complete fixed asset at all times

***Recommendations***

4. That the Project Management should ensure that the project maintain a complete fixed asset register at all times.

***Status of the recommendations***

*Fixed Asset Register still not updated and maintained.*

**d. Damage Fixed Assets not reported and not accounted for.**

***Status of the Recommendations***

*Resolved.*

**e. PIU Fisheries laptops use by those not entitled to**

***Recommendations***

5. That CEO MEIDECC should communicate to the individual consultants that they are not entitled to be provided with laptops for their use.
6. That the cost of the laptop should be recovered from each consultant, since they have been using the laptops and the value has depreciated in value.
7. That each consultant should be informed in writing that the costs of the laptop will be recovered from them.
8. That arrangement should be in form of installment payment, and therefore be deducted from their pay, so when their contract agreement is completed, all costs has been recovered.
9. That CEO MEIDECC should inform the EA of this matter in writing
10. That CEO MEIDECC should inform CEO Fisheries is currently using one of the projects equipment that the Ministry is not entitled to.
11. That the costs of this laptop and hard drive be recovered from the Ministry of Fisheries. CEO MEIDECC to make all necessary communications.

***Status of the recommendations***

*CEO has communicated to MAFF and SMA consultants including the Deputy Secretary MAFFF.*

*Deputy Sec. for MAFFF has been collecting all equipment's/ items used by the consultants and returned to MAFFF.*

**f. Goods paid for but not yet received**

***Status of the Recommendations***

*Resolved.*

**g. Goods received not in accordance to specification ordered**

***Status of the Recommendations***

*Resolved.*

**h. Assets not available to be sighted as these were on loan to the Ministry of Fisheries**

***Status of the Recommendations***

Resolved.

**i. Project Accountants processing ineligible expenses**

***Status of the Recommendations***

Resolved.

**j. No supporting documents**

***Recommendations***

12. That the project accountant should ensure that all supporting documents are properly filed.
13. In relation to travel, please also file itinerary and documents to provide sufficient information that the travel has been project related. Itinerary is also essential for calculation of the travel allowance if it is part of the entitlement.
14. CRSP management to put in a place a permission to travel procedure. This requires every travel to be approved by the CEO of MEIDECC before the travel takes place. This ensure that all travel is properly authorized and the travel is project related.
15. That the project is to be reminded that the number of travel entitles is the maximum number of trips and not the many trips that can be done within the maximum dollar value of travel entitlement as per agreement.
16. That reimbursement of travel should be based on the exact amount paid and not the whole amount allocated per travel in the agreement unless the amount paid was greater than that budgeted for

***Status of the recommendations***

Still exist.

**j. Payroll payments have no Timesheet and not signed by approver**

***Status of the Recommendations***

Resolved.

**k. Panel – no conflict of interest declaration form signed**

It reviewing procurements processes, it was noted that conflict of interest declaration form was not signed. The conflict of declaration form, identified if there is a conflict of interest and it is to be dealt with appropriately.

***Recommendations***

17. For all procurement related activities, Procurement Specialist should ensure that all panel members, sign conflict of interest declaration form. He/She must also ensure that these are reviewed and signed review.

***Status of the recommendations***

*Project Comments: Declaration form is formulated and adopted.*

**l. Project Vehicle register under SMEC**

In reviewing the fixed assets, it was noted that two vehicles purchased for the operation of PIU – MOI is registered under the consulting firm, SMEC. The vehicles has been purchased with the project fund. Hence the ownership of the vehicles should be with CRSP until the project is terminated.

***Recommendations***

18. That the PIU-MOI team leader should initiate the process of transferring the vehicles ownership back to CRSP. This should be completed by April.

***Status of the recommendations***

*Will be done in June once civil works are 95% complete.*

**m. PIU – Fisheries Electric Generator been transferred by Ministry to Ministry of Fisheries – Niuatoputapu’s Division**

<b><i>Status of the Recommendations</i></b>
<i>Resolved – Generator has been returned to PIU Fisheries.</i>

**n. Scholarship Recipients also sign as Guarantor**

<b><i>Status of the Recommendations</i></b>
Resolved.

**o. No proper guidance for the scholarship recipient in how to be successful in the program whilst working full time**

This raise the concern the about the program being successful as it is understood that CRSP and USP has made a formal arrangement to make exclusive offer of this undergraduate programme to recipient of the scholarship for a fix period of three years.

<b><i>Recommendations</i></b>
19. Majority of the recipients are government public servants and therefore require to adhere to Public Service Commission policies and procedures. So if they are required to attend classes during working hours, how is this dealt with to ensure that PSC policies are being complied with. CEO MEIDECC to liaise with PSC on addressing this issue.
<b><i>Status of the recommendations</i></b>
<i>CEO communicated to PSC, PSC is reluctant to amend policy.</i>

**2. Findings from Audit 2017/18**

**a. Project Steering Committee (PSC) held no meeting during the audited period.**

<b><i>Recommendations</i></b>
20. That the Project Director ensure that PSC meeting is carried out on a quarterly basis.
<b><i>Management comments</i></b>
<i>PSC meeting will be conducted on a regular basis as required. PSC meeting held in February 2019. (Minutes under preparation and circulation for approval.</i>

**b. Bank Reconciliation not independently review**

In reviewing bank balances, the bank reconciliation was not independently reviewed, nor was it being signed prepared and dated by the project accountant for the audited period 2017/18.

