



REPUBLIC OF VANUATU
OFFICE OF THE AUDITOR-GENERAL

AUDITOR-GENERAL'S REPORT

ON

THE COMPLIANCE AUDIT

OF

**THE DEPARTMENT OF QUARANTINE AND INSPECTION
SERVICES**

FOR THE TWO YEARS 2006 AND 2007

Submitted to : Director of Quarantine and Inspection Services

Date : 29 July 2010



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1. INTRODUCTION

This report contains the results of a compliance audit and review of the budget performance of the Department of Quarantine and Inspection Services for the two years, 2006 and 2007.

The Auditor General is required under the Public Finance and Economic Management Act No. 6 of 1998 to examine and report on the financial performance of any Department for which funding was provided under the Appropriation Act.

2. ROLE AND FUNCTION OF THE VANUATU QUARANTINE AND INSPECTION SERVICES (VQIS) DEPARTMENT

The Department of Quarantine and Inspection Services has its main office in Vila with other offices in Santo, Tanna, and a representative in Sola/Vanua Lava.

The department's main focus for 2006 and 2007 was to continue to maintain a favorable disease and pest status of Vanuatu's animals and plants. All the Department's activities are directed towards this goal.

3. AUDIT MANDATE

The Public Finance and Economic Management Act, No. 6 of 1998 (PFEM Act) sets out the Government's financial management obligations and responsibilities for effective economic, fiscal and financial management. It seeks to ensure that effective and efficient financial management of public monies is undertaken by Ministries and their Departments in order to enhance public accountability. These obligations include:

- ❖ the establishment of sound financial management systems and effective internal controls;
- ❖ the provision of accurate and complete accounting records;
- ❖ the effective financial management of resources as allocated in the annual budget;
- ❖ the compliance with all reporting requirements under the PFEM Act; and
- ❖ the provision of realistic and practicable estimates of receipts and expenditures.

Under Section 27 of the Expenditure Review and Audit Act, No. 3 of 1998 the Auditor-General is required to monitor compliance with the PFEM Act and to review and confirm the discharge of financial management obligations, part of which includes the preparation and performance of the annual budget, in order to ensure sound financial management.

4. AUDIT OBJECTIVES

The objectives of the audit review are to assess whether:

- ❖ the Department has managed its financial resources in accordance with the provision of the PFEM Act, the Financial Regulations and other laws;
- ❖ the transactions recorded are within statutory authority and properly disclose the use of all public financial resources administered by the Department;
- ❖ effective systems of internal control are in place in the spending and safeguarding of public monies and resources, which conform with specified laws, regulations and rules;
- ❖ all reasonable precautions have been taken to safeguard the collection of Government monies and that the directions or instructions relating thereto have been duly observed ; and
- ❖ expenditure has been properly authorized and applied to the purposes for which funds were appropriated by Parliament and has been otherwise properly accounted for.

5. AUDIT SCOPE AND METHODOLOGY

This audit has been conducted in accordance with Generally Accepted Auditing Standards.

Our procedures involved:

- A review of internal control systems and processes operated at the Department of Quarantine to assess their effectiveness.
- A review of the accounting records to confirm the validity of payments made and the appropriateness of transactions incurred.
- Comparison of actual expenditures with the budgets and sought explanations on variances.

- Obtain other information and explanations through interviews and from other records and correspondence, to supplement our examination of the accounting records; and

Other procedures includes compliance, substantive testing, and examination on a test basis of records evidencing validity of expenditures committed, revenue collected, and evaluating the overall financial controls.

6. SUMMARY OF AUDIT FINDINGS

- 6.1. Budget to Actual Comparison for 2006 and 2007; (Refer Finding 7.1)
- 6.2. Overpayment of Child Allowances made to Mr. David Nawa; (Refer Finding 7.2)
- 6.3. Staff Personnel Records not complete with Birth Certificates of Children; (Refer Finding 7.3)
- 6.4. Variances in Cash Received /Collected and Cash deposited; (Refer Finding 7.4)
- 6.5. Cash Reported Missing under the custody of Messrs Kaltuk Kalomor and Tom Alick; (Refer Finding 7.5)
- 6.6. Missing Used Receipt Books; (Refer Finding 7.6)
- 6.7. Deficiency in the Revenue Collection System; (Refer Finding 7.7)
- 6.8. No Fixed Asset Register and Stock-take; (Refer Finding 7.8)
- 6.9. Outstanding Invoices; (Refer Finding 7.9)

7. DETAILED AUDIT FINDINGS

7.1 Budget to Actual Comparison for 2006 and 2007

Criteria

PFR 3.1.(2): All expenditure that is approved for payment must be within:

- (a) the program or output budgets specified and voted in any appropriation Acts or warrants; or**
- (b) a Ministry's program budgets after any transfer made under section 34 of the PFEM Act;**
- (c) and must be spent for the purposes intended in the budget to achieve the program, activity or output objectives.**

Finding

Audit review of the Department of Quarantine and Inspection Services spending against budget indicated that in year 2007 there were savings in the budget while in 2006 there were overspendings in the budget as a result of expenditure commitments without budgetary provisions.

