



SOLOMON ISLANDS GOVERNMENT

**REPORT ON MATTERS ARISING
FROM ACCOUNTS & RECORDS
AUDIT**

Western Provincial Government
1 April 2014 – 31 March 2015

Reported by:

**Office of the Auditor-General
P O Box G18
Honiara**

17 December 2015

TABLE OF CONTENTS

EXECUTIVE OVERVIEW.....	3
Background.....	3
Audit Objectives and Scope.....	3
Findings.....	3
Conclusion.....	6
Overall Recommendations.....	7
AUDIT FINDINGS AND RECOMMENDATIONS.....	8
1.0 <i>Financial Reporting</i>	8
1.1 No investment balances consolidated into draft 2014/15 financial statements.....	8
2.0 <i>Executive Minutes</i>	9
2.1 Executive minutes not signed by the Chairman and/or Secretary.....	9
3.0 <i>Revenue</i>	10
3.1 No receipting of PCDF sighted.....	10
3.2 Late receipting of direct deposits.....	11
3.2 Different amount appeared in receipt book and general ledger.....	12
4.0 <i>Bank accounts</i>	12
4.1 No sign off by the reviewer/certifier to 3 bank accounts.....	12
4.2 No date on bank reconciliation for one bank account.....	13
5.0 <i>Expenditure</i>	14
5.1 Inadequate supporting documents.....	14
6.0 <i>Ward development grants</i>	15
6.1 Weak control over ward assistance fund.....	15
7.0 <i>Payroll</i>	16
7.1 Unorganised records.....	16
8.0 <i>Un-acquitted imprests and advances</i>	17
8.1 Weak control over special imprests.....	17
8.1.1 Un-acquitted imprests.....	17
8.1.2 Imprests issued to seconded officers.....	17
8.1.3 Issuing of multiple imprests.....	17
9.0 <i>Property, plant & equipment</i>	20
9.1 No update of asset register (C/fwd from 2013/14).....	20
10.0 <i>Account receivables</i>	21
10.1 No account receivables listing available.....	21
AUDIT ACTION PLAN.....	23

EXECUTIVE OVERVIEW

Background

The Western Provincial Government should submit its financial statements for the financial year ended 31st March 2015 to this Office as required under s.39(2) of the *Provincial Government Act 1997*. Western Provincial Government is responsible for delivering quality goods and services to its community by carrying out the mandatory functions under the Provincial Government Act 1997 and the devolution order.

An audit pursuant to s.108(3) of the Constitution, s.35(1) of the Public Finance and Audit Act 1978 and s.39(3) of the Provincial Government Act 1997 was conducted on the Western Provincial Government accounts and records in order to form an opinion on the financial statement.

Audit Objectives and Scope

The principal objective of the audit was to review the adequacy of processes for the financial management, accounting and reporting controls managed by the Western Provincial Government in terms of compliance with the relevant statutes governing such processes, as well as in order to form an opinion on the reliability of the accounting information incorporated into the financial statements for the year ended 31 March 2015.

This report focuses on the findings arising from the review of financial management processes being practised by the Western Provincial Government from 1 April 2014 to 31 March 2015.

Findings

The audit showed that the Western Provincial Government has made great improvements over its record keeping of revenue and expenditures for the 2014/15 financial year. However, major reforms over its financial management, accounting or reporting controls, particularly in relation to its revenue, assets and liabilities; as well as continued efforts to improve its expenditure controls, needs to be implemented. Furthermore, all investments and assets are encouraged to be taken up in the IPSAS cash basis financial statements.

A summary of these audit issues identified is described below.

Risk ratings have been assigned to each audit finding to help identify which audit observations should be given priority. The risk ratings have been assigned as follows:

Risk Rating	Description
High	<ul style="list-style-type: none"> • Matters which may pose a significant business or financial risk to the entity; and/ or • Matters that have resulted or could potentially result in a modified or qualified audit opinion if not addressed as a matter of urgency by the entity; and/ or • Moderate risk matters which have been reported to management in the past but have not been satisfactory resolved or addressed.
Moderate	<ul style="list-style-type: none"> • Matters of a systemic nature that pose a moderate business or financial risk to the entity if not addressed as high priority within the current financial year; and/ or • Matters that may escalate to high risk if not addressed promptly; and or • Low risk matters which have been reported to management in the past but have not been satisfactory resolved or addressed.
Low	<ul style="list-style-type: none"> • Matters that are isolated , non-systemic or procedural in nature; and/ or • Matters that reflect relatively minor administrative shortcomings and require action in order to improve the entity's overall control environment.

- **No investment balances consolidated into draft 2014/15 financial statements**

Risk Rating – High

OAG noted that the draft 2014/15 financial statements provided does not consolidate the investment balances to show the true picture of the financial position of the Province. OAG was assured by the Provincial Treasurer that the investment balances will be consolidated into the Province's final financial statements once the WPIC financial statement is prepared and audited. Lack of consolidation of investment balances increases the risk of misstatement of the financial statement and Province not fully disclosing its financial position to stakeholders. This would also give qualified opinion in their 2014/15 financial statements.

- **Executive minutes not signed by the Chairman and/or Secretary**

Risk Rating – Moderate

OAG found that three executive minutes were not signed by the Premier and/or Secretary from the total of nine meetings held during the audited period. In addition, it was discovered that three minutes sighted does not have the timing of the meetings stated in them. Lack of signing off the executive minutes by the Chairman and Secretary increases the risk of manipulation of executive's decisions and minutes might be not genuine.

- **No receipting of PCDF sighted**

Risk Rating – High

It was identified that 3% (2/60) of the selected samples for PCDF with a total value of \$7,378,313.00 were not receipted in the official receipt book as required in the Financial Management Ordinance 2008. Lack of receipting of external funding increases the risk of revenue not being properly reported in the financial statements.