<b><i>Recommendations</i></b>
21. That the project director ensure that independent review of bank reconciliation is carried for every month.
22. That the reviewer sign and date the bank reconciliation as an evidence that the review has taken place.
23. That the project accountant sign and date bank reconciliation prepared.
<b><i>Management comments</i></b>
<i>Recommendation are taken on board.</i>

**c. No consultant/contract register maintained by the project management unit**

The project does not keep/maintain contract register that keep tracks of entitlements and payments made for each contract. There was no similar record kept in order to ensure that the payments were correct and overpayment/underpayment has been prevented. The Project Accountant explained that he does not have one but he would create one which was never received.

***Recommendations***

24. That a contract register is created and maintained by the Project Accountant for all contracts entered into by the project.

***Management comments***

Will ensure that required resources will always be availed timely.

**4.3.5 Nuku'alofa Urban Development Sector Project (NUDSP)  
Financial year ended 30<sup>th</sup> June, 2018**

The audit of NUDSP for the financial year ended 30<sup>th</sup> June, 2018 was completed and we issued an unmodified audit opinion.

The issues raised in our audit management report were as follows:

**1. Follow up from previous year's audit**

**a. Bank Reconciliation**

In reviewing bank reconciliation, there were bank reconciliation provided. But these bank reconciliation were prepared by MoF. There were no bank reconciliation prepared by the project or evidence shown that they agree with the bank reconciliation prepared by MoF.

***Recommendations***

1. Project Accountant to ensure bank reconciliation is carried or whether is efficient to review MoF reconciliation and sign it if they agree reconciliation and sign it if they agree or make adjustment as necessary. Also ensure this is independently reviewed.

***Status of the recommendations***

*No yet resolved.*

**b. Notes to the Financial Statement**

There are additional disclosure that can improve the usefulness of the financial statements to its stakeholders.

***Recommendations***

2. That Project Account to revise these to include in the next set of financial statement.

***Status of the recommendations***

*No yet resolved.*

**2. Findings from Audit 2017/18**

**a. Late submission of vote reconciliation for the audit**

The audit requested the vote reconciliations in September and received it until December.

***Recommendations***

3. Accountant ensure that monthly vote reconciliation is carried out on timely basis in order to obtain on time for the future audit.

**b. Management not responding to issues in Management Letter**

***Recommendations***

4. That the project management ensures that they provide their respond in writing within fourteen (14) working days from the date of issuing the letter.

#### 4.3.6 Tonga Cyclone Ian Reconstruction and Climate Resilience Project (TCIRCRP) Financial year ended 30<sup>th</sup> June, 2018

The audit of this project for the financial year ended 30<sup>th</sup> June, 2018 has been completed and we issued an unmodified audit opinion.

The issues raised in our management report were as follows:

##### **1. Findings from Audit 2017/18**

- a. Exchange rate used to convert the bank balance at year end was not the closing rate for balance date**

###### ***Recommendations***

1. That project accountant to ensure that any foreign currency bank account, the balance for year ended is to be converted to the TOP equivalent using the balance date closing exchange rate as per *IPSAS*.

###### ***Comments from Management***

*Project accountant agreed.*

- b. Year end bank reconciliation was not independently reviewed.**

###### ***Recommendations***

2. The project accountant to ensure that monthly reconciliation is independently reviewed. The Implementing Agency can assist with this task.

###### ***Comments from Management***

*Project accountant explained that bank reconciliation is checked by WB when he send application for withdrawal of fund.*

- c. Missing Fixed Assets**

During the physical sight of fixed assets at the head office in Nuku'alofa, some assets were missing. Project accountant cannot identify the location of these assets. Assets that are damaged and in a non-working condition, should be kept for proper disposal.

###### ***Recommendations***

3. Project management should be responsible for the safeguard of all project assets at all times.
4. To locate missing assets for the final audit.

- d. No proper procedure on handover of assets from the project to MoI.**

The project assets in Ha'apai has been transferred to the MOI office in Ha'apai. In sighting the physical asset, the project vehicle in Tongatapu was currently use by CEO of MOI. According to the project accountant, there has not been a proper handover process for these assets even though the project is approaching its completion date.

###### ***Recommendations***

5. Project Management to work with Ministry of Finance on handover procedures.
6. Ministry of Finance to decide on how projects assets are to be distributed whether it stays with the Implement Agency or distribute to different Ministries.

- e. MOU not signed by Master Builder.**

In reviewing payments, the MOU for repairing of Pangai Community Hall and the Seventh Day Adventist Church Hall was not signed by the Master Builder

**Recommendations**

7. That the Project Management ensures that all process and procedures are complied with.

**f. Payment of Ha’ato’u Community Hall without Invoice.**

There were no invoices for this payment. According to the project accountant, this hall has been repaired by the community themselves. There were no record kept on the costs of the materials used. Therefore the inspectors were estimating the cost base on the repair done.

**Recommendations**

8. The Master Builder to ensure that these costings are correct before payment is made.

**4.3.7 Green Climate Fund – Readiness and Preparatory Support Programme (GCF-RPSP)**

**For the period of 5<sup>th</sup> February to 30<sup>th</sup> November 2018**

The audit of the GCF–RPSP for the period of 5<sup>th</sup> February to 30<sup>th</sup> November 2018 has been completed and we issued an unmodified audit opinion.

