



Special Report

Financial and Compliance Audits 2020/21 – 2021/22

Prepared by:

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

**Nuku'alofa
June 2023**



Our Reference: LC1052/406/23

Your Reference:


Date: 27th June 2023

Dear Lord Speaker

I have the honour to submit to Your Lordship our special report, “**Financial and Compliance Audits 2020/21-2021/22**”, pursuant to section 24 *of the Public Audit Act 2007 (as amended)*.

This special report summarizes the audit findings and recommendations of all the financial and compliance audits the Tonga Office of the Auditor General carried out during the year 2020/21-2021/22.

Respectfully


Sefita Tangi FCPA (Azm)
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, 2020/21 and 2021/22, up to December 2022. This summary information is compiled in this special report, Financial and Compliance Audits, started from 2016-17 in our endeavour to assist the oversight functions of Parliament.

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

Financial Audit: is our independent and objective examination of the 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. All of the audit management letters are summarized and reported in this Financial and Compliance Audits Report.

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

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

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

Chapter summary and background

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

CHAPTER 2: GOVERNMENT FINANCIAL STATEMENTS (PUBLIC ACCOUNTS) 2021/22 AND QUARTERLY SUMMARY OF RECEIPTS AND PAYMENTS.

I. GOVERNMENT FINANCIAL STATEMENTS (PUBLIC ACCOUNTS) 2021/22.

2.1 Summary

The financial statements of the Government for the year ended 30th June, 2022 was prepared and presented in compliance with the Cash Basis of Accounting and Reporting of the International Public Sector Accounting Standards, (*IPSAS*), similar to the prior financial year, 2020/21.

Our audit conclusion was a qualified audit opinion on the Government Financial Statements (Public Accounts) 2021 – 22. The basis of the qualification was on two account areas; (i) Cash and Cash Equivalents, and (ii) Property Plant and Equipment.

- i. Cash & Cash Equivalents as of the balance day, 30th June, 2022:
 - ✓ Development Funds: variance between the total cash accounts balance and the corresponding liability of the development Fund.
- ii. Property, Plant & Equipment as of the balance day, 30th June, 2022:
 - ✓ The complete accountability and effective management of all government assets are a major long outstanding issue, evident by the variance of \$133,336,497.00 between the current updated fixed asset register and the balance from the Sun-System.

We raised forty-five, (45), issues and reported to the CEO for Finance from the audit of the Public Accounts 2021-22, including the follow-ups from previous financial years' audits. We also issued with the appropriate recommendations for the Ministry's consideration and appropriate actions.

2.2 Background

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

The Public Accounts is prepared by the Treasury Department of the Ministry of Finance, (MoF) and presented by the Minister for Finance. The Public Accounts provide information to assist in assessing the financial performance and position of 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 are 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 30th June, 2022 was completed and the Auditor General's audit opinion was issued on 23rd February, 2023. The Auditor General issued a qualified audit opinion for the Government Financial Statements (Public Accounts) 2021/22.

The basis for the qualifications of the audit opinion is mentioned above, item 2.1.

2. Statement of Receipts and Payments

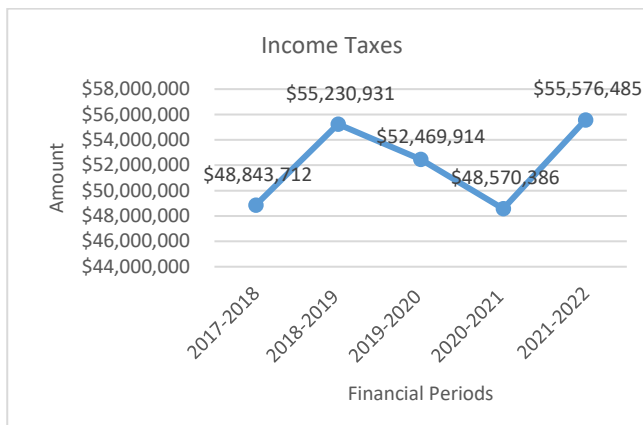
i. Operating Receipts

- **Follow up from Previous Financial Years**

Revenue Policies: The reviews/changes of revenue policies of Government during the financial year, apparent from the trends of government revenue sources:

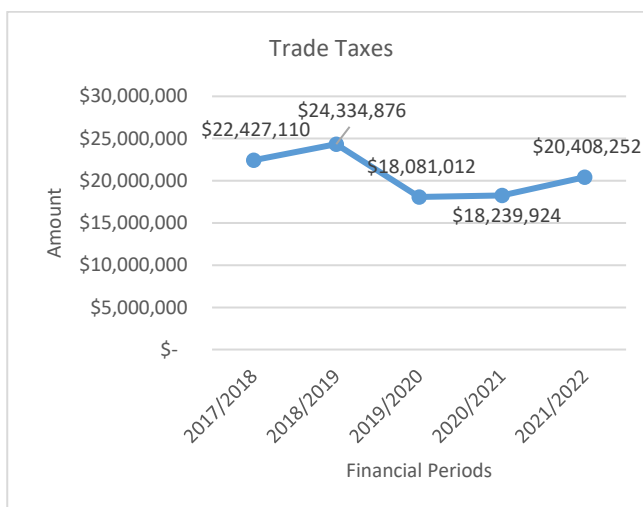
- Trends for Operating Receipts:

1. Income Taxes



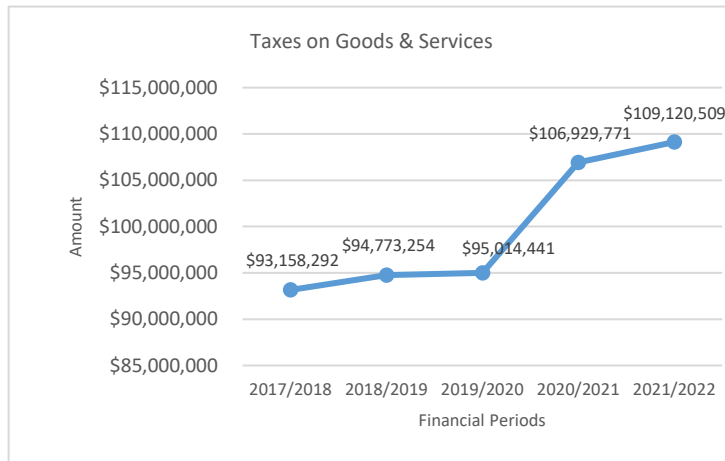
- Trends of the actual performances of the Corporate Tax (Large Businesses) & Withholding Tax (Non-Residents) exceeding the 2020/2021 actual revenue which lead to the sharp rise of this trend in 2021-2022.

2. Trade Taxes



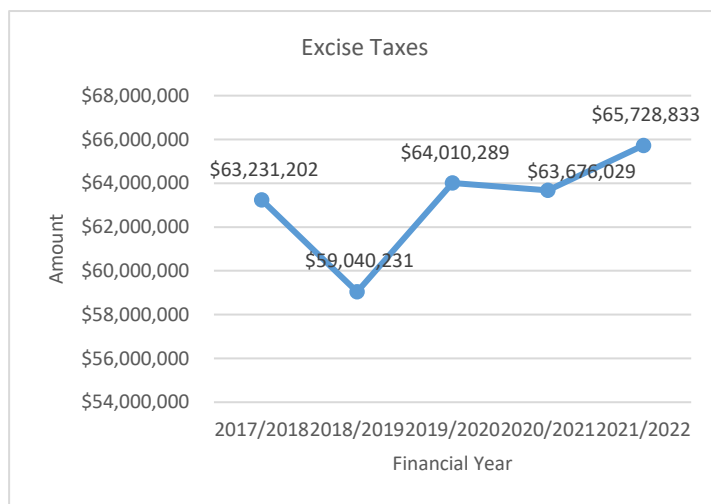
- Actual import duties was increased in 2021/2022 by \$2.2m, as compared with 2020/21.

3. Taxes on Goods & Services



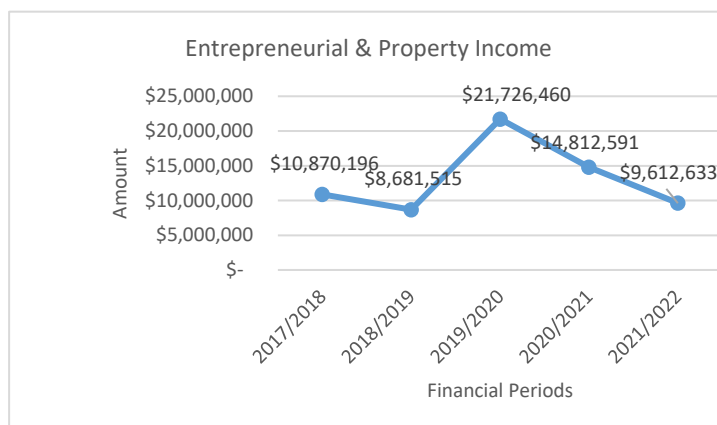
- Actual Consumption Tax- Import, exceeded the previous year 2020/2021 actual by \$4.5m. This led to an increase in the actual Taxes on Goods and Services 2021/2022.

4. Excise Taxes



- Increase in actual revenue from excise tax of 2021/2022 by \$2.05m as compared to the actuals of 2020/21.

5. Entrepreneurial & Property Income



- The \$5.2m decrease from actual Entrepreneurial & Property Income compared to previous financial year 2020/2021. This was due to a \$1.7m decrease from dividends collection and also \$3.2m decrease from Government Land Rental & Other Incomes for 2021/2022.

As in previous financial years, we raised that the justifications for the changes of trends of the above major sources of government revenue were not clearly stated and documented. 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 to 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 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.

ii. Reversed Entries:

The issue for reversed entries is still in existence, however there is a decrease in total reversed entries for Receipts compared to the previous financial year. The previous financial year had an amount of \$11,659,818 in total for Reversed Entries for Receipts. For this financial period 2021-2022 amounted \$4,666,751.

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

iii. Budget Support

Budget Support actually received and budgeted 2021/2022.

Donors	Budget related to 2020/21	Budget related to 2021/22	Actual Amounts received in 2021/22
Australia (DFAT)		13,570,300	10,765,113
New Zealand Fund		3,204,900	5,199,049
World Bank (WB) Grant		11,647,200	24,880,200
Asian Development Bank (ADB)	11,647,200.00	0	11,253,657
European Union (EU)		5,400,000	0
Total	11,647,200.00	33,822,400	52,098,019

The budget support from the World Bank increased by \$13,629,075.16 compared with prior year, 2020/21.

From the Budget Statement for the year 2022/23, it states that the “anticipated overall balance for the financial year 2021/22 would be \$19.8 million deficit. This \$13,629,075.16 helps with financing this deficit, etc.

Asian Development Bank (ADB)- \$11,253,657 relates to the previous financial year, 2020/2021. Asian Development Bank Budget support for 2020/21 was not received on last audit period, because of Development Policy Operations was drafted, therefore WB and ADB agreed to submit the WB funds, on FY 2020/21 and ADB funds to be deferred to FY 2021/22. ADB funds was Estimates \$11,647,200 and the actual amount TOP\$11,253,657 received on 25.11.2021.

Adjustment

Dr	Budget Support	\$11,253,657	
	Cr	Accrued Income	\$11,253,657

(to reverse ADB 2021 Support received in .2022 in the statement of Income and Expenditure)

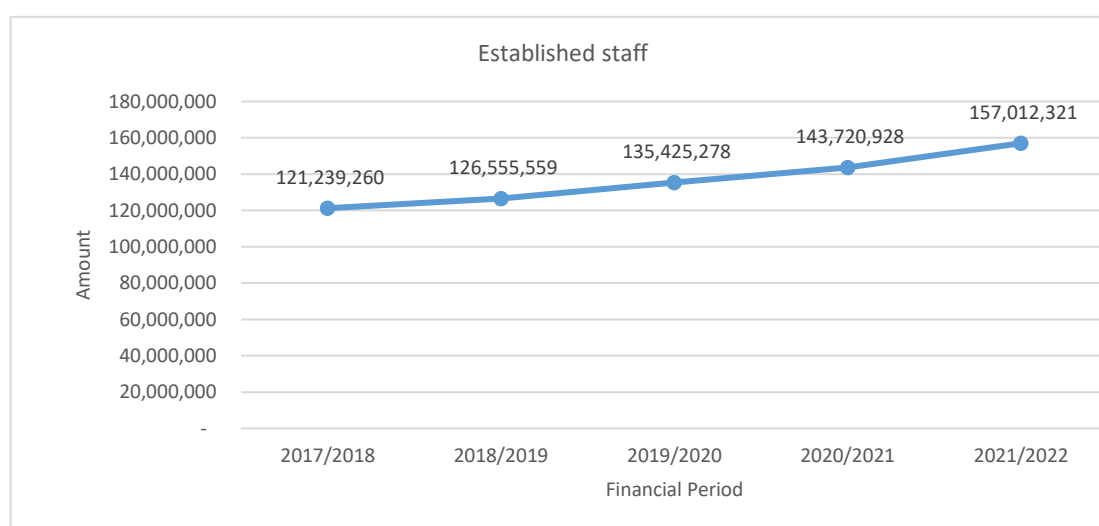
iv. Operating Payments

Details for the major movements from Prior Year 2020/21 to Current Year, 2021/22.

	<i>Current Year 2021-22</i>	<i>Prior Year 2020-21</i>	<i>Movements</i>	<i>% Change</i>
Established Staff	157,012,321	143,720,928	13,291,393	9%
Unestablished Staff	19,290,234	15,957,223	3,333,011	21%
Travel and Communication	12,378,629	11,766,010	612,619	5%
Maintenance and Operation	33,565,558	34,353,887	(788,329)	(2%)
Purchase of Goods and Services	86,395,483	89,030,922	(2,635,439)	(3%)
Operational Grants and transfer	85,402,943	81,662,606	3,740,337	5%
Development Duties Expenditure	2,843,772	2,917,243	(73,471)	(3%)
Pension and Gratuities	3,854,341	4,410,483	(556,142)	(13%)
Trust Payments	15,647,244	10,922,728	4,724,516	43%
Total Operating Payment	\$416,390,525	\$394,742,030	\$21,648,495	5%

Operating Payments with big increases:

a). **Established staff:** Increased by \$13,291,393 from prior year, 2020/21

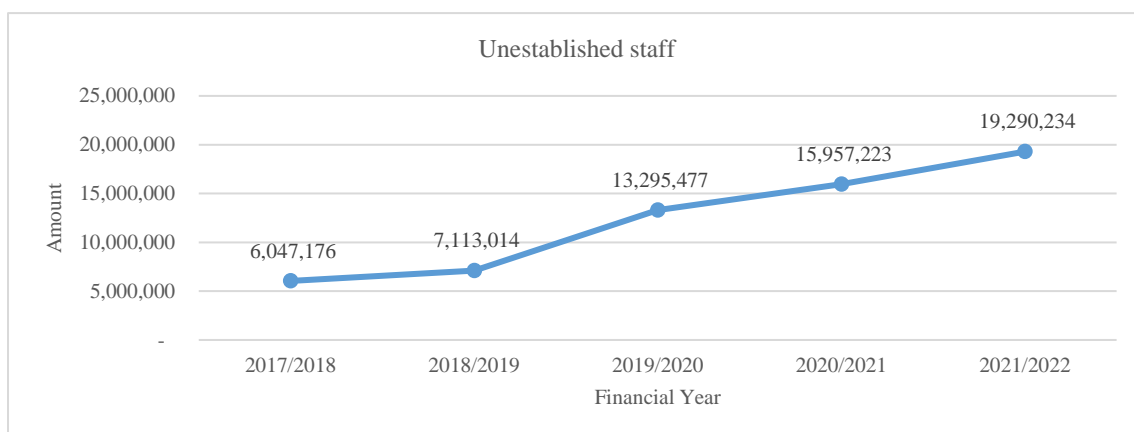


There are 4 major components that have had the most increases are listed below:

<i>Code</i>	<i>Items</i>	<i>2020/21</i>	<i>2021/22</i>	<i>Movement</i>
1001	Salaries	\$109,748,822.97	\$113,925,612.46	\$4,176,789.49
1002	Overtime	\$13,176,481.43	\$19,082,352.73	\$5,905,871.30
1003	Other Allowance	\$3,496,426.69	\$5,151,723.11	\$1,655,296.42
1005	Govt Contribution to Retirement	\$11,114,656.64	\$11,501,922.31	\$387,265.67

b) **Unestablished staff:** Unestablished staff increased by an amount of \$3,333,011.

Code	Item	2020/21	2021/22	Movement
1101	Wages	\$7,093,287.15	\$10,039,130.18	\$2,945,843.03
1199	Contract Labour	\$8,863,935.43	\$9,251,103.79	\$387,167.36



We examined the internal control system of payroll for both established and unestablished staff.

There **are issues** with Micro-pay system (Payroll) that Ministry of Finance provided that they mainly faced with in the Payroll systems. Details as listed below:

1. All changes between the salary, OT and acting votes are done manually to the individual name and it is difficult to cater for the larger Ministries ie MOH, etc. ;
2. The terminated employees are not separated from the existing employees within the system;
3. The system cannot auto detect all errors arise. For example;
 - a) Zero hour mean zero pay but the current system can pay full salary for zero hour worked;
 - b) Exceeding 80 hours per pay;
 - c) Paying more/less than 5%. 10% or 20% contribution, RFB;
 - d) Missing member or government contribution, RFB;
 - e) Paying more/less than the fortnightly amount.
4. The payroll system does not auto detect the names of those who are receiving more than 1 salary for tax adjustment purposes; and
5. The payroll database is not link with PSC database system to enable timely updates on HR information to minimize the risk of salary overpayment. Currently, PSC is relying on the payroll system for updates on staff list, basic salary and other HR information. Also, the risk of salary overpayment increase significantly due to delay in receiving PSCD regarding resignation, SLWOP etc.

c) **Salary Overpayments:**

Total salary overpayments as at 30 June 2022 was \$132,075.77. Audit noted that overpayment increased from the prior financial year. The overpayments were from late receiving of advices of staff retirements, resignations, terminations, leaves without pay, left without authority and going on scholarships.

Details for Overpayment during the financial year			
MDA's	Total Overpayments	Recovered	Total Outstanding
Police	\$2,433.46	\$1773.46	\$660
Health	\$90,005.88	\$22,297.85	\$67,708.03
MIA	\$1,729	\$440	\$1,289
MET	\$16,601.99	\$500	\$16,101.99
MAFF	\$13,071.81	\$8,500	\$4,571.81
MLNRS	\$3,725.58	Nil-	\$3,732.58
MEIDECC	\$4,070	\$3,126.75	\$943.25
FISHERIES	\$431.05	\$180	\$251.05
TOTAL	\$132,075.77	\$36,818.06	\$95,257.71

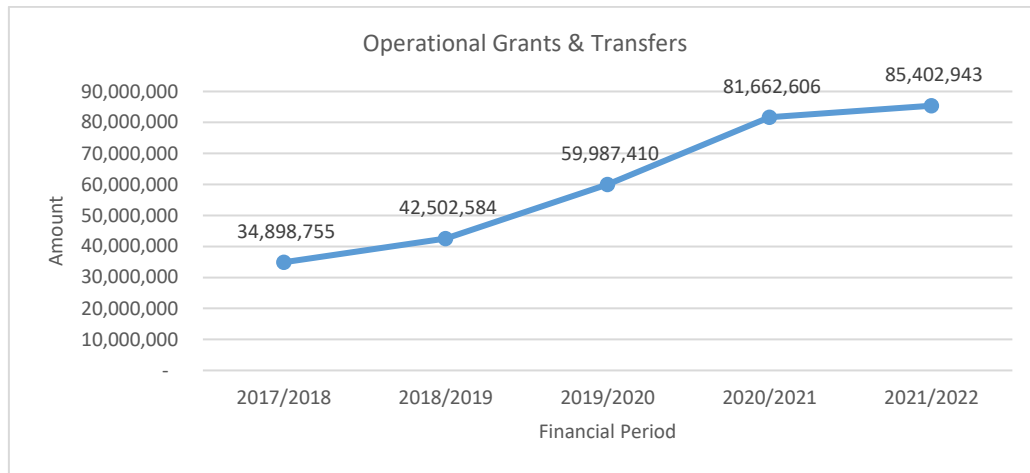
Unrecoverable in Payroll accumulated from Prior Years;

These amounts are all added up from previous financial periods as we noted that there is no unrecoverable in this financial year, \$152,341.08, altogether totaled to \$247,598.79 as of 30th June, 2022.

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

Dr	Account Receivable (Salary Overpayment)	\$247,598.79	
	Cr Salaries – Establish Staff		\$247,598.79
	(to account for the amount of unrecoverable in payroll)		

d) Operational Grants increased by \$3,740,337:



- ✓ The major increase in Operational grants and transfer were caused by the increase of these items which are under the Operational Grant & transfer which are listed below:

Code		2021/2022	2020/2021	Movement
1515	Grant for Sport Activities	2,620,238.81	1,049,345.30	1,570,893.51
1541	Grant Vulnerability	4,559,030.65	2,124,559.88	2,434,470.77

v. Reversal entries: Expenditure:

This issue is still outstanding and repeated in this year's audit. The total reverse amount for this years was \$23,880,326. It decreased from the previous financial year, however improvements is needed for this area.

vi. Development Fund receipts and payments

Development Fund is one of the Basis for Qualified Opinion issued by the Auditor General on the Government's financial statements of previous year, ended 20th June 2021. It stated that "*the Development Funds Liability, which accounted as part of the Fund Balance in the Statement of Assets and Liabilities amounted to \$132,174,089, resulting in a variances of \$3,998,859*". This issue is not yet resolved in the current financial year, ended 30th June, 2022. The variance between the Development Cash and the Development Funds balance as of 30th June 2022 was \$567,398 – decreased as compared with previous year, 2020/21, mentioned above.

Comparison of the Development Cash Balance in Cash & Cash Equivalents together with the Development Funds Balance as of 30th June 2022 are shown in the table below:

Financial Statements'(Note):	Amount \$
Note 3.5 Cash and Cash Equivalent	144,368,507
Note 3.7 Development Fund Balance	143,801,109
Variances	567,398

There detailed list of the Development Cash yet to transfer, which presented to the Audit was incomplete. Also, we require the proper source documentation for the transfers, (General Journal Vouchers), to confirm the validity of the transactions – prepared and certified correct and to be approved by the proper authority, and the true records are complete and filed.

Recommendations:

- That appropriate action to immediately carried out the outstanding tasks of completing the reconciliations of the two balances; Note 3.5 (Development Cash Balance as part of Cash and Cash Equivalents) and Note 3.7 (Development Fund Balance); and
- To maintain the complete official records and audit trials of all related transactions of this account area.

• **Development Funds receipts**

2021/22	2020/21	Movements
136,121,799	153,196,197	(17,074,398)

• **Development Funds payments**

2021/22	2020/21	Movements
120,496,148	144,058,791	(23,562,643)

vii. **Statement of Assets and Liabilities**

a). **Cash at Bank and on Hand**

✓ **Cash on Hand as of 30th June 2022**

	Description	Closing Bal FY 21-22	Cash Count form as of 30 June 2022	Variances
FLOAT-TTP	CASHIER FLOAT-TONGATAPU	6,605,639.75	6,605,639.71	0.04
FLOAT-VV	CASHIER FLOAT-VAVA'U	33,071.79	33,071.80	- 0.01
FLOAT-HP	CASHIER FLOAT-HA'APAI	21,784.60	21,783.60	1.00
FLOAT-Eua	CASHIER FLOAT-'EUA	25,213.59	25,213.60	- 0.01
FLOAT-NF	CASHIER FLOAT-NIUAFO'OU	93,402.15	93,402.15	-
FLOAT-NTT	CASHIER FLOAT-NIUTOPUTAPU	91,506.04		91,506.04
	TOTAL CASH ON HAND	6,870,617.92	6,779,110.86 (confirmed by the audit)	

Total cash on Hand as of 30th June 2022 is \$6,870,617.92. We were able to directly confirm all the float balances from cashier at Tongatapu and the outer islands, including Niuatoputapu Sub-Treasury, which did not have cash count record. Referring to the “special audit of NTT sub-Treasury”, its calculated cash on hand as at 30th June, 2022 was \$91,510.02.

Recommendation

- To ensure that the Sub-Treasuries conducted cash count of all cash on hand and the safe at the end of the financial year.

✓ **Bank Accounts**

Total BACs	No. of accounts	Closing Bal FY 21-22
Operating Cash at Bank	43	67,529,217
Development Cash Balance	74	144,368,507
Trust Fund Cash Balance	6	30,330,894
	123	242,228,618

- The total Cash at Bank as of 30th June 2022 was \$242,228,618.

✓ **Reconciling Items**

Reconcile items summary for all the BACs are provided in the table below.

Lodgements not credited	(Unpresented cheques)	Direct debits	(Direct credit)
194,863.96	21,178,761.17	144,614.22	562,357.67

✓ **Lodgements not yet credited**

Particular	Amounts	2021-2022		
		1-3 months	3-6 months	6+ months
Lodgement not yet credited	194,863.96	192,811.71	1,017.00	1,035.25

- The table above is the aging for the Lodgements not yet credited. Lodgements were all cleared during the first quarter of the current financial year 2022-2023.
- Revenues were properly confirmed and were posted into the sun-system. It was disclosed in the financial statement.

✓ **Unpresented Cheques**

Particular	Amounts	2021-2022			2020-2021
		1-3 months	3-6 months	6+ months	
Unpresented Cheques	21,178,761.17	20,414,630.03	430,278.80	173,863.82	159,988.52

Aging the unpresented cheques, some of the unpresented cheques are over the duration of 12 months and are yet to be presented.

Recommendation:

- To adjust back the long outstanding unpresented cheques over one year, refer to the adjustment entry below:

➤ **Adjustments**

Dr Bank (Reconciliation)	159,988.52
Cr Sundry Revenue	159,988.52

(To reverse the long outstanding cheques over one year – Statement of Income and Expenditure)

✓ **Direct Debits**

Particular	Amounts	2021-2022			2020-2021
		1-3 months	3-6 months	6+ months	
Direct Debit	144,614.22	83,819.68	13,946.23	46,158.31	690.00

- Details for the direct debits provided and it is related to the dishonored cheques pay-in from the line ministries.
- Confirmed that these revenues were already accounted for and posted into the sun-system.
- Transaction over one year were recommended to adjust back.

Adjustments.

Dr	Miscellaneous Expenses (votes)	\$690	
	Cr	Bank 0125 (Reconciliation)	\$690

(to adjust the long outstanding direct debit – statement of Income and Expenditure)

✓ Direct Credits

Particular	Amounts	2021-2022			2020-2021
		1-3 months	3-6 months	6+ months	
Direct Credit	562,357.67	484,323.80	23,021.42	51,539.05	3,473.40

- Some transactions were related to the previous financial year. Audit recommended to adjust back the long outstanding direct credits.
- These direct credits were identified from the monthly reconciliation without knowing the reasons behind it.

Adjustments

Dr	Bank (Reconciliation)	\$3,473.40	
	Cr	Sundry Revenue	\$3,473.40

(to adjust the long outstanding direct credited– statement of Income and Expenditure)

b). Loan On lending

1. To eliminate the word “Cumulative” from the column of Cumulative Interest Paid and Cumulative Principal Paid on “TC GITA LOAN” and “MICRO LOANS FOR WOMEN”.
2. The additional on lending during the financial year are as follows:

i.	TC Gita Loan Lot 5	66,500.00
ii.	Micro Loans for Women lot 3	30,000.00
iii.	Micro Loans for Women lot 6	205,000.00
iv.	Micro Loans for Women lot 7	98,500.00
v.	Micro Loans for Women lot 8	<u>65,000.00</u>
	Total	<u>465,000.00</u>

Also we acknowledge the effort of the Ministry to ensure that they compile the register as well as the completed record for the TC Gita Loan and Micro Loans for Women.

3. To include the disbursement amounts for Micro Loans for Women lot 6 to 8 in the column of Disbursements.
4. To account for loan disbursements of Micro Loans for Women lot 6, TOP205,000 to the financial statements by this journal entry:

Dr	Loan O.n-lending	205,000
	Cr	Miscellaneous Revenue

(to account for the loan disbursements of Micro Loans for Women lot 6)

5. The Ministry recognized the interest receivable as of 30 June 2021 for the very first time in the Statement of Assets and Liabilities, totalled amount of \$11,309,637.

In this financial year, the Ministry recalculated the interest receivable as of 30 June 2022 and posted the exactly amount to the financial statements by this journal entry:

Dr	Accrued Interest & Loan On-lending	11,067,507.97	
	Cr	Entrepreneurial and Property Income	11,067,507.97
<i>(the entry posted by the Ministry for the interest receivable as of 30 June 2022)</i>			

In that case, the interest revenue are double posted as were already accounted for as interest revenue in the previous year financial statements. The differences from the recalculation of interest receivable from previous year must be accounted as interest revenue in the Statement of Income and Expenditure.

However, we recommend to reverse the general entry was posted by the Ministry and recalculated the interest receivable.

Dr	Entrepreneurial and Property Income	11,067,507.97	
	Cr	Accrued Interest & Loan On-lending	11,067,507.97
<i>(to reverse the general entries were posted the Ministry as of 30 June 2022)</i>			

We recalculated the interest receivable as of 30 June 2022 and here are the details shown below:

Loan Items	Amounts (\$)
✓ Public Enterprises Loan	32,906
✓ Loan under EXIM Bank of China	17,017,919
✓ Fisheries and Agricultural Loan	11,703
✓ Cyclone Gita Loan	2,232
✓ Micro Loan for Women	<u>1,078</u>
Total	<u>17,065,838</u>

As of 30 June 2022, the amount of interest receivables totaled TOP17,065,838. We recommend this adjustment below to the financial statements:

Dr	Accrued Interest & Loan On-lending	5,089,380.56	
	Cr	Interest Revenue	5,089,380.56
<i>(to include the interest revenue to the financial statements)</i>			

6. During the financial year 2012 to 2014, the Government lender of funds of \$1,296,893 to the Agricultural and Fisheries as loan on-lending with interest of 1%, and to be paid within a year. As of 30th June, 2022, the remaining balances outstanding for the loan on-lending totaled to \$1,170,282, and the interest of TOP11,703. (Still in progress from previous year)

We recommend for the management to make the appropriate action to immediately collect this long outstanding receivables.

7. The Ministry write off Sea Star Fishing Limited from Loan On-lending by this general entry show below:

Dr	Revenue Fund Balance	3,645,900.00	
	Cr	Loan On-lending	3,645,900.00

We recommend to adjust the original journal entry was posted to the financial statements by this journal entry shown below:

Dr	Bad Debts	3,645,900.00	
	Cr	Revenue Fund Balance	3,645,900.00
<i>(to account for the bad debt as a resulted of write off the Loan On-lending, Sea Star Fishing Limited)</i>			

8. The loan agreement between the Government of Tonga and the City Assets (Molisi) is yet to sign with the amount TOP6,761,247 (issue from previous year is still outstanding).

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

9. The total amount received from loan on-lending are as follow:

Categories	Repayments	Interest Received	Total
Receivable from Public Enterprises	243,642	57,401	301,043
Receivables under EXIM Loan	102,500	102,500	205,000
Receivable from AMF and Fisheries Export Development Fund	0	0	0
TC Gita Loan	71,394	643	72,037
Micro Loans For Women	243,987	2,059	246,046
Total	661,522	162,603	824,125

10. The actual interest paid by the Government for the financial year to the Export-Import Bank of China was total up to TOP\$1,527,618. This loan was intended for reconstruction of Nuku'alofa. The actual amount of interest received from Loans On-lending from this fund was total to 102,500 (Royco).

c). Property, Plant and Equipment

Total Property, plant and equipment disclosed in the financial statements is \$376,585,741. In comparison, the total of the fixed assets recorded into the government fixed assets register is \$243,249,244. Consequently, a variance of \$133,336,497 between the current updated fixed asset register and the balance from the Sun-System.

	Financial Statement 30 June 2022	Fixed Asset Register 30 June 2022 (Incomplete)	Variance
Property, Land and Buildings	105,465,281	106,847,397	- 1,382,116
Other Assets	271,120,460	136,401,847	134,718,613
Total	376,585,741	243,249,244	133,336,497

The balance disclosed in the public account is the accumulated balance of fixed assets over years from the Sun System. Depreciation is not charging against this balance.

Disposal of fixed assets is also not reflected on the book-value. It may also require to record the gain or loss on the transactions in the reporting period when the disposal occurs. Total of \$115,533 revenue collected from selling of government assets to be included in the note 7.3.

Hereby noted that there is no appropriate link between the Treasury Division and the Asset Section of the Ministry.

- The current practice of recording fixed assets is based on the payment vouchers posted by the Treasury Division into the sun-system.
- Fixed Asset Registers collected and compiled by the Assets Section are not related to what has been recorded in the sun-system and presented in the financial statements.

Recommendation:

- Assets section on behalf of Ministry of Finance is to establish the appropriate strong linkages with individual Accounts Div. of all Ministries, re: Government Assets Management;
- Centralize at the Assets section the updates of additional and disposals.
- Asset section to split the \$376m Property, Plant and Equipment to the corresponding ministries and reconcile that balance with their submitted Fixed Asset Register.

d). **Trust Money**

1. The prior year figures as per signed account 2020/21, totalled \$22,648,458 but the details of prior year figures in this year financial statements are understated by \$629,052. This is due to the reclassification of Trust Money in note 3.8 to the financial statements.

Refer to the details shown below:

Signed account 2020/21	22,648,458
Details	<u>22,019,406</u>
Variance	<u>629,052</u>

Variance represented by:

Unclaimed Salaries	214,060
Niuatoputapu Tsunami Trust	63,507
Bond Suspense Court	518,866
Tapinga Unaloto-ki-Moana Kauhala	<u>(167,381)</u>
Total	<u>629,052</u>

We recommend to include the total variance under “*Other Trust Accounts*” in the prior year figures in this year, 2021/22 financial statements.

2. As per draft financial statements, Note 3.8, Trust Money Accounts, stated the amount of interests and bank charges, totaled of (\$290,454). The Ministry posted this amount by this journal entry shown below to the financial statements:

Dr	Trust Money	290,454	
	Cr	Prior-year Adjustments	290,454
(Reconciling entries for Trust Money as Interests and bank chargers)			

The amount of \$290,454 are the result of current financial year 2021/22 but not related to the previous year. However, we recommend reversing the original entry by this journal entries shown below:

Dr	Prior Year Adjustment	290,454	
	Cr	Trust Money	290,454
(Reconciling entries for Trust Money)			

3. Trust Money was totalled \$30,330,894 as per draft financial statements. After the calculation of Trust Money, we come up with the new balances \$30,848,361 (refer to the table below). We recommend for the Ministry to post the journal entry shown below to the financial statements:

Dr	Interest Expense	227,014	
	Cr	Trust Money (Interest & bank charges)	227,014
(to account for the interest & bank charges as of 30 th June 2022)			

4. Here are the correspondence of Trust bank balance and Trust money liabilities as of 30th June 2022:

✓	Trust Fund Cash Balance	30,330,894
✓	Trust Money (Liabilities)	<u>30,848,361</u>
	Variance	<u>(517,467)</u>

The variances shown above represented by:

✓	Niua's Suspense Accounts	506,409
✓	Net cash movements of Trust in Outer Islands	<u>11,057</u>
	Total	<u>517,467</u>

The amount of variance shown above was completely recorded in Trust Money (liabilities) but not having a fund in the Trust Fund Cash Balances.

However, we recommend transferring the fund from the Operating Cash Balance to Trust Fund Cash Balance for the complete recording of Trust Money and its Cash Balance.

Dr	Trust Fund Cash Balance	517,467	
	Cr	Operating Account	517,467
	(transfer the amounts Trust Money from Operating Account to Trust Fund Cash Balance.)		