- **Late receipting of direct deposits**

Risk Rating – Moderate

OAG discovered that 13% (8/60) of selected samples with a total value of \$2,658,003.50 were direct deposits from businesses which were receipted late by the revenue officers. The deposits were receipted after 5 or more days which is a breach of Financial Management Ordinance 2008. Late receipting of revenue increases the risk of negligent of duties and misstatement of the financial statements.

- **Different amount appeared in receipt book and general ledger**

Risk Rating – Moderate

OAG found one sample from Western Timber Trader for timber export that has the amount of \$7,000.00 recorded in the official receipt book but the amount of \$5,000.00 was recorded in the general ledger instead which made it difficult to determine the accuracy and completeness of the transaction. This deficiency increases of thief of public funds, fraud, conflict of interest and misstatement of the financial statements.

- **No sign off by the reviewer/certifier to 3 bank accounts**

Risk Rating – Moderate

Western Provincial Government has been performing monthly bank reconciliations for the seven (7) bank account that it operates, however, it was noted that the reviewer/certifier did not sign off for three (3) bank accounts. This has made it difficult to determine whether the bank reconciliations have been reviewed or not. Lack of proper sign off by reviewer/certifier increases the risk of manipulation of figures, no segregation of duties and negligent of duties.

- **No date on bank reconciliation for one bank account**

Risk Rating – Low

It was noted during the audit that there is no date stated in the bank reconciliation of WPIC account as at 31 March 2015 except for the signing off by the preparer and reviewer. The lack of date on the bank reconciliation increases the risk of reconciliation not performed on monthly basis but prior to the conduct of audit and misreporting to stakeholders.

- **Inadequate supporting documents**

Risk Rating – High

It was discovered that seven (7) payment vouchers with a total of \$1,491,814.04 to contractors were without progress reports and approved agreements as required in the Financial Management Ordinance 2008. Lack of adequate supporting documents increases the risk that the provincial government paid for incomplete constructions and province could involve in illegal activities in awarding contracts to contractors that were not approved by the executive.

- **Weak control over ward assistance fund**

Risk Rating – Moderate

OAG found that one sample of ward assistance fund with a total value of \$17,620.00 does not have any explanation or purpose written or attached to the ward assistance fund application form which made it difficult to determine whether it is for ward assistance or not. Poor control over WAF increases the risk of fraud, misappropriation, conflict of interest, overspending of approved budget, no accountability and transparency and misstatement of the financial statements.

- **Unorganised records**

Risk Rating – Moderate

It was identified during the payroll audit that all soft copy records of each fortnights were not organised in terms of file names not reconciling with excel sheets and excel sheets not recorded in sequence of the fortnights. This has made it difficult to obtain a true and fair records representing each fortnight for the financial year. In addition, OAG noted that the payroll officer has inadequate knowledge in data processing with the use of computer but only have knowledge on manual recording of payroll data. Lack of organised records increases the risk of incompetence, accounting officer would not make informed decisions and might post wrong amount in the Quickbook system.

- **Weak control over special imprests**

Risk Rating – High

During the audit, OAG noted that there are serious weaknesses in the internal control over the management of special imprests where \$90,403.00 were un-acquitted from direct employees and MPAs, \$26,144.24 were un-acquitted from seconded officers and multiple imprests were issued to 25 imprest holders that consist of direct employees, seconded officers and MPAs. Poor control over special imprests increases the risk of inability to monitor the issuing of imprests, mismanagement of public funds and potential loss of revenue for the province.

- **No update of asset register (C/fwd from 2013/14)**

Risk Rating – High

The Provincial Government continue to lack updating of its asset register as required in the Financial Management Ordinance 2008. Furthermore, it was noted that the officer responsible for maintaining the asset register is currently on study leave at SINU and there is no one taking over her duties. It was also noted that there is no asset management policy in place. This has made it difficult to determine the accuracy and existence of the assets. The lack of control over asset register increases the risk of abuse, misuse, theft of assets, overspending of approved budget for asset procurements and loss of provincial funds.

- **No account receivables listing available**

Risk Rating – High

OAG was not able to examine the listing of account receivables for the audited period as the listing provided was for 2013/14 and 2014/15 businesses that have already paid up their licenses and fees. As a result, OAG was unable to determine how much revenue is still to be collected by the Provincial Government and should be disclosed in the financial statements. Lack of account receivables listing increases the risk of unauthorised person(s) collecting revenue without the knowledge of the Province, Province not knowing how much is owed to them for the financial year and inaccurate reporting of revenue.

Conclusion

The audit of the Western Provincial Government's accounts and records showed similar shortcomings in the procedures and practices as well as deficiencies in internal controls in the management of revenue, expenditure, imprests, bank accounts, payroll and assets as highlighted in the 2013/14 audit report.

OAG acknowledges that the Western Provincial Government has been continually addressing the recommendations highlighted in the 2013/14 audit reports. Significant improvements were made on the maintenance of proper filing system for payment voucher records.

OAG will examine the financial statements later this year before the Auditor General can issue his independent audit opinion.

Overall Recommendations

OAG's key recommendations for the Provincial Government are as follows:

- Must ensure that WPIC financial statements are prepared and audited on time;
- Ensure to consolidate investment balances into the Province's final 2014/15 financial statements;
- The Western Provincial Government must comply with Financial Management Ordinance 2008 by properly receipting of revenue;
- Maintain a proper register of imprest and immediately establish an effective and efficient system of managing imprests;
- Ensure Accounting Officer act upon section 56 of FMO 2008 for direct employees un-acquitted imprests;
- Ensure Accounting Officer act upon section 57 of FMO 2008 for seconded Officers and MPAs un-acquitted imprests;
- Remind imprest holders to comply with FMO 2008;
- Charge pro rata t 10% (bench mark) for those imprests un-acquitted for more than 30 days, this is a discretion of the PS to uphold;
- Comply with section 55 of FMO 2008 and stop issuing multiple imprests to the officers and elected members with un-acquitted imprests;
- Ensure someone is appointed immediately to maintain the asset register while the responsible officer is on study leave;
- Make sure to regularly update the asset register;
- Ensure to establish an asset management policy and;
- Ensure to maintain and update the account receivables listing.