The issues raised in our management report were as follows:

**a. Payment Vouchers lack information on Project Component and sub-component classification**

In reviewing expenses, classification of expenses in some of the categories under each Project Component were incorrectly done.

**Recommendations**

1. Project Coordinator to ensure that for each payment the project component and sub-component is clearly stated the payment voucher.

**Comments from Management**

*The GCF finance officer will follow the template given by your good office accordingly to avoid any incorrect balance from incorrect classification*

*The finance officer will classify the project payments according to Component and sub-component as requested*

**b. Budget overrun for two (2) sub-components of Operating Cost components**

In reviewing budget vs actual, two of the sub components of the Operating Cost component has exceeded their budget allocation.

**Recommendations**

2. Project Coordinator to review project expenses vs budget on a monthly basis to prevent budget overrun of any other project subcomponents.

**Comments from Management**

*Office supplies and materials have exceeded the amount approved in the Grant Agreement due to many meetings and consultation workshops conducted and printing of materials were required for participants*

**4.3.8 Climate Change Trust Fund (CCTF)  
Financial year ended 30<sup>th</sup> June, 2018**

The audit for the CCTF for the financial year ended 30<sup>th</sup> June, 2018 has been completed and we issued an unqualified audit opinion.

The issues raised in our management report were as follows:

## 1. Findings from Audit 2017/18

### a. Amendments to Operational Manual (OM) prior to First Year Review.

<b>Recommendations</b>
<p>1. The Chairperson and the members of the Board to ensure that the OM is not only followed and complied with by the operation of the CCTF but also by the Board.</p> <p><b>Comments from Management</b>  <i>Board made the call and changes. ADB and EA were made aware of the rationales, and the compelling needs and request from vulnerable communities.</i></p>

### b. CCTF Operational Account Authorized Bank Signatories not in accordance with the requirement of the Operational Manual

<b>Recommendations</b>
<p>2. That the Board ensure compliance of the operation and implementation of the Fund with the OM.</p> <p><b>Comments from Management</b>  <i>Overall financial of CCTF will be provided by EA including opening of the CCTF accounts, preparing a reconciliation of funds and monthly basis, and the authorized two (2) signatories for disbursement from CCTF. Minister &amp; Secretary of the EA &amp; LA have delegated the role as per PFMA and to expedite implementation delivery.</i></p>

### c. CCTF Board has not had a board meeting in eight (8) months to balance date

<b>Recommendations</b>
<p>3. That the Chairperson of the board should ensure that they meet once in a month or on a quarterly basis to carry out and monitor their roles regarding the fund.</p> <p><b>Comments from Management</b>  <i>Chair called meeting but often meetings are cancelled/deferred on Board Members are very busy. And representation are replaced or changed.</i></p>

### d. Board minutes not signed when approved by the committee

<b>Recommendations</b>
<p>4. That the secretary to the Board ensures that all meeting minutes of the Board are signed and dated by the Chairperson.</p> <p><b>Comments from Management</b>  <i>Remaining minutes will table to the Chair for approval.</i></p>

## 4.3.9 The Pacific Resilience Program (PREP) Financial year ended 30<sup>th</sup> June, 2018

The audit for the PREP for the financial year ended 30<sup>th</sup> June, 2018 has been completed and we issued an unqualified audit opinion.

The following issues were raised in our management report:

### 1. Status of Prior Year Audit Issues

<b>Outstanding prior years issues</b>	<b>Status</b>
1. That the Finance Officer carries out monthly bank reconciliation of PREP's bank account	Not resolved
2. That the Project Manager review the monthly bank reconciliation	Not resolved

3.	That MoF and PREP to agree on the amount reimbursement to MoF on a monthly basis. Hence, PREP should prepare the reconciliation, have it reviewed. MoF to review this reconciliation and sign if they agree	Not resolved
4.	That the Finance Officer to create a Consultant Register and to maintain it throughout the lifetime of the project	Resolved.
5.	The Finance officer to continue maintaining daily transactions in SunSystem and to stamp "Post" on vouchers that has been posted into SunSystem.	Resolved
6.	Finance Officer to ensure the accounting process is followed, therefore ensure that journals and trial balance is prepared first in order for a more financial statement to be constructed.	Not resolved
7.	That the finance officer perform in accordance with the responsibilities in his contract agreement.	Not resolved
8.	That the Project Manager ensure that the Finance Officer carried out his duties and responsibility as prescribed in his contract agreement.	Not resolved
9.	That the Finance Officer ensure that financial statements is prepared ahead of time before audit takes place to ensure there is time for quality review.	Not resolved
10.	The Project Manager, to set deadline with Finance Officer when the financial statement should be ready so it can be reviewed for quality before submission to audit.	Not resolved.

## **2. Findings from Audit 2017/18**

### **a. Laptop purchased use and in the possession of a consultant that does not have any contract with PREP**

<b><i>Recommendations</i></b>
11. That this laptop be returned immediately to the Project Management Unit.