5. The Trust Money receipts totalled \$23,620,134, and interests and bank charges \$227,014 in the sun system.
6. The Trust Money payments are totalled \$15,647,244 in the sun system.
7. The details of the movements between Trust Money during the financial year 2021/22 are as follows:

Trust Money	Opening Balance	Receipts	Payments	Closing Balance
Lease Deposits	1,014,526	829,761	743,676	1,100,611
National Emergency Fund	2,528,904	44,169	1,310,853	1,262,221
Private Sector Reconstruction Facility	8,479,365	1,221,281	0	9,700,646
Road Maintenance Trust Fund	5,723,964	956,465	850,000	5,830,429
Loan Repayment Trust Fund	0	7,584,375	0	7,584,375
Unclaimed Monies	1,628,869	57,522	32,371	1,654,020
Private Sector Marketing Fund	553,203	393,763	348,930	598,035
Niua's Suspense Accounts	0	9,898,458	9,392,049	506,409
Distraints – Legal Settlements	398,955	277,969	152,520	524,404
Lulutai Trust Fund – Ha'apai & 'Eua	144,638	614,257	2712,420	487,475
Tapinga 'Unaloto-ki-Moana Kauhala	167,381	20,761	188,142	0
Other Trust Accounts	1,991,101	1,721,352	2,357,283	1,355,170
Interest and bank charges	17,552	268,055	41,041	244,566
Total Trust Money	22,648,458	23,905,740	15,688,285	30,848,361

There are 2 new additional trust money during the financial period 2021/22 are as follows:

1. ***Loan Repayment Trust Fund***

On the 29 of March 2022, the Minister for Finance approved the Trust Fund Instrument for the Loan Repayment Trust Fund as prescribed in Public Finance Management (PFM) Act 2002 (Section 2 - "Trust Money" Sub-section d). The application (s) of Fund is to facilitate future loan repayments with particular condition of accumulating funds for future loan repayments.

We recommend adjusting the notes xii in the notes to the financial statements (3.8 Trust Money Accounts)

2. ***Niua's Suspense Accounts***

On 7th July 2021, the Deputy CEO for Finance (Treasury) made an internal memo to the CEO for Finance to approve two different suspense accounts for the two Niuas. This is not in line with the Public Finance Management Act Section 22 (1).

3. *PSRF* Trust Account (Private Sector Reconstruction Facility) having arrears from the Private Sector totalled \$2,145,135.34. We recommend disclosing it in the notes to the financial statements.

e). **Public Debt**

1. We appreciate the effort of the Debt Division to include the undrawn Borrowing Facilities in note 6.3 to the financial statements.
2. Here are the details of the loan repayments and proceeds from borrowings:

<i>Items</i>	<i>Amounts as per schedule</i>	<i>Amounts as per St. R & P</i>	<i>Variances</i>	<i>Remarks</i>
Loan Repayments	34,448,575	34,584,379	135,604	This variances due to the "refund remaining balance under IDA V196-TO PPA, \$25,804.09" and Bond Fees & Registry Fees, \$109,800, were recorded in the Sun System.
Proceeds from borrowing	18,499,603	16,634,079	2,573,678	The variances due to the drawdown/debt suspension during the year.

3. Audit is unable to obtain the loans' confirmation from all lenders on both foreign and domestic loans. Consequently, we relied on the financial records of the Ministry called "Provisional".
4. Here are the details of interest payable as of 30th June 2022:

Loan Items	Amounts (\$)
✓ Domestic Loan	822,715
✓ ADB Loan	145,691
✓ IFAD	600,104
✓ IDA	245,831
✓ EXIM	348,951
Total	<u>2,163,292</u>

The opening balance of interest payable as of 30th June 2021, totalled \$1,314,279, which is the amount in the financial statements. The net variance of \$849,013.00.

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

Dr	Interest Expense	849,013.00	
	Cr	Interest Payable	849,013.00

(to include the interest on public debt in the financial statements)

f). **Investment**

	Current Year Figure 2021-22
Investments	
Current Investment	18,300,410
Non-current Investment	14,547,242
Equity Investment	171,193,658
Total	204,041,310

1. **Treasury Term Deposits Investment**

- A total of TOP\$18,300,410 short term deposits; four (4) at TDB and two (2) at the ANZ Bank. These investment accounts have been confirmed agreed with the bank confirmations.
- A total of TOP\$14,547,242 long term deposits at TDB were all confirmed and agreed with the bank confirmation.

- Interest received of TOP\$711,914.68 was posted into the Sun System and disclosed in the Statement of receipts and payments under Entrepreneurial and Property Income.
- Confirmed by the Audit that the accrued interest of TOP\$266,038.87 was not accounted for in the financial statements. Refer below adjustment:

Dr Accrued Interest \$266,038.87

Cr Interest Revenue \$266,038.87

(To account the investment accrued interest for the year – statement of assets and liabilities & statement of income and expenditure)

Recommendations

- To ensure that the management should account for the accrued interest and disclose in the financial statements.

2. Share Minority

	Financial Statement	Confirmation
Lulutai Airlines	13,500,000	No confirmation
Air Pacific Limited	77,222	No confirmation
Ocean Royal Shipping	1,429,926	No confirmation
	15,007,148	

- Audit issue still outstanding from previous years – No confirmation of Government Shares from the Companies listed above. The Audit has no proof of the Government ownership on these companies.

3. Investment on Public Enterprises

	Public Enterprises confirmation List
Public Enterprises	
Tonga Development Bank	22,000,000
Tonga Communication Corporation	14,243,639
Tonga Market Corporation Limited	1,600,000
Tonga Airports Limited	36,543,226
Waste Authority Limited	900,000
Tonga Power Limited	33,783,595
Tonga Post Limited	1,907,915
Tonga Assets Managers & Associated Ltd	1,761,707
Tonga Cable Ltd	29,556,887
Friendly Island Shipping Agency	400,000
Statutory Board	
Ports Authority	10,949,097
Tonga Broadcasting Commission	475,404
Tonga Water Board	2,065,040
Total Investment in Public Enterprises	156,186,510

- Total of TOP\$156,186,510 Investment in Public Enterprises were confirmed by the Ministry of Public Enterprises.
- The audit issue – the Ministry's official record of this huge invested total?

II. Follow-up of Issues raised in previous years' audits

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

Prior Year Audit Matters	Status observed in 2021/22 audit
<p><i>Government revenue trends and revenue policies.</i></p> <p>Description</p> <p>Overall, the justifications for the changes of trends of the main sources of government revenue were not clearly stated and documented. It is obvious there must be some direct correlations in the changes of trends between CT, Excise Tax and Income Tax. A more accurate quantification of changes to revenue policies in the financial year would definitely explain and justify the changes of such revenue trends. Thus, we strongly suggest that any material changes in the government revenue policies be appropriately quantified and documented.</p>	This issue is still outstanding.
<p><i>Reversed Transactions</i></p> <p>Description</p> <p>There are significant amount of reversal entries and adjustments for both operating receipts and operating payments in the Sun System and this issue is still outstanding from previous financial years.</p>	This issue is still outstanding.
<p><i>Account for In-Kind contributions</i></p> <p>Description</p> <p>The final revised budget in the statement of Comparison of Budget and Actual included the in-kind figures in addition to the re-current budget figures. However, the actual figures represent only the re-current actuals. It does not include the in-kind actuals because it is disbursed outside the Sun system. This has caused distortion when comparing the proportion of budget against actuals.</p>	This issue has been settled
<p><i>Prior Year Adjustments</i></p> <p>Description</p> <p>The prior year adjustment accounts were made up of reversing journal vouchers and exchange differences. There are still incorrect entries posted to the prior year adjustment account although they are not related to previous year. We again raised the recommendation we provided last year in that; we do not have enough evidence on the cut-off, validity, and correct value of this prior year adjustment account.</p> <p>The Ministry responded that they agreed to take note and review all transactions accounted for as prior year adjustments during the year. Justifications and full supporting documentations for these transactions will be filed accordingly.</p>	This issue is still outstanding.
<p><i>Cash at bank and on hand (Aging reconciling items)</i></p> <p>Description</p> <ul style="list-style-type: none"> Long Unpresented Cheques, (gone back to 2015/16). <p>All the outstanding items in the bank reconciliations are current to the financial year 2021/2022.</p> <ul style="list-style-type: none"> Direct Debits, (gone back to 2015/16). <p>The direct debits from dishonored cheques are current to the financial year 2021/2022.</p> <ul style="list-style-type: none"> Direct Credits, (gone back to 2015/16). <p>The direct credit are current to the financial year 2021/2022</p>	This issue has been resolved.
<p><i>Receivables</i></p> <p>Description</p> <p>The interest charged on receivable recorded only interest that has been received in cash and excluded the interest yet to be received (receivable) as at 30th June 2020.</p>	This issue has been resolved.

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

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

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

III. Audit Review of Public Funds Quarterly Summary of Receipts and Payments.

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

- i. Quarter ended 30th September, 2022; an Unqualified Audit Certificate was issued on 21st November, 2022.;
- ii. Quarter ended 31st March, 2022; an Unqualified Audit Certificate was issued on 8th August, 2022.;
- iii. Quarter ended 31st December, 2021; an Unqualified Audit Certificate was issued on 11th March, 2022;
- iv. Quarter ended 30th September, 2021; an Unqualified Audit Certificate was issued on 30th November, 2021;
- v. Quarter ended 31st March, 2021; an Unqualified Audit Certificate was issued on 30th June, 2021;
- vi. Quarter ended 31st December, 2020; an Unqualified Audit Certificate was issued on 20th June, 2021;
- vii. Quarter ended 30th September, 2020; an Unqualified Audit Certificate was issued on 30th June, 2021.

The key issues raised in our reviews are:

- ✓ Variations between the transactions listing and the Quarterly Statements because of posting of receipts and payments into the Sun-System after the cut-off dates;
- ✓ Bank reconciliations were not completed for all bank accounts at the time of audit field works for the appropriate review by the audit team;
- ✓ At times, the float balances were not confirmed directly to Board of Survey since there was no Board of Survey received by the audit team;
- ✓ Subsequent work added to the system done after the submission of the Quarterly Statements, and this is from delayed information being received from the outer islands and overseas missions; and
- ✓ Timeliness of submission of the Quarterly Statements to be audited in accordance to the Public Finance Management Act was a long outstanding issue, However, it is very much improved right now and hopefully it keeps that compliance level going forward.

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

3.1 Summary

We completed and hereby report the audit of 79 units (in Line Ministries, Departments and Agencies, *MDAs*), 28 grants to Non-Government Schools, and 4 special audits.

We raised and issued 395 recommendations. As usual, we included the responses from the MDAs that we received.

In addition, we have audited 17 Constituency Fund for the period July 2019 to January 2021 and was reported to the Speaker on 9th August, 2021.

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 Agriculture, Food and Forestry (MAFF) Period Covered: March 2019 – June 2022 (39 months)

1. Follow-up Issues

Issues raised in previous year	Current Position
Recruitment of Consultant not complied with government recruitment process	Consultant has retired.
PMO vehicles used without official transfer	Resolved
Ministry operates a bank account without the approval of the Minister for Finance.	Still outstanding and hereby repeated
Lost cash book	Action taken
Receipting of revenue with unofficial receipts	Resolved.
Shortage of receipting revenue collection from Forestry division	Action taken
Revenue collected but not banked	Action taken
Late pay in from all division	Still outstanding and hereby repeated
Lapping occurs regularly from Forestry pay in	Action taken.
Irregular pay in	Action taken.

Issues raised in previous year	Current Position
Unauthorized cashier	Still outstanding and hereby repeated
Cash sale docket issued without date and signature	Action taken.
Two cash sale dockets used simultaneously	Resolved
Excess cash identified during cash count of Quarantine division was not receipted and banked	Action taken
Lack of documentation to support fee changes at Livestock division	Resolved
Head of division not recording his attendance in the Ministry's attendance book	The officer has retired.
Export Quarantine Staff recorded their attendance in the Export registered book instead of Attendance Book Register	Resolved
Approval of Overtime work plan is non complied with Treasury Instruction	Resolved
Incomplete document attached to timesheet vouchers	Still outstanding and hereby repeated
Sponsorship money was not recorded in accordance with Treasury Instruction 2010	Action taken
No supporting document on expense under Maintenance and Operation	Improvements made.
Not all payment vouchers available for under the CEO & Minister Benefits vote	Improvements made.
Purchase from immediate family member of the Ministry's staff	Resolved
No purchase order request for some expenses for Agriculture show	Resolved
Fixed Asset Register not updated	Still outstanding.
Government vehicle used by Deputy director outside working hours	Resolved
Unavailable of assets for audit to sight during asset physical stock take	Still outstanding.
Missing payment voucher for asset purchased	Improvements made.
Project vehicle not register with P license plate number	Resolved

2. Inward Cash

a. Cash Count

Cash count carried out was good.

Cash collected during the audited period were properly receipted, accounted for in the cash book and deposited to the bank.

3. Revenue Sources

a. Late pay-in from all Divisions of MAFF to Head Office

Recommendations

1. That Accounts Supervisor should emphasize to revenue collectors that daily pay in must be on a daily basis when revenue collect exceed \$100.

b. Late Banking

Late banking is still occurred.

Recommendations

2. That Accounts Supervisor must ensure that banking is done on a daily basis or the next working day according to Treasury Instructions.

c. Daily Labours assigned for revenue collector

We identified from the signatures on the cash sale dockets, that three (3) daily labourers assigned and responsible for collecting revenue at Forestry Division, and 1 daily labourer at Livestock Division.

Recommendations

3. That Accounts Supervisor should cease assigning daily labours with the responsibility of revenue collector.
4. That Accountable Officer must ensure that only established staff assigned as revenue collector.

d. Incomplete filling of cash sales dockets

Women & Extension, Forestry, and Livestock Divisions issued multiple cash sales docket to customer without fully completing the cash sale docket's components such as signatures and dates. However, the Head of each Divisions and the Senior Officer assigned to perform the Independent Checking failed to correct issue.

Recommendations

5. That Accounts Supervisor must enforce the complete filling of cash sales docket and receipt by all revenue collectors.
6. That each staff assigned and responsible for revenue collector must complete each component in the cash sale dockets and receipts according to Treasury Instructions before issuing to the customer.

e. Cash sales dockets cancelled without attaching the original

Livestock and Women & Extension Divisions has cancelled the cash sales docket but has not attached the originals together with the copies in cash sales docket.

Recommendations

7. For every cancelled cash sale docket, Revenue Collectors must ensure that; (i). Original is attached to copies, (ii) Reason for cancelled is write on the originals; (iii) Signed by Supervisor during Independent Checking.
8. That Accounts Supervisor must properly performed Independent Checking of all revenue records and report to the CEO if cancelled cash sale dockets is frequently occurred without original copy attached.

f. Irregular pay-in from Livestock Division

Irregular pay-ins on Livestock Division of cash sales dockets numbers with dates. Revenue collected on 24/6/2019 were first paid-in before the revenue collected on 18-20/06/2019.

Recommendations

9. That Accounts Supervisor must enforce daily pay-in by revenue collector to Head Office when cash is more than \$100.

g. Cash sales dockets issued at a lump-sum for a daily sales rather than individual sales

The revenue collected by Livestock Division (Veterinary) is receipted with cash sales dockets as a total daily lump-sum amount rather than individual sales of veterinary services. This is link to the sales of services without issued a receipts.

Recommendations

10. That Accountable officer must enforce the issue cash sale dockets immediately upon receiving the money and inform the revenue collectors not to continue issuing cash sale dockets as a daily sale.
11. That Accounts supervisor should immediately check Cash Book vs revenue register to ensure that receipts are issued at individual sales.

h. Collected of revenue without issuing a receipts/cash sales docket to customer in Livestock Veterinary Division and Quarantine Divisions

Livestock Veterinary Division

Two (2) revenue registers exist which record each patient and medicine used in Veterinary Unit: PARVOMECE medicine and Tonga Animals Improvement Societies, TAWS (Donor). Audit also confirmed from register that no receipts provided to customers on selling medicine.

Quarantine Division

A concern on not issuing receipt to customers has been observed in Quarantine Division. Informal complaint from customers when visiting airport and wharf for not receiving any receipts upon payment for service provided. We witnessed the issue at the airport, certificate was provided together with the change but no receipt/cash sales dockets issued.

Recommendations

12. That Accountable Officer arrange with TAWS on how to address the issue on ARVOMECE medicine and ensure that revenue collector do not act as collector for Donors.
13. That Accountable Officer must enforce the issue cash sales dockets immediately upon receiving the money for a service and inform the revenue collectors not to continue collection of revenue without issue receipts.

i. Changing fees on the copies of cash sales docket without original cash sales docket

Fee charged was changed with a ball point pen on the carbon copies of cash sales dockets without the original copies.

Recommendations

14. That Accountable Officer should warn Revenue Collectors to avoid and stop changing fees on the copies of cash sales docket.
15. That Accounts Supervisor and Revenue collector must held responsible to pay the difference in any changing of fee charged without attaching original.

j. Independent checking is not properly perform by Account Supervisor

Recommendations

16. Accounts Supervisor ensure that Independent Checking is properly and carefully carried out.

k. Monthly report of Revenue Arrears was not provided as per Treasury Instructions

Recommendations

17. That Accountable Officer and Accounts Supervisor should enforce the preparation of monthly report for arrears of revenue by Quarantine Officer for review and report to Finance.

l. Long outstanding arrears not follow-up

Long outstanding arrears for: Airline (\$73,509); and for Vessels (\$57,707) which we requested for processing for write off since the last audit in 2015 this revenue arrear already in existence.

Recommendations

18. That Responsible Officer - at QMD should update and report the arrears on a timely manners and submit to Accounts Supervisor and CEO for review and report according to Treasury Instructions.

4. Expenditures

a. Actual overtime exceeded the budget

Payments on overtime exceeded the approved budget in 2018/2019 and 2019/2020.

Recommendations

19. That Accountable Officer-CEO should ensure that there is sufficient fund in the overtime budget before approval of overtime works.

b. Incomplete provision of overtime supporting documents and not filed the vote transfer ensuring that approval being obtained

Supporting documents were incompletely provided whereas some of the transactions and vote transfer forms were not filed for 2020/21 and 2021/22.

Recommendations

20. That Accounts Supervisor be responsible to check that all overtime records of each payment vouchers, approved transfer forms of fund for overtime are completely filed.

c. Not maintaining Salary Register

Salary Register were not maintained. It was requested to Account Supervisor and she said that it was lost in the computer system.

Recommendations

21. Accountable Officer should ensure a complete Salary and Wages Register is to be established immediately, update and maintained at all times.
22. Accountable Officer is to carry out or assign an officer to review salary and wages register on a regular basis to ensure its update and reconciled.

d. Late Overtime Payment

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

Recommendations

23. That Accountable Officer should ensure that overtime claim is paid according to Treasury Instructions.

e. Not recording Attendance Register

Some of the staff are not recording their names on the Attendance Register or recording their work attendance.

Recommendations

24. That Accountable Officer and Human Resource Supervisor shall enforce staff to record their attendance times at all times.

f. Timesheet is not agreed with the Attendance Register

One officer claimed overtime hours, however, his timesheet not agreed with the Attendance Register.

Recommendations

25. That Accountable Officer must ensure that all documents for claiming of overtime works are complete and accurate before approval of payment.
26. That Responsible Officer for overtime should prepare timesheets from Attendance record and not rely on the officers' timesheets.
27. That Accounts Supervisor must Independently Check Timesheets against Attendance record before processing payments.

g. Non-compliance with Procurement Policies

Consultant services by Agrotop Limited was not complied with Government Procurement Regulations since the contract value exceeded threshold of \$20,000.

Recommendations

28. For all purchase of goods and services which are subject to procurement regulations, Accountable Officer should be responsible that procurement regulations must be met before proceeding with any contract signed or payments.

h. Not maintained and properly record Log Books

Only 11 logbooks out of 34 vehicles were available during the audit. From these 11 logbooks, we found that movement of vehicles and fuels intake was not completely recorded nor updated.

Recommendations

29. That Accountable Officer enforce drivers as well as staff authorized/assigned to drive government vehicles to maintained/ update movement of vehicles and records the fuel intake in the logbooks at all times.
30. That all Drivers of Ministry vehicles must record every fuel intake and each movement of vehicles, otherwise they pay for unrecorded movement.

i. Independent checking of Log Books was not carried out

Recommendations

31. That Accountable Officer should assign Senior Officer to be responsible for Independent Checking of vehicles logbooks.
32. That Senior Officer assigned for Independent Checking must act responsibly on checking vehicles logbooks to ensure that vehicle movement are authorized and work related.

j. Not maintain a Vote Book or a Sun-System during the period audited

The Ministry does not maintained records of payments on Vote Book but only using the sun-system. However, when audit requested for the Ministry's record of transactions, Senior Accountant stated that the Ministry's servers were broken down and lost the transactions records.

Recommendations

33. That the Accounts Supervisor shall ensure that they maintained a Vote Book records according to Treasury Instructions.

5. Assets

a. Fixed Assets Register not updated

The Fixed Asset Registers (FAR) submitted by Senior Accountant are not updated during the audited period. They are now trying to label every new asset purchased by the Ministry and properly recorded and monitor the asset.

Recommendations

34. That the Accounts Supervisor should immediately update FAR and record all asset according to Treasury Instructions. All IT items should be include in the FAR for control and monitoring.
35. That all assets, include IT items purchased must be tagged, identify the Responsible persons and Divisions by IT section, then register in FAR by Responsible Officer before distributed to Divisions.

b. Assets not available to sight during the audit period

Audit have selected a sample of 62 items from transaction list and perform sight visit for existence of asset on 29/9/22. From the sample, 6 assets were not available for inspection.

1. **2 Laptop: (i)** worth \$3,913, used by a retired Officer and he took the laptop with him; and (ii) worth \$4,000 under Food Division, unable to locate.
2. Remaining unidentified assets that Senior Accountant and IT Officer do not know of their where about: Samsung A10 Tablet worth \$1,000; Computer set Intel core i5, worth \$3,500; Masport president 1000ST, worth \$1043.48; and Epson Media projector worth, \$2300.

Recommendations

36. That the Accountable Officer should act according to Treasury Instructions to prevent risk of losses/misuse of government resources without identifying the user of assets.
37. That stock take should undertake at the end of each financial year according to Treasury Instructions.
38. That Accountable Officer should contact the Officer concern to return the laptop to the Ministry.

3.3.2 Ministry of Agriculture, Food and Forestry (MAFF) – Vava’u Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Revenue arrears	Issue remain outstanding
No revenue register	Issue remain outstanding
Reconciliation of expenditure	Issue remain outstanding
Fixed asset register not recorded and updated	Issue remain outstanding

2. Inward Cash

Late banking

Audit identified several repetition of late banking during the audited period.

Recommendations

1. That the Supervisor of account to check with the cashier on a daily basis to ensure banking is done on a daily basis.
2. The Account Officer to ensure that banking of the Branch revenue is on a daily basis.

3.3.3 Ministry of Agriculture, Food and Forestry (MAFF) – Ha’apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Resolved
No updated revenue register book	Issue remain outstanding
Incomplete fixed asset register	Resolved

2. Inward Cash

a. Independent checking

Audit noted that independent checking of banking was not properly done by the Senior Officer of the Branch.

Recommendations

1. That the Senior Officer of the Branch performs independent checking at all times to ensure revenue is accurately and completely collected and deposited. The Senior Officer should sign relevant documents as evidence that independent checking has been performed.

3. Expenditure

a. Proper maintain of payment vouchers

Payment vouchers for Domestic Travels (1201) FY2018-21 were not fully attached with the supporting documents such as form of approval from the CEO. Also the approval transfer funds forms for the Agricultural Supplies (1459) FY2018/19 were not filed.

Recommendations

2. Management should ensure that proper and completeness of fillings of payment vouchers is vital for audit purposes and for future references.

b. No independent checking of vote book reconciliation.

Recommendations

3. The Branch should ensure that monthly reconciliation of vote book is performed accurately and completely.

3.3.4 Ministry of Agriculture, Forestry and Food (MAFF) – ‘Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Payment vouchers not filed by the Branch	Resolved
Some of the payment vouchers were not stamped and certified	Resolved
Vehicle used for the Agricultural show was not identified	Issue remained outstanding
Purchase orders are authorized subsequent to performing of services	Resolved
Advanced payment	Resolved
Conflict of interest	Resolved
Payment for maintenance of the Office and the MAFF Quarter not processed through the correct procurement method	Resolved
High utility bills for phone, internet and petrol.	Resolved
Incomplete fixed asset register	Resolved

2. Revenue Sources

a. Revenue was not recoded against the correct revenue head

Audit noted that all revenue collected on sales of produce were posted as certificate fees revenue instead of correct revenue heads.

Recommendations

1. That the Officer-in-Charge of MAFF-Extension in ‘Eua ensure that revenue is recorded against the correct revenue head.
2. That each Accountable Officer shall maintain a Revenue Collectors Chart to monitor payment of revenues by the revenue collectors.
3. That the Officer-in-Charge ensure that a register of revenue collected is maintained and accurately recorded to ensure public money is duly accounted for.

3. Expenditures

a. No reconciliation and regular review of vote book

Recommendations

4. That the accountable officer to record all expenditures and commitments in the vote book immediately after they have been approved.
5. That the vote book is to be reconciled with the Sub-Treasury’s vote records on a monthly basis.
6. That the Officer-in-Charge shall ensure that the vote book is regularly reviewed by an appropriate Senior Officer.

b. No register for checking of goods, or services delivered and received

Recommendations

7. That the Officer-in-Charge shall assign an appropriate Senior Officer to check any goods, works, or services against the related purchase order or contract agreement, to ensure that goods or services are correctly and completely delivered and received.
8. That a register is established to maintain such records.

4. Assets

a. Private use of government assets

The Ministry's tractor licenced P1394 is used for private purposes by an Officer who is no longer working with the Ministry. No written authorization kept in the Office to identify that the Officer has any permission.

Recommendations

9. That such act is prohibited.
10. That accountable officers shall ensure that proper system of control is established, and clear guidance provided to identify what, if any, private use of entity assets is acceptable.
11. That any costs of private use of assets should be recovered unless it is impractical or uneconomic to separately identify those costs.

b. Non-compliance arrangement

MAFF Extension-'Eua provides a 'Ha'unga' for the agricultural show costed \$5,000, which amount they borrowed from a kind individual. In trying to pay-back, former Officer-in-Charge gave the new tractor licensed P2016 to this individual for hiring as payment of their debt.

Recommendations

12. That such act is to be ceased immediately.

**3.3.5 Ministry of Agriculture, Forestry and Food (MAFF) – Niuatoputapu Branch
Period Covered: July 2019 – May 2021 (23 months)**

Expenditure

a. No Independence Checking of Vote Book Reconciliation

Independent checking of vote book reconciliation was not properly done throughout the audited period.

Recommendations

1. That independent checking is to be carried out.

b. No register for receiving of Goods ordered.

Recommendations

2. That a register for goods order should be established to account for all goods ordered and paid for.

**3.3.6 Ministry of Agriculture, Forestry and Food (MAFF) – Niuafo'ou Branch
Period Covered: July 2019 – May 2021 (23 months)**

The audit was reported on 25th August 2021 that the financial operation of the Niuafo'ou Branch was satisfactorily carried out with no audit issue raised.

3.3.7 Ministry of Justice – Supreme Court and Registrar General’s Office Period Covered: November 2018 – June 2022 (44 months)

1. Inward Cash

a. Cash count

Total cash count on 11th July, 2022 was agreed with Cash Book

b. Operation of Inward Cash’s system of internal control

i. Designation of task and responsibility of revenue collector to seven (7) staff

Seven (7) officers doing the tasks of revenue collector and four (4) officers of those 7 are also doing the pay-ins of receipts to Bank and MoF.

Recommendations

1. That Head of the Corporate Services Division designs an effective system for the operation of internal controls on revenue management.
2. The CEO oversees this process to ensure its completeness and effectiveness.

2. Sales of Legal Documents (Follow-up issue)

a. Incomplete and unreconciled Register of Tonga Law Reports

Audit appreciate 12 reports (2014-2016) claimed missing from the previous audit is now recovered. However audit confirmed from stock-take held that no improvement from previous audit on register of Tonga Law Reports or reconciled regularly to ensure its completeness.

Recommendations

3. That an accountable officer is allocated to be responsible for managing the stock and sales of Law Documents of the Ministry. The same officer be also responsible for keeping and updated maintaining the Register of the Legal Documents at all times.
4. That the Head of Corporate Services ensure that the stock take shall be carried out at the end of every financial year with the Auditor General staff be present.
5. That the Head of Corporate Services makes it a priority to update the Register of legal documents with the recent stocktake records of the legal documents as soon as possible.

b. No Register of Tonga Law Books

No Register for the Law Books, priced at \$359 each, maintained by the Ministry.

Recommendations

6. That the Head of Corporate Services see to it that the responsible officer for the inventories of Tonga Law Books establishes a Register of the Law Books as soon as possible.
7. That a register of Tonga Law Books is maintained at the Office.

3. Revenue Sources

a. Supreme Court’s Registers

Criminal and Civil Registers are not updated.

Recommendations

8. The Registrar be reprimanded with strongly reminder of his roles of ensuring that the Supreme Court Registers be completely maintained at all times, ensuring that all court’s fees, fines and charges are fully and completely accounted for and collected.
9. The CEO is to appropriately follow-up the completely maintaining of the Supreme Court Registers from time to time.

4. Salaries & Wages

a. Established Staff

i. Overpayment of salaries

Overpayment to staff that has been dismissed from work. This is due to late informing of the MoF.

Recommendations

10. That the Head of Corporate Services bear full responsibility for recovering of the overpayments of public funds.
11. That the CEO ensures this irresponsible act does not happen again.

b. Overtime

i. Payment of overtime claimed by employees who did not complete their conditioned hours worked.

Overtime claimed was allowed to be paid even though the conditioned hours worked per week were not completed. This often occurred when employees take leave and could not complete the 40 conditioned hours.

Recommendations

12. That the CEO enforce the Corporate Services to consider the completion of conditioned hours per week before awarding the overtime hours claimed for claiming overtime without completing the conditioned 40 hours per week is prohibited.

ii. Overtime paid after the approved one month.

Recommendations

13. That all overtime claimed shall be paid out within one month if paid by cash.

c. Salaries and wages register

i. Salaries and Wages Register was not regularly reviewed and updated.

Recommendations

14. That the Head of the Corporate Services Division ensures a complete and updated salary and wages register is maintained at the Ministry of Justice.
15. That the Head of the Corporate Services Division shall review the salary and wages registers regularly to ensure they are kept up to date and reconciled, and then sign the registers as evidence of the review.

5. Fixed Assets Management

a. Fixed Asset Register (FAR)

No FAR available as we requested.

Recommendations

16. That the Head of the Corporate Services Division ensures that the designated officer responsible for the FAR is recording and update maintain of the FAR at all times.
17. That the Head of the Corporate Services Division ensures that the FAR recorded all the required details of all assets as per Treasury Instructions and all assets are registered in the FAR.

b. No stock-take of Government Assets

No evidence that the physical count of the Ministry's assets was undertaken every year.

Recommendations

18. That the Head of the Corporate Services Division ensures that the sock take of the asset is carried out at the end of every financial year.

c. **Unauthorized use of government vehicle**

Audit noted the case of the outgoing Deputy CEO, who misused one of the Ministry's vehicles. Appropriate action has been taken against this case by Public Service Commission.

3.3.8 Ministry of Justice & Prison – Magistrate Court

Period Covered: October 2020 – June 2022 (20 months)

1. Revenue Sources

a. **Recording revenue under incorrect revenue head**

Magistrate Court has been collecting revenue from certifying true copies of documents and issuing Police clearance records charged under Court Fees but they are not Court fees in nature. These are administration fees and should be charged under miscellaneous fees.

Recommendations

1. That the Magistrate Court charges Clearance Police Records and Certification of True copies under miscellaneous revenue as the correct revenue head.
2. That the Accountable Officer ensures that all revenue collected by the Magistrate Court is recorded under the correct revenue head.

3.3.9 Ministry of Justice & Prison – Bailiff Division

Period Covered: November 2013 – September 2022 (8 years and 11 months)

1. Inward Cash

a. **Bank Reconciliation**

i. No bank reconciliation

Recommendations

1. That Accountable Office shall perform bank reconciliation monthly, listing out the outstanding unclaimed funds and relevant items.
2. The Accounts Supervisor shall review the monthly bank reconciliations, and then sign and date them as evidence.

3.3.10 Ministry of Justice – Vava'u Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Fixed Asset Register not properly updated	Issue still outstanding
Maintaining of the Branch Log Book	Audit appreciate improvements made, however, independent checking still needs to be carried out.

2. Inward Cash

a. **Original copy of sales docket not being issued to customer**

Original copies of sales dockets on all revenue collected for the issuances of: birth, change of names, death and marriage certificates were not given to customer's upon payment.

Recommendations

1. The Officer receipting certificate at the counter should ensure that the original copy of the sales docket is issued to the customer at all times while maintain the carbon copy.

Client's response

This is a practice that has been used for years by the Ministry.

3. Revenue Source

a. Certificates Unaccounted for

In comparing the total certificates that used during the audited period and total certificates input into the MOJRS system, Audit identified a total of 202. A variance of TOP\$539 were also noted based on number of certificates issued (expected revenue vs actual revenue).

Recommendations

2. That a formal explanation be documented and provided from the Vava'u Branch to the Head Office on the 202 certificates not accounted for.
3. That a reconciliation be done on a quarterly basis by comparing total issued certificates in the Branch to total certificates input into the MOJRS system. Any variation is properly justified and provided for audit in the next visit.

4. Assets

Fixed assets register was not properly updated to the register including assets that were purchased during the financial year 2020/21.

Recommendations

4. That the Accountable Officer ensure that the asset register is updated on a regular basis once a new asset is purposed. This will ensure that all assets are accounted for at all times.

Client's response

The asset register is only updated at the end of the financial year by going through the vote book to identify assets that were purchased during the year and then updating it to the register for stock-taking, which she reports back to the Head Office. In addition, she is unaware of the previous audit recommendation regarding updating the register on a regular basis as the audit report is provided to the Head Office and that no copy is given to the Outer Islands Branch.

3.3.11 Ministry of Justice – 'Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Revenue collected but not banked	Issue has been resolved
Lapping	Issue has been resolved
Payment vouchers not filed by the Branch	Audit appreciate action taken
Monthly reconciliation of vote book not carried out	Audit appreciate action taken
No fixed asset registered maintained by the Branch	Will follow up again in the next audit visit

Financial operation of the Branch in 'Eua was satisfactorily carried out with no audit issue.

3.3.12 Ministry of Justice – Niuatoputapu Branch

Period Covered: July 2019 - May 2021 (23 months)

Independent checking

Audit noted independent checking of banking's was not properly done.

Recommendations

1. That proper checking of pay-in done by a Senior Officer in the Branch at all times.
2. That the Senior Officer responsible for the independent checking of pay-in is to monitor and check the clerk of any banking before and after.

3.3.13 Ministry of Justice – Magistrate Court, Niuafo’ou Branch Period Covered: July 2019 - May 2021 (23 months)

The audit was reported on 25th August, 2021 that the financial operation of the Magistrate Court, Niuafo’ou Branch was satisfactory carried out with no audit issued raised.

3.3.14 Ministry of Justice & Prison – Prison Department, Vava’u Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Damaged to Cash Sales Docket and Revenue Receipts	Resolved
No revenue register for selling of Products Produce	Resolved
Vouchers for Domestic Travel not completely filed	Issue remain outstanding
Fixed Assets Register not updated	Resolved, however physical verification of assets were not carried out for 2019/20.

2. Inward Cash

a. Late banking

We concerned with the late banking occurred during Christmas Holidays in 2019 where the up-deposited amounts were quite significant and were paid-in into the Sub-Treasury and banking on until 6th January 2020.

Recommendations
1. That the Accountable Officer to ensure that public monies are banked on a daily basis if the average collection per day is more than \$100 pa’anga.
Client’s response <i>According to Prison Officer Class I, these funds were collected during the Christmas Holidays in 2019 from selling their vegetables and fruits. The cash was locked up at the office as during this time, the Sub-Treasury were already closed. These funds were paid-in as soon as the government opened on January 2020.</i>

3.3.15 Ministry of Justice & Prison – Prison Department, Ha’apai Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Use of Private Vehicle for Office purpose	Resolved
Missing documents	Resolved
Update of Fixed Assets Register	Issue remain outstanding and hereby repeated

2. Fixed Assets

The Fixed Assets Register was not updated.

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.

3.3.16 Ministry of Justice & Prison – Prison Department, ‘Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Resolved
No reconciliation of vote book with Sub-Treasury votes	Resolved

The financial operation of the ‘Eua Branch as reported in 21st May, 2021 was satisfactorily carried out with no audit issued raised.

3.3.17 Ministry of Infrastructure Period Covered: March 2017 – June 2022 (52 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Lapping of receipts	Resolved
Delay banking	Resolved
Incomplete records of cash book	Resolved
Issues raised in previous year	Current Issue
Revenue arrears	Issue still remain outstanding
Job cards are not completely kept, Machinery Pool	Issue still remain outstanding
Records related to the usage of the Ministry’s Quarry were not properly kept	Issue still remain outstanding
Established Staff: staff not signed on and off on the Attendance Register	Resolved
Fixed Assets Register	Resolved

2. Inward Cash

a. Unaccounted for of cash \$17.25.

<i>Recommendations</i>
1. That the shortage of \$17.25 be recovered by the responsible officer immediately with appropriate disciplinary action.
2. That the Senior Accountant who carried out the independent checking and did not identify this shortage is to be appropriately reprimanded with emphasizing the effective carrying out of the independent checking function at all times.