OAG has made a number of other important recommendations and it is imperative that these are considered and implemented by management.

AUDIT FINDINGS AND RECOMMENDATIONS

1.0 Financial Reporting

1.1 No investment balances consolidated into draft 2014/15 financial statements

Risk Rating – High

OAG has sighted the draft 2014/15 financial statement of Western Provincial Government (WPG) but the balances of investment was not consolidated into the statement to show the true picture of the financial position of the Province as required in the IPSAS cash basis reporting framework. The Provincial Treasurer has assured OAG that he will include the investment balances once WPIC financial statement is ready and audited before the final Province's financial statements is submitted to OAG for audit.

Implications

Lack of consolidation of investment balances increases the risk of misstatement of the financial statement and Province not fully disclosing its financial position to stakeholders. This would also give qualified opinion in their 2014/15 financial statements.

Recommendation 1

OAG recommended that WPG:

- Must ensure that WPIC financial statements are prepared and audited on time and;
- Ensure to consolidate investment balances into the Province's final 2014/15 financial statements.

Executive Response

Executive acknowledged recommendation by the OAG to consolidate balances of investment into the WPG FS as required in the IPSAS cash basis reporting framework.

The Executive resolved to take the following actions:

- Treasury officers to continue to undertake training with MPGIS on how to reconcile Investment balances into the WPG statements.
- WPIC to continue to update their FS and have them audited by OAG together with the WPG statements.

2.0 Executive Minutes

2.1 Executive minutes not signed by the Chairman and/or Secretary

Risk Rating – Moderate

There were nine (9) executive meetings held for the audited period and OAG found that three executive minutes (33%) were not signed by the Premier and/or Secretary. Normally after the executive meetings are held the minutes will be prepared by the Secretary who is the Provincial Secretary and signed by him and the Premier or Deputy Premier who is the chairman. Furthermore, it was noted that three minutes sighted does not have the timing of the meetings. Table 1 below shows the deficiencies noted above.

Date meeting held	Type of meeting	Venue	Time	No of members attended	No of members absent	Remarks
23/04/14	Ordinary	Gizo	Not stated	14	nil	No timing stated
18/06/14	Ordinary	Gizo	Not stated	12	2	No timing stated
12/08/14	Ordinary	Gizo	Not stated	12	2	No timing stated
23/10/14	Ordinary	Gizo	9:00am	13	1	Minute not signed by Secretary & Chairman
09/12/14	Ordinary	Gizo	9:00am	12	2	Minute not signed by Chairman
16 – 19/02/15	Ordinary	Gizo	9:00am	14	nil	Minute not signed by Chairman

Table 1 – List of executive minutes with deficiencies

Implications

The manner in which the minutes were not signed by the chairman and/or Secretary and no timing increases the risk of manipulating the executive's decisions and minutes might not be genuine.

Recommendation 2

OAG recommended that:

- The Western Provincial Government Executive must ensure to record all ordinary and extra ordinary meetings with complete information before they are signed and dated by relevant officers who chaired and took the minutes.

Executive Response

The Provincial Executive acknowledged recommendation by OAG to ensure every minutes of the executive meetings, normal or extra ordinary, are signed before the next meeting.

The Executive resolved to take the following actions:

- All executive minutes must be signed and dated two weeks after the meeting or before the start of the next meeting at the latest.
- All signed executive minutes must be kept in hard copies (2 files – PS Office and EPS) and in soft copies (PS and EPS computers).
- Executive resolutions must be distributed to relevant authorities or divisions not later than two days after being signed by the Chairman and the Secretary of the meeting.
- In the absence of the Chairman, the Deputy Premier or any Executive member appointed to chair the meeting shall sign the minutes.
- In the absence of the Secretary, someone appointed by the Executive to take minutes of the meeting shall sign the minutes.

3.0 Revenue

3.1 No receipting of PCDF sighted

Risk Rating – High

OAG noted that 3% (2/60) of the selected samples were not receipted in the official receipt book. Normally when SIG or the Ministry of Provincial Government and Institutional Strengthening deposited the money for PCDF into the Province's bank account, the Cashier must receipt the funds as soon as possible in the official receipt book as required in the Financial Management Ordinance 2008. However, OAG could not sight the two transactions of PCDF for the audited period. Table 2 below shows the details of the PCDF not receipted.

Type	Date	Name	Revenue type	Amount
Deposit	22/09/14	SIG	PCDF funding	\$5,651,474.00
Deposit	31/12/14	SIG	PCDF funding	\$1,726,839.00
			Total	\$7,378,313.00

Table 2 – List of PCDF not receipted

Implications

Lack of receipting of external funding increases the risk of revenue not being properly reported in the financial statements.

Recommendation 3

OAG recommended that:

- The Western Provincial Government must comply with Financial Management Ordinance 2008 by properly receipting of revenue.

Executive Response

The Executive take note of the recommendation and will ensure to maintain appropriate filing, records and transactions posted to GL are adequately supported with receipts. This will be ongoing process to minimize risk of theft, misappropriation and unauthorised collection of PG funds.