### **b. MOFNP swept two transactions that been paid directly from PREP's NRBT bank account**

In reviewing payments, two payments that were paid directly from PREP's bank account with NRBT was swept again by MOFNP. This concludes in a double payments of these two expense. Details are as follow:

<b><i>Recommendations</i></b>
12. Project Manager to liaise with MOFNP on this matter. MOFNP can reduce sweeping in the future to accommodate this double payment.

### **c. PREP's vehicle use by MEIDECC's Minister**

During physical stock take of the project's fixed assets, one of the project's vehicle (P1932), is currently use by MEIDECC's minister as his ministerial vehicle. The project procurement plan does not include any vehicle to be procured for the use of MEIDECC's Minister

<b><i>Recommendations</i></b>
13. That Project Manager liaise with MEIDECC CEO on this matter to return the vehicle to the PMU. Vehicle to be transferred to the outer island designated office once it is operational.
14. That the Project Manager ensures that assets are purchase for the purpose of the project.

### **d. No annual work plan prepared for this period**

<b><i>Recommendations</i></b>
15. That Project Manager ensures that an Annual Work Plan is prepared in accordance with requirement of the POM.

**e. No trainings details available**

<b>Recommendations</b>
16. That Project Manager ensures that training details is prepared and endorsed by MEIDECC CEO for every training that is funded by the project.

**f. Shortage in PAYE deductions**

<b>Recommendations</b>
17. That the Project Accountant carries out a reconciliation with Inland Revenue for PAYE for year ended 30 <sup>th</sup> June 2018.
18. That shortfalls in PAYE in deductions be recovered and pay to Inland Revenue t.

**g. Payroll vouchers were not properly file**

<b>Recommendations</b>
19. Project Accountant and the Administration Officer ensure that all payments vouchers are completely file.

**4.3.10 Safety and Security Levy, (SSL).**

**Financial years ended 30<sup>th</sup> June, 2017 and 30<sup>th</sup> June, 2018.**

The audit is conducted as a result of a request from the Acting CEO of the Ministry of Infrastructure, (MOI), on 29<sup>th</sup> October, 2018.

**1. Collection and deposit procedures is not on a monthly basis**

Payment of 60% shares of levy from Tonga Airport Limited, (TAL), is not received on a monthly basis as it should be according to the Disbursement Framework. Section 5 of Disbursement Framework and Procedures for the SSL stated “ TAL shall collect the levy on behalf of MOI and write out a cheque to MOI for its portion on a monthly basis”.

<b>Recommendations</b>
1. That Civil Aviation Division, CAD, and MOI should communicate and inform Tonga Airport Limited, TAL, to ensure they are aware of the Disbursement Framework and the requirements for the monthly collection of levy.
<b>Management Response</b> <i>Recommendation taken on board.</i>

**2. Levy was not deposit to the designated revenue code specified by Disbursement Framework**

The revenue collected from levy was posted to two votes in the Sun System, 1.Rental vote # 19201100-0445-0000 and Revolving Vote # 19201100-0892-0920. This is not complying with the Disbursement Framework and Procedures for SSL Funds. Disbursement framework for levy stated that the Levy should be deposit to the revenue item code 0892 only for Safety and security levy which is the Revolving vote # 19201100-0892-0920.

<b>Recommendations</b>
2. MOI to work with Ministry of Finance to reverse these transactions back to 19201100-0892-0920. If this is not done soon, MOF will keep accumulating incorrect fund balance for the SSL.
3. MOI Director of Corporate ensure that this revenue source is posted to the correct revenue code 19201100-0892-0920
<b>Management response</b> <i>Recommendation taken on Board.</i>

**3. There is no annual forecast of the activities for the financial period developed.**

Disbursement Framework requires that an annual forecast of the activities to be undertaken each financial period is developed and submitted with CAD annual budget.

<p><b><i>Recommendations</i></b></p> <p>4. Director for Civil Aviation Division should ensure that for each financial period, an annual forecast is prepared and submitted together with the division’s annual budget. He should also ensure that the priority areas for safety and security oversight is also identified.</p> <p><b><i>Management response</i></b></p> <p><i>Recommendation taken on board, as they have a new Director for Civil Aviation who will ensure that this requirement is complied with.</i></p>
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**4. Review of the fund has not taken place.**

Disbursement Framework requires that:

- The CAD of the MOI and MOF shall review this revolving fund operation process after the first year of the operation.
- Regular review of the fund shall be undertaken by CAD, MOI and MOFNP on a two-yearly basis.
- The CAD will undertake collaborative engagement with PASO and industry operators on a regular basis (annual) to ensure the appropriate planning of relevant safety and security activities, and to facilitate strong and mutually beneficial professional relationships.

<p><b><i>Recommendations</i></b></p> <p>5. Director for Civil Aviation Division to initiate the review process stipulates in the Disbursement Framework and Procedures for the Safety and Security Fund.</p> <p><b><i>Management Response</i></b></p> <p><i>Recommendation taken on board, as they have a new Director for Civil Aviation who will ensure that this requirement is complied with.</i></p>
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## CHAPTER 5: PUBLIC ENTERPRISES

### 5.1 Summary

We carried out six (6) financial statements audits, and four (4) audit reviews during the year. We issued 6 unmodified audit opinions for the 6 statements and 4 review certificates for the 4 reviews we carried out during the year. We raised 34 issues in our management audit reports as well as we issued 34 recommendations for the appropriate remedial actions for management to consider. This excludes the issues and recommendations in our management reports to the management of organisation mention in item 5.3.6 below.