3. Revenue Sources

a. Revenue Arrears: Marine & Ports; Mechanical Services; Civil Aviation Division (Passenger’s Levy) and no records of Engineering Consultation

These revenue arrears occurred due to slackness of recovery procedures and yet to recover.

<i>Recommendations</i>
3. That the Ministry is to completely record the arrears and enforce appropriate recovery procedures of the revenue arrears.

b. Cash paid by customer not receipted and paid

A Job card #5834 amounted to \$57.50 was not paid. Explanation from Responsible Officer that he followed up to one of the customers under the name on the Job Card, who admitted that he paid directly to one of the Mechanical Officers and he did not know his name.

Recommendations

4. That the Principal Mechanic and overall supervisor of the mechanical engineering workshop to inform all his staff that accepting payments from customers for services rendered is subject to severe disciplinary measure and to ensure that this is not practice in the Mechanical Workshop of the Ministry.
5. That releasing of repaired vehicles be always subject to the customer showing official receipt of the service being paid and settled.

4. Expenditures**a. Established Staff**

- i. *Salary and wages register reconcile were not carried out regularly*

The Ministry's vote book were not reconciled regularly with MoF although register of salary and wages is completely maintained.

Recommendations

6. That the Senior Costing Clerk, is to carry out the reconciliation of salary and wages register to ensure the registers of staff overtime are kept up to date.

b. Project for road maintenance

- i. *There was no approved work plan and estimated cost of roads*

The Tonga Road Project was managed by or Project Manager and Civil Engineering Division. Audit noted that the records of each and every roads covered in this project are deficient and/or non-existence. For instance, there is no record established and maintained for the cost for each road paved and completed by this project, there is no job-card at all.

Recommendations

7. That to note this project was carried out without establishing and approved appropriate plan and budget for each road but just covering the roads approved by the project committee mainly from requests from the communities. The records were not established and completely kept and maintained and the paying from the normal vote item for the normal operation of the Ministry helped with allowing this malpractice. That the Civil Engineering Division and the Accounts section are to appropriately and immediately carry out the corrective actions to fully account for project detailed expenditures.

c. The Ministry's practice of created Purchase Request Order after Contractors have submitted their invoice**Recommendations**

8. The practice was a malpractice and is to be stopped going forward.

d. Coral fill at the site was more than a nominal size of 150mm diameter rock

The size of supply coral fill at the site was more than a nominal 150mm diameter rock then the rock was put aside from the road.

Recommendations

9. That the Civil Engineering Division is to report the non-compliance diameter rocks, which were not effectively used during the works, and where?

e. Incomplete recorded of tally by Trade Man Road Clearance Officer of the Ministry

Tally was not reliably recorded.

Recommendations

10. The practice was a malpractice and is to be stopped going forward.

f. Refilled of vehicles without approval

There were vehicles refilled without the approval of the Supervisor.

Recommendations

11. That the Supervisor, is to be appropriately disciplined and to be accountable for all refills of vehicle without approval.

g. No CEO approval for issued of Petrol to Outer Islands

There was no records in the Ministry, of CEO's approval on petrol issued to the outer islands: 'Eua on 1st June 2022, 800 litres; and Ha'apai on 22nd June 2022, 1000 litres.

Recommendations

12. That the Head of Division shall be immediately accountable for the above volumes with CEO and to the outer islands Ministry's Branches as well.

5. Property & Plant and Equipment

a. Missing Assets

Assets Missing from CED-T/Pool was confirmed from Land Transport Officer that he does not know their locations.

- ✓ One of the Dump Trucks was given to MEIDECC but confirmed from MEIDECC that they do not know where it is.
- ✓ The Dump Truck for Ministry of Finance according to Corporate Services Division, that the truck was taken by the Minister of Finance at the time to his constituency, Tt4. Audit visited Tt4 office at Houmakelikao but could not locate the truck.

Recommendations

13. That the Responsible Officer, Land Transport Officer have to report to the CEO and copy to the Auditor General according to the TI 76 (4). Assets are not accounted for in the stock take shall be investigated to determine the appropriate recovery or written off action and report immediately to CEO and copy to Auditor General.

b. Staff not returning Ministry's assets

Some of the Ministry's assets with staff that they are no longer with the Ministry are still missing.

Recommendations

14. That the Ministry shall determine the appropriate recovery of public resources or pay back the costs of the Asset.

3.3.18 Ministry of Infrastructure – Vava'u Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Segregation of duties for issuing of vehicle's examination & quarterly stickers	Issue still remain outstanding
Attendance record for daily paid laborers	Issue still remain outstanding
Damaged government vehicle not being properly handled	Issue still remain outstanding
No formal contract for hiring the branch's assets	Issue still remain outstanding

2. Expenditure

a. Road maintenance project

The road maintenance project was approved in the annual budget appropriation 2020/21 for Tongatapu; Vava'u and 'Eua. The contract for road maintenance in Vava'u was awarded to the private company, Inter Pacific Limited. The Ministry had devised a plan for the project for each constituencies.

b. Payment claimed exceeded significantly the cost stated in the plan

Audit initially reviewed each claim against the plan and found the total amount claimed to date had exceeded the total cost set out in the plan for each village by TOP\$1,028,097. Actual loads exceed the approved loads in the plan by 14,688 loads.

Recommendations

1. The Ministry should ensure that it thoroughly and carefully monitors the actual claim from the contractor, Inter Pacific Limited against the budget that was approved for each village.
2. That the material variance of TOP\$1,028,097.40 from the plan is to be noted very well with appropriate remedial actions.

c. No Job Card or Progress report for the project

There was no other supporting documentations to ensure that there was adequate checking and review of the maintenance work prior to certifying payment. These documentations would include a job card for each road which will record the total amount of coral and labour, the costs, the length and width are in accordance with the plan. There was no monitoring mechanism in the Ministry to ensure the road maintenance were in accordance with the plan.

Recommendations

3. The engineer provides a progress report for each road certifying the spec, type and size of corals used are in accordance with that specified in the plan and other project requirement.
4. The MoI Branch prepared a job card for each road based on information provided from the payments and onsite worker's report.
5. The Officer-in-Charge to ensure that a claim is not to be submitted to the Sub-Treasury for payment unless the engineer progress report has been received and the job card has been properly prepared and filed.

d. No specific budget for each constituencies

Audit found no records that this total budget was divided and allocated to each of the constituencies.

e. Additional road verbally approved by the Honorable Minister

Audit conducted a site visit on the 13th April 2021 to three villages. From this site visit, the Ministry's officials confirmed that "twelve additional roads" that were not in the plan. These roads were verbally approved by the Minister to be included in the project. No documents to confirm the verbal approval by the Minister.

Recommendations

6. The Minister is to be informed that any additional road that she approves must be put in writing for audit purposes and future reference.
7. That any addition, changes and variations made to the plan must be documented and approved. Copies of the amended plan must be issued to all parties concerned.

f. Maintenance also include private home

During the site visit of those three villages, audit also observed that the corals were also distributed to private homes of residents in Vava'u 16.

Recommendations

8. The project supervisor is to be warned that he is responsible in ensuring that the practice of using the corals beyond the driveway is to cease immediately.
9. That any further private homes that will be subsequently identified to have been included in the project in contravention of the project purpose will result in disciplinary actions.

g. Road maintenance not carried out in an organized manner

Audit noted that the maintenance work is not properly organized, impact of no plan.

Recommendations

10. The project supervisor is again reminded to ensure that this project is organized in a structured manner to avoid unnecessary costs and delay.
11. That any additional road that is verbally requested from the Honourable Minister should not be included unless there is formal, written approval documented in writing.

3.3.19 Ministry of Infrastructure – ‘Eua Branch

Period Covered: March 2019 – March 2021

1. Inward Cash

Total cash collected and receipted during the period was as follows:

Revenue	2020/21	2019/20	2018/19
Total	\$179,543.26	\$144,531.58	\$29,844.80

2. Expenditures**2.1 Road Maintenance Works:**

- ✓ Noted the overpayment from this vote item in the financial year 2020/21 up to March 2021; budget for the whole year of \$748,700.00 vs. actual of \$820,293.00 to March 2021.
- ✓ Hire of machinery's 2020/21 budget was \$40,000.00 but the actual to March 2021 was \$284,340.00.
- ✓ No procurements processed for the hire of machineries; Loader, excavator, and trucks. The Officer-in-Charge, OIC, of the MoI Branch in ‘Eua made the final decisions even though they well above the thresholds of the procurement regulations.
- ✓ The rates used for hiring of the private owned machineries were authorized by the OIC. There was no record of official rates by the proper authority at the Branch.
- ✓ The OIC involved in the processing of payments; from writing the order, checking of the service, writing up of the invoices to be used for payments, and authorizing the payments.

Recommendations

1. That the OIC ‘Eua is to be appropriately charged for failure to perform his duties honestly and faithfully and in an impartial & compliance with the rules and regulations.
2. That the Ministry is to remind all OICs of the importance of their roles in ensuring compliance with rules and regulations that governed public funds at all times.
3. That for great works in the future, like the current road maintenance project, are to be planned, executed and managed in according with the standard financial and accounting systems of Government and fully comply with applicable rules and regulations.

3. Fixed Assets

The audit team inspected that some of the assets of the Branch are stored in the premises of one of the suppliers who contracted by the Branch for supplies and services to the Branch's road maintenance works.

Recommendations

4. That the OIC is to return all assets stored in private places to the Ministry's premises.

3.3.20 Ministry of Infrastructure – Ha'apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Revenue collection not receipted in Government Official receipts	Resolved.
Revenue Arrears	No remedied action taken and again raised in this visit
Fixed Asset Register not updated	No remedied action taken and again raised in this visit.

2. Revenue Sources

a. Revenue arrears

There is a significant amount of revenue arrears that remain uncollected as at 31st March, 2021 which was extracted from the Transport Management System.

Recommendations

1. That the Branch ensure that arrears are collected on a timely manner.
2. That the Officer-in-Charge ensure the monthly report on revenue arrears are submitted to the MoF as required by Instructions 77 of the Treasury Instructions 2010.
3. That the monthly report shall be reviewed by the Accounting Officer and a copy is submitted to the Auditor General no later than the 10th of the month following.

3. Expenditure

a. Barge

Audit reviewed the flat-bottomed barge operated by the Branch for transporting goods to the outer islands of the Ha'apai group while charging a fees for the services.

i. Barge Operating at a Loss

Expenses related to the fuel purchased for the barge, and revenue is the fees charged by the branch for services performed. From the comparison, the expenditure exceeded the revenue collected during the audited period by TOP\$21,055. This means that the barge is operating at a loss as the expenses for fuel exceed the revenue collected from the fees charged to the customer.

Recommendations

4. That the Officer in Charge or an assigned officer carry out a regular review (preferably fortnightly) of the barge log book to ensure the fuel usage is properly accounted for and updated in the log book.

b. Fuel for the barge.

In 2021 fuel was still purchased in the first two (2) months although the barge were not operated.- One month purchase order was used for “*ke tobo e vaka ki 'uta*” and the other month no supporting documents were provided.

Recommendations
5. That the Head office follow-up this issue with the Branch to find out what happened to the fuel worth of 300 litres purchased in January, what it was used for and then report the information to the Auditor General's office.
6. That the officer in charge ensure that the logbook of the Barge is properly updated and reviewed on a regular basis.

4. Fixed Assets

a. Fixed Assets Register was not updated

The Fixed Asset Register provided were not properly updated and maintained. Total assets worth of \$7,320 was purchased during the audited period however, was not properly updated and maintained to the register. Failure to update the register can result in misuse and abuse of the Branch's assets to go undetected.

Recommendations
7. The Responsible Officer should ensure that the fixed asset register is properly updated at all times.

3.3.21 Ministry of Infrastructure – Niatoputapu Branch **Period Covered: July 2019 – May 2021 (23 months)**

1. Expenditure

a. Vouchers not properly filed

There were payment vouchers files but without supporting documents such as invoice.

Recommendations
1. That in absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

2. Fixed Assets

No fixed asset register maintained at the Branch. Audit emphasize that all fixed assets be registered accordingly to the format provided on the Treasury Instructions.

Recommendations
2. That the accountable officer shall established the Fixed Asset Register for Niatoputapu Branch in the format required by Treasury Instructions 2020.

3.3.22 Ministry of Infrastructure – Niuafo'ou Branch **Period Covered: July 2019 – May 2021 (23 months)**

The audit was reported on 25th August, 2021 that the financial operation of the Branch in Niuafo'ou was satisfactorily carried out with no audit issue raised.

3.3.23 Ministry of Lands and Survey – Ha'apai Branch **Period Covered: March 2019 – March 2021 (25 months)**

1. Inward Cash

a. Late banking

Late banking occurred during the audited period. Also, Ha'apai Branch does not possess a safe for the safeguard of cash and cash records after hours and overnight but kept the cash in an office drawer.

Recommendations

1. That the responsible officers of the Governor's Office Ha'apai is to comply with Treasury Instructions.
2. That Senior Officer of the Governor's Office in Ha'apai is to ensure that independent checking is carried out on a regular basis to avoid the existence of late banking.
3. That Head of Account of the MLSNR and Assistant Secretary of Governor's Office is to ensure that there is a safely locked place or strong room in the Ministry to safeguard the public money before depositing to the bank.

b. Misclassification of revenue

Audit confirmed that responsible officer, Governor's Office who collects the revenue on behalf of the MLSNR-Ha'apai misclassified their revenue throughout the audit period. It was noted that Consumption Tax (15%), Poundage Fee (10% on every deposit lease) and tax on deposit lease (3%) were not differentiated from the revenue sources.

Recommendations

4. That the responsible officer at Governor Office in Ha'apai is to ensure that revenue is properly classified and accounted for in the correct revenue head.
5. That Sub-Treasury Ha'apai is to properly perform the checking of pay-in records and advise the ministry of any errors or discrepancies occurred on timely manner.
6. That the Senior Officer of the Governor Office is to ensure that Independent Checking is carried out on a regular basis.
7. That the ministry is to set up effective procedure to recover the overpayment of \$507 of deposit lease to the lessor immediately or else the responsible officers are liable.
8. That the management of both responsible ministry is to ensure that proper trainings are provided for staff.

c. Independent checking not properly carried out

Independent checking was not carried out properly and inconsistently throughout the audit period by a Senior Officer.

Recommendations

9. That the Ministry is to comply with Treasury Instructions in carried out of independent checking to avoid possibilities of errors, late banking and so forth.

2. Revenue Sources**a. Different rate used from approved rate for the sale of sand.**

The rate used by the Ministry on sales of sand was not the approved rate of \$6.80 (CT exclusive) on CD No. 719 dated 22 May 1996. It was noted that the Ministry used the rate of \$30.00 (CT exclusive) on CD No. 935 dated 26 October 2012. Deputy CEO confirmed that rate on CD No.935 is for Tongatapu only. The approved rate for sales of sand in Ha'apai still remains at \$6.80 (CT exclusive).

Recommendations

- 10 That the responsible officer is to always ensure that approved rates is used on the sales of sand.
- 11 That the responsible officer's Deputy CEO, CEO and Minister should make a submission to the Cabinet for official review and approval of the rate charged to the public.

3. Expenditure

a. Log book

Audit was unable to verify the validity of fuel usage due to log book was not available to audit.

Recommendations

12. That the responsible drivers of the Ministry's vehicles should completely record log books at all times as required by the Public Service Policy Instructions 2010 and that of the Treasury Instruction 2010.
13. That the supervisor of the account should review the log book on a regular basis.

b. Vote book was not properly updated

Recommendations

14. That the responsible officer is to ensure that vote book is updated on regular basis and reconciled with Ministry of Finance (Sub-Treasury Ha'apai) on a monthly basis.

4. Assets

a. Fixed Assets Register

Audit confirmed that MLSNR Ha'apai branch have does not have their own Fixed Asset Register.

Recommendations

15. That the Responsible Officer is to ensure that fixed asset register is established, maintained and accurately updated at all times.

3.3.24 Ministry of Lands and Survey - Niatoputapu Branch **Period Covered: July 2019 – May 2021 (23 months)**

The audit was reported on 16th September 2021 that the financial operation of the Niatoputapu Branch was satisfactorily carried out with no audit issue raised.

3.3.25 Ministry of Meteorology, Energy, Information, Disaster, Environment, Communication & Climate Change (MEIDECC) **Period Covered: July 2016 – January 2022 (5 years & 7 months)**

1. Inward Cash

a. Cash Book and Pay-ins

Confirmed the cash book agreed with the deposit forms and T-9s. However, found some late banking existed throughout the audited period.

Recommendations

1. The Corporate Service Division's Director to ensure that all money received shall be banked daily or as early as practicable on the next banking day by an independent officer from the revenue collector.
2. All revenue collectors shall submit all cash collected and revenue records to the Corporate Service Division daily.

2. Expenditures

a. Overtime

i. Overtime payments exceed one month

Audit noted the payment of overtime claims exceeding the one-month duration amounted to \$239,020.96.

Recommendations

3. That the Corporate Services Division Director enforce the Treasury Instructions and settle all overtime claimed within the authorized period.

ii. Incomplete supporting documents

Copies of the attendance register and overtime work plans were not completely attached to some of the payment vouchers.

Recommendations

4. That the Corporate Service Division Director take actions to strengthen the capability of the staff and better equip them with appropriate knowledge and skills to enforce the Treasury Instructions, appreciating the importance of complying with governing rules.
5. That the Corporate Service Division Director ensures that all payments vouchers are completely filed with relevant supporting documents.

b. Travel - \$2,695,443.92*i. Incomplete filing of transfer forms*

Audit unable to confirm whether request for additional transfers were approved and budget accommodate the expenditures as there were no related copies of transfer forms filed.

Recommendations

6. That the Corporate Service Division Director ensures that all transfer forms are completely filed and maintained in the Office.
7. That the Accounts Section carry out vote reconciliation regularly for monitoring purposes..

c. Vehicles Operation - \$893,062.82*i. Lack of independent checking*

Log Books provided were not regularly reviewed by an independent officer.

Recommendations

8. That the responsible senior officer review the drivers' log books as required by the Treasury Instructions.

ii. Accident involving government vehicle

The Ministry paid \$6,500 for maintenance of the Minister's vehicle licensed P 2145 to BMG Automotive Services on 26th October 2020 due to Minister's vehicle involved in an accident where a truck hit the vehicle and still not received the reports from the Police. As according to Director of Corporate Services Division, the driver of P 2145 was not at fault. Since the Hon Minister wanted to fix his vehicle as soon as practicable, they processed payment without Police reports. Audit has still not received evidence of reporting the matter to the Ministry of Police and the CEO of the PSC.

Recommendations

9. That the Corporate Service Division Director ensure that the governing rules and regulations are being understood and complied upon.
10. That this practice is prohibited.

4. Fixed Asset Management**a. No record of Water Tanks**

Identified from the Ministry's transactions listing from the Ministry of Finance that water tanks paid from the Ministry's current vote, expense code 2003 (new equipment) amounted to \$168,710 but no records kept by the Accounts section of the Ministry.

Those water tanks purchased from the Ministry recurrent votes were distributed as a form of donations whereas the vote was for acquiring new equipment for the operations of the Ministry.

Recommendations

11. That the CEO prohibit this practice of using assets paid from the public money for other purposes other than the Ministry's operations.
12. That the CEO ensures that the recurrent vote is completely utilised for the Ministry's operation only.

b. Government vehicles garaged at a private home

Audit identified government vehicles licensed Plate Nos P1848 and P2036 were parked at the drivers' home at Sopu and Hofoa respectively. There were no written approvals from CEO.

Recommendations

13. That the Corporate Services Division Director ensures that no government vehicles are being garaged at private places without approval from the CEO.

c. Lost assets

Assets, (list annexed to the report), were not located during sighting of the assets and have not confirmed their whereabouts. This confirmed that the Property, Plant and Equipment stock-taking was not effectively carried out.

Recommendations

14. That the Corporate Services Division Director ensure that these lost assets would be 100% recovered by the responsible officers.
15. That the Corporate Services Division Director be responsible for recovering of these government assets.

d. Fixed Assets Register.

The Fixed Asset Registers (FAR) submitted by Senior Accountant and Accounts Supervisor is not updated.

Recommendations

16. That the Accounts Supervisor should immediately update FAR and record all assets according to Treasury Instructions.

3.3.26 Ministry of Meteorology, Energy, Information, Disaster, Environment, Communication & Climate Change (MEIDECC) – Vava'u Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

We follow up issues that were raised in our previous audit report in Savingram LW227/497/19 dated 24th May, 2019 and the results are as follows

Issues raised in previous year	Current Issue
Revenue register	Still not yet resolved
Assets not kept in the Branch	Still not yet resolved

2. Revenue Sources

a. Revenue Register

There is no register prepared and filed for revenue collected from 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 were for new licenses or renewing old licenses.

Recommendations

1. That a revenue register is established, updated and maintained for all revenue collected by the Vava'u Branch as required by the Treasury Instruction 2010.

Vava'u Branch response

The Officer-in-Charge agreed to the issue raised by Audit.

3. Expenditures

a. Payment voucher

There were no supporting documents attached such: as copy of POR; approval letter for the training; number of participants that was paid by the catering invoice and actual participant attended the training.

Recommendations

2. It is recommended that the Vava'u Branch ensure that all supporting documentations relating to all expenditures incurred by the Branch is properly maintained in the Office for future reference and audit purposes.

Vava'u Branch response

- i. *The Senior Executing Officer stated that it was her mistake for checking the copy of payment voucher when it is picked up from the Sub-Treasury Office to ensure that are complete and all documentations are attached before leaving the Office.*
- ii. *The Officer-in-Charge:*
 1. *There is lack of advance preparation and planning from Nuku'alofa.*
 2. *Conflict of intended meeting/ workshop with other Ministry's meeting or commitment. This is mostly in the community.*
 3. *There is weak communication channel and coordination from the Nukualofa head office.*
 4. *There is sometimes lack of commitment from participants to attend the workshop which result in the actual participation being lower than the planned/ intended number of participants. Participants cancelled their attendance at the last minute.*
 5. *Lack of communication between the Town Officer or District Officer with the local community to have members attend, and especially when meetings are held in the community.*

4. Assets

a. Fixed Asset Register

New Office of the MEIDECC Branch has recently been opened in March 2021 so fixed asset register has not been updated.

Recommendations

3. That Officer-in-Charge should ensure that there is a proper system in place to record and account for all assets of the Branch which is held under their care to comply with Treasury Instruction 2010.

Vava'u Branch response

Senior Executive Officer stated that the assets arrived here on the week of the opening ceremony; the new building, and it was a busy time for them in preparation for that event. She has no time to register those new assets but she will do it immediately.

3.3.27 Ministry of Meteorology, Energy, Information, Disaster, Environment, Communication & Climate Change (MEIDECC) - Ha'apai Branch
Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Responsible drivers of both P.1912 & P.1913 should completely	Resolved
OIC to ensure that all drivers record and keep all government vehicle log book	Issue remain outstanding
Regular reviewing of government vehicles log book by a Senior Officer should be carried out properly	Resolved
Fixed Asset Register	Issue remain outstanding

2. Inward Cash

a. Independent Checking not properly carried out

Audit confirmed that independent checking was not properly carried out during the audit period.

<i>Recommendations</i>
1. That the Ministry is to comply with Treasury Instructions in carried out of independent checking to avoid possibilities of errors, late banking and so forth.

3. Revenue Sources

a. No revenue register maintained by the Branch

<i>Recommendations</i>
2. That revenue register should be created, properly recorded and updated at all times by the responsible officer.

4. Expenditures

It has brought to Audit's attention that several transactions made with the husband of the Officer-in-Charge during the period audited and we unable to verify from available documents any declarations from OIC on conflict of interest with the supplier since payments approval is under her authority.

<i>Recommendations</i>
3. That the Ministry is to set up effective and proper procedures for selecting of their suppliers.
4. That staff related to a particular transaction where conflict of interest may arise, is to always ensure to declare his/her conflict of interest.
5. That the Ministry should internally established policies and procedures as a tool for identifying and dealing with conflict of interest, hence promote the transparency of using public money.

b. Log book not available to audit

Audit was unable to verify the validity of fuel usage for P.2035 due to log book was not available to audit.

<i>Recommendations</i>
6. That the responsible officer is to always ensure that records are properly maintained.

3.3.28 Ministry of Meteorology, Energy, Information, Disaster, Environment, Communication & Climate Change (MEIDECC) – ‘Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Expenditures

a. No record of attendance

No Attendance register found at the ‘Eua Branch during the audit period. The highest payments made from the Branch’s vote was for Established Staff which was processed at the Head Office in Nuku’alofa but required attendance records in order to complete the preparation of payment vouchers.

Recommendations

1. That an attendance register shall be established at the Government Representative’s Office as soon as possible for the MEIDECC - ‘Eua Branch.
2. That the Director for Corporate Services Division be responsible for ensuring that the Ministry’s Human Resources records are kept up-to-date and reliable.

b. No vote book

There was no vote book kept in the MEIDECC-‘Eua Branch which led to show that reconciliation of expenditures with the Ministry of Finance-Treasury Division’s vote records on a monthly basis was not carried out.

Recommendations

3. That a vote book shall be established at the MEIDECC-‘Eua Branch as soon as possible.
4. That reconciliation of expenditure records with Treasury Division’s vote records on a monthly basis is enforced.

c. Missing vouchers

Audit identified that payment vouchers are not properly filed and kept as sixteen payment vouchers were not available.

Recommendations

5. That the responsible officer should ensure that all payment vouchers are properly filed and kept at the Office.

3.3.29 Ministry of Meteorology, Energy, Information, Disaster, Environment, Communication & Climate Change (MEIDECC) – Niatoputapu Branch Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

a. No register for Goods Ordered

Expenses were properly disbursed with the proper authorization at the Niatoputapu Branch, however Audit noted that there was no register maintained for goods ordered.

Recommendations

1. That Supervisor of Accounts should ensure there is a register for goods order.
2. All goods order should be accounted for in the register and physical count them on a regular basis.

3.3.30 Ministry of Internal Affairs

Period Covered: January 2019 – June 2022 (42 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Issue remains outstanding and hereby repeated
No proper safe	Still not yet resolve, issue raise again
Independent checking not properly done	Sill not yet resolve, issue raise again
Underpayment of tax deduction on consultants	Still not yet resolve
Daily paid laborer allowed by Ministry to travel overseas	Resolved
Not properly filing of records and voucher	Still not yet resolve, issue raise again
Staff do not sign on the attendance register	Resolved
No fixed asset register	Sill not yet resolve, issue raise again
No official documents for transferring of vehicle between Ministries	Resolved
Log book not updated and maintained	Still not yet resolve, issue raise again

2. Inward Cash

a. Late pay-ins

Two collections over TOP\$100 was still in the Ministry for more than a day.

Recommendations

1. That all revenue collected is to be deposited to the bank and Treasury on daily basis as per Treasury Instructions.
2. Supervisor of Accounts is to ensure that daily banking is carried out at all times.

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

i. Discrepancies in posting of details of receipts to cash book

Clerk Class II who posted receipt Nos.: 527500 and 527501 into the cash book manipulated the exact details in the receipts into the Cash Book, which the pay-ins all prepared from.

ii. Handwritten of changing of date on the carbon copy

Senior Accounting Officer changed the dates on the carbon copies of receipts Nos.: 527551 and 527500 from 20/3/2020 to 25/6/2020.

iii. Weak internal controls

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

iv. No proper performance of Independent Checking

The Supervisor of Accounts did not effectively carry out the independent checking of posting receipts to cash book.

Recommendations

3. That Clerk Class II, be appropriately reprimanded on reckless posting of receipts to cash book.
4. That Senior Accountant, be appropriately disciplined on handwritten changing of dates on the carbon copy of receipts.
5. That Principal Accountant, be reminded of the crucially of effective carrying out of independent checking.

c. Different dates on the receipt and cash book

Recommendations

6. Similarly to the above recommendations, that the Officers with the responsibilities of posting of Cash Book and independent checking of the receipts and cash book be appropriately reprimanded and reminding of the significant of compliance and carrying out their duties correctly at all times.

d. No proper safe for revenue collected.

Revenue Collectors and Accounts Staff have access to the Accounts Office in which revenue is collected and stored before pay-in to the bank.

Recommendations

7. The Supervisor of Accounts should ensure public money is stored in a secured place in accordance with the requirements of Treasury Instructions.

e. No proper performance of Independent Checking

Recommendations

8. That independent checking shall be done properly, ensuring that accurate and complete information is posted to cash book.

3. Revenue Sources

a. Register of the bookings of venues

- i. No register of bookings for hiring and using of venues; 'Atele Indoor and Teufaiva Stadium, we could not confirm the completeness and accuracy of the revenue collected from events held at 'Atele Indoor and Teufaiva. Also, the arrears of revenue were not completely confirmed.

Recommendations

9. That the Ministry should establish and maintain a register of booking for hiring and using of venues.
10. That the Officer placed at the 'Atele Indoor and Teufaiva properly record all the events as well.
11. That the booking registers be reconciled on a regular basis in terms of the revenue collected.

b. Revenue in Arrears

- i. No complete report on revenue in arrears is prepared.
- ii. *Weak recovery procedures*
Not recovering of revenue in arrears highlights the weakness in the control system resulted in loss of Government revenue

Recommendations

12. That the Accountant Officer should establish and maintain a record of arrears of the Ministry at all times.
13. That there be clear recovery procedures of arrear of revenue if the Ministry allows credit according to approved credit policy.

c. Unofficial rates charged

The Accounting Officer (revenue collector) charged unofficial rates to customers and did not record in the receipt the time that was booked.

Recommendations

14. That the revenue collected is to always charge the rate in accordance with the approval rates.
15. That the revenue collector records the hour(s) booked by the customers in the receipt to ensure the accuracy of rates charged.
16. That Accounting Officer, be disciplined on charging unofficial rates.

4. Expenditures

a. Overtime

- i. *Incomplete supporting documents filed with respective voucher.*

Recommendations

17. That the responsible officer be appropriately disciplined for this issue repeated again, it was raised from previous audit visit.

b. Purchased of goods and services

i. No reconciliation of votes

Audit noted that reconciliation of vote book was not properly done.

Recommendations

18. That the responsible officer make sure that monthly reconciliation of the Ministry vote record with Treasury is carried out at all times.

c. Grants and Transfers

i. Grants not review

Ministry did not review each grant to determine whether it was achieved its specified outcomes as efficiently and effectively for there is not record of such review.

ii. No Grant report

There was not report from the recipient groups how they utilized the fund, as it is one of the conditions of the grant agreement.

Recommendations

19. That the Ministry is to lift the management of the government grants to fully comply with the grant's instructions re Treasury Instructions. And also, to ensure that each and every government grant is strictly used for the purpose(s) that was agreed upon with the Ministry/Government.

5. Fixed Asset

a. Assets register not updated and reviewed

No reconciliation between assets registers and purchase transactions in the vote books. As such, the records maintained were not updated to be relied upon as being capable of providing a complete and accurate fixed assets records to account for the assets of the Ministry during the audited period.

b. Assets of the Ministry not completely accounted for, identified and located

In addition, not labelling the assets increases the risk of losing and taking the assets for purposes other than government purposes.

c. No disposal approval for the disposing of the \$1,450 fridge

Disposing of government assets without the approval of the Government Assets Disposal Committee.

Recommendations

20. That the assets register should be updated at all times and all assets of the Ministry should be labelled for ease of reference.
21. That a list/record of assets whose value between TOP\$100 and TOP\$5,000 should be recorded and kept by the Ministry for control and monitoring purposes as per Treasury Instructions
22. That the total \$70,658.17 assets listed should promptly identified, recovered and report to the Auditor General for follow-up of the appropriate work done.
23. That disposal assets should be approved by the GADC first before the asset is disposed.

d. Log books

i. Not completely maintained the log books of the Ministry's vehicles

Recommendations

24. That log books for every vehicle of the Ministry should be completely maintained.
25. That all drivers of the Ministry's vehicles and Supervisor of Transport should ensure to fill in every details of the log book especially the fuel usage and keep it updated at all times.
26. That Supervisor of Accounts should perform a regular independent checking of the log book.

ii. No recovery payment has been made by the responsible officer (Sports Development Officer)

No recovery payment for the damage of Bus P.2044, estimated cost \$25,180 due to accident in September 2021.

Recommendations

27. That Sports Development Officer should recover the cost of repairing the damage of the bus.
28. That recovery actions should be immediately made as it is almost a year from when the accident happened.
29. That only authorized drivers should drive the Ministry's vehicles unless other staff is approved in writing by the HOD/CEO/Minister.

3.3.31 Ministry of Internal Affairs – 'Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Expenditures

a. Expenditures charged to incorrect vote

Some expenditures were charging to domestic travel's vote such as catering & refreshment and facility hire.

Recommendations

1. That the responsible officer not to report this practice in the future.
2. That Treasury Instructions 2020, Section 14 shall comply in order to transfer funds when the applicable vote is exceeded.

3.3.32 Ministry of Internal Affairs – Niuatoputapu Branch

Period Covered: July 2019 – May 2021 (23 months)

1. Expenditures

a. Vouchers not properly filed

Branch in Niuatoputapu filed their payment vouchers but without any supporting documents. Also, details provided were incomplete as it refers to invoice but there were no invoice attached.

Recommendations

1. That an absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.
2. That the responsible clerk (Clerk Class II), be reminded of her responsibility to ensure all related supporting documents are properly filed.

b. No independent checking of vote book reconciliation

There is only one Officer in this Branch and she also handles other Ministries Branches vote book in Niuatoputapu. We have liaised with the Clerk to improve the performing of the above control procedure by taken vote book to the Government Representative to do the checking and she agreed.

Recommendations
3. Audit will follow-up this matter on our audit visit to the Office.

c. No register for Goods order

Audit noted that no register maintained for all goods ordered and paid for from this Branch.

Recommendations
4. That a register for goods order should be created to records account for all goods ordered and paid for.
5. Audit will follow this matter on our next audit visit.

3.3.33 Prime Minister's Office

Period Covered: June 2018 – September 2021 (40 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Recruitment of Contracted Employees: <ul style="list-style-type: none"> Audit recommended recovery of amount paid on three (3) advisers contracted without approval of the Public Service Commission. Audit recommend that this issue be referred to the Attorney General's Office for further appropriate legal action to recover the unauthorized payment of public funds from responsible officers. 	<ul style="list-style-type: none"> No action
Overseas Travel of Personal Assistant for former Prime Minister: <ul style="list-style-type: none"> Audit recommended that former Personal Assistant of the former Prime Minister, Hon. 'Akilisi Pohiva, to refund the amount paid to him on overseas travel while he was employed by the former Prime Minister and not the Government. The issue is to be also referred to the Attorney General's Office for possible legal action for recovery of the unauthorized public funds from Mr Po'oi Pohiva if Mr Pohiva failed to recover the amount as recommended. 	<ul style="list-style-type: none"> No action
Unauthorized expenses from Corporate Cards: <ul style="list-style-type: none"> Audit recommended that the former Prime Minister was to refund public money spend on airfare for Mr Puleiku from Auckland, New Zealand. 	<ul style="list-style-type: none"> No action.
Water and power bills of Popua Park	Appropriate actions taken.
Purchase of two (2) vehicles	Appropriate actions taken.
Inward Cash	Appropriate actions taken.
Expenditure: <ul style="list-style-type: none"> Grant to Communities (Code 1502) Other Special Projects (Code 1550) Overtime 	

2. Expenditure

a. Grants to Communities – Code 1502

Most of the transactions incurred were related to activities in the outer islands. However, audit focused on four (4) villages in Tongatapu that received grants by way of assets, such as lawn mowers, weed-eaters, chainsaw, wheelbarrows, laptops, printer, overhead projector and screen.

Recommendations
1. Recipients of Government Grants must be registered as a legal entity, an incorporated society.
2. That Grants to Communities in the form of Property, Plant and Equipment are to comply with provisions of relevant Treasury Instructions (TI), including TI 35, 79 and 84.
3. Non-compliance with relevant governing rules is unauthorized expenditure and repetition of non-compliance may result in severe disciplinary actions against responsible officers.

4. That Grants in assets are inconsistent with TI35 and are considered as ultra vires and such practice is to be ceased immediately.
5. Ministry of Finance is to design appropriate Instructions for management of Grants in assets which is not covered under the current TI 35 and the Government cash basis accounting system.

PMO response

Comments from Prime Minister's Office included clarification from the Solicitor General. Some relevant comments are included below:

FROM SOLICITOR GENERAL

Clarifications on grants to the community.