The Executive resolved to take the following actions:

- Treasury division to include details of receipts in the accounting software on every transaction.
- All payments received must be properly receipted and the carbon copy must be properly filed.
- A monthly review by the senior accountant revenue officer or the deputy treasurer of all revenue records must be ensured.
- Quarterly reports to be presented to the Executive

3.2 Late receipting of direct deposits**Risk Rating – Moderate**

During the audit, it was revealed that 13% (8/60) of sample selected with a valued of \$2,658,003.50 were direct deposits from the businesses that were receipted late. The deposits were receipted after 5 or more days by the Revenue Officers. This has made it difficult to determine whether the transactions have been properly recorded or not.

Implications

Late receipting of revenue increases the risk of negligent of duties and misstatement of the financial statements.

Recommendation 4

OAG recommended that WPG:

- Ensures that all revenue of direct deposits are promptly receipted in the official receipt book and;
- Inform the businesses to advice the Province when making direct deposits.

Executive Response

Refer to executive response for recommendation 3.

3.2 Different amount appeared in receipt book and general ledger

Risk Rating – Moderate

It was noted that one sample for timber export from Western Timber Trader on 5 May 2014 has the amount of \$7,000.00 receipted in the official receipt book but the amount of \$5,000.00 was recorded in the general ledger. This has made it difficult to determine whether the revenue of \$7,000.00 was actually collected by the PG or not due to the different amounts.

Implications

The manner in which two different amounts appeared over receipting of revenue increases the risk of theft of public funds, fraud, conflict of interest and misstatement of the financial statements.

Recommendation 5

OAG recommended that WPG:

- Ensures that all revenue collected are properly receipted and entered into the cashbook before they are recorded in the Quickbook system.

Executive Response

Refer to executive response for recommendation 3.

4.0 Bank accounts

4.1 No sign off by the reviewer/certifier to 3 bank accounts

Risk Rating – Moderate

OAG acknowledged that the Provincial Government have performed monthly bank reconciliations for 7 bank accounts it maintained for the audited period except for the term deposit account with BSP that does not need bank reconciliation. However, it was noted that the reviewer/certifier did not sign off for three bank accounts which made it difficult to determine whether the reconciliation has been reviewed or not as required in the Financial Management Ordinance 2008.

Implications

The lack of proper sign off by reviewer/certifier increases the risk of manipulation of figures, no segregation of duties and negligent of duties.

Recommendation 6

OAG recommended that Western Provincial Government:

- Ensure to perform monthly bank reconciliation and sign off by relevant officers as required under the Financial Management Ordinance 2008.

Executive Response

The Executive agreed with the OAG recommendation and resolved that WPG accounts are reviewed on a monthly basis, effective 1st April 2015.

The Executive resolved to take the following actions:

- The deputy provincial treasurer (preparer) must ensure that cash books, including WPIC cash book, are reconciled and agreed with the General Ledger and signed them off.
- The provincial treasurer (reviewer) must ensure that the cash book and WPIC cash book and the GL are reconciled and signed off.
- Reconciliation of these books must be done on a monthly basis, or not later than two weeks after the end of the month.

4.2 No date on bank reconciliation for one bank account**Risk Rating – Low**

It was discovered during the audit that no date was stated in the bank reconciliation of WPIC account as at 31 March 2015 except for the signed off by the preparer and reviewer. Normally when the bank reconciliation is performed the preparer and reviewer must signed off and dated the reconciliation to show as evidence that they have performed the task as required in the Financial Management Ordinance 2008.

Implications

The lack of date on the bank reconciliation increases the risk of bank reconciliation not performed on monthly basis but when audit was about to be conducted and misreporting to stakeholders.

Recommendation 7

OAG recommended that Western Provincial Government:

- Ensure to continue with the performance of monthly bank reconciliation which are signed off and dated by the preparer and reviewer in compliance with Financial Management Ordinance 2008.

Executive Response

Refer to executive response for recommendation 6.

5.0 Expenditure

5.1 Inadequate supporting documents

Risk Rating – High

OAG identified seven payments totalling \$ 1,491,814.04 which were paid to contractors however, progress reports and approved agreements were not attached to the payment vouchers. As in any hiring of contractors, progress report shows the percentage completed by the contractors and was certified by independent expertise (Civil Engineer- Works) who physically verify for accuracy and approved agreements shows that province legally involve in contract agreement with the contractors. Progress report and contract agreement are very important documents to attach to payment vouchers as it will help the accounting officer give accurate decision on what amount is due and that have legal obligation to pay the contractor for service provided.

The table 3 below shows the contractors which lack progress report and contract agreement attached to their respective payment vouchers.

Type	Date	Chq Number	Name	Memo	Split	Amount
Check	24/09/2014	1609206	KL & Sons	Pv 2/9	1.102 · ANZ PCDF Account 4549445	530,000.00
Check	15/01/2015	1609242	Jogos Construction	Pv 5/1	1.102 · ANZ PCDF Account 4549445	234,013.50
Check	12/09/2014	1609205	KL & Sons	Pv 1/9	1.102 · ANZ PCDF Account 4549445	220,000.00
Check	04/11/2014	1609214	I & R Structural Construction	Pv 2/11	1.102 · ANZ PCDF Account 4549445	204,702.66
Check	07/11/2014	1609217	J K Mabuzu	Pv 5/11	1.102 · ANZ PCDF Account 4549445	177,036.75
Check	31/03/2015	1609280	Nuala Building Construction	Pv 26/3	1.102 · ANZ PCDF Account 4549445	75,000.00
Check	01/08/2014	1609202	Silawa Building Construction	Pv 2/8	1.102 · ANZ PCDF Account 4549445	51,061.13
					Total	\$ 1,491,814.04

Table 3 – List of payments with inadequate supporting documents

Implications

The lack of adequate supporting documents increases the risk that the provincial government paid for incomplete constructions and province could involve in illegal activities in awarding contracts to contractors which was not approved by executive.