### 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 of submitting 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 Treasury of the Ministry of Finance & National Planning.

### 5.3 Audit Findings and Recommendations

#### 5.3.1 Waste Authority Limited (WAL) 2017-18

##### 1. Prior year issues

###### 1.1 Accrual basis recognition of revenue

Recording and recognising of revenue is on an accrual basis which is in accordance with IFRS (IAS 18). We acknowledge management preferred to be recognized on a cash basis due to the complexity and information not being shared with TPL as per the joint billing arrangement.

A suitable option would be for monthly reporting to the board to be done on a cash basis while the financial reporting be done on accrual basis in line with the reporting framework.

##### *Recommendations*

1. We recommend management to ensure that revenue is recorded and recognised particularly waste fees on an accrual basis in accordance with IFRS. Monthly reporting be done on a cash basis to the board for monitoring purpose

###### 1.2 Fixed Assets (6 Portable Toilets)

Six (6) portable toilets totalled to TOP\$51,342 were purchased during the period that was not budgeted for. The information provided from WAL that there was a verbal understanding with the government of Tonga (GoT) for WAL to purchase the portable toilets on its behalf and the cost would be later reimburse. Also four (4) of these portable toilets are at the Popua Park and Golf Course.

##### *Recommendations*

2. We recommend management to follow up to follow up with the appropriate authority (GoT) regarding these assets and to have proper arrangement in place for using of these assets.

### 1.3 Clean-up cost of the fire at Tapuhia

The fire that erupted during the Christmas break cost the company TOP\$44,663 for maintenance and clean up. This has significantly impact the company operation and budget.

#### Recommendations

3. We recommend management to follow-up with appropriate authority within the government to discuss possibility of sharing the cost with the government.

### 1.3 Clean-up cost of the fire at Tapuhia

The fire that erupted during the Christmas break cost the company TOP\$44,663 for maintenance and clean up. This has significantly impact the company operation and budget.

## 2. Current Year Issues

### 2.1 Accounting for waste revenue and receivable

For years WAL has calculated waste (trade) receivables by taking total expected monthly waste revenue (calculated by multiplying total number of customers against their rate) less monthly cash receipts from Tonga Power Ltd (TPL). This calculation is accurate only if the total cash collected is for the month only, and there is no accruals or prepayments. This year, we have obtained receivable data from TPL and noted the receivable balance is materially different from WAL receivable balance. We noted since the transfer of the joint billing from TWB to TPL, there has yet to be a reconciliation of waste data between TPL to WAL.

#### Recommendations

4. We recommend management to start performing monthly reconciliation of its waste receivable and revenue data with TPL. This will ensure both are accurate and accounted for correctly in Attache.

#### **Response from Client**

*WAL will provide monthly reconciliation commencing July 2019.*

### 2.2 Incorrect capitalization of transactions

We found from our review of asset additions for 2017/18, transactions amounting to TOP\$129,486 has been capitalized as assets. These transactions relates to the set-up cost of the Kalaka landfill in Vava'u. Among the transactions incorrectly capitalized were for travelling allowances, air fare and stationery. These transactions do not satisfy the elements of cost of an asset as specified by IAS 16, therefore should not be capitalized. These transactions has been correctly reversed and transferred to expenses.

#### Recommendations

5. We recommend that management ensure every transactions should be reviewed whether they meet the recognition criteria to qualify as an asset before they are capitalized.

#### **Response from Client**

*Noted. Agreed with recommendation*

### 2.3 Policy for capitalization

We noted the company capitalization practice is not consistent with its capitalization policy set out in the Asset Management Policy. According to the policy, the company may recognize an asset in its asset register if its cost price is greater than TOP\$1,000. In practice, the company has capitalized asset item which are lower than this threshold.

#### Recommendations

6. We recommend management to ensure the asset policy is revised and then amended accordingly.

#### **Response from Client**

*Agreed with recommendation*

#### 2.4 Early posting of grant revenue into the system

The government aid grant of TOP\$142,586 for the Gita recovery was posted into the system as cash receipts before June 30<sup>th</sup>, however the grant was actually received in cash in July 2018. The grant has already been confirmed by the government hence triggered the early posting to the system.

##### Recommendations

7. We recommend that management ensure posting to the Attache system should be carried out only when the transaction has been effected.

##### *Response from Client*

*Agreed with recommendation*

#### 2.5 Interest on Loan from TPL

According to the confirmation received from TPL, on the loan balance to WAL, there is an interest expense of TOP\$5,427 outstanding on the loan not realized in the account. As per discussion with management, there was no interest included in the signed agreement. We confirmed this to the loan agreement. TPL is under the impression that WAL is owing interest on loan.

##### Recommendations

8. We recommend that management raised and discussed this issue with TPL so each parties could come to a mutual understanding to avoid any future disputes.

##### *Response from Client*

*We will take up matter with TPL*

#### 2.6 Review of the overall company policy

The company policies which was drafted and adopted in 2016 was due for a review in June 2018. As of now, the policy has not been reviewed as per anticipated.

9. We recommend the company to further consider when the review of its policies should be carried out. Further, we also encourage the company to seek a second opinion review of its policies apart from the board.