1. *We noted the further clarifications, explanations, and documents provided, but those were in respect of grant agreements between Government (Ministry), a contractor, and the intended beneficiary.*
2. *Grants of this nature falls within the definition of "grants" in section 2 of the Public Finance Management Act because a contractor is an agent of the Government (Ministry) that transmits the grant by way of construction of houses on behalf of Government for beneficiary.*
3. *If that is the case, then both the contractor and the beneficiary be legally registered entities.*
4. *It is therefore in our view that our initial legal opinion still stand on the point that beneficiaries should be legally registered entities, rather than unregistered entities.*
5. *We also noted the explanations given for the approach of Government having to transmit grants via contractors to the beneficiaries which does provide justifications to avoid misuse of grants from Government.*

b. Other Special Projects (Code 1550)

The Prime Minister's Office had spent \$63,475 in installation of 50 solar light in Tongatapu Constituent 10 and distribute 45 water tanks in villages of Tongatapu under 'Other Special Projects'.

Recommendations

6. That the Accountable Officer of the Prime Minister's Office, is to refund \$63,475.34., the total public money disbursed as unauthorized expenses on distribution and installation of solar light and water tanks by the Prime Minister's Office.
7. That the practice of providing Government Grants in assets are to be ceased immediately.
8. That provisions of the Treasury Instructions regarding Government Property, Plant and Equipment are to be strictly complied with in order to minimize the level of inherent and control risks.
9. That documentation and filing of appropriate support evidence of Government donor in-kind are to be filed and available for audit in order to promote transparency and maintain proper accountability of Government resources.
10. This report is copied to AGO for possible legal action in recovery of public funds spend on unauthorized expenses.

PMO response

Further to Solicitor General's comments:

1. *We noted the further clarifications, explanations and documents provided to us to prove that grants by way of properties such as solar lights and water tanks issued by the Prime Minister's Office, were not subject to the application of the instructions 79(3) and 84(5) of the Public Finance Management Act (Treasury Instructions).*
2. *Upon close examination of the further clarifications, explanations and documents provided, we concur that issuance of the solar lights and water tanks by the Prime Minister's Office should not be subjected application of instructions 79(3) and 84(5) of the Public Finance Management Act (Treasury Instruction) due to the following.*
 - a) *we are told that issuance of solar lights and water tanks were in accordance with vote number 1550, under the heading "other special projects" of the Prime Minister's Office document "Charts of Accounts". The definition of "other special projects" in the Chart of Accounts is "expenses*

associated with special project determined by government”. It transpired that vote number 1550 is separate and distinct from vote numbers:

- i. 1502 under the heading “Grants to Communities” and by definition as “non-repayable payments made by the Government of Tonga to Communities only”.*
- 3. The reason in our view that vote number 1550 is distinct and separate from votes number 1502, 1515, 1516, 1517, and 1541 is that, it’s definition does not refer to “non- repayable payments” in comparison to the definitions for votes number 1502, 1515, 1516, 1517, and 1541 where clear reference to non-repayable payments are made.*
- 4. Further support for the contention is evident from the email correspondences between the Prime Minister’s Office and Ministry of Finance on 22nd November 2021, whereby the Ministry of Finance confirmed that expenses incurred from vote number 1550, do not fall within the definitions of grants.*

3. Overtime

Audit noted the significant increase in 2018/19 overtime expenses. It was identified that within this financial Year, there were national events that caused the increase in overtime claimed. These included His Majesty’s Birthday, Agricultural show throughout the outer islands, Opening of the Taufua’ahu Wharf, Samoa pathway meeting, Princess Taone’s funeral and the Royal Visit of the Crown Prince of Norway.

a. Actual overtime exceeded the budget

Audit identified excess actual spending on overtime expenses in every financial year, a violation of TI 13(2). This means the budget control on Government spending is no longer effective. It also indicate Treasury checking of compliance – the significant control on government spending that is the function of Treasury Checking, with the Ministry of Finance is no longer effective.

Recommendations

11. That excess spending on Overtime is to be funded with Supplementary Estimates or applied for contingency funds.
12. Audit to follow-up the procedures took to remedy the excess spending of overtime.
13. Repetition of excess overtime spending is to be considered for disciplinary action against responsible officer.
14. Both Prime Minister’s Office and Ministry of Finance are to be held accountable for excess actual overtime spend. Prime Minister’s Office and Ministry of Finance are to provide justification for exceeding the approved appropriation for Overtime and also give good reasons for not charging their responsible officers for spending without appropriation.

b. Overtime (OT) paid with Incomplete Support Documents

Some of the overtime claimed and paid did not have the support of expense voucher, work plan, time sheet and attendance register, attached to the overtime vouchers, in accordance with TI 19(11).

Recommendations

15. That overtimes in Table 7 (\$55,823.15) and Table 8 (\$33,359.57) are to be refunded.
16. That supervisor of account is to effectively supervise the support staff and ensure that the overtime expenses do not exceed the budget limit and all support documents are attached to overtime vouchers at all times and to be available for next audit.
17. Audit to follow-up documentation of evidence filed for implementing audit recommendations.

PMO response

The Prime Minister’s Office noted that most times Prime Minister’s Office budget was exceeded which was due to changes in Government. New Government comes with new positions and requires diversion of resources and require additional funds from the Contingency Funds.

Prime Minister’s Office noted the lack of support documents which was partly due to impact of COVID-19 Lockdown. However, the Prime Minister’s Office is committed to file support documents.

3.3.34 Prime Minister's Officer – Niuatoputapu Branch Period Covered: July 2019 – May 2021 (23 months)

1. Expenditures

- a. Vouchers not completely filed – without supporting documents such as invoice.

Recommendations

1. That the absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

2. Fixed Asset

- a. No Fixed Assets Register

No fixed asset register maintained at Niuatoputapu Branch. Audit emphasize that all fixed assets be registered accordingly to the format provided on the Treasury Instructions.

Recommendations

2. That the accountable officer shall established the Fixed Assets Register for Niuatoputapu Branch in the format required by Treasury Instruction 2020, Section 73(3).
3. That Officer-in-Charge endure that the Fixed Assets is completely updated at all times.

3.3.35 Governor's Office Vava'u Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Arrears of Revenue	Still remain unresolved

2. Inward Cash

- a. Revenue Arrears on Government Land Rental

Some of the payments for lease of lands owned by the government are late.

Recommendations

1. That the Branch should ensure that follow-up process for outstanding lease payment is strengthened especially long outstanding leases to ensure timely payment.

3. Asset

- a. Fixed Asset Register not properly updated

Recommendations

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

Governor's Office-Vava'u response

These furniture were to accommodate the governor's residence. The Branch were also tied up in other works being done that they overlooked to update the register.

4. Log Book

- a. Independent Checking of Log Book for GOVV.6

Log book for vehicle registration No.GOVV.6 were not reviewed. This vehicle is used by the Branch for rubbish pickup which is under the beautification vote of the Branch.

Recommendations

- That the Branch should ensure that an officer independent of driver is assigned to review the Branch's log book on a regular basis.

Governor's Office-Vava'u response

The transport supervisor normally reviewed the log book but he retired on December last year 2020, and since then, no further review was done.

3.3.36 Governor's Office Ha'apai

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Grant	Issue still outstanding

2. Expenditure

The Branch disbursements of Public Funds during the audited period were validly incurred and accounted for. However, it was raised in the previous audit that the Branch should ensure that every grant paid out should have a formal agreement signed.

Recommendations

- That the Branch should promptly ensure that every grant paid out should have a formal agreement signed by both parties and keep proper files for each disbursement of grant.

3.3.37 Government Representative's Office – 'Eua

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Revenue from sales of sand was not paid to the Government	Issue resolved
Vouchers are not properly filed	Issue resolved
Some payment vouchers were not certified correct	Issue resolved
Payments not processed through the correct procurement method	Issue resolved
Expenses charged to incorrect vote	Issue resolved
Payments for regular services to individual or group	Issue resolved
Payment of invoices not in the name of the Government Representative Office	Issue resolved
Description of the services in the order is not clear	Issue resolved
Ministry's stamp is on the approval signature on the purchase order and payment voucher	Issue resolved
Incomplete supporting documents for catering payments	Issue resolved
Using of government vehicles after hours without approval	Issue still outstanding.
Hiring of employee on a contract basis not complied with Public Service Policy and Instructions	Issue resolved
Names in the business license is different from the payment vouchers	Issue resolved
Purchase orders are authorized subsequent to performing of services	Issue resolved

2. Expenditure**a. Using of Government's vehicle after hours without approval**

No written approval from CEO for the use of Government's vehicle after hours.

Recommendations

- That a proper written approval shall be obtained for after-hours used of Government vehicles.

3.3.38 Ministry of Trade and Economic Development (MTED) Period Covered: January 2016 – June 2019 (42 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Audit appreciates action taken
Log book	Audit appreciates action taken

2. Cooperative Store

Most of the cooperative stores were recently established within six months when we conducted the audit. MTED assigned a Business Support Division aiming for regular visit and inspection of each cooperative society financial accounts and documents. So, Audit will review these on our next audit visit.

3. Expenditure

a. Maintenance of MTED vehicles

Audit noted that the Minister's vehicle has encountered two accidents. MTED had fixed the vehicle and maintenance cost amounted to TOP\$6,768 for the 1st accident and the 2nd accidents, vehicle is under maintenance, the driver will borne maintenance cost for the 2nd accidents.

Recommendations

1. In the event of an accident regarding the Ministry's vehicles, the Ministry is to ensure that it complies with the requirement of Section 2F.12 in an accident regarding the Ministry's vehicle.
2. Any future accidents that involved a breach of section 2F.12 by the responsible driver, the Ministry is to follow appropriate disciplinary procedures in consultation with the PSC and the MTED to ensure the cost is borne by the responsible officer to avoid unnecessary wastage of public funds.

b. Assets taken by the former Minister

Audit noted that appointment of new Minister while former Minister departed Office with assets assigned to him at the time. Corporate Service Division has followed-up the assets to be returned but yet to return.

Recommendations

3. That the Corporate Service Division is to provide a written request again to the former Minister giving him one (1) month to return the Ministry's assets.
4. That if these assets are not returned within this period, the Ministry is to inform the Ministry of Police to take action to recover these items.

4. Business License

a. Expired documents

Some of the Business Licenses still active but need to process their renewal documents that has been expired.

Recommendations

5. The Business License Division should ensure that all documentations in relation for active business licenses should be properly filed.
6. Each business license upon renewal should ensure that all its documentations are properly updated at all times to ensure compliance with business requirements.

3.3.39 Ministry of Trade and Economic Development (MTED) – Ha’apai Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Lost pass book	action taken
No revenue register	action taken
Reconciliation form not properly filed	action taken
No fixed asset register	No action and hereby repeated

a. Business License

Some of the cancelled business licenses were not filed with the notice of business activity in a timely manner. Majority of the cancelled business license are at the outer islands, which not available to the audit.

<i>Recommendations</i>
1. Ensure that the Ministry conduct a regular inspection of the businesses with their business licenses to avoid business that operate without reinstate the business license.

3. Fixed Assets

There was no fixed asset register maintain by this Branch during the audited period.

<i>Recommendations</i>
2. That the responsible officer should ensure asset register be maintained.
3. That the responsible officer should review the register on a quarterly basis and sign dated.

3.3.40 Ministry of Trade and Economic Development (MTED) – ‘Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No independent checking	action taken
T-9 Receipt Missing	action taken
Revenue in arrears	action taken
Disposed and Damaged Assets	Issue resolved
No written confirmations of assets transferred from Head Office to ‘Eua	No action taken and hereby repeated
Not all fixed assets in the Fixed Assets Register have corresponding cost being recorded	No action taken and hereby repeated
Payment voucher for prizes for Agricultural show competition were made to staff	Issue resolved
Construction cost of water tank platform exceeded procurement threshold of \$7,500	Issue resolved
Staff drivers Branch’s vehicle after hours	Issue resolved
Incomplete recording of Log Book	No action taken and hereby repeated

a. Non-compliance with appointment of revenue collector

The employee collecting the revenue for ‘Eua Branch is a daily labourer. This is due to revenue collector currently lock-down in the United States of America.

<i>Recommendations</i>
1. That the Head of the Ministry ensure that Daily Labour staff shall not continue in collecting the Ministry’s revenue.

b. Deposit slip book missing

Audit found one (1) Deposit Form Book was missing while reviewing deposit forms kept by the Branch.

Recommendations

2. That the Ministry ensures that all deposit forms are kept and filed at all times for the next audit.

2. Assets

a. No written confirmation for asset transferred to this Branch from Head Office

In reviewing the completeness and values of assets being transferred from main Office in Nuku'alofa, Audit noted no formal correspondence of assets been transferred.

Recommendations

3. That any additional asset transfer between the two (2) Branches, a written confirmation should be drawn up, signed and accompanied by the assets that are being transferred.
4. The Branch to file all Fixed Asset Transfer's written confirmations.
5. That the Head Office to provide all costs of the assets which they have transferred to the branch in writing, in order for the branch to complete the details of costs in their Fixed Assets Register.

b. The Fixed Assets in the Fixed Asset Register has no corresponding costs being recorded

While obtaining Fixed Asset Register from the Branch, Audit noted that the costs for these assets being transferred were not recorded in the Fixed Asset Register.

Recommendations

6. That the for the employee of the Branch to request the cost of the Fixed Assets transferred from the Main Office in Tongatapu.
7. That the employee at the Branch ensure that the Fixed Assets being transferred in the future, has their costs detailed in the Fixed Asset Register for the next audit.

3. Expenditure

a. Incomplete recording of Log Book

We unable to assess the usage of fuel on vehicle P.1742 which was transferred in June 2020 to Main Office in Nuku'alofa for maintenance due to not properly updated of logbook.

Recommendations

8. That the Log book for P.1742 should be updated properly and maintained for the next audit visit.

3.3.41 Ministry of Trade and Economic Development (MTED) – Niuatoputapu Branch, Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

a. Vouchers not completely filed – without supporting documents such as invoice.

Recommendations

1. That in absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

b. Vote Book Reconciliation

Monthly reconciliation of vote book with Sub-Treasury Niuatoputapu was not carried out throughout the audited period.

Recommendations
2. That the responsible officer shall reconcile their vote book with Sub-Treasury vote records on a monthly basis.
3. That the OIC ensure that the vote reconciliation is carried out on a monthly basis.

2. Fixed Asset

a. No fixed asset register

No fixed asset register maintained at Niuatoputapu Branch.

Recommendations
4. That the accountable officer shall established the Fixed Asset Register for MTED Niuatoputapu Branch in the format required by Treasury Instructions 2020, section 73(3).
5. That the OIC ensure that the Fixed Asset is completely updated at all times.

3.3.42 Ministry of Tourism – Vava’u Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Missing Pass Book	Issue not yet resolved
Revenue receipt book not being kept safe at the Branch	Issue not yet resolved
Cancelled receipt	action taken
Goods not yet received	action taken

2. Late Banking

Audit found few instances of late bankings.

Recommendations
1. That the branch ensure that banking of revenue is done on a daily basis to ensure compliance with the Treasury Instructions 2020.

3.3.43 Ministry of Tourism – Ha’apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Prices & awards for ‘Eua Heilala Festival 2017	Issue resolved
Expenses charged to incorrect votes	Issue resolved
Edited of the supplier’s name on payment voucher, order & invoice	Issue resolved
Assistant Information Officer prepares invoices on behalf of the supplier	Issue resolved
Overtime without work-plan	Issue resolved
Incomplete recording of Log Book	Issue still outstanding and hereby repeated
No Fixed Asset Register kept and maintained by the Branch	Issued resolved
Daily Labour employee uses branch vehicle after working hours	Issue resolved

2. Log Book

The log book was not properly recorded for the Branch’s vehicle.

Recommendations

1. That the Log Book for the above vehicle should be updated properly and maintained for the next audit visit.

3. Assets

Audit appreciates the work done to ensure that the asset register is kept updated & available for audit.

3.3.44 Ministry of Tourism – ‘Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Fixed Asset register was not updated	action taken

2. Receipts and Banking

The Branch collects the revenue without recording the revenue and consumption tax separately until financial year 2020/21. Also the formula used for consumption tax was incorrect.

Recommendations

1. It is recommended that the Branch should take action by ensuring the responsible staff is applying consumption tax charges correctly and to the CT revenue.

3.3.45 His Majesty Armed Forces – Ha’apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No properly files the payment vouchers	action taken
No fixed asset register	Issue still outstanding and hereby repeated
Log book	action taken

2. Fixed Asset

No fixed assets register maintain by this Branch during this audited period.

Recommendations

1. That the responsible officer should ensure asset register be maintained.
2. That the responsible officer should review the register on a quarterly basis and sign dated.

3.3.46 Ministry of Finance

Period Covered: July 2013 – June 2021 (8 financial years)

1. Expenditure**a. Overtime (Expense Code 1002)**

Overtimes expenses increased by 250% from 2013/14 to 2020/21 (from \$291,686.78 to \$1,067,877.48). Explanations from staff clarified that fluctuations reflected, different strategies and efforts of each Minister of Finance at the post, in the last eight (8) years to manage the overtime expenses.

i. No work plan for overtime expenses [TI 33(2)]

It was identified that there was not work plan for all overtime claimed by the Ministry in the period. This represents 100% non-compliance, which is a very distressing high rate of non-compliance.

ii. *No instituted overtime management controls [PSC Policy Instructions 2010, 2A.7.1(4)]*

Audit found no evidence of any instituted overtime management controls of the Ministry of Finance. The finding was confirmed by the Head of the Corporate Services, in a meeting held on 23/9/21. The instituted overtime management control system is crucial for the Ministry of Finance especially when the Ministry spends a million a year on overtime expenses in the last two financial years 2019/20 and 2020/21.

iii. *No copies of relevant Attendance Register filed with copies of overtime vouchers: TI 33(5); TI 33(4) and TI 19(11)*

Overtime vouchers paid were not always supported with the filing of copies of the correctly maintained Attendance Register. A summary of 70% of overtime expenses paid in 2019/20 and 2020/21 without filing copies of the attendance register, in support of timesheet for overtime claimed.

iv. *Overtime paid after the approved one (1) month. [TI 40(9) & (12) and PSC Policy and Instructions 2010 Section 2A.7(5)]*

Some overtime transactions in 2019/20 were paid after more than a month of the overtime period.

v. *Overtimes paid were not for hours in excess of '40 conditioned hours' per week [Public Service Policy Instructions 2010, 2A.7(2)]*

Audit evidence highlighted the fact that hours worked as Overtime, were not in excess of the '40 conditioned hours' per week and presented as excess OT paid, non-compliance in management of overtime expenses. When overtimes are claimed and paid while '40 conditioned hours per week were not achieved.

Recommendations

1. It is in the best interest of the public, that the Ministry of Finance is to account for the non-complied overtimes paid of \$4,649,194.35 paid to its staff between July 2013 - June 2021.
2. That no further overtimes be approved and paid by the Ministry of Finance until an Instituted overtime management control system is implemented by the Ministry, in accordance with requirements of the Public Service Policies and Instructions 2010.
3. That the Chief Executive Officer is to take careful note of all the non-compliances identified and to take appropriate actions to minimise inherent and control risks in management of overtime.
4. That staff overtimes paid without filing copies of attendance register, are unauthorized overtimes, are to be refunded, as per summary list provided in *Annex A*.
5. That excess Overtimes paid after accounted for '40 conditioned hours per week', is double payment and are to be refunded, as per list provided in *Annex B*.
6. That the Ministry impose surcharges on officers including the Accountable Officer of the Ministry for non-compliance with the requirements of the Treasury Instructions in accordance with Section 39(1)(d) of the Public Finance Management Act 2002 and Treasury Instructions 2020, *clauses 110 and 111(a)*.
7. Evidence of actions took are to be documented and filed for review and follow-up actions in next audit.

MoF response

- *They do not agree to the statement that OT were not check at all.*
- *We do not agree to the statement that there is fraud and corruption in the staff of the Ministry in relation to the payment of Overtime. We appreciate Audit providing further information on this as this is a serious claim.*
- *Therefore, Ministry of Finance Overtime was appropriately authorised.*

Audit comment on MoF's response:

Client's claim of compliance is not evidence-based and therefore the audit findings of non-compliances and recommendations are not changed.

b. Grants to Sports Activities (Expenditure Code 1515)

i. Grants for sports projects, administered by Ministry of Internal Affairs (Other MDAs)

Ministry of Finance operating a central vote “Grant for Sport Activities” and use the appropriation for payment of expenses of the Ministry of Internal Affairs (other MDAs). This practice has contravened *Section 8* of the *Public Finance Management Act 2002*, and *Appropriation Acts 2013 to 2020*. The Appropriation Act authorized appropriation to a specific Minister and for specific ministry to administer. It did not authorize appropriation to be administered by one Ministry for the expenses of other Ministries.

ii. Lack of Acquittal Statements from recipient of government grants

Audit noted that there have been no acquittal statements filed, as report from recipient of government grants, on how they spend the grant, in accordance with TI 35(9).

iii. Lack of enforcement of Terms and Conditions of grant agreement with Tonga Sports Council (TSC) in accordance with TI 35(5)

Audit identified that the Ministry had paid \$2,020,000 to TSC under a grant agreement between the Government (signed by CEO Finance) and Tonga Sports Council (TSC chairman), on 5 March 2019. This grant covered by a special audit requested by the MoF because of alleged non-compliance.

iv. Conclusion on Government Grants Expenses

This high non-compliance has clearly demonstrated that management had override the significant controls required by the Treasury Instructions.

Recommendations

8. That the Ministry enforce the provisions of Section 12(6), PFMA 2002 and process excess spending of Ministry of Internal Affairs and any other Line Ministry by way of a Supplementary Appropriation Act instead of operating centralized votes, such as ‘Grants to Sports’.
9. That operating of Centralized Votes is to be ceased immediately for its lack of legitimate authority.
10. Strict compliance with the provisions of the Treasury Instructions 35 for Government grants is to be observed to minimize inherent and control risks in management of grant payments.
11. That a standard grant agreement be in place and to ensure that no grant is paid without a legally binding grant agreement is signed with recipient of grants.
12. That where it is impossible to make payments under a grant agreement, such expenses are not to be charged against grants.
13. That the Ministry is to enforce the provisions of the grant agreement at all times.

MoF response

- *The Grant for Sports Vote was centralized in the Budget under the Government General Fund to closely monitor spending.*
- *Relevant MDA is still required to administer the activities.*

Audit comment on MOF's response:

It is considered unnecessary that the Ministry operate centralized votes in order to closely monitor spending. Audit findings and recommendations remain unchanged.

c. New Vehicles (Expense Code 2005)

i. New Vehicles purchased on behalf of other Line Ministries (MDAs)

The Ministry of Finance spend TOP \$3,924,023.47 and purchased 58 new vehicles in the last found (4) years (2017-18 to 2020-21).

Audit identified that of the fifty-eight (58) new vehicles purchased, audit confirmed that forty-five (45) vehicles (78%), were purchased by the Ministry with its own appropriation and votes for other MDAs. Audit also confirmed that the assets purchased for other Ministries were not registered in the asset register of the Ministry.

Recommendations

14. That the Ministry is to strengthen its internal audit division to monitor its compliance with applicable rules in order to improve compliance level and minimise inherent and control risks.
15. That in absence of no reasonable explanation for purchasing of vehicles for Line Ministries, the Ministry has to cease this practice as it has no legal basis and unjustified in the current financial and accounting framework.

MoF response

The vote is also centralized in MoF mainly for control purposes. However, that allocation when an MDAs requires a new vehicle, the fund is transferred from the MDA's vote to this Centralized Vote. You may confirm with relevant Ministry for the existence of the vehicle.

d. New Vehicles subject to Procurement Guidelines were purchased prior to decision of the Central Procurement Unit [Treasury Instructions 2010, section 16(2) & (3)]

The Central Procurement Unit on its letter dated 28/06/2019 declined the procurement of three (3) vehicles proposed by Customs Department for \$131,900.00. However, the Ministry had processed procurement of 3 vehicles for Customs Department before the decision of the Central Procurement Unit. Audit is satisfied to conclude that the working environment in the Ministry does not cultivate and encourage compliance with applicable rules, regulations and policies.

Recommendations

16. That the CEO is to acknowledge the great and urgent need to improve compliance level of the Ministry with Procurement Regulations 2015, and to take appropriate actions in order to minimise risks, maximise compliance and maintain credibility of the accounting system of the government.

MoF response

The audit finding is noted and we believe that this should be reminded to all the MDAs. However, as the new vehicle had been obtained by the MDA, and endorsement letter received from the CPU-MoF releases the payment as Government is liable to the Supplier.

e. Motor Vehicles Operation Expenses: Fuel (account code:1301) and Maintenance of Vehicles (Account Code 1309)

i. Damaged Government vehicle

The maintenance service required for government vehicle P.224 due to damages, driven by the Property Officer. No report of the damage found.

Recommendations

17. That the Ministry is to report to Audit on the complete recovery of government funds paid on the repair of the damaged vehicle.
18. That the Ministry is to take appropriate actions to ensure that the applicable rules for vehicle damages are complied with, every time a vehicle is damaged.
19. That the Ministry is to design internal procedures to ensure there is effective monitoring of the performance of support staff at all times and non-compliances are reported to the CEO on regular basis.

MoF response

There was no collusion amongst staff to escape responsibility. The accident happened inside the premises of the Ministry. There was a meeting held by the Head of CSI) with the supervisor and officer responsible. Appropriate arrangement was made for the repair of the vehicle. There was an Internal Memorandum to the ACEO reporting the accident and arrangement to recover the cost of the maintenance of the vehicle from the responsible officer. The recovery of the maintenance cost had been processed through payroll deductions from the responsible officer.

ii. *Interdepartmental transfer of government assets*

The maintenance operated PM 40 and PM 43 were transferred from the Prime Minister's Office and P1811 was transferred from the Ministry of Infrastructure. However, there was no evidence of written approval of these inter-departmental asset transfers by both Accountable Officers. Also, no written approval of such transfer by Government Assets Disposal Committee. These assets were not recorded in the Asset Register.

Recommendations

20. That the Ministry is to take appropriate actions to improve its compliance level and to ensure compliance with its own provisions of the Treasury Instructions and applicable government policies and regulations in transferring assets from other Ministries.

MoF response

The Ministry occasionally request to use other MDA's vehicles for events when there is a requirement for it. The vehicles PM 40 and PM 43 are two (2) of the donated buses from the PR of China for the Coronation in 2015. The P 181 is a vehicle from MoI. When using these borrowed vehicles, the Ministry pay for the fuel cost.

iii. *Vehicles from Donor funded projects not entered in the Asset Register*

Two vehicles (P2142 and P2065) were not registered on the Asset Register, but fuel and maintenance costs were from votes of the Ministry.

Recommendations

21. That all vehicles including vehicles from donor-funded projects are to be registered in the asset register of the Ministry.
22. That no operational costs, including fuel and maintenance, of unregistered assets shall be paid from public funds unless they are accounted for in the asset register as Government assets.

MoF response

The audit finding and recommendation is noted. The Fixed Asset Register is updated accordingly with the donor funded vehicles of the Ministry.

f. **Finance Manual**

i. *No Finance Manual or documentation of internal control system [TI 109]*

Audit confirmed that the Ministry does not maintain a Finance Manual as required under TI 109.

Recommendations

23. That the Ministry is to comply with its own Instructions and document all internal controls in a finance manual of the Ministry, to be consistent with the provisions of the Treasury Instructions.

MoF response

There is a draft Finance Manual drafted as part of the overall Standard Operating Procedures (SOPs) for the Corporate Services Division.

3.3.47 Ministry of Finance – Sub-Treasury ‘Ha’apai
Period Covered: March 2019 – March 2021 (25 months)

1. Cash Count

Cash count on cash on hand and cash in vault on 6th April 2021 was correct, properly recorded and agreed with cash books.

2. Numbered Forms

a. Pass Book

One of the receipt using by the Branch was not registered into the pass book (611101-611150). It has been registered in the numbered forms book but not in the Branch's Pass Book.

Recommendations

1. That Supervisor of Account should ensure that all revenue records has been recorded into the MDA's Pass Book.

3. Fixed Asset

Audit noted that the Fixed Asset Register provided were not properly updated and maintained.

Recommendations

2. That Supervisor of Account should ensure there is a fixed asset register as a priority.
3. All asset should be accounted for in the register.

3.3.48 Ministry of Finance – Sub-Treasury ‘Eua **Period Covered: March 2019 – March 2021 (25 months)**

1. Cash Count

Cash count on cash on hand and cash in vault on 6th April 2021 was correct, agreed with cash books.

2. Advances

There were 17 advances transferred from Ministry of Finance- Nuku’alofa to Sub-Treasury, ‘Eua with a total value of \$1,380,000, were completely accounted for.

3. Revenue

a. Receipts of daily balance of cash book to cashier cash

Audit noted that during the audited period, many receipts were issued during the audited period for the variance due to daily balance of cashier cash book and cash on hand. There were 169 (3 booklets and 19 individual receipts) leaf of receipts issued for total amount of \$5.07

Recommendations

1. For the Ministry to look into this issue and consider the most appropriate ways on how to account for this matter.

4. Fixed Asset

The list of assets provided to audit during confirmation of asset of Sub-Treasury ‘Eua did not comply with the instructions set by the Ministry. There were details on the register that should be provide such as cost of assets transferred from Nuku’alofa to ‘Eua, were not included in the list.

Recommendations

2. That the accountable officer shall ensure that the Fixed Asset Register for Sub-Treasury should be in the format required by Treasury Instructions 2020, section 73(3).
3. That the Sub-Treasury should ensure that the fixed asset is completely updated at all times.

3.3.49 Ministry of Foreign Affairs – Immigration Division **Period Covered: May 2016 – April 2021 (5 years)**

1. Inward Cash

a. Cash Count

Total cash counted was agreed with Cash Book.

The Immigration Division employed a daily labour and involved in collecting and handling of inward cash since 2017.

Recommendations

- | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. That the Accountable Officer is to designate established staff only as revenue collectors and Daily Labourers are not to involve in collecting of Government Revenue. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

b. Issued Cash Sales Dockets instead of Receipts

The Immigration Division issued Cash Sales Dockets instead of Receipts for all money collected.

Recommendations

- | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. That Revenue Collectors shall issue a receipt instead of Cash Sales Dockets, for all money collected on application fees, for sale of passports and visa. |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|

c. Late Banking

Late banking of cash collected at the Head Office, during the Christmas break in 2019.

Recommendations

- | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. That Government money collected is to be banked on the day of receipt or the next working day at all times. |
| 4. Repetition of late banking amount to an attempt to misuse and abuse of Government money, which is strictly prohibited under provision of Treasury Instruction 43(12), is to be considered as serious breach of conduct of responsible revenue collector and Supervisor of Immigration. |
| 5. Supervisor of Immigration is to take necessary actions to ensure effective controls works well and enforce strict compliance with provisions of the Treasury Instructions. |

d. Late Pay-in of visa fees collected from airport and seaport

Audit identified late deposits of money collected at Head Office and late pay-ins of money collected at the airport and seaport.

Recommendations

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6. That Government money collected at the borders is to pay into the Cashier at Head Office on the day of receipt or the next working day. |
| 7. That repetition of late pay-in amount to an attempt to misuse and abuse of Government money, which is strictly prohibited under provision of Treasury Instruction 43(12), is to be considered as serious breach of conduct of responsible revenue collector and supervisor of Immigration. |
| 8. That Supervisor of Immigration is to take necessary actions to ensure effective operation of the Division and strict compliance with provisions of Treasury Instructions. |

e. Irregularities in referencing of payments from sales dockets on to the application forms

Irregularities in referencing payments on applications forms amounted to misappropriation of public money is non-compliance with Clause 43(12) of the Treasury Instructions. This means that public money has been used for purposes other than deposit of cash to the Government bank account. This practice is strictly prohibited.

Recommendations

- | |
|-------------------------------------------------------------------------------------------------|
| 9. That supervisor of Immigration is to find ways to recover \$2,576 for funds unaccounted for. |
|-------------------------------------------------------------------------------------------------|

Immigration Division response

The Executive Director for Immigration Division had discussed the irregularities with the responsible officer, daily labourer who admitted that he is responsible for this irregular practice. The Senior Immigration Officer also added that the application involved had been through the normal process without detecting the irregularities

f. Failure to enter details of receipts or sales dockets into the cash book

The Revenue Collector had failed to enter details of cash book such as date, amount, receipt number name of payee and type of revenue source.

Recommendations

10. That the cash book is to include details of receipts in terms of date, amount, name of payee, and type of revenue.
11. That repeating non-compliance with Treasury Instructions is considered a serious breach of conduct on responsible revenue collector and supervisor of Immigration Division.

2. Revenue Sources

a. Arrears of revenue and Immigration letter and travel documents

Audit noted from register of revenue sources that there are many Immigrations letter and documents issued but fees was noted to be collected on arrival at the airport. However, there was no evidence available for payment of these fees on arrival. These fees become arrears of revenue and requires follow-up actions to make sure they are paid.

Recommendations

12. That clear policy be made for recovery of arrears of revenue including who would be responsible in case the arrears are not recovered from applicants.

b. Register of Exemptions

The amount of Government money lost on exemptions cannot be reliably obtained because of no reliable registers kept. Exemptions were approved by the Supervisor for Immigration, however, such approval is considered inappropriate that the Secretary for Foreign Affairs should have been consulted for direction.

Recommendations

13. That a register of all applications be maintained in sequence of application numbers.
14. That the register of applications is to be updated with receipt numbers, as evidence for payment of fees.
15. That the register of applications is to be closed off with passport number and or visa label number indicating completion of the transaction.
16. That an application form is prepared for all request for Immigration documents and that appropriate fees are collected and that the register of applications would provide the total population of all transactions that took place.
17. That a list of outstanding applications be prepared at the end of each month, with reasons for remaining outstanding.
18. That creating of arrears of revenue is to be avoided.
19. That there be a clear policy for creation and recovery of arrears of revenue if the Ministry decided to allow sale on credit.
20. That a different officer from revenue collector is to maintain the register of applications and subsidiary register of revenue sources.
21. That clear policy be made for recovery of arrears of revenue including who would be responsible in case the arrears are not recovered from applicants.
22. That there is segregation of duties between those involved in collecting money and those involved in maintaining register of revenue sources.
23. Regular reconciliation of inward cash with register of revenue sources or register of applications is to be carried out by relevant officers. Irregularities from such reconciliation should be explained and reported to the Secretary of Foreign Affairs for appropriate directions.

3. Inventories of Passports and Visa

a. No inventory register and reconciliation of inward cash with Tonga Immigration Management System (TIMS)

Failure to keep an inventory register, amount to non-compliance with the Treasury Regulations. It is understood that the TIMS is not an inventory system and that leaves the Immigration Division to design an appropriate inventory system in compliance with the provisions of the Treasury Instructions.

The issue out of passports and visa labels, from the main stock, on batches of 250, prior to approval of application is considered premature and with no legitimate authority.

Noted that the Treasury Instructions does not provide specific details on the inventory system, but the following recommendations are provided for further consideration.

Recommendations	
24.	That an appropriate inventory system, be designed to account for total number of inventories received and issued out from the main stock, printed, re-issued and those that remained in stock, at all times.
25.	Maintaining an inventory register in sequence of passport numbers and visa labels with appropriate columns to record status of and movements in units of inventory is important, so that there is evidence of proper accountability of inventories.
26.	The inventory register identify those numbers that were skipped by printer for security purposes, re-issued, misprinted and those approved.
27.	Reconciliation of inventory records with other related records such as TIMS, register of inventory to print and also with inward cash, be carried out on regular basis.
28.	A reconciliation form be designed and used for regular reconciliation of records, signed by relevant designated officers.
29.	That inventories of Passports, Visa Labels and Immigration documents, be issued out from main stock, only when there is approval of applications.
30.	That an Officer, independent of the revenue collector, is to maintain the inventory system and regularly reconcile with related records.
31.	That any variance identified from the reconciliation of Inward cash with inventory register and TIMS are to be investigated, and explained and reported to Secretary of Foreign Affairs, on regular basis.

3.3.50 Ministry of Foreign Affairs: Immigration Division – Vava’u Branch Period Covered: March 2019 – March 2021 (24 months)

The was reported on 22nd July, 2021 that the financial operation of the Vava’u Branch was satisfactorily carried out with no audit issue raised.

3.3.51 Office of the Ombudsman Period Covered: May 2016 – June 2020 (4 years and 2 months)

1. Overtime Expenses

Audit identified non-compliances in overtimes claimed for the months of July & November 2018 and June & September 2019. Audit also noted that the issue with not filing the original work-plan for overtimes was reported in previous audit report but there has been no action taken to improved compliance with this requirement.