Recommendation 8

OAG recommended that Western Provincial Government:

- Ensure when payment is raised for contractor, the following supporting documents must be attached: requisition form, payment voucher, contractor agreement which is signed by both parties, minute of awarding of tender (if applicable) and progress report that is certified by independent expertise and;

- Must ensure that proper checking and verification is done by the accounts department before payment is made.

Executive Response

The Executive take note of the OAG recommendation and will ensure that payments for projects are not issued until progress report is submitted and certified by the Works Officer.

The Executive resolved to take the following actions:

- The Senior Planning Officer must ensure all submission for progress payments are independently verified by the Works Officer before payments are raised.
- The Works Officer must ensure progress reports are submitted and are certified before forwarding requests for progress are raised.

6.0 Ward development grants

6.1 Weak control over ward assistance fund

Risk Rating – Moderate

OAG noted that a payment for the Ward Assistance Fund (WAF) with cheque No.349937 with an amount of \$ 17,620.00 has no given explanation or purpose written or attached to the application for the given grant. In all applications given by MPAs, application form for the grant should be properly filled in with the purpose stated and assessed before approval can be done by the province's accounting officer.

Implications

Poor control over the disbursement of WAF increases the risk of fraud, misappropriation, conflict of interest, overspending of approved budget, no accountability and transparency and misstatement of the financial statements.

Recommendation 9

OAG recommended that Western Provincial Government:

- Ensure MPAs must properly fill in the application form for WAF before funds are released and;
- Make sure all ward assistance funds are carefully assessed by relevant authorities before approvals are given for payments.

Executive Response

The Executive take note of the OAG recommendation and will ensure that every MPA fill up the designated template before WAF is issued.

The Executive resolved to take the following actions:

- Provincial Secretary to ensure designated forms are filled in and signed by the Premier before payment is authorised.
- Provincial Treasurer to ensure no payments are released or issued if the application forms are not properly filled.

7.0 Payroll

7.1 Unorganised records

Risk Rating – Moderate

OAG noted when assessing the payroll records that all the soft copy records for the financial year for each fortnights were not organised. File names were not reconciled with excel sheets, excel sheets not recorded in sequence of the fortnights. This creates difficulty in obtaining a true and fair records representing each fortnight for the financial year. OAG understands that the payroll officer lack knowledge in data processing with the use of computer but only have knowledge on manual registering. However, when checking the internal controls that govern the payroll process, OAG noted that it was satisfactory. In addition, the accounts officers are assisting the payroll officer with simple excel skills to improve his work.

Implications

Lack of organised records increases the risk of incompetence, accounting officer would not make informed decisions and might post wrong amount in the QuickBooks system.

Recommendation 10

OAG recommended that Western Provincial Government:

- Ensure all payroll sheets for the financial year should be properly filed in one folder or one folder for the financial year payroll and a sub-folder containing the fortnight payroll in each sub-folder containing the excel sheets for each fortnight and;
- Ensure data operating machine (computer) training is given to payroll officer to further enhance his knowledge and productivity.

Executive Response

The Executive take note of the OAG recommendation and will ensure to maintain appropriate filing and records of every transactions pertaining to payroll. This will be an ongoing process to ensure true and fair records representing each fortnight for the financial year.

The Executive resolved to take the following actions:

- The treasury division procure computer for the payroll officer.
- The officer to undertake basic office training – Excel and Words
- The Treasurer to ensure officer produce a hard copy and file away.

8.0 Un-acquitted imprests and advances

8.1 Weak control over special imprests

Risk Rating – High

8.1.1 Un-acquitted imprests

The Financial Ordinance 2008 (FMO) 53(1) stipulates special imprests to be retired when the purpose for the imprest has finished. It provides for in FMO 56 (1) for purpose of recovery of the outstanding imprest if imprest is not retired. FMO 56(2) and (5) describes the necessary action to recover the moneys from the imprest holder. OAG noted that imprests that are yet to be retired is as follows:

- Twelve (12) direct employees with a total amount of \$ 57,059.00
- Two (2) MPAs with amount of \$ 33,344.00

Furthermore, it was noted that Western Provincial Government did not implement recovery measures on the un-acquitted imprests.

8.1.2 Imprests issued to seconded officers

OAG discovered that there are seconded officers with un-acquitted imprests. FMO 2008 Section 57(1) requires that imprests issued to seconded officers and not cleared within the specified time, recovery will be done from the salary/ and or allowance of the seconded officer. However, OAG noted that ten (10) seconded officers with a total amount of \$326,144.24 are yet to retire their imprest and no recovery measures were conducted to comply with s57(1) of FMO 2008.

8.1.3 Issuing of multiple imprests

OAG observed that there are Provincial Employees and Provincial Assembly Members with un-acquitted imprests but were issued with new imprests. This is a clear breach of section 55 of FMO 2008 which states that no imprests may be advanced to a provincial employee or member with un-acquitted imprests. OAG noted that Western Province has been issuing multiple imprests to its officers which are as follows:

- 13 direct employees issued with multiple imprests.
- 9 seconded officers issued with multiple imprests.
- 3 MPAs issued with multiple imprests.

Implications

Lack of maintaining proper imprest register leads to an inability to monitor the issue of imprests and to enforce officers' accountability of imprests. Lack of supporting documentation and enforcing the requirement of FMO 2008 for retirement of both imprests and staff advances increases the risk of mismanagement of public funds and potential loss of revenue for the province.

Recommendation 11

OAG recommended that Western Provincial Government:

- Maintain a proper register of imprest and immediately establish an effective and efficient system of managing imprests;
- Ensure Accounting Officer act upon section 56 of FMO 2008 for direct employees un-acquitted imprests;
- Ensure Accounting Officer act upon section 57 of FMO 2008 for seconded Officers and MPAs un-acquitted imprests;
- Remind imprest holders to comply with FMO 2008;
- Charge pro rata t 10% (bench mark) for those imprests un-acquitted for more than 30 days, this is a discretion of the PS to uphold;
- Comply with section 55 of FMO 2008 and stop issuing multiple imprests to the officers and elected members with un-acquitted imprests.