##### *Response from Client*

*Review is now completed as of March 2019*

#### 2.7 CT applied on Cruise Ship Levy

We found from our review of the company revenue, CT is not applied to the Cruise ship levy. As per discussion with the company management, it is the agreed understanding when Cabinet approved the levy in 2016 that it is to be free of CT to the company.

##### Recommendations

10. We would recommend management that it is best to still seek confirmation from the IRD, to avoid future tax, disputes on this matter.

##### *Response from Client*

*Disagree with recommendation. This is Government Levy & should not be taxed.*

### 5.3.2 Tonga Water Board 2017/18

#### 1. Prior Year Issues

The following are outstanding issues that we have raised in our previous management letter to the company. It is crucial that these issues are settled in these financial years as it is of critical importance to the operation of the company

### 1.1 Negative Balance Customer

There are several customers with negative credit balance sitting in the company's Teraterm's record for quite a while.

#### Recommendations

1. The company is recommended to conduct proper consultation and awareness initiative to all customers with negative balances to ensure they are aware of their bill balance.

### 1.2 Reconciliation between Teraterm and Attache

There are variances that are identified between the closing balance in Trade receivables in termatem and attache.

#### Recommendations

2. Reconciliation procedures should be strengthened to ensure these variations are identified so as not to incorrectly post these variance to the prior year adjustment ledger.

### 1.3 Stock balance and stock take procedures

Stock balance at month's end are manually counted and the closing balance based on the manual counting is the ending stock balance at year end. If there is discrepancies, it will not be detected by the current process since Attache cannot provide a balance figure at month's end to cross check against the manual counting.

#### Recommendations

3. Management, as a starting point could manually calculate the closing inventory balance in the Attaché. This should be compared to the stock count balance and any significant differences should be clarified by store officials. Stock take should also be reviewed by a senior finance officer.

### 1.4 Capitalization of Property, Plant and Equipment

We identified significant items \$340,660 with the Water Bottling Project in the Property, Plant & Equipment were expenses in nature but has been capitalized as PPE in the 2017/18 financial statements. This reflects that no progress has been made in ensuring that TWB policy around capitalization of PPE is clear. This is a critical issue and this should be settled in this financial year for the 2018/19 financial statements.

#### Recommendations

4. TWB Management should ensure that capitalization of PPE should be documented to ensure that PPE items are capitalized properly.

### 1.5 Doubtful Debt

Doubtful debt is calculated at 10% of total accounts receivables and it is not based on a trend or collection history.

#### Recommendations

5. The calculation of the doubtful debt as 10% should be well justified.

### 1.6 Prior Year Adjustment

There are journal entries that has been posted to the prior year adjustments with no clear justifications why it is posted to the prior year ledger.

#### Recommendations

6. TWB Management should ensure it posts only entries relating to the previous year in the Prior Year Adjustment. Any variance, corrections and adjustments relating to the current year should be traced to its respective account areas, by improving its reconciliation procedures.

### 1.7 Inter-branch transfer variance

Stock variations was identified between inter-branch transfers when audit reconciled the outer island ledgers with the head office. Variance indicate there is weakness in the reconciliation process as it is unclear whether stock has arrived to the outer islands or still in transit.

Recommendations
7. TWB Management should ensure that stock records and register between branches is reconciled on a regular basis, to ensure that movement of stocks is accounted for at all times and can be tracked to mitigate risk of misappropriation and fraud. These reconciliation should be reviewed by a senior finance officer.

### 1.8 Journal Entries

Several journal entries has been wrongly posted to the Attache software.

Recommendations
8. TWB Management should ensure that journal entries is being reviewed on a regular basis to ensure correctness and accuracies of individual general ledger accounts.

### 1.9 Lease

We noted properties leased by the company for pipeline installation purpose is not properly recorded and maintained. We were unable to reconcile the lease prepayment schedules to some of the lease agreement.

Recommendations
9. A lease commitment schedules is disclosed in the financial statements and lease register is updated by reconciling with the record from the Ministry of Land and Survey.

## 2. Current Year Issues

### 2.1 Double posting of expenditure

There were electricity bills \$72,776 in the month of May 2018 that were double posted to Tonga Power Ltd and the Tonga Electricity Power accounts.

Recommendations
10. Management to review and update accounts codes for suppliers to minimize risks of double posting of expenditure
<b>Clients Response</b> <i>Agreed with management and were adjusted accordingly in the financial statements 2017/18.</i>

## 5.3.3. Tonga Broadcasting Commission 2017/18

### 1. Outstanding Prior Year Issues

We followed up issues we raised in the previous year and noted the following are still outstanding.

#### 1.1 Reconciliation

We noted that crucial reconciliations were not properly carried out for both consumption tax documents and debtors. For consumption tax, we noted it is not being reconciled to the lodgement form. Similarly, for debtors, the control accounts is not being reconciled to the subsidiary ledgers. These reconciliations will strengthen and ensure accuracy of figures in the financial statements.

Recommendations
1. Management needs to ensure that these reconciliations are conducted on a regular basis.

## 1.2 Adjusting Journal Entries

There are several adjusting entries that are kept on file, some entries are not justifiable due to no supporting documentations attached.