Recommendations	
1.	That relevant staff are to be reminded of the requirement to comply with the Treasury Instructions and Staff Policies, especially the requirements to show that staff on overtime, has completed normal working hours of 8hrs, before continued with Overtimes.
2.	That staff be reminded of Policy 17(2), which provides that non-compliance with the Staff Policy Manual is deemed on offence for disciplinary actions.
<p>Ombudsman response</p> <p><i>According to the Accountant, the audit findings of non-compliance is not normal for the overtime expenses. The documents for overtime are always complete when submitted to the Ministry of Finance, meaning that the Ministry of Finance will not pay out the overtimes claimed, unless all documentation were complete. However, Accountant believed that there must have been some other commitments in the office that caused staff to overlook not taking copies of vouchers, work-plan and the working over the normal 8 hours The Accountant assures compliance with rules and policies by agreeing to carefully check that documents filed are complete.</i></p>	

2. Documenting of control systems and Finance Manual

The Staff Policy Manual of the Office has covered most of what was required to document under for the purpose of the requirements of the Treasury Instructions for documenting of control systems and procedures. However, the Policy Manual needs to be endorsed by the Ministry of Finance whether it can be accepted as a Finance Manual.

<i>Recommendations</i>
3. That Office of the Ombudsman to consult with Ministry of Finance for endorsement of their Staff Policy Manual to be accepted as Finance Manual, under the provisions of Treasury Instructions 107.
<i>Ombudsman response</i> <i>To be obtained...</i>

3.3.52 Ministry of Revenue & Customs: Customs Division **Period Covered: March 2019 – April 2020 (14 months)**

1. Follow-up Issues

Issues raised in previous year	Current Issue
Failure to completely register manifests on the Manifest Register	Register being updated once ships arrive.
Goods released without a warrant number	Now all imported items have warrant numbers before their release. No further issue.
Allowing to pay auction goods by instalments <ul style="list-style-type: none">It is recommended that this practice should be ceased immediately	This issue will be revisited in the next audit visit
Attendant fees <ul style="list-style-type: none">It is recommended that outstanding attendant fees should be prepared, billed and then collected on a timely manner and these outstanding arrears should be included in the monthly report send to the Auditor General and the Secretary of Finance	This issue will be revisited in the next audit visit
Auction goods used by the Ministry	This practice is not being exercised in the Ministry again.
Transferring government asset (vehicle P.1653) to outer islands Branch	No transfer of assets occurred during the audited period. Audit also advise the Ministry that any such future transfer will inform the GADC accordingly.

2. Revenue

a. Import Duties

Total Import Duties for the audited period: TOP\$21,612,857

Audit tested the import duties charged on imported goods by confirming whether “correct rates were used in accordance with the HR Tariff Code for the goods declared”.

<i>Recommendations</i>
1. That Management is ensuring these import duties are properly and correctly charged.

b. Consumption Tax

There was a total CT of \$83,275,297.46 for our audit period and we selected samples randomly from large Importers from overseas and Business in Tongan. We also tested Petroleum fuel and gas and we recalculated import tax charged to ensure CT and excise tax were correctly calculated. We found these to be correctly charged.

c. Excise Tax

i. Excise Tax – Custom Warehouse

It is evident that there are significant variations between the stock balance in the warehouse and the stock balance in the Customs Management System. The total amount of excise tax shortfalls as a result of the variance amounted to TOP\$2,605,928.

Comments from the Warehouse Division:

The warehouse division provide the following explanations as cause of the variance:

Delay in updating C-13 form to the system. In several occasions, the CMS system is down so input of tax form is done manually and needs to be updated to the CMS system when it is back online. In addition, there were several import tax form that was “wet” which was left in the container outside the office, after the cyclone Harold in April. These also cannot be processed into the system to update stock balance.

Recommendations

2. That the Warehouse Division to conduct a full stock-take of all licensed warehouse registered by the Ministry of Revenue & Customs on a given date and update the stock balance in the Customs Management System.

ii. Excise Tax – Petroleum

Audit found tax charged on petroleum to be accurate.

- Manual Adjustment in the Dipping Report

From our review of the dipping reports it was found in some dipping reports there are manual correction made by the dipping officer using a black pen, crossed out the volume in the printout dipping report and writing the correct volume on the side and we assessed the explanation received to be reasonable. However, to reduce risk of fraud it is best to have a senior officer review these manual adjustments against supporting documentations and approved before the excise tax amount is finalized. As such we provide the following recommendations.

Recommendations

3. That any manual adjustments on the dipping report should be reviewed by either the Assistant Deputy or a Principal Officer to ensure the adjustment is supported by justified explanation and documents.
4. Ministry of Revenue & Customs should obtain independent confirmation of petroleum volume purchased by exempt agencies such as the FISA, Tonga Power and Tonga Water Board to verify the truthfulness of exempt oil presented by both Total Fiji Limited and Pacific Energy Oil.

d. Inspection of Imported Cargoes

Our observations confirmed that the imported quantities were different; the physical inspection count and the quantities originally declared on the customs clearance warrant in each were different. Table 2 below set out the difference in quantity.

The import dues and taxes tax charged on these were recalculated to account for the additional quantity and was paid by the importer.

Recommendations

5. That the Customs Inspector be more rigorous and more sceptical in inspecting imported goods against the declaration form to avoid any tax shortfall and loss of revenue to government.

e. Instalments

Importers are allowed to pay their import tax by instalments, subject to payment arrangements entered into with the MoRC. The register of importers with outstanding import tax liabilities are maintained in an excel spreadsheets in the office. There are a total of 404 importers with instalment payments with a total outstanding instalments of TOP\$2,659,801.

i. Long outstanding Instalments

There are 118 importers with outstanding instalments balance whose balance should have been paid in full during 2013, 2014, 2015 and 2016.

The review of the instalment register noted these long outstanding instalments with more than 7 years and there have been no demand letter served at all. The MoRC official has only followed-up these importers via telephone.

The implication of long outstanding tax remaining unpaid to the MoRC is these becoming bad debts and prompting the Ministry to consider writing off these. This will result significant revenue loss to the Government, further impacting its cash flows.

Recommendations

6. That the responsible division of the Ministry to immediately commence serving these long outstanding instalments demand letters and continue with recovery process until the outstanding tax are settled.

ii. Incorrect Instalment Balance

There are a number of importers whose balance shown as NIL, however from our review of the repayment schedule it is found the repayment amount is below total tax liabilities indicating these importers have not settled their outstanding balance.

Recommendations

7. That the Senior Officer of the Division responsible for instalments review the registry regularly to ensure that instalment balance of importers are correctly updated at all times.

f. Penalty

The penalty fees picked up by the Post Clearance Audit (PCA) are related to incorrect tariff code or wrong declaration of goods. The penalties are calculated and issued however, the actual penalty send to the broker/importer is significantly lower that the calculated penalties.

Comments from the Ministry

The original penalty calculated is sometimes significantly larger than the actual tax shortfall from the incorrect tariff code being applied, so sometimes it is harsh to impose a penalty that is significantly larger than what the actual tax that should have been paid.

g. Dishonoured Cheque

Bounced cheques from the Ministry of Finance relating to payments of import taxes and taxes. Total bounced cheques not yet recovered amounted to TOP\$179,907.88. These bounced cheques largely related to personal cheques of businesses.

Recommendations

8. That the Ministry to immediately ceased accepting personal cheques as payment for custom taxes. Any form of cheques should be a bank cheque to ensure that sufficient fund is in the importer's bank accounts and so as to avoid further complications in chasing importers to recover bounced cheque payment.

3.3.53 Ministry of Revenue & Customs – Inland Revenue Department, Vava'u Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No fixed assets register	action taken
Log book not properly updated	action taken
Independent checking of log book	No action taken

2. Inward Cash

a. Cash Count

Cash count of cash on hand on 6th April 2021 totalled to \$730.70. However, audit confirmed \$725.75 were receipted with a shortage of \$4.95 on the receipts not yet paid to Bank/Treasury due to change in paying duties.

3. Expenditure

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

3.3.54 Ministry of Revenue & Customs – Customs Department, Vava'u Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Fixed Asset Register not update	No action taken
Payment vouchers not filed	action taken
Contracts for Daily Labourers not maintained	action taken
Transfer of Assets without document approval	Improvement made and we recommend for future transfer of vehicles needs approval from GADC

2. Inward Cash

Cash Count

Audit confirmed cash on handheld on 6th April 2021 already receipted but not yet paid to Bank/Treasury with shortage of \$4.95 due to change in paying duties. Thus, the Branch was advised to receipt the shortage and paid-in to Bank/Treasury on their next pay-in.

3. Expenditure

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

3.3.55 Ministry of Revenue & Customs – Ha'apai Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No fixed assets register	action taken and noted to update all the Branch's assets at all times

2. Revenue Sources

Revenue arrears

Audit concerned with the amount of revenue arrears totalled to \$218,030.89.

Recommendations

1. That a work plan should be formulated by the Branch to recover these outstanding arrears.
2. That the Officer-in-Charge should submit a monthly report on revenue arrears to the MoF as required by section 77 of the Treasury Instructions 2010.
3. That the monthly report shall be reviewed by the Accountable Officer and submitted a copy to the CEO for Finance and the Auditor General no later than the 10th of the month following.

3.3.56 Ministry of Revenue & Customs - 'Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No independent checking	Resolved
Late banking	Audit appreciate the efforts put into this issue
Incorrect details posted to cash book	No action taken
Incorrect receipt date recorded in cash book	No action taken
Incomplete checking by Sub-Treasury	Resolved
Revenue in arrears – no register maintained by the branch	Resolved
Tax returns not properly filed	Resolved
No fixed asset register in place	Resolved

2. Inward Cash

a. Cash deposit shortage

Audit noted that revenue collected on the 18th December 2020 amounted to \$3,351.57 however, only \$3,343.16 deposited leaving \$8.41 to be unaccounted for.

Recommendations

1. That a formal warning should be issued for this responsible officer by the Head of the Ministry. Any repetition of such act should be subject to serious disciplinary.

b. Incorrect recording of receipts onto the cash book

Irregularities between the receipt books and cash book still occurs even though they were raised in the last audit report. Eight receipts were entered to a different revenue source in the cash book from the actual source that was receipted for.

Recommendations

2. That the responsible officer shall ensure that all receipts issued for revenue collection shall be correctly entered into the cash book.
3. That independent checking of cash and cash records ensure that all cash records agreed and are accurate.

3. Assets

No new asset acquired however Audit appreciate the established of the Fixed Assets Register.

3.3.57 Ministry of Police – Vava'u Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Arrears of revenue	Issue still remain unresolved
Revenue Register	Issue still remain unresolved
Proper updating of the vehicle log book	action taken
Independent checking of log book	Issue still remain unresolved

3.3.58 Ministry of Police – ‘Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Issue has been resolved
Short banking	Issue has been resolved
Incorrect receipt date recorded in the Cash Book	Issue still remain unresolved

2. Inward Cash

a. Incorrect receipt date recorded in the Cash Book

Audit identified postings which the receipt date in Cash Book difference from date in the receipt book

<i>Recommendations</i>
1. The revenue collector to discontinue posting incorrect receipt dates to the Cash Book
2. That the OIC ensures that this practice is discontinued during his independent checking.

3.3.59 Ministry of Police – Niuatoputapu Branch

Period Covered: July 2019 – May 2021 (23 months)

1. Inward Cash

a. Independent checking

Audit noted that independent checking of banking's was no properly done by Senior Officer at Niuatoputapu Branch.

<i>Recommendations</i>
1. That proper checking of pay-in by a Senior Officer in the Branch at all times.
2. That the Senior Officer responsible for the independent checking of pay-in is to monitor and check the clerk of all bankings before and after.

b. Expenditure

No copies of payment vouchers

There were no copies of payment vouchers maintained in this Branch.

<i>Recommendations</i>
3. That there should be a copies of all payment vouchers and supporting documents file in this Branch
4. That OIC will ensure all financial records are properly file and available when requested.

2. Assets

There is no fixed asset register maintained at the Niuatoputapu Branch

<i>Recommendations</i>
5. That the accountable officer shall establish the Fixed Asset Register for Ministry of Police- Niuatoputapu in the format required by Treasury Instructions 2020, section 73(3)
6. That the OIC ensure that the fixed asset is completely updated at all times.

3.3.60 Ministry of Police & Fire Services – ‘Ha’apai Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
No revenue register	action taken
Utility bills of three residential police quarters was paid from the Ministry vote	action taken

2. Revenue Source

a. Revenue arrears

Audit concerned with the revenue arrears for Liquor and Gun Licenses.

<i>Recommendations</i>
1. That the Ministry commence appropriate action to recover these outstanding arrears, by following up with businesses and individuals to renew their licenses.
2. That the OIC should submit a monthly report on revenue arrears to the Ministry of Finance as required by section 77 of the Treasury Instructions 2010.
3. That the monthly report shall be reviewed by the Accountable Officer and submitted a copy to the Secretary and the Auditor General no later than the 10 th of the month following.

3.3.61 Ministry of Police & Fire Services – “Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Purchase order not signed approval and 1 payment voucher was not certified correct	action taken
Fifty eight payment vouchers were missing	action taken
Vote book reconciliation with Sub-Treasury was not done	action taken
Fixed asset register not in format prescribed by the Treasury Instructions	Issue still remain unresolved

2. Fixed Asset

a. Non-compliance with Fixed Asset Register format

The Branch did not maintain or updated a register of its assets to the format required by Treasury Instructions 2020, section 73(3).

<i>Recommendations</i>
1. That the accountable officer shall establish the Fixed Asset Register for Tonga Fire and Emergency Services-‘Eua Branch in the format required by Treasury Instructions 2020, section 73(3).
2. That the OIC ensure that the fixed asset is completely updated at all times.

3.3.62 Ministry of Fisheries – Vava’u Branch Period Covered: March 2019 – March 2021 (25 months)

1. Inward Cash

a. Cash Count

Audit found there were cash on hand on 6th April 2021. A variance of TOP\$1.80 between total unbanked receipts and total un-deposited funds was noted which was due to cash float for change.

2. Revenue Sources

a. Fishing license issued without valid documentations

Audit noted three (3) vessels which were issued with a fishing license but critical documentation was either not on file or expired.

Recommendations

1. That the Responsible Officer should ensure that before a fishing license is issued, these critical documents are renewed and updated before the fishing license is approved.

Branch's response

The branch had overlooked this issue to inform the vessel owner to renew these licenses before the fishing license was issued, however, it is still a must for these licenses to be valid at all times. In addition, the Ministry had also started a new initiative to work closed with MEIDECC and Marine & Ports to ensure the duration and expiry period for both radio and survey certificate will all be renewed at the same time.

3.3.63 Ministry of Fisheries – Ha'apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Misclassification of revenue to T-9 deposit slips	action taken
Fixed Assets Register was not updated	action taken

2. Inward Cash**a. Independent checking of deposit of revenue collected not properly carried out**

Audit noted that independent checking of banking was no properly done by the Senior Officer of the branch.

Recommendations

1. That the Senior Officer of the Branch performs independent checking at all times to ensure revenue is accurately and completely collected and deposited. The Senior Officer should sign relevant documents as evidence that independent checking has been performed.

3. Expenditures**a. Independent checking of Vote Book not appropriately carried out**

Audit noted that independent checking of the Branch's vote book was not properly done by the Senior Officer of the Branch.

Recommendations

2. That the responsible Senior Officer regularly checks the vote book to ensure it is accurate and complete and signs vote book as evidence that checking has been completed.

b. No register for goods ordered.**Recommendations**

3. That Supervisor of Account should ensure there is a register for goods order.
4. All goods ordered should be accounted for in the register and physical count them on a regular basis.

c. Payment vouchers not found**Recommendations**

5. That OIC is responsible for ensuring safe and secure storage of all the Branch's financial and valuable documents to ensure they are completely accessible for independent internal and external review, as they arise.
6. That the Ministry should find these missing payment vouchers immediately.

3.3.64 Ministry of Fisheries – ‘Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Payment vouchers not filed by the Branch	action taken
Expenses incurred before approval	action taken
Payment of expenses incurred in previous financial period	action taken
No monthly reconciliation of vote book with Treasury vote book	action taken
Asset register not in-compliance with format prescribed in the Treasury Instructions	action taken

2. Assets

a. Missing assets/No asset disposal records

Audit confirmed some of the assets are missing.

Recommendations
1. That the OIC to submit to Audit the transferring letter and confirmation of these assets.
2. That OIC Branch keeps and maintains any records (disposal request forms and disposal approvals) and any other related official documents for recording purposes, relating to any and all disposals of government assets.
3. That appropriate actions should be carried out to recover these stated missing assets.

3.3.65 Ministry of Fisheries – Niuatoputapu Branch

Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

a. Vouchers not properly filed

Payment vouchers filed without supporting documents such as invoice.

Recommendations
1. That in absent of invoice, the vouchers should contain details for all payment made so that no referred to documents that are not available for audit.

b. No register for goods order

There is no register maintained for all goods ordered and paid for from this Branch vote.

Recommendations
2. That a register for goods order should be created to records account for all goods ordered and paid for.
3. Audit will follow this matter on our next audit visit.

2. Fixed Assets

Audit found no fixed asset register maintained at the Niuatoputapu Branch

Recommendations
4. That the accountable officer shall establish the Fixed Asset Register for Ministry of Fisheries-Niuatoputapu in the format required by Treasury Instructions 2020, section 73(3)
5. That the OIC ensure that the fixed asset is completely updated at all times.

3.3.66 Statistics Department – ‘Eua Branch Period Covered: March 2019 – March 2021 (25 months)

1. Fixed Asset

a. No proper inter-departmental transfer of assets

The assets of ‘Eua Branch were not acquired through their vote but transferred only from Nuku’alofa Head Office. There was no document such as agreement in writing by the accountable officers for the transfer of such assets as required by Treasury Instructions 2020, section 82(1)

Recommendations

1. That the Head of the Department ensure that any transfer of assets is properly processed in accordance with the Treasury Instructions 2020, section 82(1) and (2).

3.3.67 Statistics Department – Niuatoputapu Branch Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

a. Vouchers not properly filed

There were payment vouchers files but without supporting documents such as invoice.

Recommendations

1. That in absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

b. Vote book reconciliation

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

Recommendations

2. That the responsible officer shall reconcile their vote book with Sub-Treasury vote records on a monthly basis.
3. That the OIC ensure that the vote reconciliation is carried out on a monthly basis.

c. No register for Goods ordered

Recommendations

4. That a register for goods order should be created to records account for all goods ordered and paid for.

3.3.68 Ministry of Health – Vava’u Branch Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Log Book – vehicle not registered	action taken

The audit was reported on 28th May, 2021 that the financial operation of the Vava’u Branch was satisfactorily carried out with no audit issue raised.

3.3.69 Ministry of Health – Ha’apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	action taken
Cancelled receipts not filed together with the original copies	action taken
No revenue register	Issue still outstanding
Fixed asset register not properly updated	Issue still outstanding

2. Revenue sources

Audit found that revenue collected were properly recorded and accurately charged.

<i>Recommendations</i>
1. That the Branch should ensure that a register of revenue is established and that revenue are recorded into the register. This will ensure that revenue are properly accounted for.

3. Expenditures

a. Missing ration

Audit found based on the review of the register and stock-taking that some ration were missing from the hospital kitchen.

<i>Recommendations</i>
2. That a severe warning be issued to the Branch in Ha’apai especially to the supervisor in the kitchen that any future discrepancies identified in future will result in disciplinary actions.
3. That a review and stock-take of both the rations and the kitchen register is carried out on a regular basis, by a senior officer independent of the kitchen staff.

4. Fixed Asset

There was no fixed asset register maintained in the branch to record the Branch’s assets.

<i>Recommendations</i>
4. That the Branch should ensure that a fixed asset register is established and that all assets of the Branch are completely recorded in the register and is to be updated at all times to account for new addition.

3.3.70 Ministry of Health – ‘Eua Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Late banking	Issue still outstanding
Independent checking not properly done	action taken
No vote book reconciliation	Issue still outstanding
Fixed asset register was not update	Issue still outstanding
Incomplete recording and maintain the log books	Issue still outstanding

2. Inward Cash

a. Late banking

Audit identified repetitions of late banking during the audited period. The number of days which the banking was late, varies from 1 to 14 days.

Recommendations

1. That responsible officer shall ensure that all revenue collected is banked daily.
2. That the OIC for Ministry of Health – ‘Eua Branch to ensure that the Branch’s complies with requirements of Treasury Instructions 2020 related to receipt of revenue.

3. Expenditures

a. Missing payment vouchers

Recommendations

3. That the responsible officer ensure that all payment vouchers are properly filed at the Office.
4. That the OIC ensures that there is a filing system in place to enforce the properly filing of payment vouchers.

b. Vote book reconciliation

Monthly vote book reconciliation with Sub-Treasury ‘Eua was not carried out throughout the audited period.

Recommendations

5. That the responsible officer shall reconcile their vote book with Sub-Treasury vote records on a monthly basis.
6. That the OIC ensures that the vote reconciliation is carried out on a monthly basis

4. Fixed Asset

a. Non-compliance with Fixed Assets Register format

There was no action remedied for this matter. The Branch still not yet maintain and updated a register of its assets during the audited period.

Recommendations

7. That the accountable officer shall establish the Fixed Assets Register for the Niu’eiki Hospital- ‘Eua in the format required by Treasury Instructions 2020, section 73(3).
8. That the OIC ensure that the fixed Asset is completely updated at all times.

5. Log Books

a. Incomplete recording of Log Book

Vehicle P1615’s logbook started from February 2019 to May 2019 then it skipped to October 2019 to March 2020. Referring to the log books they were not properly updated and two (2) vehicles, P1844 and P1609 were both have no log book. There was no senior officer reviewed and signed on any log books, P.1211; P.1594; P.1615; P.1844 and P.1609.

Recommendations

9. That all responsible drivers keep a log book for each government vehicles under the care of the Ministry of Health-‘Eua Branch.
10. That the OIC in Niu’eiki Hospital ensure that the Branch follow the requirements of Treasury Instructions 2020 and Public Service Policy & Instructions 2010.

3.3.71 Ministry of Health – Niuatoputapu Branch

Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

- a. There were payment vouchers files without supporting documents such as invoice.

<i>Recommendations</i>
1. That in absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

- b. **Vote book reconciliation**

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

<i>Recommendations</i>
2. That the responsible officer shall reconcile their vote book with Sub-Treasury vote records on a monthly basis.
3. That the OIC ensure that the vote reconciliation is carried out on a monthly basis.

2. Fixed Asset

There is no fixed asset register maintained at Niuatoputapu Branch.

<i>Recommendations</i>
4. That the accountable officer shall established the Fixed Asset Register for Ministry of Health – Niuatoputapu Branch in the format required by Treasury Instructions 2020, section 73(3)
5. That the OIC ensure that the Fixed Asset is completely updated at all times.

3.3.72 Ministry of Health – Niuafo'ou Branch

Period Covered: July 2019 – May 2021 (23 months)

The audit was reported on 24th August, 2021 that the financial operation of the Niuafo'ou Branch was satisfactorily carried out with no audit issue raised.

3.3.73 Ministry of Education & Training – Ha'apai Branch

Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Incomplete recorded of Log Book	Issue still outstanding and again repeated in this audit visit
Format of the Fixed Asset Register	Issue still outstanding and again repeated in this audit visit

2. Expenditure

- a. **Log book**

Log book for P.1737 was misplaced during the month of November 2020 to March 2021. Therefore, the log book is not completely recorded with no proper explanation to verify the used kilometres during this time.

<i>Recommendations</i>
1. That the responsible drivers of the Ministry's vehicles should completely record log books at all times as required by the Public Service Policy Instruction 2010 and that of the Treasury Instruction 2010.
2. That the supervisor of the account should review the log book on a regular basis.

b. Fixed Asset Registered

Audit appreciate the effort made the officers in the Branch for preparing the list of asset.

<i>Recommendations</i>
3. Supervisor should ensure that there is a complete fixed asset register. All assets should be accounted for in the register and physical count them on a regular basis.
4. Ensure that the format of the fixed asset register should be compliance with the Treasury Instructions.

3.3.74 Ministry of Education & Training – ‘Eua Branch
Period Covered: March 2019 – March 2021 (25 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
Receipting of Exam fees for ‘Eua High School on a PTA receipts book	Issue has been resolved
Purchase orders not authorized	Issue has been resolved
Not all fixed assets in the fixed assets register has corresponding cost being recorded	Confirmed improvement made

2. Log books

a. Incomplete recording of Log Book

Vehicle P1739’s logbook started from July 2017 to April 2019 then it skipped to February 2021.

<i>Recommendations</i>
1. That all responsible drivers keep a log book for each government vehicle under the care of the MoET-‘Eua Branch
2. That the Principal of ‘Eua High School ensure that the responsible officers follow the requirements of Treasury Instructions 2020 and Public Service Policy & Instructions 2010.

3.3.75 Ministry of Education & Training – Niuatoputapu Branch
Period Covered: July 2019 – May 2021 (23 months)

1. Expenditure

a. Vouchers filed without supporting documents such as invoice.

<i>Recommendations</i>
1. That in absent of invoice, the vouchers should contain details for all payment made so that no referral to documents that are not available for audit.

2. Fixed Asset

There is no fixed asset register maintained at Niuatoputapu Branch.

<i>Recommendations</i>
2. That the accountable officer shall established the Fixed Asset Register for MoET-Niuatoputapu Branch in the format required by Treasury Instructions 2020, section 73(3).
3. That the OIC ensure that the Fixed Asset is completely updated at all times.

3.3.76 Ministry of Education & Training – Niuafu’ou Branch
Period Covered: July 2019 – May 2021 (23 months)

The audit was reported on 23rd August, 2021 that the financial operation of the Niuafu’ou Branch satisfactorily carried out with no audit issue raised.

3.3.77 Ministry of Education and Training (MoET):

Update of the audit of Government Grant to Non-Government School Period Covered: 2020

These were the grants submitted and audited during the year;

<i>Schools</i>		<i>Year</i>			
		<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>
i.	ACT's Community School	40,600.00	67,900.00	50,157.33	68,800.00
ii.	'Apifo'ou college	750,500.00	910,700.00	724,856.17	618,800.00
iii.	Takuilau College	322,700.00	298,200.00	290,287.17	237,400.00
iv.	St Peter Chanel College		210,000.00	171,429.18	154,560.00
v.	St Joseph Community College	51,000.00	53,200.00	45,711.90	53,200.00
vi.	St Andrew High School	214,200.00	294,000.00	201,155.08	151,760.00
vii.	Ocean of Light International School	88,900.00	128,800.00	117,600.00	85,680.00
viii.	Tokaikolo Christian Schools	153,900.00	129,400.00	112,516.30	111,438.74
ix.	Maama'anga Christian College	30,800.00	32,900.00	34,898.20	38,562.00
x.	'Ofamo'oni College	7,700.00	16,800.00	9,902.00	13,539.60
xi.	Tupou College, Toloa		587,200.00	637,829.89	731,696.00
xii.	Queen Salote College		724,500.00	630,300.34	718,409.00
xiii.	Tupou High School: All Campuses		452,200.00	333,335.28	301,178.00
xiv.	Taufa'ahau Pilolevu College		100,000.00	59,163.69	91,700.00
xv.	Tupouto'a College		37,100.00	32,081.06	23,210.00
xvi.	Hofangahau College		124,700.00	98,094.96	88,604.00
xvii.	Vaini Middle School		22,400.00	19,440.06	18,247.00
xviii.	Houma Middle School		19,600.00	14,839.75	5,999.00
xix.	Peteli Middle School		18,200.00	15,394.65	9,800.00
xx.	Mo'unga'olive College		33,900.00	22,093.56	35,700.00
xxi.	Maamaloa Side School		34,700.00	29,400.00	23,100.00
xxii.	Mailefihi Siu'ilikutapu College		145,600.00	139,467.97	151,481.00
xxiii.	Tailulu College: Tongatapu	495,300.00	597,100.00	648,900.00	477,349.00
xxiv.	Tailulu College: Vava'u	146,300.00	165,200.00	156,100.00	132,358.00
xxv.	Tailulu College: Ha'apai	47,900.00	46,900.00	44,507.76	40,213.00
xxvi.	Beulah Adventist College	171,900.00	203,700.00	-	-
xxvii.	Mizpah College	67,900.00	78,400.00	-	-
xxviii.	Hilliard Memorial School	51,800.00	57,400.00	-	-

TVET Grants paid from Treasury to Schools

Schools	Year		
	2019	2020	2021
i. Monfort Technical Institute	-	37,200.00	55,800.00
ii. Hango Agricultural College	-	6,600.00	21,600.00
iii. Pouono Technical Institute	60,600.00	20,400.00	34,800.00
iv. Tupou Tertiary Institute	425,400.00	232,200.00	246,000.00
v. Vou Fashion	24,600.00	23,400.00	45,600.00

3.3.78 Tonga Consulate General's Office, San Francisco, United States of America Period Covered: July 2019 – October 2022 (40 months)

1. Follow-up Issues

We follow-up issues that were raised in our previous audit report and very well noted and confirmed improvement made except for the following issues whom hereby repeated.

a. Full deposit of money received to the Bank

During the period of 40 months covered by this audit, revenues were all deposited to the bank except for two (2) receipts totaled to US\$230.00 in July 2020. It was not identified until the conducting of this audit.

There were few discrepancies occurred in posting of receipts to the Cash Book. In compiling those discrepancies occurred with two receipts above, and the net variance is a shortage of USD\$206, which the Revenue Collector recover in Receipt No.715790 dated 29th November, 2022. Audit noted that the control activity of independent checking by the Acting Consular General of money received and deposited to the Bank is the only control measure that should have timely detected the short deposits.

Recommendations (repeat)

1. That the Acting Consul General is to ensure that independent checking of cash and cash records is conducted before and after every banking

Consulate's response

Agreed.

b. Actuals vs. Budgets

Audit found in the last two financial years, total actuals has been exceeded over budget. The increases of 14% in 2020/21 and 30% in 2021/22. The key vote items that caused these increases are the (i) 1101-wages; (ii) 1470-medical insurance (personnel).

Recommendations

2. That the Consulate with the assistance of the Ministry (Head Office) are to carry out the appropriate compliance procedures if it would spend over and above its budget allocation for the year, at both line items' level and total budget allocation level.

c. Expenses to be charged to the appropriate vote

Audit confirmed new vote line item: code 1470 Insurance (personal) established and provided for Consular General's Office's budget 2021/22, TOP\$112,500 and the current financial year 2022/23, TOP\$112,500. Hence, the medical insurance and expenses of the Consulate's employees are charged to this line item instead of previously charged to line item 1425 Insurance (property). Hence, this issue has been resolved.

Notwithstanding, I am of strong opinion that this is part of the staff allowances and benefits and not reimbursable expense of the Consulate. It is hereby noted that some of the Acting Consular General's medical expenses are charged to vote line item code 1003, "Other Allowances", whereas the rest and the staff medical insurance and expenses are charged to line item 1470.

Recommendations

3. That the staff (and their dependent) medical insurance and expenses are to be appropriately considered and be charged as staff allowances, (other benefits), instead.

d. Salaries and wages register.

Salary and Wage Register is yet to be established.

Recommendations

4. Thus, I hereby repeat the recommendation once again, to establish and maintain a Salary and Wage Register.

e. Supporting documents for reimbursements

The issue which is once again raised here is: for ease of independent checking of the payment vouchers and the completeness of the attached supporting documents, it would be appreciated if all the reimbursements were attached to a detailed outline of the supporting receipts that are attached.

Recommendations

5. That the Consulate Office is to ensure that an outline is attached to the reimbursement vouchers.

2. Bank Reconciliation

Audit reviewed and confirmed bank reconciliation at the end of September 2022 and found long outstanding transactions amounted to \$886.98.

Recommendations

6. That the long outstanding unpresented cheques and small discrepancies be adjusted back in order to be cleared out from being carried forward in the monthly bank reconciliations.

3. Overall conclusion

The records of the Office are complete. Bank reconciliations were carried out on a monthly basis. Contributions to the Retirement Fund were in order. However, audit identified critical areas that the Office will need to improve; the regular and full deposit to the bank all revenue from passport fees and charges and to carry out independent checking of all money it receives and deposits. The consulate is to also manage its expenditures to be in compliance with the approved budget for the year.

3.3.79 Tonga Consular Agency, Honolulu, Hawaii

Period Covered: July 2019 – October 2022 (40 months)

1. Follow-up Issues

We follow-up issues that were raised in our previous audit report and very well noted and confirmed improvement made to some of the issues raised except for the following issues whom hereby repeated.

a. The Consular Agent's medical insurance

The Agent's medical insurance premium was charged to the vote line item, code 1425, "insurance of property". However, it is now charged to a more appropriate vote line item, code 1470, "insurance (personnel)".

Notwithstanding, I hereby repeat my view and comments on similar expenditure item re Consular General Office, San Francisco. I am of the strong opinion that this is part of the staff allowances and benefits, vote line item code 1003, and not reimbursable expense of the Agent.

Recommendations (repeat)

1. That the Agent's medical insurance and expenses are to be appropriately considered and be charged as staff allowances, (other benefits), instead.

b. Salaries and Other Allowances

i. Short payments of the Agent's Allowances

Consular Agent short-paid her monthly allowances throughout the financial year 2020-21 as one of the tactics for managing the level of her cash flow. It has been confirmed that the total amount of short-paid allowances was \$4,500 for the financial year 2020-21.

The sundry of \$28.75 was an over-deposit: receipt No.551416 of 25th February 2020, amounted \$86.25 for "accept 5 year passport application" was mistakenly posted to the Cash Book and deposited to the bank as \$115.00.

Recommendations

2. That the Consular Agent, in the current financial year 2022-23, be allowed to reimburse back her short paid allowances during 2020-21 totalled \$4,500, as well as the over deposit of \$28.75 in February 2020. Total amount of \$4,528.75 to reimburse back to the Consular Agent in this current financial year, 2022-23.

ii. Consular Agent's PAYE Tax (Repeat)

This is just a reminder of our opinion raised in our previous audits. Because the Agent is paying the US domestic taxes applicable to her employment income as the Consular Agent, which is about 38.32% of her salary; the unique situation of the Agent's paying PAYE tax be considered in the current review of her salary and other benefits.

2. Overall conclusion

The financial records are completely maintained and filed. Cash receipts and payments are completely accounted for and charged to correct revenue heads and vote line items. Bank reconciliation is carried out on a monthly basis. And the fixed assets register is complete and up-date.

Overall, Audit acknowledge with much appreciation the complete and well-ordered keeping of the Agency's records.

3.3.80 Tonga Permanent Mission to the United Nations, New York, United States of America

Period Covered: July 2019 – October 2022 (40 months)

1. Follow-up Issues

Issues raised in previous year	Current Issue
<i>Salaries & wages and allowances</i> <ul style="list-style-type: none">• There were times that paying of staff salaries and wages were deferred as a management tactic in managing the Missions cash flow.• Key record of salary & wages register established and maintained.• Long delays in payment of acting allowances.	<ul style="list-style-type: none">• Issue still unresolved• Issue resolved.• Issue resolved
<i>Mission's staff retirement fund contributions</i> <ul style="list-style-type: none">• All the Mission's staff were not all member of the Retirement Fund Board (RFB) and thus not contribute to their retirement fund. In particular, the Ambassador was not member of the RFB at the time.• That the exercise for settlement of the arrears of retirement contribution of the Ambassador and the Second Secretary of the Mission be completed soon so that they receive the benefits that supposed to have been received in their respective retirement funds accounts.	<ul style="list-style-type: none">• Appropriate action taken.• Work still in-progress

<i>Management of staff leave</i> <ul style="list-style-type: none"> The carried forward of staff annual leave for over two years, usually paid as the staff term is completed and also, the Mission still used the old basis on vacation leave no annual leave 	<ul style="list-style-type: none"> Appropriate action taken
<i>Bank charges, interest and dividend</i> <ul style="list-style-type: none"> The bank charges, interest and dividend had not been posted into the Cash Receipts Journal, Cash Payments Journal and Vote book. 	<ul style="list-style-type: none"> Issue resolved
<i>Actual vs. Budget:</i> expenditures sometimes exceeded budget, for both line items and overall budget for the financial year. <ul style="list-style-type: none"> The Mission is to closely monitor its budget and to timely inform the Secretary for Foreign Affairs and Ministry of Finance regarding any need for transfer within and/or additional funds for its total allocated budget. 	<ul style="list-style-type: none"> Issue still outstanding and hereby repeated
<i>Bank Reconciliation</i> <ul style="list-style-type: none"> That the Mission to have appropriate procedures in place for unrepresented cheques; to timely follow-up with the related suppliers, which will allow the Mission to resolve the issue of unrepresented to the bank, including adjusting journal entries where applicable and to update the financial records and reports 	<ul style="list-style-type: none"> Issue still outstanding and hereby repeated
<i>Fixed Assets Register</i> <ul style="list-style-type: none"> That the Fixed Assets Register be completely updated at all times 	<ul style="list-style-type: none"> Issue still outstanding and hereby repeated
<i>Motor Vehicle</i> <ul style="list-style-type: none"> That the report of road accident of the Mission's leased motor vehicle be prepared and submitted and appropriate remedial actions be timely decided and carried out in relation to who is responsible for the costs involved in compliance with the Treasury Instructions 2020 	<ul style="list-style-type: none"> Issue still outstanding and hereby repeated
<i>Completeness of Financial Records</i> <ul style="list-style-type: none"> That the Mission ensures that all expenditure vouchers are authorized by the signature of the Ambassador as Head of the Mission 	<ul style="list-style-type: none"> Issue still outstanding

2. Expenses paid on behalf of other Ministries/Civil Servants, subject to refund back to the Mission

The Mission often met expenditure on behalf of other Ministries and/or senior officials with the agreement that they are to pay back the Mission within a reasonable time. However, we confirmed that the Mission has not been paid back for all payments it has made in this manner.