Executive Response

The Executive agreed with OAG recommendation and would ensure to:

- Control issuing and proper management of imprests.
- Make proper acquittal at the right time.
- Review the collection procedures for outstanding imprest accounts.

The Executive resolved to take the following actions:

	<i>Elected officials</i>	<i>Direct employees</i>	<i>Seconded officers</i>
<i>Still in service with WPG</i>	<i>Control & Manage</i> <ul style="list-style-type: none"> • <i>Not allowed to hold imprest if travelling with a delegation (except when travelling alone)</i> • <i>Imprest issued to be in compliance with approved parliamentary entitlements</i> 	<i>Control & Manage</i> <ul style="list-style-type: none"> • <i>Treasurer & HOD to screen applications to ensure official does not have unacquitted imprest</i> • <i>PS and Treasurer to screen the reasonability of the amount applied for</i> • <i>No imprest to be issued to non-official</i> 	<i>Control & Manage</i> <ul style="list-style-type: none"> • <i>Treasurer to screen applications to ensure official does not have unacquitted imprest</i> • <i>PS and Treasurer to screen the reasonability of the amount applied for</i>

	<p>Imprest acquittal</p> <ul style="list-style-type: none"> • The deputy treasurer to issue appropriate written reminder to MPA one month after due date • The deputy treasurer to issue second reminder one month after the first reminder and copy to MPGIS and MoFT <p>Collection procedures</p> <ul style="list-style-type: none"> • All outstanding imprests will be fully recovered from the MPA's salary or other personal emoluments one month after the second reminder • The report on outstanding imprest shall be 	<p>and fully funded trips</p> <p>Imprest acquittal</p> <ul style="list-style-type: none"> • The deputy treasurer to issue appropriate written reminder one month after due date • The deputy treasurer to issue second reminder one month after the first reminder and copy to PS, PTR and HOD in question <p>Collection procedures</p> <ul style="list-style-type: none"> • Any outstanding imprest shall be fully recovered from the officers salary on agreed instalments payable before 31st March of the current year 	<p>Imprest acquittal</p> <ul style="list-style-type: none"> • The deputy treasurer to issue appropriate written reminder one month after due date • The deputy treasurer to issue second reminder one month after the first reminder and copy to PS, PTR, line ministry and MoFT <p>Collection procedures</p> <ul style="list-style-type: none"> • Any outstanding imprest shall be fully recovered from the officers salary on agreed instalments payable before 31st March of the current year
--	---	---	---

	<i>communicated to the Executive for their information and action</i>		
Out of service (WPG) but still working elsewhere	<ul style="list-style-type: none"> • <i>Appropriate written reminder and copy to their current employers for possible recovery from salary</i> • <i>Report outstanding imprest to the Executive for possible “bad debt” declaration</i> 		
Out of service (WPG) and not working elsewhere	<p>Control & Manage</p> <ul style="list-style-type: none"> • <i>Issuing of imprests to official not working for WPG is not to be encouraged in any circumstances</i> <p>Imprest acquittal</p> <ul style="list-style-type: none"> • <i>Appropriate written reminder to be made</i> <p>Collection procedures (for outstanding imprests)</p> <ul style="list-style-type: none"> • <i>If no acquittals are made one month after the written reminder, a report should be made to the Executive for recommendation to the Assembly for possible “bad debt” declaration</i> 		
Deceased	<p>Collection procedures (for outstanding imprests)</p> <ul style="list-style-type: none"> • <i>Report to the Executive for recommendation to the Assembly for possible “bad debt” declaration</i> 		

9.0 Property, plant & equipment

9.1 No update of asset register (C/fwd from 2013/14)

Risk Rating – High

OAG continue to note that the Provincial Government does not regularly update its asset register as required in the Financial Management Ordinance 2008. In addition, the Officer responsible for maintaining the asset register is currently on study leave at SINU and there is no officer taking over her responsibility which contribute to the lack of updating of the asset register. Furthermore, OAG noted that there is no asset management policy in place to monitor the procurement, maintenance and disposal of assets. The deficiencies identified above have made it difficult to determine the accuracy and existence of the assets procured and owned by the Western Provincial Government for the audited period.

Implications

The lack of control over asset register increases the risk of abuse, misuse, theft of assets, overspending of approved budget for asset procurements and loss of provincial funds.

Recommendation 12

OAG recommended that Western Provincial Government:

- Ensure someone is appointed immediately to maintain the asset register while the responsible officer is on study leave;
- Make sure to regularly update the asset register and;
- Ensure to establish an asset management policy.

Executive Response

The Executive agreed with OAG recommendation but is also aware that PGSP is currently working on policies and procedures on fixed assets. In the meantime, the PG is committed to prepare and maintain a list of all assets that the province own.

The Executive resolved to take the following actions:

- WPG must develop a property, plant and management policy in accordance to the Provincial Government Financial Instructions and Stores Instructions 2008, and the Provincial Government Financial Management Ordinance 2008 to manage its assets.
- The WPG to outsource valuation of its property for proper documentation in accordance with the Provincial Government Financial Instructions and Stores Instructions 2008, and the Provincial Government Financial Management Ordinance 2008.
- In collaboration with the department of lands, the appropriate citation and the valuation of the property shall be properly recorded and documented.
- WPG to recruit a procurement officer to maintain record of provincial properties, plants and assets. Officer to be recruited under the ministry of finance and treasury.
- There must be proper training and refresher courses for the procurement officer.
- Record of provincial assets, plants and equipment should be kept in the finance office and the office of the provincial secretary.