### **Recommendations**

2. Management should ensure that all adjusting or reversing journal entries should be reviewed by an independent finance officer from the one who register preparing the adjusting entries

## 1.3 Approval of discount

Discount on stock sold are not properly authorized by a senior officer.

### **Recommendations**

3. Management should ensure that appropriate and proper approval authorizations is in place for every discounts granted.

## 2. Current Year Issues

### 2.1 Negative balance Customers

There are currently 90 customers with a negative balances of \$24834 in the TBC's trade receivable register.

### **Recommendations**

4. To ensure that the reconciliation of Trade Receivable control account to its subsidiary ledger is performed on a regular basis

#### **Client Response:**

*The explanation received at the time during our exit meeting from the Finance Manager, Mrs Mele Kamoto and the Accounting, Mr Fijita Fonua was that they will again reconcile these negative balance customers with its respective invoices*

### 2.2 GPO (Government Policy Obligation) book keeping records

The GPO \$42,182.40 claimed from the government on radio broadcast of weather forecast during the 2016/17 financial year were recorded as Cash sale receipt in financial year 2017/18

### **Recommendations**

5. Appreciate to start recognising all related services performed with the GPO in their correct accounting period

#### **Client Response:**

*The explanation received at the time during our exit meeting from the Finance Manager, Mrs Mele Kamoto and Mr.Fijita Fonua was that the revenue from GPO can only be recognised and accounted for when the actual cash is received from the Government. The related services performed with GPO were not billed/invoice during 2016/17 given that it was nit probable to recover in the future.*

## 5.3.4 Tonga Asset Managers and Associates 2017/18

### 1. Prior Year Audit Issues

This is the first year where TOAG was the auditor for TAMA, there were no prior year audit issues

## **2. Current Year Issues**

### **2.1. Consumption Tax on Rent Revenue**

We noted consumption tax (CT) is not consistently applied on the rental revenue charged to the tenants. In some months, we noted the rent charged was inclusive of CT while in other months, CT was excluded in the rent amount.

#### **Recommendations**

1. We recommend management to ensure CT is being consistently applied on its rental charged to client. If there are uncertainties, these should be discussed with the Inland Revenue Department (IRD)

#### **Client Response:**

*This is for the tenants' bond where we do not apply CT on it. Management has booked a meeting with IRD to discuss and clarify the above accordingly.*

### **2.2 Incorrect Capitalization of transactions**

We found from our review of asset additions for 2017/18, transactions amounting to TOP\$57,496 has been incorrectly capitalized as assets.

These transactions relates to repair, maintenance and inspection work carried out on the Ma'ufanga and Sopa building. These transactions do not satisfy the elements of cost of an asset as specified by IAS 16, therefore should not be capitalized. These have been corrected in the final account.

#### **Recommendations**

2. Every transactions should be reviewed whether they meet the recognition criteria to qualify as an asset before they are capitalized

#### **Client Response:**

*Duly noted to be actioned accordingly. Basically, the practice TAMA did was capitalizing all repairs and maintenance costs to our properties which are above \$1,000.*

### **2.3 Property, Plant and Equipment**

We noted from our review of the company's property, plant and equipment the Fixed Asset Register (FAR) do not record cost price, the book value nor the acquisition date of the company's assets. As a consequence we were unable to confirm the accuracy of the asset's book value and depreciation in the financial statements

#### **Recommendations**

3. We recommend the company review it's FAR and update its cost price, book value and depreciation in the FAR as appropriate.

#### **Client Response:**

*Management has moved to action and updated its cost price, book value and depreciation as recommended accordingly.*

### **2.4. Receivable from government (TOP\$40,712)**

There is a long outstanding receivable from the government of TOP\$40712 which has been sitting in the company's balance sheet since 2013. This was in relation to fund to be provided by the government for the maintenance of Sea Star building after it was transferred to TAMAL. A cabinet decision has also been received to authorize this transaction.

**Recommendations**

- 4. We recommend management to follow up this outstanding receivable with the government to recover this amount.

**Client Response:**

*Management has noted to be actioned as recommended. A meeting was booked with the CEO-MoF/P to discuss the above issue sometime this week.*

**2.5 Tenant Bond**

We reviewed the bond on hold by the company. There was variance between the bond payable in the f/s and the bond register. Further from our analytical review, some of the tenants bond in the register were lower than two month's rent. Variance was due to old lease rates being used and bond was CT exclusive.

Bond is insurance to protect the company against default tenant payments. 62% of receivables have been considered impaired (doubtful). Given the high proportion of doubtful debt, the company is exposed to significant risk of bad debt. The bond shortfall in some of these tenants indicate there is insufficient coverage in place to protect the company against such risk. For the 2017/18 alone, the company has also realized a bad debt amounted to TOP\$47,362. This indicate the credit risk the company is facing.

**Recommendations**

- 5. We recommend the company conduct a review of its bond to each tenants, updating and apply CT where applicable.

**Client Response:**

*As indicated on Findings # 1. above, Management is reviewing the company's bond to our tenants, updating and applying CT as recommended.*

**2.6. Timeliness of debt collection**

Some of the tenant rent were outstanding by as long as three, four and five years. This indicate there is weaknesses in the follow up and collection of rents on a timely basis

**Recommendations**

- 6. Management follow up system and collection needs to be strengthened to ensure it is collected on a timely basis.