From the Mission's Register, two officers are currently having debt to reimburse.

<i>Recommendations</i>
<ol style="list-style-type: none"> That the two officers with debt to public funds mentioned are to reimburse back their debt to the Mission immediately. That the Mission ensures that expenditures it paid for on behalf of other Ministries and/or civil servants be within the acceptable accounting practices of Government. That the Mission continue to maintain the complete register of all payments it makes on behalf of other ministries and/or civil servants and the corresponding refunds it has received. This record would facilitate the follow-up and collection of all outstanding refunds.

3. Overall Conclusion

Audit witness improvements to the financial management and control of the Mission from the positions of the previous audit. It has established a Fixed Assets Register and a Salary and Wages Register which are fundamental records to be maintained. However, we have repeat recommendations which would enhance the level of compliance with appropriate managing the level of potential risks if occurred.

3.3.81 Special Audits

1. *Ministry of Finance – Sub-Treasury Niuaotoputapu* *Audit period: 1st July 2021 to 20th July 2022*

Audit received a request from the CEO for Finance on 21st July 2022 for a special audit of Niuaotoputapu Sub-Treasury.

We completed and reported this special request on 2nd November to the CEO for Finance, the net amount of shortage totalled to \$7,677.28 was due to miss-posting and reckless maintaining of the Cash Books and ineffective review and independent checking by the Sub-Treasurer, Niuaotoputapu.

Recommendations

Chief Executive Officer for Finance:

1. That the financial statement on pages 7 to 10 is to be noted as the complete Statement of Receipts and Payments of the Niuaotoputapu Sub-Treasury for the period 1st July 2021 to 18th July, 2022. The net result is a shortage of \$7,677.28, a loss of public funds which is a very serious breach of fiduciary duty by the accountable officer/s. Hereby, submit for your appropriate and immediate consideration and actions.

2. *Conduct Independent Audit spot check to confirm issues alleged against Chairperson of the Boards: TPL, TWB, WAL, and TGL*

Audit received a request on 13th December 2021 from the Minister for Public Enterprises at the time requesting the special “spot check” to confirm issues alleged against Chairperson of the Boards.

We completed and reported this Independent Audit spot check to the Minister of Public Enterprise on 31st January, 2022.

3. *Cash Grant Agreement between the Government of Tonga and the Tonga Sports Council, Number TSC001/2019*

Audit received a letter on 27th March 2020, Ref No.3G/273 from the CEO for Finance requesting the special audit of the Cash Grant Agreement with the TSC.

We completed and reported on 27th May 2020 to the CEO for Finance, that the Tonga Sports Council was not in-compliance, in all materials respects, with the terms and conditions of the Cash Grant Agreement with the Government of Tonga, Number TSC001/2019.

Recommendations

1. That the financial statement on pages 5 to 12 is to be noted as the complete financial statement of the Grant to the TSC through the Agreement Number TSC001/2019, dated 5th March 2019, for the preparation of the Team Tonga to the 2019 Samoa Pacific Games.
2. That the Ministry of Finance is to submit and recommend to Cabinet the most appropriate corrective actions and accounting for the total ineligible expenditures of \$258,356.42. At the same time, that the TSC which is responsible for the ineligible expenditures is to answer to Government on all material non-compliance with the Agreement.
3. That all future Government Grants be timely monitored throughout the disbursement stage in order to avoid the recurring of this situation in the future. There was a measure in the Agreement for this effect but was not implemented and acted upon during this disbursement stage, enabled the untimely detection of the non-compliance.
4. That the Auditor General be timely informed of all Grants Agreements of Government by passing on to him the Agreement after approval and signings as well as the grant's financial statements at the end of the financial year for considering in his Annual Plan of each working year. This would certainly help with timely audit and oversight and informing of Government on an annual basis or as each Agreement concludes.

4. Audit of the Va'epopua National Park and International Golf course Project

The audit was respectfully referred to the request from the Royal Commissioner of the Royal Commission of Inquiry into the Va'epopua Sia Heulupe Complex which was conveyed to the Audit from the Prime Minister on 10th January 2020 to audit the Va'epopua National Park and International Golf Course Project. We completed and reported this audit to the Hon. Prime Minister and Royal Commission on 7th May, 2020.

CHAPTER 4: DEVELOPMENT PROJECTS

4.1 Summary

We audited eighteen (18) projects. We issued 18 unmodified audit opinions for the financial statements of the 18 projects.

We raised twelve (12) issues in our management audit reports and recommendations for the appropriate remedial actions for management to consider.

4.2 Background

All the development projects that submitted their financial statements to be audited for the financial year ended 30th 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 Climate Resilient Transport Project, (TCRT). Financial year ended 30th June, 2022

The audit of this project for the financial year ended 30th June, 2022 has been completed and we issued an unmodified audit opinion on 20th December 2022, (also an unmodified audit opinion on previous year, 2020/21 was issued on 16th December, 2021).

- ✓ All the audit adjustments raised have all been adjusted in the final accounts. The project's cash balance as of the balance day was confirmed; the existence and completeness of the project assets were also confirmed; and reminding again the importance of complying with the project's Financing Agreement.

4.3.2 The Pacific Resilience Program (PREP) Financial year ended 30th June, 2022

The audit of the PREP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 16th December, 2022.

The following issues were raised in our management report:

- ✓ Follow-up of missing assets, (1 projector and 1 mobile phone), from the previous audit – the issue has been resolved – Donor agreed to write off;
- ✓ Follow-up issue of vote reconciliation was not properly done – issue has been resolved; and
- ✓ the project's cash balances as of 30th June, 2022 were confirmed as well as the project's assets were inspected. The damaged assets were recommended to compile and refer to the Government Assets Disposal Committee for their disposal.

4.3.3 Tonga Digital Government Support Project, (TDGSP) **Financial years ended 30th June, 2022.**

The audit of the TDGSP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 31st October 2022, (also an unmodified audit opinion on previous year, 2020/21 was issued on 16th December, 2021).

There was no issue raised in our management report.

4.3.4 Tonga Renewable Energy Project, (TREP) **Financial year ended 30th June, 2022**

The audit for the TREP for the financial year ended 30th June, 2022 was been completed and we issued an unqualified audit opinion on 20th December 2022, (also an unmodified audit opinion on previous year, 2020/21 was issued on 26th November, 2021).

The issues raised in our management report were as follows:

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

4.3.5 Transport Project Development Facility, (TPDF). **Financial year ended 30th June, 2022.**

The audit of the TPDF for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 27th October 2022, (also an unmodified audit opinion on previous year, 2020/21 was issued on 26th October, 2021).

There was no issue raised in our management report.

4.3.6 Outer Islands Renewable Energy Project, (OIREP) **Financial year ended 30th June, 2022**

The audit of the OIREP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 20th December 2022 (also an unmodified audit opinion on previous year, 2020/21 was issued on 26th November, 2021).

The issues raised in our management report were as follows:

- ✓ No PAYE tax deductions for the Project Management Unit's local consultants.
We recommended that PMU staff are to meet their tax obligations and comply with the Income Tax Act.
- ✓ Irregularities in accounting for the Tonga Power Limited's contributions to the project; (i) inconsistencies in accounting for the exemption of consumption tax, (ii) inconsistencies in the calculations of travel allowances of TPL staff; and (iii) inconsistencies in accounting for cash basis transactions and reporting.
We recommended that TPL Project Accountant ensure that correct amounts are reported as evidence by the supporting documents and any amendment must be completely documented and filed.

4.3.7 Statistical Innovation and Capacity Building in Tonga Project, (SICBTP). Financial years ended 30th June, 2022.

The audit of the SICBTP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 20th December 2022, (also an unmodified audit opinion on previous year, 2020/21 was issued on 17th December, 2021).

There was no issue raised in our management report.

4.3.8 Integrated Urban Resilience Sector Project, (IURSP). Financial years ended 30th June, 2022.

The audit of the IURSP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 16th December, 2022.

There was no issue raised in our management report.

4.3.9 Tonga Safe Resilient School Project, (TSRSP). Financial years ended 30th June, 2022.

The audit of the TSRSP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 9th December, 2022.

There was no issue raised in our management report.

4.3.10 Pathway to Sustainable Oceans Project, (PSOP). Financial year ended 30th June, 2022

The audit of PSOP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 20th November 2022 (also an unmodified audit opinion on previous year, 2020/21 was issued on 16th December, 2021).

There was no issue raised in our management report.

4.3.11 Skills and Employments for Tongans, (SET), Project. Financial year ended 30th June, 2022

The audit of SET for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 20th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 3rd May 2022).

The issues raised in our management report were as follows:

- ✓ Follow-up issue of missing assets, 3 Galaxy Note 10 mobile phones purchased by the project; two were recovered but one still yet to be located.

Project's Management Response:

The case was referred to Ministry of Education and Training, MET, and is now in the process of MET referral to the Police.

- ✓ Incomplete records of the project kept by the project management.
We recommended that management is to ensure the complete records of the project in accordance with section 2.3 of the Project Operation Manual, (POM), be kept and filed, fully comply with the POM.

Project Management Response:

Confirmed that missing files are not located, and some were not collected from the schools. Going forward, the team will collect monthly attendance from schools.

4.3.12 Nuku'alofa Network Upgrade Project, (NNUP). Financial year ended 30th June, 2022

The audit of TSCP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 20th December, 2022.

The issues raised in our management report were as follows:

- ✓ Ineligible expenditure of beer, (10 boxes), and wine, (5 boxes), risk of reimbursement. We recommended that such expenditure is to be firstly confirmed its eligibility with the donor before it is processed.

Project Management Response:

This is for the celebration of the completion of NNUP Area 2 ... marking this great achievement.

- ✓ No Attendance record of the lineman works. We recommended that a feasible record be established and maintained since while the complication is acknowledged, there is still a need for attendance to be recorded fully to prevent the risk of misappropriation from inflating the hours worked, and be approved by the supervisor/manager before the payroll is processed.

Project Management Response:

"...Due to the complication of start and finishing time of the project's staff ..., HR and project management agree for the project supervisor and co-ordinator to monitor staff attendance.

4.3.13 Systems Strengthening for Effective Coverage of New Vaccines in the Pacific, (SSECNV). Financial years ended 30th June, 2022.

The audit for the SICBTP for the financial period of 22 months ended 30th June, 2021 was completed and we issued an unmodified audit opinion on 11th July, 2022.

There was no issue raised on this project.

4.3.14 Nuku'alofa Urban Development Sector Project (NUDSP) Financial year ended 30th June, 2020

The audit of NUDSP for the financial year ended 30th June, 2020 was completed and we issued an unmodified audit opinion on 20th December, 2022.

There was no issue raised on this project.

4.3.15 Volcanic Eruption Emergency Response Project, (VEERP). For the period of 5th February to 30th November 2022

The audit of the VEERP for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 24th January, 2023.

There was no issue raised in our management report.

4.3.16 Grant NO. IDA V196 – TO: Programmatic Preparation Advance. Financial year ended 30th June, 2022.

The audit of the above mentioned Grant for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 20th December, 2022.

There was no issue raised in our management report.

4.3.17 Introducing E-Government Through Digital Health Project Financial year ended 30th June, 2021

The audit of the above project for the financial year 2020/21 was completed and we issued an unmodified audit opinion on 9th December, 2021.

There was no issue raised in our management report.

4.3.18 Outer Islands Solar Electrification Society Project Financial period ended 31st May, 2021

The audit of the above project for the financial period ended 31st May, 2021 was completed and we issued an unmodified audit opinion on 27th August, 2021.

There was no issue raised in our management report.

CHAPTER 5: PUBLIC ENTERPRISES

5.1 Summary

We carried out fourteen (14) financial statements audits, and one (1) special audits. We issued thirteen (13) unmodified and one (1) modified audit opinions. We raised 180 issues in our management audit reports as well as recommendations for the appropriate remedial actions.

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 the Ministry of Finance.

5.3 Audit Findings and Recommendations

5.3.1 Tonga Broadcasting Commission (TBC) 2021-22

The audit of the Tonga Broadcasting Commission for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 9th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 30th December, 2021).

The issues raised in our management report were as follows:

1. Follow-up issues: 30 June 2022

1.1 Internet live stream revenue register

Issue has been resolved.

1.2 Consumption Tax

Issue still outstanding and again repeated.

1.3 Income tax on employment benefits

Issue is still outstanding and again repeated.

1.4 Long outstanding unpresented cheques

The issue has been resolved.

1.5 Long outstanding receivables

Issue is still outstanding and again repeated.

1.6 Management of annual leave

Action taken by the TBC management.

1.7 Negative balance customer

The issue has been resolved.

1.8 Doubtful debt

Issue still outstanding

1.9 Incorrect capitalization of transaction

Issue has been resolved.

1.10 Stock

Issue still outstanding, however significant improvements has been made.

2. Consumption Tax (CT) Payable on Livestream revenue

Since October 2021 onwards, TBC has charged CT to their Internet Live Streaming.

Recommendations

1. Management to ensure that every invoice to customers be split between CT Payable and revenue.

3. Expenditure

i. Internal checking to be more robust.

Some of the control checking of expenditures were not carried out robustly.

Recommendations

2. The Finance Manager should ensure that the internal checking of expenditures is completed and properly documented before any disbursement is made.

TBC's Management response:

Agreed

ii. Vouchers not properly filed.

Vouchers were not properly and completely filed.

Recommendations

3. The Finance Manager should completely and properly file the expenditure vouchers.

TBC's Management response:

Noted for action

iii. Misclassified expenses

Some expenditures were classified into incorrect expenditure category.

Recommendations

4. Expenditure should be recorded in their correct and approved vote head to ensure an effective monitoring of disbursement and for easier review of budget vs actuals by both management and oversight. Any such change in budget classification, management should prepare a revised budget, and this should be approved by the board of directors.

TBC's Management response:

Agreed

iv. Income Tax for employment benefits on vehicles for this financial year

Some key management employment benefits such as vehicles has yet to be included in the income tax submission when completing the IRD Form 4 income tax return.

Recommendations

5. That Tax on vehicle, on the next financial year and to fully paid to the Revenue and Customs starting from the effective date if appropriate as soon as possible as per stated on the Income Tax Public Rulings 04/2020.

TBC's Management response:

TBC has started applying tax in September 2022 and onwards for CEO & Manager Technical.

4. Trade & Other Receivables

v. Long outstanding receivables

62% of total receivables are outstanding over 90 days, which is an amount of \$612,901. Most of these receivables are the shareholder's (Government Ministries).

Recommendations

6. *It is acknowledged from TBC that collection procedure has been put in place to ensure the recovery of receivable in accordance with clause 7.1 of the Finance Policy. However, TBC needs to ensure this is properly documented and kept on file for future reference and follow-ups.*

TBC's Management response:

Noted for action

5. Inventory

vi. Variance between physical stock-take and stock records

- Variance of \$2,086.44 between the radio shop stock and the G/L figure
- Stock documents at the Sky Pacific shows available stock of \$4,659.34 although the stock count confirmed there is no physical stock in place.

Recommendations

7. *That the finance division do an investigation to confirm the variance and that it is reported to the CEO for information purpose. That regular stock-take (quarterly) be done on a selected number of samples to ensure that the actual stocks agreed with the Quickbook record at all times.*

TBC's Management response:

Agreed and adjustments have been made in updating the radio shop stock actual record and Sky stock agreed to write off in this FY 2022-23.

6. Property, plant & equipment (PPE)

Supporting documentation for one of the asset acquisitions for the year amounted to \$14,782.08 (CT & Duty for Livestream Equipment) was not available for audit.

vii. Amortization Revenue

From testing of amortization revenue, it was noted that revenue realized in profit and loss did not agree with the reduction in deferred income liability by a variance of TOP\$4,512. Appropriate adjustment has been made to the final accounts.

Recommendations

8. *Management is to ensure that all assets donated are properly updated to both, Quickbooks and the fixed asset register and then they are both reconciled to ensure they agree with each other.*

TBC's Management response:

Agree and noted the adjustment has been made.

7. Debt Security Investment

Interest receivable: there was a variance between the confirmation from the bank and the financial statement figures:

- Proper adjustment has been made to the final accounts.

Recommendations

9. *Management should ensure that interest receivable are properly reconciled with bank confirmation so that it is correctly disclosed.*

TBC's Management response:

Noted the adjustment has been made.

8. Stock

There was no physical stock timetable provided, we strongly recommend the physical stock timetable and instructions to be provided at least a week before the end of the financial year.

All cut-offs were prepared and signed by both TBC staff and Auditors. Significant issues were identified.

Physical count of inventory against their bin cards and noted that bin cards for 'TV Screen 42" showed a balance of 7 in stock but only 6 at the radio shop in Nuku'alofa. The value of 'TV Screen 42" amounted \$1,237.00 is not in stock.

Recommendations
10. <i>That management should ensure that remittance action take place to recover the amounts of 'TV Screen 42" \$1,237.00.</i>

Audit was unable to verify the amounts of stock that was transferred from TBC Office in Vava'u to Nuku'alofa Head Office.

Recommendations
11. <i>That the management should ensure that every transferred from other branches must put into writing and file properly</i>
12. <i>That management should ensure that the stocks were transferred from Vava'u must be accounted for.</i>

5.3.2. Audit Special Review on Subsidiary Loan Agreement of 1st April 2019 between the Government of Tonga and the Tonga Broadcasting Commission (TBC)

We received a request from the CEO for Tonga Broadcasting Commission on 25th May, 2021 "to audit the a \$2million that the TBC loan from the Government around 2019". Also, this was a direction from Cabinet that "The Board of Directors to submit a detailed report regarding this loan ...by 30th June, 2021. We conducted this special audit review and we issued our report to the CEO for Tonga Broadcasting Commission on 30th June, 2021.

We concluded that the TBC was not fully complied with the terms and conditions set out in the Loan Agreement based on these finding:

- ✓ TBC disbursed the fund for the activities that were not parts of the project, which funded by the Loan, hereby considered as ineligible expenditures, totaled \$500,676.91; and
- ✓ The Agreement required the TBC to promptly inform the Government of any condition which interfere with the purpose of the loan as mentioned above, but there was no evidence that TBC did inform Government.

TBC Response
1. <i>The audit team met with the CEO of the Commission, and the Finance Manager on Monday 28th June, 2021 discussing the audit findings and the views. In regards to the expenditures evaluated by the audit team as not related to the purpose of the Loan, which detailed in the list above and totaled \$1,325,897.75, the CEO explained that expenditures for the "New Building Project" and "Purchase of IT software, hardware, and motor vehicles" are essential parts of the project which covered by the Loan from Government, which totaled \$825,220.84 and reducing the ineligible expenditures to \$500,676,91.</i> <i>CEO for TBC; "My understanding with regards to the purpose of the Tonga Broadcasting Commission's \$2-million loan from the Government in 2019 is to enable the Commission to bear the cost of part of the Project Nationwide Early Warning System (NEWS). As recipient of Japan's Grant Aid, the Tonga Broadcasting Commission (TBC) has an obligation under the agreement with the Japanese Government to finance a small portion of it to support its fundamental goal which is aimed to alleviate damages caused by the natural disasters. It involves costs for the expenses regarding the construction of the New Building at the Main Headquarter and its other related</i>

expenses, and also the cost for the Popua New Transmitter Hut and AM Antenna. This project is all about ensuring the weather forecast, cyclone warning and tsunami alert in times of natural disasters in 24hrs to warrant the safety and security of the people of Tonga. Safety and security of staff is also on top of the list when delivering the services at times of natural disasters. Because of TBC's obligation to the public at times of emergency as Government's Broadcaster, TBC will always make sure that the essential service of its AM Radio must be maintained 24hrs. This is because AM Radio is the only Radio that can be heard throughout the whole Kingdom including the 2-Niua. The purchase of the IT software, hardware, property, plant and equipment including vehicles are part of the NEWS Project, all contributed to the enabling of TBC's 24hr operation."

5.3.3 Tonga Cable Limited (TCL) 2021-22

The audit of the TCL for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 9th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 9th December, 2021).

3.1 Stale Cheque

One cheque dated 17/04/2018 still unpresented as at 30/06/2022. This cheque is more than 3 years old and therefore should be reversed from the reconciliation.

Recommendations

1. Management should ensure that bank reconciliations are reviewed and that unpresented cheques which are more than six months old be reversed as they have become stale.

3.2 Exchange rate at balance date

Bank balance of the NRBT Account was using different rate of exchange at 30/06/2022' which had caused a marginal variance of \$476.28.

Adjustment has been made to the Accounts.

Recommendations

2. Management should ensure that the balance of cash at bank in foreign currency is translated using the exchange rate at the balance date, (30th June).

3.3 Variance between accounts and aging debtor list

Based on reconciliation of the debtor list and the control account, a variance of TOP\$7,675 was noted. The debtor list was later updated to agree with the accounts.

Recommendations

3. Management is recommended to ensure that debtor list is reconciled with the accounts on a regular basis to ensure they agree at all times.

3.4 Property, Plant and Equipment

The total amount of Property plant and equipment disclosed in the financial statement was \$61,031,944.

Variance between asset register and financial statements

Based on reviewing of the asset record a variance was noted between the fixed asset register and the financial statements as shown below.

Balance from Fixed Asset Register	44,661,288
Balance from the Financial Statement	61,033,237
Variance	16,371,949

The fixed asset register was later updated to agree with the accounts. A minor variance was also identified from testing of depreciation due to depreciation formula yet to be updated. This had also been adjusted correctly in the final accounts.

Recommendations
4. <i>It is recommended that management should ensure that regular reconciliation between general ledger and asset register is carried out to ensure they agree at all times.</i>

3.5 Trade Payable

There was a variance between the payable balance from subsidiaries (TOP\$2,673,239) and the control account in the general ledger (TOP\$2,698,447).

The variance of \$25,207 was due to a software issue regarding the transactions in foreign currency. This needs to be appropriately identified and adjusted if necessary.

5.3.4 Tonga Market Corporation Limited (TMCL) 2021 - 22

The audit of the TMCL for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 9th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 7th April, 2022).

The issues raised in our management report were as follows:

1. Follow up Issues - 30th June 2022

1.1 Credit Sales in American Samoa

The report from American Samoa office noted that some of the crops have been sold on credit to customers. TMCL is yet to have a credit policy for selling crops on credit, so this exposed the entity to the risk of revenue loss and bad debt.

Recommendations
1. <i>Management is to cease credit sales until an appropriate credit policy is developed for use.</i>

1.2 Supporting documents for expenditures.

Supporting documents for expenditures incurred in American Samoa need to be sent back to Tonga for proper filing and reference purposes.

Recommendations
2. <i>Management was recommended to ensure that supporting documentations are taken back to the office.</i>

2. Expenses:

2.1 Supporting documentation not properly filed

It was noted that supporting documents for expenses in American Samoa were not properly maintained.

Recommendations
3. <i>Management should ensure that supporting documentation for expenditures incurred in Samoa are returned back to Head Office here and are properly filed.</i>

2.2 Payroll

The supporting documentation for salaries and wages of staff in American Samoa was not available for audit verification.

Recommendations

4. *Again, reemphasize to management to ensure that all supporting documentations for wages and salaries needs to be properly documented and filed.*

2.3 Property, Plant and Equipment

2.3.1 Capitalization of expenditure

There were materials purchase for maintenance work at Talamahu Market included in the cost of the additional shelter at Tofoa. This has been reversed and adjusted accordingly. Capitalizing expenditures has the effect of overstating assets and net profit while understating expenses.

Recommendations

5. *Management should ensure that expenditures are properly classified to avoid understating profit and assets.*

2.3.2 Depreciation:

A variance with the financial statement figures of TOP\$1,276. The error was due to cut-off date being incorrectly applied. Incorrect calculation of depreciation lead to overstated profit and assets.

Recommendations

6. *Management should ensure that depreciation should be correctly determined. The FAR and accounts should be reviewed independently by someone independent from, the person preparing the asset register.*

2.4 Trade and Other Payables

2.4.1 Incorrect cut-off of accounts payable

Errors were noted from testing the cut-off of trade payables. These relates to outstanding bills in June which has yet to be accrued on the balance date (30th June 2022). These were adjusted in the final accounts and correct to accrued expenses.

Recommendations

7. *Management is recommended to ensure that trade payables are properly reviewed at year end to ensure all outstanding bills are accrued at year end.*

5.3.5 Tonga Asset Managers and Associates Limited (TAMAL) 2021-22

The audit of the TAMAL for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 9th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 15th March, 2022).

The issues raised in our management report were as follows:

1. Follow up Issues

1.1. Timeliness of reconciling the company's tax obligations.

This issue has been resolved.

1.2. Critical documentations relating to the transfer of property are not maintained.

This issue is still outstanding. In addition, the company leased one of its properties during the year, Plot#17 to a tenant. The complete record again was not available for the audit.

1.3 Receivable from Government

The issue has been resolved, has been written off.

1.4 Timeliness of debt collection

Recovery action has been taken against long outstanding debtors.

1.5 Tenant Bond

The issue has been resolved.

2. Expenditures

a) Misclassified Expenses

Incorrect capitalizing expenses. This has been adjusted in the final accounts.

Recommendations

1. Management should ensure that expenditures are properly classified, and that any asset addition are properly reviewed before posted.

5.3.6 Waste Authority Limited (WAL) 2021 – 22

The audit of the WAL for the financial year ended 30th June 2022 was completed and we issued an unmodified audit opinion on 20th December 2022, (also an unmodified audit opinion on previous year, 2020/21 issued on 7th January, 2022).

The issues raised in our management report were as follows:

1. Follow up Issues

1.1 Reimbursement cost of portable toilets issued to the Va'epopua Park.

Issue has been resolved.

1.2 Reimbursement cost of clean up after fire at Tapuhia.

Issue has been resolved.

2. Accounting for waste revenue and receivables

For years WAL has calculated waste (trade) receivables by taking total expected monthly waste revenue (calculated by multiplying the total number of customers against their rate) less monthly cash receipts from Tonga Power Ltd (TPL). Waste revenue was also realized on a cash basis and only a portion of the receivable amount is realized in the financial statements. This was due to lack of unavailability of information from TPL and WAL planning to only pay CT on revenue that has been “actually received” rather than on total revenue. While this is reasonable it is not in compliance with the requirement of IFRS for recognizing of revenue.

Recommendations

1. Management is recommended to ensure that waste revenue is realized on an accrual basis. i.e. all registered household, church, schools and any organization whose rubbish are picked have their revenue realized for the 12 months covering the financial year. This will ensure complete and accurate disclosure of waste revenue.

WAL's Management response:

WIP- Monthly billing has been initiated. WAL is now continuing it's billing to run to date but adjustments and reconciliations has been time-consuming because of the number of customers. Team is working hard to update system as soon as possible and before the next audit.

Covid-19 restrictions has been one of the main causes of delay as staff are on rotational shift.

5.3.7 Tonga Water Board (TWB) 2021 – 22.

The audit of the TWB for the financial year ended 30th June, 2022 was completed and we issued an unmodified audit opinion on 16th February 2023 (also an unmodified audit opinion on previous year, 2020/21 was issued on 18th April, 2022).

The issues raised in our management report were as follows:

1. Follow up Issues

1.1 Unused spare parts from Job work done.

This issue is still outstanding.

1.2 Inability of the Attache' system to provide for the closing stock balance.

Still outstanding, the Attache is unable to provide a closing balance figure for inventory in the storeroom.

Recommendations
<i>1. Management is recommended to utilize the product module in the Attache' software or manually calculate the closing balance of the board's stock.</i>

1.3 No supporting document and authorization of drilling machine used.

Supporting documentation and authorization for the use of the drilling machine were not provided to the audit team.

Recommendations
<i>2. Management needs to ensure that authorization of drilling is properly documented and filed.</i>

1.4 Bank reconciliation not being completed timely.

Still outstanding

1.5 Recording expenditure that should have been capitalized as expenses.

Still outstanding

1.6 Depreciation

Still outstanding, there were several instances of errors identified in the calculation of depreciation in the asset register and the financial statement.

Recommendations
<i>3. Management is to ensure that there is an independent review of the asset register by a person independent from the person updating the register.</i>

1.7 Variation between GL, fixed asset register and the financial statements.

Still outstanding

Recommendations
<i>4. Management is to ensure that reconciliation is done to ensure all records agreed at all times. Regular asset stock take should be done to ensure all assets are accounted for.</i>

1.8 Variation between G.L and Aging payable report

This issue has been resolved.

1.9 Provision for doubtful debt.

This issue has been resolved.

Recommendations
<i>5. Management is to ensure that the rationale behind the determination of doubtful debt is properly documented and approved as accounting policy.</i>

1.10 Aging accrued annual leave.

Still outstanding.

1.11 Accrued Interest on Investment

Still outstanding.

1.12 Prepayments not properly amortized.

Still outstanding

2. Expenditures: Supporting documentation not properly filed.

Recommendations

6. *We recommend management to ensure that supporting document for any payments is attached to the payment vouchers and properly filed.*

3. Misclassified of Expenses

Some of the expenses in the Attache System were not disclosed in the financial statements. The appropriate adjustment to the Accounts has been done.

Recommendations

7. *That all expenses' figures in the system are properly and completely posted to the financial statements.*

4. Lease Liabilities

Lease Liabilities, \$276,047 remained unchanged from the previous year, 2020-21. Similar to Prepayments, the lease liabilities have not been amortized on an annual basis.

Recommendations

8. *That the lease liabilities are to be appropriately amortized on an annual basis.*

5.3.8. Tonga Post & Fast Print Associates Limited, (TP&FPAL), 2020-21

The audit of the TP&FPAL for the financial year ended 30th June 2021 was completed and we issued an unmodified audit opinion on 2nd May, 2022, (also an unmodified audit opinion on previous year, 2019/20 issued on 10th February 2021).

The issues raised in our management report were as follows:

1. Follow up Issues

1.1 Accounting for revenue from Mailbox

Tonga Post Limited account for mailbox revenue on a cash basis which seems to depart from the International Financial Reporting Standards (IFRS) 15: Revenue from Contract with Customer. However, for mailbox use, the company does not have a written contract/agreement with the customers. In addition, the company cannot enforce customer to pay mailbox fees before they use the service, so revenue is recognized when the cash is paid by the customer. We have reviewed the recognition practice and considered it to be appropriate.

1.2 Clearance Sales

The company generate revenues (sundry revenue) from selling returning goods that are to be disposed from its contracted company, CJAH. The company does not maintain a register of all goods that has been returned from CJAH nor a summary of the total revenue collected, to enable a check of the completeness of revenue and goods.

1.3. Long Outstanding Receivable

The account of the Tonga Fast Print Limited contains a long outstanding receivable, which has been sitting in the balance sheet for more than a year, as current asset. Management should ensure these long outstanding receivables are reviewed and if appropriate be write-off from the financial statements.

1.4 Provision for Doubtful Debts

Provision for Doubtful debt for Tonga Post Limited amount, which is carried forward provision from the assessment conducted last year. The total debtors has increased during the year.

2. Cash at Bank: variances between the Bank Reconciliation & Trial Balance

Audit has done all required adjustments required for this.

2.1 Long Outstanding Unpresented Cheques

There were unpresented cheques which is over one year old. All adjustments have been made in the Financial Statements.

2.2 Un-deposited Funds

The amount of un-deposited funds totaled \$157,969 as of 30th June 2021. TP&FPL used the cash sale from the operation of Tonga Post and Printing to operate the MoneyGram service until MoneyGram reimbursement later. The proper record to ensure that the cash sale of Tonga Post & Printing were transferred to MoneyGram without doing a daily deposit to the bank was not made available.

Recommendations
1. <i>We recommend management, there's needs to be an independent checking and review by the supervisor of the transfer between operating cash flow of the company to the MoneyGram and for transfer to be properly recorded and then filed.</i>
2. <i>There needs to be proper reconciliation of the un-deposited fund ledger to MoneyGram cash record to ensure total cash transfer are properly recorded.</i>
3. <i>To ensure that reimbursement is properly updated in both record of the company and MoneyGram.</i>

3. Closing stock; variances between the stock list and financial statements

The variance was due to errors on the record of the quantities of stock. Adjustments to stock have been made to the Financial Statement.

4. Long Outstanding Receivables

As per Aging Reports, 71% was over 90 days, totalled to \$637,354.35. However, there were no recovery procedures taken to address the long outstanding receivables as stated in Tonga Post Limited Finance Policy Revised Edition 2020, Section 7.

Recommendations
4. <i>We recommend management to enforce the procedures on debt recovery policies and updated to ensure that the policy of writing off the long outstanding debts is implemented.</i>
5. <i>We recommend to also write off the receivables for Post Print Shop and Rents Receivables stated above.</i>

5. Contra Accounts

The amounts of Related Party Receivables and Related Party Payables are net-off in the Financial Statements with Related Party Receivables outstanding balances of \$41,192. This amount was not recorded in the books of Tonga Fast Print as inventory was paid by Tonga Post Limited.

6. Different Depreciation Rate

Audit confirm that the Parent (Tonga Post) and the Subsidiary (Fast Print) has different depreciation rates on the same PPE from the Depreciation Schedule and when stated on the Financial Statement. The Group uses the Diminishing Value Method to their PPE.

Recommendations

6. We recommend that both companies have the same depreciation rate for the same classification of PPE.

7. Depreciation Schedule not Updated

The Depreciation Schedule has not been updated as it has different figures to the GL & Statement of Financial Position. This has been adjusted during the audit.

Recommendations

7. We recommend the company to update their Depreciation Schedule.

8. Different Book Values on the classification on PPE

The book value of the PPE's classification were different when the accounts were compared to the Trial Balance. This has been adjusted in the Financial Statements.

9. E.T.O.E Bank Balances & E.T.O.E Payables

A comparison of the E.T.O.E bank account to the E.T.O.E payables noted a deficit as of as of 30th June 2021. The impact of deficit indicate that the company has insufficient funds to cover its payable when they fall due, particularly to the uncertainty of Covid where companies may demand for full settlement of accounts.

We were also aware that the company had used this bank accounts on the short-term investments in TCC.

Recommendations

8. We recommend management to ensure that the short investment on TCC is properly recovered to uphold the E.T.O.E bank balances to ensure it is able to cover the E.T.O.E payables at all times.

5.3.9 Tonga Gas Limited 2020-21

The audit of the TGL for the financial year ended 30th June 2021 was completed and we issued an unmodified audit opinion on 15th October 2021.

The issues raised in our management report were as follows:

1. Follow-up Issues

1.1 Risk: receivables recorded by Tonga Gas Limited, TCL, may not be recovered.

Tonga Gas Limited is making repayments on behalf of Tonga Power Limited, TPL, for the borrowings that Tonga Power obtained from ANZ to acquire Tonga Gas & Home Gas Limited. There is no repayment plan, (TPL to TCL), in place between the parties. There is a risk that the receivable recorded by Tonga Gas may not be recoverable.

2. Current Year Audit Issues

2.1 Dissimilarities between the monthly report & the financial statements

Refer to the table shown below, for the differences in the audit figures & the financial statements.

Particulars	Client Figure	Audit Figure
Sales of LPG	8,383,626	8,356,859
Other Revenue	85,393	141,518

Once the “Sales of LPG” occurred, Cybill system picked the volume (in kg) usage for each customer and records in the system. The Cybill system automatically calculates the total sales then prints the receipts to the customer. Once the receipt is printed, the accounting system (Tech One) picks the sale on real time basis. In our view, the Cybill is more reliable for the amount of revenue in the financial statements based on the description above.

On the other hand, the Operating Manager records the total volume (in kg) of sales every day in the form of Microsoft Excel, which were taken from the daily reports of sales from Cybill system. This is the base information for the monthly report to the CEO & the Finance Manager. We expect that the total volume used every month must be equivalent to the total volume of sales for the whole accounting period.