10.0 Account receivables**10.1 No account receivables listing available****Risk Rating – High**

OAG was unable to sight the listing of account receivables for 2014/15 financial year as the listing provided was for 2013/14 and 2014/15 businesses that paid up their licenses and fees. It is best practice that Revenue Officers should prepare listing of account receivables at end of each financial year so that prompt follow up with the businesses are conducted and also reported in the encouraged note of IPSAS Cash Basis reporting framework. However, OAG acknowledged that the Revenue Officer for local revenue has started keeping record of account receivables for the current financial year.

Implications

Lack of account receivables listing increases the risk of unauthorised person(s) collecting revenue without the knowledge of the Province, Province not knowing how much is owed to them for the financial year and inaccurate reporting of revenue.

Recommendation 13

OAG recommended that Western Provincial Government:

- Ensure to maintain and update the account receivables listing.

Executive Response

The Executive acknowledged recommendation by OAG to list all account receivables for the 2014/2015 and to frequently update the listing. This will be an annual practice for prompt follow up.

The Executive resolved to take the following actions:

- The Revenue Officer to consolidate annual listing in collaboration with Admin Officers at the sub-stations.
- The provincial treasury to ensure and verify revenue officers update the listing two times per financial year.

AUDIT ACTION PLAN

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
1	<p>OAG recommended that WPG:</p> <ul style="list-style-type: none"> • Must ensure that WPIC financial statements are prepared and audited on time and; • Ensure to consolidate investment balances into the Province's final 2014/15 financial statements. 	<p>Executive acknowledged recommendation by the OAG to consolidate balances of investment into the WPG FS as required in the IPSAS cash basis reporting framework.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> • Treasury officers to continue to undertake training with MPGIS on how to reconcile Investment balances into the WPG statements. • WPIC to continue to update their FS and have them audited by OAG together with the WPG statements. 	PTR & D/PTR	Dec 2015
2	<p>OAG recommended that:</p> <ul style="list-style-type: none"> • The Western Provincial Government Executive must ensure to record all ordinary and extra ordinary meetings with complete information before they are signed and dated by relevant officers who chaired and took the minutes. 	<p>The Provincial Executive acknowledged recommendation by OAG to ensure every minutes of the executive meetings, normal or extra ordinary, are signed before the next meeting.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> • All executive minutes must be signed and dated two weeks after the meeting or before the start of the next meeting at the latest. • All signed executive minutes must be kept in hard copies (2 files – PS Office and EPS) and in soft copies (PS and EPS computers). • Executive resolutions must be distributed to relevant authorities or divisions not later than two days after being signed by the Chairman and the Secretary of the meeting. • In the absence of the Chairman, the Deputy Premier or any Executive member appointed to chair the meeting shall sign the minutes. • In the absence of the Secretary, someone appointed by the Executive to take minutes of the meeting shall sign the minutes. 	Premier & PS	Dec 2015
3	<p>OAG recommended that:</p> <ul style="list-style-type: none"> • The Western Provincial Government must comply with Financial Management Ordinance 2008 by properly receipting of revenue. 	<p>The Executive take note of the recommendation and will ensure to maintain appropriate filing, records and transactions posted to GL are adequately supported with receipts. This will be ongoing process to minimize risk of</p>	Revenue Officer & PTR	Feb 2016

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p>theft, misappropriation and unauthorised collection of PG funds.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> • Treasury division to include details of receipts in the accounting software on every transaction. • All payments received must be properly receipted and the carbon copy must be properly filed. • A monthly review by the senior accountant revenue officer or the deputy treasurer of all revenue records must be ensured. • Quarterly reports to be presented to the Executive. 		
4	<p>OAG recommended that WPG:</p> <ul style="list-style-type: none"> • Ensures that all revenue of direct deposits are promptly receipted in the official receipt book and; • Inform the businesses to advise the Province when making direct deposits. 	Refer to executive response for recommendation 3.	Revenue Officer & PTR	Feb 2016
5	<p>OAG recommended that WPG:</p> <ul style="list-style-type: none"> • Ensures that all revenue collected are properly receipted and entered into the cashbook before they are recorded in the Quickbook system. 	Refer to executive response for recommendation 3.	Revenue Officer & PTR	Feb 2016
6	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to perform monthly bank reconciliation and sign off by relevant officers as required under the Financial Management Ordinance 2008. 	<p>The Executive agreed with the OAG recommendation and resolved that WPG accounts are reviewed on a monthly basis, effective 1st April 2015.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> • The deputy provincial treasurer (preparer) must ensure that cash books, including WPIC cash book, are reconciled and agreed with the General Ledger and signed them off. • The provincial treasurer (reviewer) must ensure that the cash book and WPIC cash book and the GL are reconciled and signed off. • Reconciliation of these books must be done on a monthly basis, or not later than two weeks after the end of the month. 	PTR & D/PTR	April 2015