**Client Response:**

*Management has committed to enforce its debt collection strategies by enforcing the eviction policies with intention to have no arrears at all.*

**2.7 Monthly posting of transactions**

We noted the account ledgers for Income in advance and Interest Receivables was not updated on a monthly basis to the MYOB system. Both accounts were misstated at year end. As per our review, we noted management place reliance on the bank confirmation to provide the year-end balance for interest receivable on investment. There was no posting to this ledger throughout the year, except for the posting at year end of the closing balance obtained from the bank confirmation. This is a risky process. Management needs to update its assets and liabilities on a monthly basis to ensure accuracy and completeness. At year end, reconciliation should be conducted with external confirmation and any variance identified should be discussed, verified and sorted out before the financial statements is finalized. This should act as a control check for ensuring accuracy and completeness of the financial statement figures.

### ***Recommendations***

7. We recommend management to ensure all ledger accounts are updated on a monthly basis.

#### ***Client Response:***

*Management has noted and actioned as recommended.*

## **5.3.5 Tonga Market Corporation Limited (TMCL) 2017/18**

### **1. Prior Year Issues**

There were no prior year issues outstanding.

### **2. Significant Issues**

We set out below, the areas where we have identified risks and issues that impacts or will potentially impact the operation of TMCL in the future.

#### ***2.1. On-going maintenance Cost of maintaining the Tafuna Market***

TMCL continues to pay the fixed unavoidable cost of maintain the market in American Samoa. These costs are for waste, water, electricity and salary for the care taker of the market. Total cost paid in 2017/18 were TOP\$10,966. Negotiation for the business license to successfully trade in Samoa is still on-going so for this purpose no revenue is generated to finance the cost of operation.

While the financial stability of TMCL at the moment is healthy, this fixed cost will ultimately take its toll on the entity's cash flow.

#### ***a. Bond from the Tenants***

Each tenants are required to pay a bond that is equivalent to two months rents. Some of the older tenants have not paid their bonds where already market tenants before the bond was required to pay for every tenant. As a result they have not paid their bond and TMCL has not requested bond payment. Total bond uncollected is TOP\$13,630.

The risk for TMCL is that these tenants can left leaving behind unpaid rents. Significant debtors balance has been written off in the past and bond is a reservation to ensure this problem is not repeated.

#### ***2.3. Revenue Collection***

We reviewed the control environment implemented by TMCL to ensure revenue collection is accounted for and protected from the risk of misappropriation. Misappropriation can happen during revenue collection either from outside the parking or the stalls. Revenue collectors can pocket rent fees and not issued any corresponding receipt for the revenue collected. For this purpose, total receipt book and cash on hand can still agree at the end of the day.

## **5.3.6. Public Enterprises reviewed by TOAG during the year 2017/18**

### **5.3.6.1 Port Authority Tonga (PAT) 2016/17**

The following observation was noted from our review:

- Pre-engagement Activities complied with the International Standards on Auditing, ISA.
- Strategic Planning complied with ISA (including risk assessment to determining audit strategies)
- Fieldwork complied with ISA
- Review and reporting was in compliance with the ISA

Based on the result of our review, we concluded that the audit conducted by PricewaterhouseCoopers (PwC), was in accordance with the International Standards on Auditing (ISA).

### 5.3.6.2 Friendly Island Shipping Agency (2016/17)

The following observation was noted from our review:

- Pre-engagement Activities complied with the International Standards on Auditing, ISA.
- Strategic Planning complied with ISA (including risk assessment to determining audit strategies)
- Fieldwork complied with ISA
- Review and reporting was in compliance with the ISA

Based on the result of our review, we conclude that the audit conducted by PricewaterhouseCoopers, (PwC) was in accordance with the International Standards on Auditing (ISA).

### 5.3.6.3 Tonga Airport Limited (2016/17)

The following observation was noted from our review:

- Pre-engagement Activities complied with the International Standards on Auditing, ISA.
- Strategic Planning complied with ISA (including risk assessment to determining audit strategies)
- Fieldwork complied with ISA
- Review and reporting was in compliance with the ISA

Based on the result of our review, we conclude that the audit conducted by PricewaterhouseCoopers, (PwC) was in accordance with the International Standards on Auditing (ISA).

### 5.3.6.4 Tonga Development Bank (TDB) 2017/18

The following observation was noted from our review:

- Pre-engagement Activities complied with the International Standards on Auditing, ISA.
- Strategic Planning complied with ISA (including risk assessment to determining audit strategies)
- Fieldwork complied with ISA
- Review and reporting was in compliance with the ISA

Based on the result of our review, we conclude that the audit conducted by PricewaterhouseCoopers, (PwC) was in accordance with the International Standards on Auditing (ISA).

### 5.3.6.5. Other Audit Engagements of the Division during the year 2017/

There are other bodies that we audited during the year for they appointed the Auditor General as their external auditor. These bodies are independent (separate legal entity from) of Government however, they all have direct financial relationships with Government

The audits mentioned below were completed and reported to Governance Body during the working year 2017/18.

#### **5.3.6.5.1. Tungi Colonnade Company Limited**

The audit of the Tungi Colonnade Company Limited (TCCL) was completed in March 2018. We issued an Unqualified Opinion on the financial statements of TCCL. Our findings from the audit is summarized below.

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