However, we used the volume (in kg) from the monthly reported to recalculate the total sales for the year and come up with the variance of \$26,767, sales of LPG.

The variance in “Other Revenue”, \$72,190, is similar to the description for Sales of LPG stated above.

Recommendations

1. We recommend the Operation Manager to source her information for monthly report to the executives from one system, the Cybill system, but not from her own excel spreadsheet which is not link to the Cybill System.

2.2 Reclassification of Expenditures

Audit reclassified most of the expenditures under “Other Operating Expenses” to “General & Administrative Expenses”. Shown below are the expenses which were reclassified.

- Auditor’s Remuneration
- Director Fees
- Insurance
- Personal Expenses
- Rental Expenses
- Communication
- Utilities

Recommendations

2. To include this note in the Financial Statements, “Where necessary, comparative figures have been adjusted to confirm to changes in presentation in the current year, other than changes resulting from adoption of IFRS 16 as noted in note 3.”

2.3 Tonga Gas Ltd Property & Life Insurance

The insurance agreement was not made available to the audit team, therefore we could not be able to confirm the compliance with the exact premium amount of insurance expenses of \$141,589 disclosing in the Statement of Financial Performance under General and Administrative Expenses.

Recommendations

3. That the up-to-date insurance policy agreements be immediately obtained and file for completeness of financial records.

2.4 Unaccounted for the commission expenses (discount allowed)

The Company did not fully account for the commission expenses for the year end. It must increase the revenue by \$104,711.25 and increase the expenses by exactly the same amounts. It will end up in the same net profit before tax but we are concerned on the completeness accounted for every performance of the entity.

Recommendations

4. *For the management to ensure that they fully accounted for the commission expenses and gross sales (including the commission) but not net sales (of commission taken) in the next financial year as mention above.*

2.5 Long Outstanding Unpresented Cheques

Audit noted an unpresented cheque which was more than 3 months during the audit.

Cheque Number	Amount	Date	Unpresented Cheque over 3 months
991320	30.00	16/12/2020	6 months

2.6 Long Outstanding Receivables

As per Aging Reports, 42% of its aged were over 90 days, totaled to \$30,412.67. Most of these long outstanding receivables were no longer functioning but they had debt in the Company such as

- Melie mei Langi \$5,718.82 (8%)
- Tevita Tu'itupou, \$5,997.37 (8%).

Recommendations

5. *We recommend to update the Finance Policy and enforces the procedures on debt recovery policies and updated to ensure that the policy of writing-off of long outstanding debts is existed. This will cover any receivables were no longer operated or in bankruptcy, such as Melie-mei-langi debts of \$5,718.82, and few more.*

2.7 Customer with Negative Balance

We identified a number of customers with credit (negative) balance in TGL's aging trade receivable reports, total to \$6,654.80. Customers are accrued in the TechOne system when TGL billed their accounts is reversed to bring the receivable amount to nil. Some of these accounts were no initially accrued in TechOne. When the payment and the reversing entries was posted to their account, there was no corresponding receivable balance to reverse. Consequently, the reversing entries brought the balance to a negative instead on nil.

Recommendations

6. *To ensure that every negative balance customers must transferred to revenue received in advance at the year-end for the sake of trade receivables to be completely recorded in the financial statements.*

2.8 Advances to Related Party (No Formal arrangement in Writing)

Tonga Power limited (TPL) took a long-term loan on 2013 of TOP\$600,000 for the acquisition of Home Gas Limited. In 2015, TPL took an additional loan of TOP\$3,200,000 for the acquisition of Tonga Gas Limited. Tonga Gas Limited (TGL) are currently making repayments on behalf of TPL the amount of \$30,077.70 per month. During the financial year 2020/21, TGL paid TOP\$360,932.40 and records as receivable from TPL.

As at 30 June 2021, receivable from Tonga Power amounts to TOP\$2,538,940 (2019/20, TOP\$2,178,007). This issued was raised by the auditor of the prior year. Up to this year's audit, there has not been any formal arrangement in writing if this amount would be reimbursed back to Tonga Gas Limited as per name of the account, "Advances to related party". Thus, we go further on this matter and we would like to highlight it once again the uncertainty that the receivable may not be recoverable due to no formal arrangement in writing approved by the Board of Directors. This issued is part of the audit opinion as mentioned in the "Emphasis of matter paragraph".

Recommendations

7. *We recommend that the Board of Directors for TGL enter into a mutual arrangement between the parties on how the receivable will be settled.*

2.9 Indifferences between the stock count sheet and the financial statements

The account balance for inventory as per first draft financial statement was total to \$370,350. However, the stock count sheet had \$376,020 which result on a variance of \$5,669.97. The variance was due to increase of landing cost per ton for the month of June 2021. However, we stated the amount as per stock count sheet in the financial statements.

Recommendations

8. *For the management to ensure to reconcile the general ledger to the stock count sheet as at 30th June every financial year.*

2.10 Varying applied of depreciation rate policy

TGL's accounting policies in the notes to the financial statements, note 4 (d), "Depreciation, the estimated annual depreciation rate on the assets", stated the depreciation rate for every types of property, plant & equipment. However, TGL management overcharged depreciation on Computer equipment and undercharged of depreciation for motor vehicles due to the depreciation rated used are different from the depreciation rate policy.

Recommendations

9. *We recommend to the management to ensure they complied with the depreciation policy as approved and disclosed in the notes to the financial statements.*

2.11 Capitalization of Expenditures

One motor vehicle, L16592 were transferred to Vava'u branch around September 2020. TGL paid \$1,443.13 to Tofa Ramsey Shipping as the freight for the transported of the vehicle in one of their vessels. However, TGL capitalized these amounts as part of the cost of the vehicle.

Recommendations

10. *For the management to ensure that they capitalize the expenditure appropriately and correctly.*

2.12 CT Payable

Tonga Gas Limited paid their CT payables on time, as required to be paid CT payables of the current month on the 28th of the following months. From that system, we expect that the CT payable for the month of June 2021 must be disclose as CT payable as of 30th June 2021. However, here are the variances on CT Payables as shown in the table below:

Table XI: CT Payable

CT Payable	Audit Figure	Client Figure
Consumption Tax Input	100,591	2,681,783
Consumption Tax Out	(113,995)	(2,808,678)
Total	(13,404)	(126,895)

2.13 Provision for Annual Leave

At the end of the year, the management should be calculated provision for annual leave and disclosed it as an expenses and liabilities of the Company. However, we recalculated the annual and noted that provision for annual leave is understated.

Recommendations

11. *For the management to ensure that the provision for annual leave must be recalculated at the year end and reconcile it with the HR Manager's annual leave balance.*

2.14 Non-compliance with the Loan Covenant

There were non-compliance issues noted during the review of the loan covenant as follows:

- TGL's Semi-annually management accounts were not provided no later than 45 days of each half year end;
- Provide the compliance certificate to confirm the Minimum Combined DSC for the FY with the Financial Statements;
- Annual audited Financial Statements as requested by ANZ no later than 120 days of the end of each FY; and

Projected cash flow and budget for the next FY but no later than 60 days at the end of each FY.

Recommendations	
12.	<i>To note well the non-compliance with the terms and conditions of the Subsidiary Loan Agreement and that the TGL management is to enhance the level of compliance into the future.</i>

5.3.10 Tonga Power Limited 2020/21

The audit of the TPL for the financial year ended 30th June 2021 was completed and we issued an unmodified audit opinion on 19th April 2022.

The issues raised in our management report were as follows:

1. Follow-up issues

Prior Year Audit Matters	Status observed in 2020/21 audit
<i>Balance sheet reconciliations</i> Description Discussions with management noted that year end reconciliations are prepared by the Financial Accountant who had been suspended after year end as such there was no other finance staff who could prepare the reconciliation. Some additional staff from other organizations were called in to help together with some internal staff but this did not help with the finalization of the reconciliations hence audit was further delayed. The Financial Accountant was later brought in by the Board to assist with the external audit. We noted that few material adjustments had been identified as a result of the reconciliation being performed this resulted in substantial delays in finalization of the external audit process.	This issue has been resolved.
<i>Finance having system admin access to the billing system</i> Description We note that the Financial Accountant has super user access to the Orion billing system. The user can perform addition, deletion and modification of transactions and no review controls are present to mitigate the open access provided. This could result in unauthorized changes being made in the billing system which may impact revenue recognized in profit or loss.	This issue is still outstanding.
<i>Accounting for leases</i> Description 1. Given the large volume of leases, we note that the current systems, process and controls for lease administration/ lease accounting and financial reporting may be inadequate for accounting for leases under IFRS 16.	This issue is still outstanding.

<p>Further, the Company currently does not have formal process and control documentation around the current reporting process for all leases, outside of generic expense and AP management.</p> <p>This may result in error and irregularities when accounting for leases under IFRS 16.</p> <p>2. A lease modification is a change in the scope of a lease, of the consideration for a lease that was not part of its original terms and conditions. Common examples are:</p> <ul style="list-style-type: none"> • Increasing the scope of the lease by adding the right to use one or more underlying assets; • Decreasing the scope of the lease by removing the right to use one or more underlying assets of shortening the contractual lease term; • Increasing the scope of the lease by extending the contractual lease term; and • Changing the consideration in the lease by increasing or decreasing the lease payments. <p>Currently the Company does not have a formal process in place to identify lease modifications.</p> <p>This may result in non-compliance with requirements of IFRS 16 Leases where there are lease modifications.</p> <p>3. Lease liabilities are re-measured when:</p> <ul style="list-style-type: none"> • there is a change in the assessment of a long term, or • there is a change in the assessment of an option to purchase the underlying asset, or • there is a change in the amounts expected to be payable under a residual value- guarantee, of • there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. <p>Currently the Company does not have a formal process in place to determine whether lease liabilities need to be re-measured based on the indicators noted above.</p> <p>This may result in non-compliance with requirements of IFRS 16 Leases where there are indicators requiring re-measurement of lease liabilities.</p>	
<p><i>Policies and procedures manual to be updated</i></p> <p>Description</p> <p>We note that the current policies and procedures manual relating to the finance function are outdated and are not reviewed and have not been updated for a number of year.</p> <p>We also noted that the policies and procedures manual in place do not cover all areas of the financial management function.</p>	<p>This issue is still outstanding.</p>
<p><i>Declining cash flow</i></p> <p>Description</p> <p>We note that cash flows of the Company has continued to decline in the current year. This is even with the limited capital expenditure that the Company has had during the financial year.</p> <p>Going forward this may impact the Company's ability to undertake additional renewal energy projects including the network upgrade project thereby impacting the Company's target to reduce usage of fossil fuel to generate electricity.</p>	

<p><i>Effective hedging policy</i></p> <p>Description We note that the outlook for global oil prices in 2021 is expected to increase. This is expected to have a negative impact on the financial performance of the Company due to the resultant increase in the cost of fuel. The Company is already facing declining financial performance and cash flows and the above may cause further deterioration.</p>	<p>This issue is still outstanding.</p>
<p><i>Controls over the billing process</i></p> <p>Description Based on our review of the sales process we note that stringent controls currently do not exist to address the following potential issues:</p> <ul style="list-style-type: none"> • Invoice is incorrect either for price or quantity of power; • Meter is not calibrated correctly; and • Meter is read incorrectly. <p>This may result in incorrect billings being made.</p>	<p>This issue is still outstanding. Refer to section 1.1.</p>
<p><i>No evidence of review of bank reconciliation</i></p> <p>Description We note that bank reconciliations are done daily and sent to the CEO for review. Management should ensure from an audit trail perspective that the reviews are evidenced via sign-offs.</p>	<p>This is has been resolved.</p>
<p><i>Lack of SLAs with other utility entities</i></p> <p>Description We note that there is lack of Service Level Agreements (SLAs) between Tonga Power Limited and other utility entities that are housed at the Multi utilities Complex Building.</p>	<p>This is has been resolve.</p>
<p><i>No related party debt agreement</i></p> <p>Description We note that currently there is no formal agreement in place between Tonga Power Limited and Tonga Gas Limited for the related party debt. A lack of agreement could result in disputes or potential issues with repayment of debts.</p>	<p>This issue is still outstanding.</p>
<p><i>Continued decline in financial performance</i></p> <p>Description Management should also consider entering into a fuel and FX hedge to control its increasing fuel costs. Management may engage a consultant to assist the Company in preparing a comprehensive and targeted approach to hedging fuel costs.</p>	<p>This issue is still outstanding.</p>
<p><i>Formal disaster recovery and/or business continuity plan</i></p> <p>Description A Business Impact Analysis (BIA) has not been performed by the Company to determine how critical the various IT systems and applications are and how long the business could operate without each application. Also, the effects on the business of a loss of any key facilities has not been formally assessed. There also appear to be no formal continuity planning in either the business of IT areas.</p>	<p>This issue is still outstanding.</p>

<p><i>Unrestricted IT access for the HR department</i></p> <p>Description Our review of controls over the payroll process revealed that changes to pay data (new employee addition, deletion and pay rate change) is performed by the Human Resources department.</p> <p>Since the Human Resources department has unrestricted access to the system to make such changes, the following risks have been noted:</p> <ul style="list-style-type: none"> • Unauthorized changes to master files could go undetected; • Fictitious employees could be added to payroll 	<p>This issue is still outstanding.</p>
<p><i>Impairment assessment of non-financial assets</i></p> <p>Description Based on our review, we note that the Company does not carry out assessments for impairment of non-financial assets (property, plant and equipment, intangible assets, goodwill on consolidation and investment in subsidiaries). We note that there was no documented assessment of impairment. Based on the requirements of International Financial Reporting Standards (IFRSs) and the accounting policy of the Company non-financial assets should be assessed for impairment.</p>	<p>This issue is still outstanding.</p>
<p><i>Lack of review of an asset's useful life subsequent to capitalization</i></p> <p>Description We note that there is no documentary evidence of review of the assessment of useful life of software and plant and equipment subsequent to capitalization. There has been significant changes and upgrades to plant and equipment each year that could also impact on the useful lives.</p>	<p>This issue is still outstanding.</p>
<p><i>Revaluations not conducted on a timely basis.</i></p> <p>Description From our review of the fixed assets register we note that land and buildings which is recognized under the revaluation model was last revalued in April 2014 after which no assessments on revaluations have been made.</p>	<p>This issue is still outstanding.</p>
<p><i>Physical fixed assets verification</i></p> <p>Description We note that a full physical fixed assets verification has not been performed recently.</p>	<p>This issue has been partially resolved in 2020.</p>
<p><i>Lack of evidence of review of journal entries</i></p> <p>Description We note that there is no evidence of review of manual journal entries via sign-offs. Hence, we couldn't substantiate whether manual journal entries are being reviewed before posting in the system.</p>	<p>This issue has been partially resolved.</p>
<p><i>Repairs and Maintenance – Scheduling</i></p> <p>Description We note that repairs and maintenance expense was high in the current year relative to prior years. Based on our discussions with management, we note that this partially attributable to postponing of needed maintenance in the past .</p>	<p>This issue is still outstanding.</p>

<p><i>Compliance with debt covenants to be monitored on a regular basis.</i></p> <p>Description We note that the Company does not monitor its compliance with debt covenants. The Company currently has loans with ANZ which has several debts covenants which need to be adhered to.</p>	This issue is still outstanding.
<p><i>Depreciation policy</i></p> <p>Description Tonga Power Limited's depreciation policy provides a large range of depreciation rates for different classes of property plant and equipment.</p>	This issue is still outstanding.

2. Current Year Issues

Revenue

2.1 Non-regulated revenue: Internal controls in place over billing system

Tonga Power Limited is currently on the way to fully installed smart meter in Tongatapu which will allow the billing to be read automatically by the system. At the moment, 80% of their customers have smart meter which can be read automatically while 20% are read manually including the outer islands. The total adjustments made to the billing system during the period was \$755,281.70. This adjustments was for:

- Variance occurred on meter reader; and
- Variance between the master meter and the sub-meter especially in large buildings which are rented out.

The current practice used by TPL for every adjustment occurred must be adjusted to the current month in the billing system. On the other hand, every adjustment in prior periods must be adjusted to the current period.

<i>Recommendation</i>
<p><i>1. The management should consider implementing controls to avoid the adjustments to the billing system in real time basis</i></p> <p><i>TPL's Management Response:</i> Real time billing without adjustments is a function of smart meter customer coverage and as this is less than 100% TPL is obliged to continue using accrued revenue and debtor control month-end balance date adjustments to report financial performance and position. The key to achieve real time billing will occur when all customers are allocated smart meters. Capex to enable 100% smart meter coverage of all customers is estimated to be TOP and is planned to be installed during 2021-22.</p>

2.2 Meter bypassed assessment

TPL conducted a meter assessments of the electricity bypass by the Ministry of Health (Vaiola Hospital) and reported it on the 3rd of November, 2020. The Meter Assessment Reports for the period of 2nd of June, 2016 to the 25th of June, 2020 was a total of \$1,364,668.34.

TPL invoiced the Ministry of Health but the direction from the Prime Minister to consider it as Dividend for the financial year 2020/21 of \$1,000,000, *Board Meeting of 18th May 2021 resolution*, and recorded it as revenue of the Company.

<i>Recommendation</i>
<p><i>2. Management should assess the validity of the transactions from the Engineering department before it is recorded in the financial statements.</i></p> <p><i>TPL's Management response:</i> Agreed</p>

2.3 Electricity loss as part of normal operation during the financial period

During the financial year 2020/21, there was an electricity loss as summary below:

Parasitic loss (kWh)	2,094,085.00
Line loss (kWh)	<u>5,692,213.33</u>
Total loss	<u>7,786,298.33</u>

Parasitic loss was the loss between the power units produced by each generators and the power units send out from to the distribution lines. The line loss was the differences between the power units send out from the each generator to the distribution line and the power units read by the billing system.

On a quarterly (annual) average, the total value of electricity loss was estimated to be \$5,193,460.99 or 11% of total regulated revenue.

Recommendation

3. Management should assess the validity of the transactions from the Engineering department before it is recorded in the financial statements.

TPL's Management response:

Agreed. TPL Generation Division continues to maintain and operate within allowable diesel liters consumption rates per kWh, as per the 2020 "Period 3 Non Fuel Cost Reset Agreement" with the Tonga Electricity Commission. Network upgrades namely the Tongatapu NNUP is reaching finalization and this will reduce line losses.

2.4 Commission collected from Tonga Gas Limited (TGL) in Ha'apai and 'Eua

TPL has been selling the product of TGL (i.e. Sales of LPG) in Ha'apai and 'Eua. For every gas bottle of 13kg sold, TPL collect \$4.50 as commission. The total amounts of commission from TGL was \$17,660.00 for the financial year 2020/21. However, there was no written service agreement between the parties for the services provided by TPL on behalf of TGL.

Recommendation

4. That the management enter into a formal agreements between the parties for the services provided and commission earned.

TPL's Management response:

Agreed. Intercompany Service Level Agreements (SLA) were implemented, between TPL & TGL during 2021 and will be updated to clarify agreed commission rates per 13kg cylinder.

Expenditure

2.5 Incomplete financial records – Expenditure source documentation

The payment vouchers and its supporting documents was not completely kept and filed:

- ✓ Some General Journals had no General Journal Vouchers and no review and approval signatories;
- ✓ Not all Payment Vouchers have their Purchase Order and their Goods Receive Report;
- ✓ No approval and recommend signatures on some payment and General Journal vouchers;
- ✓ Some payment vouchers were not kept and filed; and
- ✓ Insurance policy not yet received by the Audit.

Recommendation

5. Management should ensure that the existing financial procedures for the expenditures are being followed and make recommendation to the Board of Directors to update the Financial Policy of the Company.

TPLS's Management response:

Agree that financial procedures/processes regarding record-keeping, document review and approvals must be complied with at all times. Management will action corrective action plans (CAP) to ensure procedural compliance.

2.6 Overspending and underspending expenses according to the approved budget

Audit shows concern for the overspent expenses (>100%) and the underspent expenses (<30%).

Table III: Overspent and underspent expenses

Expenses	Budget	Actual	Overspent
<u>Cost of Sales</u>			
Fuel Cost	14,781,501	21,659,631	6,878,130.00
Third Party Contract Cost	539,542	1,118,325	578,783.00
Maintenance Cost - Generation	2,105,000	2,235,171	130,171.00
Computer and Equip Consumables	823,471	1,033,681	210,210.00
<u>Other Expenses</u>			
Licenses Expense - Indirect	400,474	460,286	59,812.00

Recommendation

6. That management should keep track on the expenses and to limit their overspending.

The following correcting adjustment was made to the financial statements:

Dr	Audit fees	42,000.00	
	Cr	Provision for audit fees	42,000.00

(to account for the audit fees for the audit period 30 June 2021)

TPL's Management response:

Agreed. TPL uses the Technology One's procure-to-pay system where new purchase orders (PO) are automatically checked by the system to ensure there is remaining budget allowance available before a PO is authorized and delivered to suppliers. The system will not issue a PO where the budget allowance is exceeded however there is provision for manual override which requires senior management approval to proceed. Budget expenditure over/under spends are regularly (monthly) reported to the Board of Directors with variance explanation.

2.7 Tax on other benefits of executive staff

TPL executive staffs are entitled to other benefits as per contract agreement with TPL. Other benefits are expressly stated on each staff employment contract without any specific amounts.

We do not have any proper document that express the amount or limit of the other benefits per executives' staff especially the medical insurance, life insurance and home internet.

Motor vehicles used by management are fully depreciated. In this case, there was no based amount of the motor vehicle to determine the amount of tax to be paid by the management.

Audits confirm that the tax on other benefits of executive staff was paid by TPL but it is the responsibility of the executive staff to pay their own taxes on other benefits. We do not have any approval document to express that the TPL are responsible to pay this taxes.

Recommendation

7. Management should call off this action of paying taxes on other benefits of executive staff by TPL and transfer this responsibility to be paid by each executive staff.

Also, the management should hire anyone is expert on revalue of motor vehicle to conduct the revaluation of motor vehicles are currently used by the management for other benefit tax purposes.

TPLS's Management response:

Employment contract, terms and conditions, determine responsibility for PAYE tax settlements on taxable benefits.

2.8 Tax on retirement fund allowance

In January 2021, majority of the TPL staff fully claimed their retirement fund up to the 30th June 2020, as per “*Audit Finding Report on TPL Retirement Fund, dated 20th April 2021*”, before they move to National Retirement Fund Board (NRFB) in February 2021. Therefore, TPL staff are responsible to pay PAYE on employer’s contribution as audit has confirmed that they do not pay this tax.

Description	Employer contribution (7.5%)
Tonga Power Ltd	1,244,155.63
NNUP (Project)	39,036.46
Tonga Gas & Home Gas Ltd	67,474.64
TOTAL	\$ 1,350,626.73

Recommendation

8. That the PAYE is the obligations of staff who withdrew their retirement funds as of January 2021 be appropriately met and the TPL management is to ensure that this matter be executed immediately.

TPL's Management response:

The TPL Retirement Fund (a separate legal entity) and its Trustees, who administered the Fund and Fund members, will attend to matters arising from January 2021 Fund withdrawals as all the staff signed the loan forms for the withdrawal of the Staff Retirement Fund with the understanding that it was a loan and should not be taxes.

Cash and Bank Balances & Investments

2.9. Bank Overdraft

The amounts of cash at bank in the financial statements included the amount of bank overdraft, amounted \$98,039.53.

Recommendation

9. That management should disclose separately bank overdraft from the cash bank balances in years to come.

We recommend to separately disclose bank overdraft, current liabilities, from the cash and bank balances, current assets.

Dr	Cash at bank	98,039.53	
	Cr	Bank of overdraft	98,039.53
	(to transfer the bank overdraft, ANZ Account No. 1681919 from cash at bank to bank overdraft)		

TPL's management response:

Agreed.

Trade & Other Receivables

2.10. Long outstanding receivables

Refer to the table below for the “*Trade Receivables Aging Report*”:

Table VII: Aging Report

	1-30	31-60	61-90	>90	Specially Assessed	Total
Aged	1,610,677	476,506	249,058	640,531	(556,034)	2,420,738
Total	1,610,677	476,506	249,058	640,531	(556,034)	2,420,738

As per Aging Reports, 26% of its aged were over 90 days, totaled to \$640,531.

Recommendation

10. *For the management to develop a formalized policy and credit plan rules, regulations and procedures to manage daily operations, approval workflow, and resources toward improving credit and collections of Receivables.*

2.11. Accrued Income

The billing in July 2021 was included the portion amount of revenues for the month of June 2021. The current practices used by TPL, recognized the portion of revenue for the year ended 30th June 2021 was included in the billing in July as revenue and accrued income. However, there are variances of \$335,713.99 from the original accrued income as per first draft financial statements.

Recommendation

11. *That management should ensure that accrued income be correctly and properly accounted for.*

We recommend to makes these adjustments to the accrued income.

Dr	Accrued Income	335,713.99	
	Cr	Fuel component revenue	148,782.34
		Non-fuel component revenue	186,931.65

(To adjust the amount of accrued income for the financial year 2020/21)

TPL's management response

Agreed – balance date accrual for FC & NFC revenue to be adjusted after reconciliation agreement to actual billing amount, i.e., confirmed by the following months actual billing. If accrual is confirmed as accurate then no change is required to the 30 June 2021 accrued billing revenue.

Inventory

2.12. Lubricant oil should be included on Inventory figure.

The Inventory figures of \$1,188,537 does not include the Lubricant oil. However, during stock-take this inventory are included on stock-taking.

An analytical review of Lubricant Oil at the end by using the WAC to estimate the total cost of Lubricant Oil at the end of June 2021 would be around \$55,181.59.

Recommendation

12. *That Lubricant Oil is to include in the inventory figure (Financial Statements) in every financial year.*

TPL's management response

Agreed.

2.13. Incorrect calculation of cost price and variation in stock quantity on spares.

Audit recalculates the closing balance of spares by taking stock quantity and multiply by the unit price and then compare to cost price as per the stock list. A variance of \$12,298 was found. Audit also found a variance \$10,597 resulting from incorrect quantity being used to calculate the cost for a particular spare part (2OR-2359 – KIT CAMSHAFT) where the correct quantity of 1 was input to the system as 2. Total variance amounted to \$22,895 which is summarized below.

Table IX: Variance on Spares

Audit Stock List on Stock Take	\$ 490,895.80
Financial Statement Figure	\$ 501,493.00
Difference on Stock Sheet	-\$ 10,597.20
Wrong calculation	-\$ 12,298.16
Variance	-\$ 22,895.36

Recommendation			
13. That adjustments below be made:			
Dr	Repair & Maintenance - Generation (COGS)	\$22,895.36	
	Cr Spare - Inventory		\$22,895.36
Dr	Lubricant Oil – Inventory	\$55,181.59	
	Cr Repair & Maintenance - Generation (COGS)		\$55,189.59
TPL's management response:			
Agreed			

Property, plant & equipment

TPL conducted an overhaul process to any generation machinery on an ongoing basis in every 10,000 hours (almost two years) of its operation. However, TPL capitalizes an overhaul expense during the financial year, the amount of \$1,510,834.50.

Recommendation			
14. That management should ensure that they correctly capitalize their property, plant and equipment by transfer back to expenditure by this journal entries stated below:			
Dr	Overhaul expenses	1,435,785.85	
	Cr Generation Equipment		1,218,983.01
	Capital WIP		216,802.84
<i>(to transfer back the overhaul expenses from PPE due to the wrong capitalize of expenditure)</i>			
Dr	Accumulated depreciation - Generation	29,268.17	
	Cr Depreciation - Generation		29,268.17
<i>(to reverse the amount of depreciation was charged on overhaul expenses)</i>			
TPL's management response			
Agreed.			

2.14 Incorrect calculation of depreciation

In the previous year, some items of distribution network were over depreciated (credit balance of distribution network by 37,472) but they were accounted for the exact amount in this financial year 2020/21. However, we raised it here to avoid any similar issues in the coming future.

Not only that, but the depreciation also charged on motor vehicles was under depreciated by an amount of \$6,936 due to the depreciation rate charged.

Recommendation			
15. That management should ensure they will not over depreciate any items of property, plant & equipment and to make this adjustment below to the financial statements:			
Dr	Depreciation - Motor vehicle	6,935.76	
	Cr Accumulated depreciation - Motor vehicle		6,935.76
<i>(to account for the depreciation were undercharged in the financial statements)</i>			
TPL's management response			
Agreed.			

2.15 Incomplete financial records maintained.

During the financial year, TPL paid to His Majesty the amount of \$1,200,000 as the payment of leases of land at Matatoa for the location of Solar Farm. However, the payment vouchers for the payments made to His Majesty are not available to the audit team. Refer to the details below:

30,500.00	Cheque #401519, 13 Nov 2020
409,601.58	Cash payment voucher are not available for the audit.
<u>759,898.42</u>	Cash payment voucher are not available for the audit.
<u>1,200,000.00</u>	

Recommendation

16. That cash payment vouchers for the lease payments be immediately obtained and filed for completeness of financial records.

TPL's management response

Agreed.

Trade and other payables

Customer bonding was a part of the Other Payable and Accruals, and the details is shown in the table below.

Table XI: Details for the customer bonding.

Items	Amount
Bonding others	358,782.18
Bonding Tongatapu	761,857.23
Bonding Vava'u	253,993.30
Bonding Ha'apai	33,705.59
Bonding 'Eua	70,210.51
Total	1,478,548.81

Recommendation

17. We recommend to transfer this amount of bond liabilities from current liability to non-current liabilities by this adjustments:

Dr	Trade and other payables	1,478,548.81
	Cr Bond liabilities (Long-term liabilities)	1,478,548.81
(to transfer the bond liabilities from current liabilities to non-current liabilities)		

2.16 No records of proper approval for the rates charged on bonding.

We request for the approval of rates charged for the bonding, but the General Finance Manager said there was no proper rates approved as it is dependent on the calculation made by the Design and Planning team after inspecting the new houses. He also indicate the current boards approved to discontinue the bonding.

Recommendation

18. That management should be enter into the written documents policy which is reveal the approved rate of bonding and approved by the Board of Directors.

TPL's management response

Agreed.

2.17 Non-compliance with the Bonding Policy – no trust account/separate account.

We discussed with the Finance Manager, whether the customer bonding has a separate account, but she indicates that this is deposited to the Operation account. We noted TPL does not comply with the Bonding policy, Section 2.

Recommendation

19. That management should attempt to create a trust account for the bonds liability and maintain a separate records of the fund.

TPL's management response

Agreed.

2.18 Related party payables

TPL took a long-term loan on 2013 of TOP\$600,000 for the acquisition of Home Gas Limited. In 2015, TPL took an additional loan of TOP\$3,200,000 for the acquisition of Tonga Gas Limited (TGL). TGL are currently making repayments on behalf of TPL the amount of \$30,077.70 per month. During the financial year 2020/21, TGL paid TOP\$360,932.40 and records this as receivable from TPL. TPL record this as related party payables to TGL in its book.

As at 30 June 2021, payable to Tonga Gas Limited amounted to TOP\$2,453,204 (2019/20, TOP\$2,092,272). This issue was raised by the previous auditor of the prior year. Up to this year's audit, there has not been any formal arrangement in writing if this amount would be reimbursed back to Tonga Gas Limited as per name of the account, "Related Party Payables". Thus, we highlight once again the uncertainty that the payable may not be paid due to no formal arrangement in writing approved by the Board of Directors. This issue is part of the audit opinion as mentioned in the "Emphasis of matter paragraph".

Recommendation

20. We recommend that the Board of Directors for TPL and TGL enter into a mutual arrangement between the parties on how the related party transactions will be settled.

2.19. Stock

All cut-off documents were prepared and signed by both TPL staffs and Auditors. All inventory items have been counted and verified by staffs of TPL and the audit office. We found the following significant issue.

1. No records of stock transferred to outer islands in Nuku'alofa

TPL was stocking their fuel in Nuku'alofa before it transferred by the Company to their other branches at outer islands. Audit are unable to access to the register of the transferred has been made during the financial year.

Recommendation

21. That management should ensure that the completed recorded on the fuel transferred to outer islands in file properly at all times.

5.3.11 Tonga Power Limited – Retirement Fund (7months) - 31 January 2021

We issued an unmodified audit opinion on the special purpose financial statements for the 7 months ended 31 January 2021. The completeness, existence, and valuation of the only asset of the Fund as of 31st January 2021, “Cash and Cash Equivalents, was verified and confirmed. In addition, the corresponding “Liability for the Accrued Benefits” of the members of the Fund as of 31st January, 2021 was also verified and confirmed.

We added an “Emphasis of Matter” paragraph drawing the attention to the payments of the retirement benefits of the members of the Fund in December 2020, which completely disclosed in the financial statements. The Board of National Retirement Benefits Funds revoked the Certificate of Exemption issue under the National Retirement Benefits Fund Act to TPL on 18th February, 2021 as a consequence of this pay-out.

TOR 1. Contribution Revenue

Members contribution are prescribed as follows;

- Employee contribution is 5% of their fortnight pay
- Employer contribution is 7.5% for employees who have worked for more than 3 years and 5% for employees less than 3 years.

The retirement fund consist of a total of 254 members. 88 members has employment term less than 3 years.

Table 1: Employment Term and Contribution

Employment Term	No. of employee	Contribution	
		Employee	Employer
Less than 3 years	88	5%	5%
More than 3 years	166	5%	7.5%

The total contribution revenue for the period amounted to TOP\$379,188. The detail are set out as follows;

Contribution revenue received in cash for the seven month ending 31 st January 2021	\$401,258
Less: Contribution Receivable as of 30 th June, 2020	<u>(\$22,071)</u>
Contribution revenue for the seven month ending 31 st January 2021	<u>\$379,187</u>
This is presented as follows;	
Members	\$164,368
Employer	<u>\$214,820</u>
	<u>\$379,187</u>

TOR 2. Financial Statements and reconciliation of Liability for Accrued benefit

2.1 Resolution

The Board of Trustees approved on the 17th of December 2020 to payout the member’s retirement balance as “Staff loan” to be forgiven upon payout. The resolution are as follows:

- (8) "The Committee unanimously approved to payout the funds to members as per member balances at 30 June 2020 plus interest;
- (9) The Committee also unanimously approved to break all its term deposits/ Government Bonds for the purpose of paying off its members and transfer to the National Retirement Fund;
- (10) "The Committee unanimously approved to payout staff in two installments of 50% each in order to facilitate the breaking/ redeeming of Term Deposits/ Government Bonds; and
- (11) The Committee also unanimously approved to:-
 - a. Amend any of its rules and regulations to facilitate the transfer to the National Retirement Benefits Funds
 - b. Forgive all the Staff Loan following the payout exercise”.

2.2 Payouts

The total payouts made to members for the period amounted to TOP\$2,318,905. Detail is set out as follows;

Opening balance (1 st July 2020)	2,496,958.70
Add: Contribution revenue during the period	<u>398,140.97</u>
	2,895,099.67
Less: <u>Payouts during the period</u>	
Benefits for deceased member	169.14
Benefit for retired member	22,540.35
Payout (1 st 50%)	1,139,528.07
Payout (2 nd 50%)	1,145,270.31
Payout (1 member – late approval)	<u>11,397.24</u> (2,318,905.11)
Closing balance as at 31 st January, 2021	576,194.56

- The payout was made in two parts. The first payment is the first 50% of total payment (TOP\$1,139,528) which was made on the 18th December, 2020.
- The first payout was made from the retirement fund bank account.
- The second payment of the last 50% (TOP\$1,145,270) was made on 10th January, 2021.
- This second payment was made from the TPL operating account since the fund term deposits has not yet been transferred to the retirement bank account.

2.3 Members not involved in the Payout

Within the 254 members of the fund, four members elected not to payout their retirement benefits. They are;

Names	Balance as of 30 th June 2020
Nikolasi Fonua	63,979.78
Setitaia Chen	108,805.07
Tupou Falemei Fale	4,607.13
William Fonua	1,740.60
Total	179,132.58

2.4 Interest Distribution to Members

The total amount of interest distributed to the members as of 30th June 2020 were reconciled as follows:

Total Interest Received on the 30 th June 2020	66,690
Total Direct Investment Expenses paid as at 30 th June 2020	<u>(2,383)</u>
Total interest distributed to the members	<u>64,307</u>

2.5 Unallocated to Members Account

The total amount of unallocated balance as at the 31st January 2021 was total to \$66,129.81. Refer to the table below:

Opening balance	77,834.08
<u>Less:</u> Other Revenue	<u>(17,072.22)</u>
	60,761.86
<u>Add</u> Interest on Investments	10,903.66
<u>Less</u> Admin Fees	<u>(5,535.71)</u>
	5,367.95
Closing balance of unallocated	<u>66,129.81</u>

The interest income is interest on all the fund's investments. The detail of interest income is as follows;

Interest Income	
Interest Received (Cash Flow)	66,338
Less interest receivable as of 30 th June 2020	55,434
Interest revenue	10,904

5.3.12 Friendly Islands Shipping Agency (FISA) – 30 June 2020

The audit of the FISA for the financial year ended 30th June 2020 was completed and we issued an unmodified audit opinion on 26th May 2021.