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
7	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> Ensure to continue with the performance of monthly bank reconciliation which are signed off and dated by the preparer and reviewer in compliance with Financial Management Ordinance 2008. 	Refer to executive response for recommendation 6.	PTR & D/PTR	April 2015
8	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> Ensure when payment is raised for contractor, the following supporting documents must be attached: requisition form, payment voucher, contractor agreement which is signed by both parties, minute of awarding of tender (if applicable) and progress report that is certified by independent expertise and; Must ensure that proper checking and verification is done by the accounts department before payment is made. 	<p>The Executive take note of the OAG recommendation and will ensure that payments for projects are not issued until progress report is submitted and certified by the Works Officer.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> The Senior Planning Officer must ensure all submission for progress payments are independently verified by the Works Officer before payments are raised. The Works Officer must ensure progress reports are submitted and are certified before forwarding requests for progress are raised. 	Senior Planning Officer, Works Officer & PTR	Ongoing
9	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> Ensure MPAs must properly fill the application form for WAF before funds are released and; Make sure all ward assistance funds are carefully assessed by relevant authorities before approvals are given for payments. 	<p>The Executive take note of the OAG recommendation and will ensure that every MPA fill up the designated template before WAF is issued.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> Provincial Secretary to ensure designated forms are filled in and signed by the Premier before payment is authorised. Provincial Treasurer to ensure no payments are released or issued if the application forms are not properly filled. 	PS & PTR	Ongoing
10	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> Ensure all payroll sheets for the financial year should be properly filed in one folder or one folder for the financial year payroll and a sub-folder containing the fortnight payroll which in each sub-folder containing the excel sheets for each fortnight and; Ensure data operating machine (computer) training is given to payroll officer to further enhance his knowledge and productivity. 	<p>The Executive take note of the OAG recommendation and will ensure to maintain appropriate filing and records of every transactions pertaining to payroll. This will be an ongoing process to ensure true and fair records representing each fortnight for the financial year.</p> <p>The Executive resolved to take the following actions:</p>	Payroll Officer & PTR	March 2016

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<ul style="list-style-type: none"> • The treasury division procure computer for the payroll officer. • The officer to undertake basic office training – Excel and Words • The Treasurer to ensure officer produce a hard copy and file away. 		
11	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> • Maintain a proper register of imprest and immediately establish an effective and efficient system of managing imprests; • Ensure Accounting Officer act upon section 56 of FMO 2008 for direct employees un-acquitted imprests; • Ensure Accounting Officer act upon section 57 of FMO 2008 for seconded Officers and MPAs un-acquitted imprests; • Remind imprest holders to comply with FMO 2008; • Charge pro rata t 10% (bench mark) for those imprests un-acquitted for more than 30 days, this is a discretion of the PS to uphold; • Comply with section 55 of FMO 2008 and stop issuing multiple imprests to the officers and elected members with un-acquitted imprests. 	<p>The Executive agreed with OAG recommendation and would ensure to:</p> <ul style="list-style-type: none"> • Control issuing and proper management of imprests. • Make proper acquittal at the right time. • Review the collection procedures for outstanding imprest accounts. <p>The Executive resolved to take the following actions:</p> <p><u>Still in service with WPG</u></p> <p>Control & Manage</p> <ul style="list-style-type: none"> • Treasurer & HOD to screen applications to ensure official does not have unacquitted imprest • PS and Treasurer to screen the reasonability of the amount applied for • No imprest to be issued to non-official and fully funded trips <p>Imprest acquittal</p> <ul style="list-style-type: none"> • The deputy treasurer to issue appropriate written reminder one month after due date • The deputy treasurer to issue second reminder one month after the first reminder and copy to PS, PTR, HOD or line ministry and MoFT <p>Collection procedures</p> <ul style="list-style-type: none"> • Any outstanding imprest shall be fully recovered from the officers salary on agreed instalments payable before 31st March of the current year <p><u>Out of service (WPG) but still working elsewhere</u></p> <ul style="list-style-type: none"> • Appropriate written reminder and copy to their current employers for possible recovery from salary • Report outstanding imprest to the Executive for possible “bad debt” declaration <p><u>Out of service (WPG) and not working elsewhere</u></p>	HOD, DPTR, PTR & PS	On going

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<p>Control & Manage</p> <ul style="list-style-type: none"> Issuing of imprests to official not working for WPG is not to be encouraged in any circumstances <p>Imprest acquittal</p> <ul style="list-style-type: none"> Appropriate written reminder to be made <p>Collection procedures (for outstanding imprests)</p> <ul style="list-style-type: none"> If no acquittals are made one month after the written reminder, a report should be made to the Executive for recommendation to the Assembly for possible “bad debt” declaration <p>Deceased</p> <p>Collection procedures (for outstanding imprests)</p> <p>Report to the Executive for recommendation to the Assembly for possible “bad debt” declaration</p>		
12	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> Ensure someone is appointed immediately to maintain the asset register while the responsible officer is on study leave; Make sure to regularly update the asset register and; Ensure to establish an asset management policy. 	<p>The Executive agreed with OAG recommendation but is also aware that PGSP is currently working on policies and procedures on fixed assets. In the meantime, the PG is committed to prepare and maintain a list of all assets that the province own.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> WPG must develop a property, plant and management policy in accordance to the Provincial Government Financial Instructions and Stores Instructions 2008, and the Provincial Government Financial Management Ordinance 2008 to manage its assets. The WPG to outsource valuation of its property for proper documentation in accordance with the Provincial Government Financial Instructions and Stores Instructions 2008, and the Provincial Government Financial Management Ordinance 2008. In collaboration with the department of lands, the appropriate citation and the valuation of the property shall be properly recorded and documented. 	Procurement Officer & PTR	March 2016

Audit Issue #	OAG Recommendations	Detail Action that is to be / has been Taken	Responsible Officer	Target Date
		<ul style="list-style-type: none"> • WPG to recruit a procurement officer to maintain record of provincial properties, plants and assets. Officer to be recruited under the ministry of finance and treasury. • There must be proper training and refresher courses for the procurement officer. • Record of provincial assets, plants and equipment should be kept in the finance office and the office of the provincial secretary. 		
13	<p>OAG recommended that Western Provincial Government:</p> <ul style="list-style-type: none"> • Ensure to maintain and update the account receivables listing. 	<p>The Executive acknowledged recommendation by OAG to list all account receivables for the 2014/2015 and to frequently update the listing. This will be an annual practice for prompt follow up.</p> <p>The Executive resolved to take the following actions:</p> <ul style="list-style-type: none"> • The Revenue Officer to consolidate annual listing in collaboration with Admin Officers at the sub-stations. • The provincial treasury to ensure and verify revenue officers update the listing two times per financial year. 	Revenue Officer & PTR	March 2016