The issues raised in our management report were as follows:

1. Follow-up Issues:

Prior Year Audit Matters	Status observed in 2019/20 audit
<p><i>Review and approval of Timesheet</i> Description During our review of timesheets, we noted that the review and approval process of timesheets are not carried out effectively before they are submitted to the payroll for processing. From the 15 samples inspected, there were instances where crew wages and calculations were not appropriately reviewed.</p>	This issue is still outstanding.
<p><i>Annual leave balance</i> Description During our review of annual balance, we noted that there were a number of staff that are carrying forward leave that are in excess of their annual leave entitlements of 20 days</p>	This issue is still outstanding
<p><i>Rates not approved.</i> Description Audit noted that charge rates utilized at present and which was provided for audit's review was not reviewed or approved by the board.</p>	This issue is still outstanding
<p><i>Cargo Manifest not approved</i> Description Audit noted that at present there is no indication of approval on the Cargo Manifest. It is understood that the Passenger Ticket Manifest is signed off by the Operations Manager, however there exists no indication of review and approval on the Cargo Manifest document.</p>	This issue has been resolved.
<p><i>Segregation of duties</i> Description Audit noted instances where the Operations Manager (Cargo) is receiving cash from customers and depositing the funds with the cashier. The cashier then issues receipts under the Operations manager's name. However the cargo officer's role is to collect and issue freight receipts to customers before depositing with the cashier rather than the Operations manager.</p>	This issue has been resolved.

<i>Revenue rates accessibility</i> Description The tickets and cargo rates in the current system are not (password protected) – susceptible to change by those who have access to QuickBooks.	This issue is still outstanding.
<i>Shortfall & Surplus against the amount receipted and as per supporting</i> Description Audit noted that there were multiple instances where the passenger and cargo revenue receipts did not tie to the amount as per the supporting ticket and cargo manifest summary resulting in surplus and shortages in cash receipted and the amount as per supporting.	This issue is still outstanding.
<i>Presence of Unclassified Revenue</i> Description As at year end, audit noted that \$282,550 was sitting in a suspense account as a credit that represents monies received from which \$107,000 was carried forward from last year. These funds had not been allocated and offset against a debtor or recognized as income.	This issue is still outstanding (Refer to section 3.1)
<i>Lack of proper policies in place</i> Description During our review of the internal control framework of the entity, we noted that there are no formal policies addressing certain issues as listed below: Whistle-blower policy that outlines the procedures for raising concerns and measures available to staff which safeguards them against reprisals should an employee raise a concern about malpractice or wrong doing within the entity. IT Backup policy procedures in place to ensure the safe keeping of client's data. Disaster Recovery Plan Company does not have a disaster recovery plan and a formal back up procedure in place.	This issue is still outstanding.

2. Current Year Issues

2.1 Revenue

Other Income

MV 'Otuanga'ofa was with the Agency in the financial year 2018/19 before being transferred back to Government. Thus, in 2018/19 the Agency accounted for deferred income revenue on the vessel, (\$1,267,790), as well as the corresponding allocated depreciation expense in the General and Administration of the same year, (refer item 2.2 below). There was no similar deferred income in the current year, 2019/20 hence, the big decrease of \$1,209,215 shown above.

On other income from "Crewing Revenue", "*agency fee in the amount of US\$70, for each other rating supplied*" to the principal, Lydia Mar Shipping CO. S.A., we verified from the records as follows:

Number of Ratings supplied at US\$70/head/month)	40,460
Amounts as per Financial Statements	<u>32,890</u>
Variance	<u>7,570</u>

There is no accountable explanation for the existence of this variance.

2.2 Expenditure

Insurance of vessels

All the vessels that operate by FISA were insured in the insurance company, Willis Limited, USA. This is a crucial obligation of the Agency to meet the insurance for all vessels at all times.

The insurance expense is included in the "*Cost of Services*". The amount of insurance of the vessels was totaled to \$499,774 in 2020 (\$621,367 in 2019, a decrease of \$121,593).

The **insurance policies** were not made available to the audit team thus, we could not be able to confirm the validity, completeness and ownership of insurance expense of \$499,774 as the full insurance premium for the year, given the decrease mentioned above. We also noted the insurance prepayment of \$100,040 disclosed in the financial statements.

Recommendation

1. That the insurance policies for all vessels be completely filed and to be presented to the audit team in the next financial year's audit, financial year 2020-21.

FISA's Management Response:

The impacts of the restrictions of COVID-19 on the boats' meeting the requirements of the insurance company affect the insurance policies of the financial year, 2019-20. Also, the limited time of becoming the Acting CEO.

The Auditor General once again emphasized that there must have been insurance policies, for the insurance expense in the financial statements was truly paid.

2.3 Separate report on the financial performance of each vessel:

The accounting of revenue and expenditure of all vessels; MV 'Otuanga'ofa, MV Tongiaki, and MV Niuvakai, are all put and grouped together in the accounting systems and financial records. As evident from the financial statements, the operational details of each vessel with individual financial performance for the financial year could not be obtained.

In our very strong opinion, the accounting and recordings of the operations of the 3 vessels are to be separately implemented. It will then be resulted in confirming the financial performance of the individual vessels as at the end of the financial year. Moreover, the management would be more informed of the risks and the most informed decisions to be made in regards to the individual vessels' operations as well as to the Agency's as a whole.

Recommendation

2. In that respect, we recommend that in this current financial year and into the future, the operations of the 3 vessels are to be separately accounted for and reported with the consolidated accounts for them all to be prepared and presented as part of the complete financial statements of the Agency.

3. Statement of Financial Positions

3.1 Cash and Cash Equivalents

The breakdown of cash and bank balances are as follow:

Table III: Unpresented cheques 2019-20 (Operating Account)

Date of the Cheque:	Num	Name	Amount	Cheque Presented:
31/01/2019	6356	Fasi Pharmacy	-150.00	
22/01/2020	7800	Nanise Finau Pifeleti	-350.00	
20/03/2020	7937	Ports Authority, Tonga	-28,567.96	
20/03/2020	7942	Tonga Maritime Polytec Ins	-4,000.00	
16/04/2020	580	Vava'u Office	-295.00	
16/04/2020	580	Pangai Office	-100.00	
21/04/2020	007971	M & J Upholstery	-540.00	
05/05/2020	7982	Samui Vaipulu	-778.00	
12/06/2020	8047	Joyco Electrical & Cleaning	-1,716.57	03/07/2020
12/06/2020	8047	Joyco Electrical & Cleaning	-974.05	03/07/2020
12/06/2020	8050	W&D Electric Supply Ltd	-504.00	01/07/2020
26/06/2020	8094	Talaki Newspaper	-780.00	01/07/2020

30/06/2020	8100	Ports Authority, Tonga	-44,258.81	01/07/2020
30/06/2020	8097	Go Gas	-1,255.30	02/07/2020
30/06/2020	8098	Fisa Ltd	-560.00	01/07/2020
30/06/2020	8096	Fisa Ltd	-354.05	01/07/2020
30/06/2020	8099	Fisa Ltd	-250.00	01/07/2020
30/06/2020	8097	Go Gas	-90.00	02/07/2020
			- 85,523.74	

From the above table, the total amount of unpresented cheques after confirming those that have presented in July 2020 is TOP\$34,780.96. Those are the cheques, (8), from 31/01/2019 to 05/05/2020.

However, we have confirmed that all of those 8 cheques are cancelled cheques with the original cheques being attached to the respective cheques' butts. They were wrongfully posted and yet to have been corrected for they have been cancelled. Thus, they are to be reversed as follows:

Dr	Cash & Cash Equivalent	34,781	
	Cr	General & Administration Expense	34,781

(to adjust for cancelled cheques recognized as unpresented during the year.)

The above adjustments has been included in the financial statements.

Table IV: Deposit not yet credit

Type	Date	Num.	Amount
General Journal	16/04/2020	G15008	100.00
General Journal	16/04/2020	G15007	295.00
Transfer	17/04/2020		109.00
		Total deposit not credited	504.00

Here are the bank accounts were not carry out its bank reconciliations:

- MBf FISA Contingency Account
- ANZ FISA Cheque Account
- ANZ FISA USD Account

Recommendation

3. That the Accounts Supervisor is to ensure that the bank reconciliations of all bank accounts of the Agency are to be performed on a monthly basis.

FISA's Management Response

Agreed

Unclassified Revenue

This issue was raised in the prior years' audits as "Presence of Unclassified Revenue" with a balance as at 30th June, 2019 of \$282,550 and was totally adjusted in the 2018-19 financial statements. However, in this year's first draft financial statements, this balance came into existence once again with an amount of \$235,975 as of 30th June, 2020.

The net amount of \$235,975 was in a suspense account, credit balance, as truly a revenue which is yet to be entered into the correct revenue accounts. Also, there were trust accounts existed, which represents revenue received but yet to be allocated to their correct revenue heads.

We agreed to adjust the suspense account and the trusts accounts as of 30th June, 2020 as follows:

Dr	Undeposited Fund	13,524	
	Pangai Trust Fund	2,695	
	Suspense Account	235,975	
Cr	Tongatapu Trust Fund		16,274
	Vava'u Trust Fund		488
	Ha'afeva Trust Fund		4,776
	Prior Year Adjustment		230,656

(to adjust the amounts of suspense account, un-deposited, and other trust fund which was not allocated as revenue from previous year)

Recommendation

4. *That the accounts office is to ensure that appropriate reconciliation between the suspense account, trust accounts and un-deposited fund are performed on a regular basis with correct accounting into the records.*

FISA's Management response

Agreed

3.2 Restricted Cash

This is a term deposit account with the BSP, named *FISA Vessel Replacement Account*, which we confirmed its balance of \$2,390,638.06 as of 30th June, 2020.

Bareboat Charter Agreement

The creation of the term deposit account under the “restricted cash” above was through the Bareboat Charter Agreement between the Government of Tonga and the Agency at the establishment and commencement of Agency. In reference to the Agreement, the Agency was to deposit certain amounts at specified intervals to the above restricted term deposit above as reserve for the purpose of a replacement vessel for the MV ‘Otuanga’ofa in the future. The corresponding accounting entry for the recognizing of this obligation was the creation of a new Accounts Payable.

The Cabinet Decision, CD No.289, 31st March 2017, terminated this Agreement by transferring the ownership of the MV ‘Otuanga’ofa to the Agency as “additional equity from Government”.

Moreover, the accounting for the adjusting of Equity resulting from the above CD was:

DR Capital	\$5,056,388
CR Retained Earnings	\$5,056,388

However, we of the very strong opinion that the above adjustment is to be reverted back to the original accounts, which they were originated from, as follows:

DR Capital	\$5,056,388
CR Accounts Payable	\$5,056,388

Recommendation

5. *That appropriate adjustment be made as stated above.
That the Ministry of PE be acted upon the Decision No. 5 of the CD 336 of 15th March, 2019 to formula and signed a Bareboat Charter Agreement between the Government of Tonga and the Agency urgently.*

FISA's Management Response:

Agreed with audit findings and recommendations and has been incorporated into the financial statements.

3.3 Trade & Other Receivables

Recommendation

6. That immediate attention be made to recover as much cash inflow from the existing trade receivables as possible in the current financial year and to effectively manage the level of trade receivables to the current ones. That credit policy on allowing credits to customers and monitor be reviewed and submit to the Board of Directors for proper approval.

FISA's Management Response:

There is work in progress in the current year in regard to recovering of debts.

Credit risk: Providing for Doubtful Debts, (allowance for impairment):

There Agency has no policy on this area in 2019-20, evident from no policy or any allowance for doubtful debts being mentioned in the financial statements. The amount of \$224,290 was accounted as provision for doubtful debts, was the balance carried forward from 2018-19.

In comparison, the amounts of trade receivables aged over 90 days was total to \$517,141 as of 30th June 2020, (\$376,393 in 2019).

Recommendation

7. That appropriate specific policy on providing for doubtful debts be established and accounted for in the current year's financial statements.

FISA's Management Response:

Board resolved and approved to provide a Doubtful Debts expense of 1.5% of total revenues in the current financial year. And it has been incorporated into the financial statements, Doubtful Debts of \$99,402.00

Double posting to the accounting system

The Aging Reports of Trade Receivables have shown the amount of credit balance, \$38,303.03. This is due to double posting of various receipts #, posted to same receivables with different account code, and post the cash sales as account payments. Refer to the audit adjustments stated below:

Recommendation

8. That the accounts office is to always review all transactions and financial information entered into and posted to the accounting system to avoid double posting and similar mistakes in the future.

FISA's Management Response:

Agreed

3.4 Inventory

Physical stock-take at financial year end, 30th June 2020

For the physical stock-taking, the breakdown of inventory is as follows:

Bunker Fuel	44,343
Spare Parts	<u>72,708</u>
Total	<u>117,051</u>

The record of the bunker fuel quantity's tipped is consistent with the amount in the financial statements, \$44,343, 30th June 2020. However, there is no record or evidence of carrying out the physical count of the inventory of spare parts at 30th June, 2020.

Recommendation
9. That the Auditor General, as the external auditor of the Agency, be timely informed of the year end's physical stock take of all financial years.
FISA's Management Response: <i>Agreed</i>

3.5 Property, plant & equipment (PPE)

3.5.1 MV. Tongiaki

The revalued amount of MV. Tongiaki as of 30th June 2019 was totaled TOP\$6,210,156 (USD\$2.825 million). The depreciation methods as per depreciation policy in the notes to the financial statements, Note 12, stated as 12.5% pa, straight line methods. The details of the inconsistencies of this policy with the MV Tongiaki's depreciation in the financial statements are as follows:

Table V: Depreciation of MV Tongiaki

MV. Tongiaki	Depreciation rate	Carrying Amount 30 th June 2019	Depreciation amount	Carrying Amount 30 th June 2020
Depreciation Policy	12.50%	6,210,156	776,270	5,433,886
Client's depreciation	4.15%	6,210,156	257,844	5,952,312
Variance	8.35%		518,426	(518,426)

The depreciation of the MV. Tongiaki was understated by TOP\$518,426 and the Carrying Amount was overstated by the same amounts.

The MV Tongiaki (TOP\$8.3m) was launched by His Majesty, King Tupou VI on the 12th January 2018 at Queen Salote Wharf. The board of director's resolution on the 22nd August 2019, "Management's proposal for IBS Global to act as the broker for the sale of MV. Tongiaki at USD3.3m (approximately to TOP\$7,399,103). The board of directors made the resolution to "hold all voyages for MV Tongiaki from the 27th September, 2019". The carrying amount of the M.V. Tongiaki was total to \$5,952,312. FISA will get \$1,446,791 as gain from disposal of asset if they decided to sell the vessel of MV Tongiaki on USD3.3 million.

Recommendation
10. For the management to ensure that the depreciation for the vessels are completely and fairly in the coming financial year.
FISA's Management Response: Board request whether it can be finalized at 4.5% and give them time to review and see those policies and if there is any change, we can amend it in the next financial year.

3.5.2 MV. Niuvakai

Carrying amount as of 30 th June 2019	416,151
Depreciation as of 30 th June 2020	<u>106,074</u>
Carrying amount as of 30th June 2020	<u>310,077</u>

3.5.3 Other PPE

Carrying amount as of 30 th June 2019	374,550
Depreciation as of 30 th June 2020	<u>178,064</u>
Carrying amount as of 30th June 2020	<u>196,386</u>

The financial policy of FISA required a physical verification of fixed assets and their condition shall be completed annually at year end by the finance department but there was no report available for the audit as of 30th June 2020. The total amount of PPE was \$6,458,775 (55% of total assets).

Recommendation

11. *For the management to ensure that physical verification of the PPE must performed at the end of every financial period with the external auditor.*

FISA's Management Response:

Agreed

3.6 Trade & Other Payables

Audit Adjustments to the Trade & Other Payables

To account for the Provision for audit fees. Provision for Income Tax, and Provision for Dividend as of 30th June 2020.

These amounts was included in the Trade and other payables under the accrual.

4. Statement of Changes in Equity

This is corresponding to item 3.2, "Restricted Cash", above.

Here are the changes in Equity from the financial year 2015/16:

Table VI: Movements of Equity

Financial Year	Share Capital	Retained Earning	Total
2015/16	400,000	384,982	784,982
2016/17	5,456,388	(7,296)	5,449,092
2017/18	5,456,388	1,402,095	6,858,483
2018/19	5,456,388	(2,099,181)	3,357,207
2019/20	400,000	3,654,100	4,054,100

The audited financial statements of FISA as of 30th June 2016 shows the amounts of \$5,056,388 as Payables to Government as per Bareboat Charter Agreement between the company and the Government of Tonga.

This account payable to Government, \$5,056,388, was transferred to equity, Capital Account, as additional equity from Government when it was decided to transfer the ownership of MV 'Otuanga'ofa to the Agency.

When it was later decided in 2018/19 to transfer back the MV 'Otuanga'ofa to Government then the entry is reversed in 2019/20 and the Accounts Payable to Government is to become exist once again.

Also, the value of equity goes back to its original value of share capital of \$400,000 in 2019/20.

5. Other Issues

5.1 Principal/Agency Hire of the Vessel (MV 'Otuanga'ofa)

Building up of reserves from hiring fees of MV 'Otuanga'ofa was one of the main obligations of the Agency expressly stated in the original Bareboat Charter Agreement and implied from the financial records and information; the "Payment Schedule" and the creation and up-keep of the special restricted deposit bank account with the MBf Bank.

This obligation of the Agency reached the highest peak of \$3,325,682 in 2016 – balance of the special restricted deposit bank account with the MBf Bank.

On 31st March 2017, the Cabinet, (CD No. 289), terminated this Agreement however, it directed *“that the Board of Directors of the Agency to ensure that there is enough fund reserves to purchase a new vessel to replace the MV ‘Otuanga’ofa after the estimated life”*.

When the above situation reversed by Cabinet on 15th March 2019, (CD N0.336), the re-establishment of the Bareboat Charter Agreement is yet to be completed. However, the balance of the restricted deposit bank account is \$2,390,638 with the BSP bank.

As already stated above, that the Ministry of PE and the Agency be attended to the re-established Bareboat Charter Agreement, which is to cover this obligation and be complied with, building up the vessel’s replacement reserve

5.2 Staff Issue

We noted the accounts staff left the Agency just before this audit commenced. Fortunately, Mr Tevita Potesio was just recruited and greatly assisted helped out the audit team. It was discussed and planned a very focus and fast-moving audit taking into account the need to have been completed before the scheduled Annual General Meeting. However due to the accounts staff left the Agency, the incompleteness and untimely available of the Agency’s records was the stumping blocks.

Thus, we hereby strongly recommend that a good and reliable accounts office of the Agency be immediately recruited and to be tasked with maintaining and filed complete financial and general records of the Agency.

5.3 General Journals

Description

The process of general journal entries is not properly documented. This includes the preparation and documentation, processing and approval/review of journals.

Recommendation

12. That processing of general journals is to be formally documented to ensure that journals raised are well supported and approved by management before it is processed.

FISA’s Management Response:

Agreed

5.4 Going Concern Issues

The ability of the Agency to meet its current financial obligations is very much subject to the Government’s and consideration of assistance to the Agency in the coming financial years.

The obligations of the Agency, mainly the long-term loan repayments and building up of financial reserves for the coming replacement of MV ‘Otuanga’ofa indicated by the existing bareboat charter payables, and its current daily operations are mostly covered by the MV. ‘Otuanga’ofa.

Recommendation

13. That the Board of Directors be focus on the going concern issue of the Agency as outline above.

FISA’s Management Response:

Agreed

6. Stock-take – 30 June 2021

1. Finding

1.1. Stock-take

Firstly, there was no physical stock timetable and provided to the Tonga Office of the Auditor General beforehand.

In future, we strongly recommend the physical stock timetable and instruction be provided to the audit at least a week before the end of the financial year

We performed the stock-taking in the Head Office at Queen Salote Wharf at Nuku'alofa for their inventory, and cash count from the 30th June 2021 to 1st July 2021.

All cut-off documents were prepared and signed by both FISA staffs and Auditors. All inventory items have been counted and verified by staffs of FISA and the audit office. We found the following significant issue;

1.1.1. Price/value information was not included in the register of spareparts

Since there were no price/value for the spareparts, audit are unable to verify the amount of spareparts as of 30th June, 2021.

Recommendation

1. That management should ensure that the inventory on the stock sheet must value properly to come up with the closing inventory to disclose in the financial statements as of 30th June 2021.

1.2 Register was not kept up to date

For many inventory, the quantity shown on the register was not correct. Some stocks were not recorded in the register but were in the store room. Audit are unable to verify the dissimilarities.

Recommendation

2. That management should ensure that the register of inventory are kept up to date before the commencement of stock-taking in the coming financial year.

1.3 Unorganized of workshop room

Delays in carrying out stocktake because the storekeeper did not know what the item in the Register refers to. Store room contains shelves where stocks are scattered. It would be easier to carry out stock-take and ease of updating the register if there were labels on the shelves to identify the stock.

Management can have better control of its assets if assets were stored in an organized manner with labels on the shelves.

Small tool store room also no labels on shelves. Responsible officer who looks after this room was absent during the stock-take. Long delays in trying to identify names of the stocks and finding stocks that were shown in the register.

Recommendation

3. That management should store their inventory in an organized manner with labels on the shelves in the workshop room.

1.4 No Bin Cards for the stock

FISA records their stock in the stock list as register for their inventory but there were no bin cards for every stock of the Agency.

Recommendation

4. That management should ensure that every stock must have a bin cards for the records of stock in and stock out for each stock.

5.3.13 Tonga Communication Corporation (TCC) – 30 June 2021

1. Audit and Financial Reporting Issues

We have audited the financial statements of the TCC for the year ended 30th June, 2021. This audit was completed during September 2021 and we issued a qualified audit opinion on the financial statements on 30th, December 2021 based on the opening balance of the financial statements.

1.1 Overdraft balance exceeding limit

The amount of unpresented cheques for the account no. 128648501 totaled to \$497,001.67. As per bank confirmation, the balance of the account at year ended 30th June 2021 amounted to (\$578,889.41) and the overdraft limit was total to \$1,000,000. If total unpresented cheques are fully withdrawn as at 1st July, it will result in the company exceeding the overdraft limit, by TOP\$75,891. This is set out below:

Bank balance 30 th June 2021	(578,889.41)
Unpresented cheques 30 th June 2021	<u>(497,001.67)</u>
Bank balance if the unpresented cheques are clear	<u>(1,075,891.08)</u>

TCC will bear any additional fees from the bank as a result of breaking the overdraft limit of \$1,000,000 as mentioned above.

Recommendation

1. *We recommend management to ensure that overdraft balance is properly monitored so as not to exceed the limit and thus incur unnecessary cost for the company.*

1.2 Variance in cash on hand and cash count sheet

There was a variance of TOP\$6,416.47 noted between the cash count sheet and the cash on hand in the financial statements as noted below.

Cash Count Sheet	254,208.47
Cash on hand in the f/st	<u>247,791.00</u>
Variance	<u>6,416.47</u>

Recommendation

2. *Management is recommended to ensure that any variations noted is properly justified and necessary adjustment be posted.*

1.3 Variance between stock count and the billing system

There was a variance between the balance of the stock take and the balance in the billing system (Acc Pac) previously used by the company. The variance amounted to TOP\$490,081. As per the financial policy of the company, for variance noted during the stock take, a report of the variance should be submitted to the finance manager and the internal audit and a reconciliation statement is prepared for approval. A variance report has not been submitted to the finance manager and internal audit for approval and adjusting the inventory figure.

Recommendation

3. *We recommend management to ensure that variance report be prepared more timely and submitted to both internal audit and finance manager.*

1.4 Variance in reconciling Property, plant and equipment and Intangible assets

There were significant variances noted from audit reconciliation of the property, plant and equipment and intangible assets in respect of depreciation, transfer in/out and addition. The variance are as follows;

1.4.1 Variance noted from reconciling depreciation

Depreciation expenses		6,296,635
Depreciation as per PPE	6,724,054	
Depreciation as per I/Assets	1,873,702	
Depreciation as per ROU	<u>127,092</u>	
Total		<u>8,724,848</u>
Variance		<u>(2,428,213)</u>

1.4.2 Variance noted from reconciling Transfer In/ (Out) for intangible asset and PPE

Transfer In - Intangible Assets	7,766,748	
Transfer In – Leasehold land	513,562	
Transfer In – Motor Vehicles	<u>411,019</u>	
Total Transfer In		8,691,329
Transfer Out – Plant & equipment	4,994,884	
Transfer Out – WIP	<u>604,341</u>	
Total Transfer Out		<u>5,599,225</u>
Variances		<u>3,092,104</u>

Recommendation

- We recommend management to ensure that proper reconciliation of the financial statements, the general ledger, trial balance and the fixed asset and intangible asset register are carried out at year end. This will ensure that all the entity's assets are properly and completely accounted for in the financial statements.

1.5 Consumption Tax (CT)

There was a variance from reconciling CT payable with the statement obtained from the Ministry of Revenue and Customs (MoRC) as follows;

CT Payable	IRD figure	Financial Statement	Variances
Total	203,509.96	207,789.00	4,279

The variance could imply that the payable figure in the financial statements at year end may be overstated.

Recommendation

- We recommend management to ensure that reconciliation with the MORC is done at year end and any variance is reconciled to identify its cause. Adjusting entries has been corrected in the financial statement.

1.6 No approved rates for International Subscriber Dialing (ISD)

We did not find any documentation to confirm the approved rates for the fee charged for ISD customer to complete our testing of accuracy of ISD dialing. From review of the ISD listing it is noted that there are also several unidentified customers with fees charged of about a TOP\$500.

Recommendation

- We recommend management to ensure that ISD customers are properly identified and accounted for, in addition the approved rates for ISD should be properly filed and maintained.

1.7 Variance noted in the calculation of provision for annual leave

There were a minor variance when audit recalculate the provision for annual leave for all the company's employees at year end, 30th June 2021. Calculation is as follows;

Total Employee	Days due	Annual Salary	Daily	Audit figures	Client Figure	Variance
37	383	724,172	2,785	27,523	25,764	(1,759)

Recommendation

7. We recommend management to ensure that the calculation of provision for annual leave is computed and then double checked against the list of outstanding annual leave balance for accuracy.

1.8 Compliance with the Covenant on Loan

According to the loan agreement between the company and the ANZ bank, the following covenants are to be followed, however it is noted that some are not being complied with by the company.

- TCC's Semi-annually management accounts provided no later than 45 days of each half year end;
- Provide the compliance certificate to confirm the Minimum Combined DSC for the FY with the Financial Statements;
- Annual audited Financial Statements as requested by ANZ no later than 120 days of the end of each FY; and
- Projected cash flow and budget for the next FY but no later than 60 days at the end of each FY.

Recommendation

8. *We recommend management to discuss way forward on how it will ensure compliance with the covenants, term and conditions of the loan.*

1.9 Negative balance customers

Our review of the aging debtor listing noted that there are several customers with a negative balance. A negative balance customer is caused by;

- Either the customer invoice was not posted to the customer ledger, therefore when the payment was received a credit entry was posted to the ledger where there is no corresponding accrued revenue to offset, thus creating a negative balance **OR**
- There were over payment of customer bill, which is highly unlikely

Management should conduct a thorough review of its debtor listings to note the status of these customers, and make appropriate adjustments to the accounts by clearing these negative balances.

5.3.14 Legislative Assembly Retirement Benefit Board 2018/19

The audit of the LARBB for the financial year ended 30th June 2020 was completed and we issued an unmodified audit opinion on 24th September 2021. (also an unmodified audit opinion on previous year, 2018/19 issued on 30th June, 2021).

The issues raised in our management report were as follows:

1. Follow-up Issues:

1.1. Breach of Investment Term

Term deposits of the board were breached before it reached its maturity dates. This was to finance the pay out after the election.

Recommendation

1. The board's investment plan must be carefully planned and monitored to ensure pay-out is anticipated. This will ensure sufficient fund is available.

1.2. Review of bank reconciliation

We noted the bank reconciliation are prepared on a regular basis but not reviewed.

Recommendations

2. The board must ensure that the bank reconciliation is reviewed by an independent officer from preparer.

1.3. Member's accrued benefit

The member's accrued benefit maintained in the excel spreadsheets for each individual members did not agree to the financial statements.

Recommendations

3. The member's accrued benefit be properly maintained to ensure each member's benefit are accurately calculated.

5.3.15 Port Authority Tonga (PAT) – 30 June 2021

The audit of the PAT for the financial year ended 30th June 2021 was completed and we issued a modified audit opinion on 27th October, 2021.

The issues raised in our management report were as follows:

1.1 No supporting documentations for overtime

Supporting documentations such as work plan, approval document and timesheet was not available to audit during the fieldwork, thus we were not able to confirm and verify the authenticity of overtime payment made during the years.

Recommendation

1. Given the significant amount spend on overtime cost, it is recommended that there should be an appropriate plan and approval granted prior to overtime work. This will ensure that overtime work is properly approved and not subject to abuse.

Client Response

Agreed with recommendation and has moved to implement procedure to ensure proper maintenance of supporting documentations.

1.2 Recovery of PAT's receivable

The trade receivable balance has significantly increased from previous financial year by 1,407,014. The increase is due to the PAT system managing debtor was down for maintenance during the month of April, in which time the account division was focussing on re-inputting the data to the system. Accordingly, the follow-up of debtor payment during the time was not up to date.

However, for the month of July and August, PAT recovered a total debtor amount of TOP\$713,820.

1.3 Debtor with a negative balance

Five debtors has a negative balance in the PAT's aging debtor schedule extracted from the system (shown in table below). The negative balance is result of payment above the receivable balance recorded in the system.

Ministry of Education	(2,921)
Ministry of Police	(114)
OST Customs Broker Ltd	(1,382)
Leiola Duty Free	(2,480)
Simply the Best Custom Broker	(1,664)
'Ofa ki Tonga	(61)
Total	(8,622)

1.4 Provision for doubtful debt

	<u>2019/20</u>	<u>2020/21</u>
Provision for doubtful debt	337,836	337,836

There has been no movement for doubtful debt during this audit from last year, despite total trade receivable has increased by a significant amount.

Recommendation

2. *That Management should ensure that the provision for doubtful debt is correctly determined based on a review of long outstanding debtors over 90 days and collection history. The provision should be submitted to the board for approval and be used as basis for calculating provision for doubtful debt.*

1.5 Non-compliance with the tender agreement

PAT and IPL signed the agreement on the 7th October, 2020. According to the agreement, the schedule of payment for the tendered equipment and vehicles were to be done on the following dates;

Payment Schedule		
i)	60,000.00	30 th December 2020
ii)	71,387.50	30 th January 2021
iii)	71,387.50	28 th February 2021
iv)	71,387.50	30 th March 2021
v)	71,387.50	30 th April

IPL has made the initial payment of TOP\$60,000 in December, 2020 as per the payment date on the agreement. As at 30th June 2021, IPL had made no further payments, so a total of TOP\$285,550 remain outstanding. The equipment and vehicle has been taken by IPL. IPL had failed to uphold its payment according to the agreement.

Recommendation

- 3 *It is recommended, that management should immediately take action against the company IPL to return back all tendered assets already taken by the company for use. Until such time the final payment is made (which was already due in April, 2021) then ownership and custody of assets be transferred to IPL.*

Client Response

Agreed with recommendation and has moved to implement

1.6 Related Parties and Conflict of Interest

The company, IPL won the asset tender and the agreement was signed with PAT. The director of IPL is Mr. Inoke Vala, who signed the agreement on behalf of IPL. Mr. Vala, who was the director of IPL was also currently a director of PAT at the same time. As such Mr. Vala has an interest in the transaction given that his company IPL was doing business with PAT for a significant amount. Accordingly, Mr. Vala should not have participated in any way in the transaction either in his capacity as director at PAT or IPL respectively.

As such we provide the following recommendation;

Recommendation

- 4 *That management and the board should establish a conflict of interest register for use. This register should record all transactions that include interest of board members for information purpose and necessary action. Any interest identified for a board member or key management personnel, he/she is not to have any involvement in the said transaction.*

Client Response

Agreed with recommendation and has moved to implement.

1.7 Property, Plant and Equipment: Depreciation rate different from the accounting policy

Depreciation rate in the fixed asset register did not agree to the range of depreciation rate disclosed in the Note 2 (e) of the financial statements. This has been corrected in the final financial statements. Refer to the table below for depreciation rate per the accounting policy.

	<i>Useful live</i>	<i>Depreciation rates</i>
<i>Building</i>	<i>10-35 years</i>	<i>2.9%-8%</i>
<i>Wharves and associated facilities</i>	<i>12-40 years</i>	<i>2.5%-8%</i>
<i>Onshore equipment</i>	<i>4-20 years</i>	<i>5.0%-25%</i>
<i>Offshore equipment</i>	<i>5-20 years</i>	<i>5.0%-20%</i>
<i>Navigation aids</i>	<i>3-35 years</i>	<i>4.0%-33%</i>
<i>Furniture and Fitting</i>	<i>2-20 years</i>	<i>5.0%-50%</i>

1.8 Negative balance payable

A negative balance of TOP\$47,277 were found inside the total payable balance. This negative balance relates to retirement fund receivable from employee but which was incorrectly recorded as a negative liabilities thereby decreasing total payable. This has been reversed from payable and moved to receivable in the financial statements.

5.4 Other Audit Engagements of the Division during the year 2020/21 - 2021/22

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.

5.4.1 Tungi Colonnade Company Limited 2020/2021

The audit of the TCCL for the financial year ended 30th June 2021 was completed and we issued an unmodified audit opinion on 28th April 2022. (also an unmodified audit opinion on previous year, 2019/20 issued on 25th November, 2020).

1. Follow-up Issues:

1.1. Revenue and Receivable - Recognition on cash basis

The company's main revenue streams comprised of rental, electricity in-payments, and hotel and conference revenues. Revenues from hotel, conference rooms and other revenue are realized on a cash basis. Posting of revenue to the accounting system (MYOB) is done solely from revenues that has been received in cash (receipted in the receipt books plus any revenues that has been direct credited to the bank account). Any revenues that are yet to be received on the 30th of June are not realized in the financial statements as receivables.

Electricity in-payments and rental revenue are however realized on an accrual basis with outstanding amount not received at year end are correctly realized in the financial statements as receivables.

Recommendation

- 1. Management is recommended to ensure that revenue is realized on an accrual basis using the model prescribed by IFRS 15 – revenue from contract with customer instead of the cash basis currently used. This will ensure that revenue and receivable are correctly realized and accounted for in the financial statements.*

1.2. Revenue received in advance

In prior year audits, hotel revenue paid in advance was incorrectly recorded as revenue for the financial year. As there is no cut-off analysis done at year end, these advance payments has been posted straight from the receipt book to the MYOB system as revenues. Similarly, payables were yet to be recorded in the financial statements because they are recorded when paid, instead of when they are incurred.

Recommendation
2. Management is recommended to ensure that a cut-off analysis of both revenue and expenses is done at year end to ensure that revenue, expenses, receivable and payables are correctly recorded.

2. Current Year Audit Issues

2.1. Revenue

Correction were made for conference revenue of \$2,300 still remain unpaid as at 30th June 2021.

Conference revenue similar to hotel and other revenue are realized on a cash basis as similar with findings in previous year (i.e. Posting is done mostly from the receipt book with a debit to cash and credit to revenue when cash is received). CEO maintained a complete register of all conference, hotel booking and rental detail. Given posting is done mostly from the receipt book without double checking the register maintained by Simi, the financial statements missed out conference revenue that is unpaid but should be realized in the accounts.

Recommendation
3. TCCL needs to carry out a cut-off analysis of revenue and expenditures at year end to identify prepaid and accrued income and expenses and correctly realized them accordingly.

2.2. Missing deposit in bank statements

There is a cash receipt of TOP\$4,500 not yet shown in the bank statement for deposit of receipt No. 4771, 4772 and 4773 amounted to TOP\$14,327, however bank statements shows TOP\$9,827. Mavae is liaising with the bank to identify and correct this. The banking is short by TOP\$4,500 for receipt no. 4773.

2.3. Trade and other Receivables

Receivable from conference revenue was yet to be realized in the accounts. Similar with prior year issues identified, the cash basis nature of the company's revenue has consequently resulted in missing out receivable that should have been realized in receivable and revenue. Lack of reconciliation with the register maintained by CEO also contribute to this misstatement.