- The 2007 budget was Vt 113,045,594 while actual expenditure incurred amounted to Vt 111,116,072, hence budget savings of Vt 1,929,522.

ACTIVITY	ACTUAL VT	BUDGET VT	(OVER)/UNDER SPENDING VT
PERSONNEL EXPENSES	63,455,728	64,049,532	593,804
OPERATING EXPENSES	47,660,344	48,996,062	1,335,718
TOTAL EXPENDITURE	111,116,072	113,045,594	1,929,522

- The 2006 budget was Vt 103,174,854 while actual expenditure incurred amounted to Vt 103,186,237, hence budget overspendings of Vt 11,383.

ACTIVITY	ACTUAL VT	BUDGET VT	(OVER)/UNDER SPENDING VT
PERSONNEL EXPENSES	48,096,078	47,734,112	(361,102)
OPERATING EXPENSES	55,090,159	55,439,878	349,719
TOTAL EXPENDITURE	103,186,237	103,174,854	(11,383)

Cause of Finding

The acting finance officer, Mr Kaltuk Kalomor confirmed that the extra 6 million vatu included in the 2006 budget was to cater for the GRT salary grading adjustments for staff and furthermore, payment of consultation fees in Australian dollars resulted in foreign exchange differences not budgeted for.

Implication

Lack of proper planning and poor management of budget. Also lack of regard for the provisions of the Public Finance and Economic Management Act to properly address unforeseen expenditure.

Recommendation

Overall spendings for the two years appear to be within the budget limits. Management should continue to maintain spending within the budget limits and be always conscious of any unforeseen expenditure.

7.2 Over Payment of Child Allowances made to Mr. David Nawa

Criteria

PSSM 5.1 (f): "An officer is entitled to be paid a child allowance in respect of children of either sex who are under 14 years of age. The age limit shall be 18 years where a child is receiving full-time education or has a physical or mental infirmity".

PFR 8.14 (2): "It is the responsibility of the Head of Ministry to ensure that all due precautions are taken to prevent the loss of such cash".

Finding

An Officer continued to receive child allowances after his children attained the age of 18. His children attended Vila City College and Vila North Primary School from 2000 to 2004. A total amount of Vt 73,140 was improperly paid and must now be recovered from the officer. The Table below shows details of the improper payments of child allowances:

1st Child Robert David Naoah

DOB	Date the Child Turned 18 Yrs	Date & Pay Period of last entitlement	Pay Period Paid Child Allowance not Entitled	Amount Received VT
2/01/1986	2/01/2004	26/12/2004 – (Pay period 0326)	0401	690
			0402	690
			0403	690
			0404	690
			0405	690
			0406	690
			0407	690
			0408	690
			0409	690
			0410	690
			0411	690
			0412	690
			0413	690
			0414	690
			0415	690
			0416	690
			0417	690
			0418	690
			0419	690
			0420	690
			0421	690
			0422	690
			0423	690

			0424	690
			0425	690
			0426	690
			0501	690
			0502	690
			0503	690
			0504	690
			0505	690
			0506	690
			0507	690
			0508	690
			0509	690
			0510	690
			0511	690
			0512	690
			0513	690
			0514	690
			0515	690
			0516	690
			0517	690
			0518	690
			0519	690
			0520	690
			0521	690
			0522	690
			0523	690
			0524	690
			0525	690
			0526	690
			0527	690
			0601	690
			0602	690
			0603	690
			0604	690
			0605	690
			0606	690
			0607	690
			0608	690
			0609	690
			0610	690
			0611	690
			0612	690
			0613	690
			0614	690
			0615	690

			Total	46,920
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2nd Child Tasso Tawai Naoah

DOB	Date the Child Turned 18 Yrs	Date & Pay period of last entitlement	Pay Period Paid Child Allowance not Entitled	Amount Received VT
26/07/1988	26/07/2006	14/07/2006 - 0614	0615 0616 0617 0618 0619 0620 0621 0622 0623 0624 0625 0626 0701 0702 0703 0704 0705 0706 0707 0708 0709 0710 0711 0712 0713 0714 0715 0716 0717 Total	690 690 920 26,220

Mr. David Nawa stated that despite the fact that he reminded the responsible officer to cease payment of the child allowance in 2005, no action was taken to stop payment. However, he should have also exercised some responsibility then

to directly advise the Department of Finance to cease payment of child allowances, in which case he also failed to do so.

Cause of Finding

The over payment of child allowances arose because no control mechanisms were in place and consequently staff personnel records were not complete to ensure correct payments. Also there was no enforcement of PSSM 5.1(f) when the officer reported overpayments of child allowances.

Implication

The over payment of child allowances resulting in misuse and wastage of public funds.

Recommendations

1. *HRO of the Ministry of Agriculture & Fisheries to take immediate action to cease payment of child allowance to Mr David Nawa.*
2. *HRO to advise Payroll Section of the Finance Department to make direct deduction of Vt 1,000 from his salaries on every payday until the total amount owed is completely recovered, with his prior written consent.*
3. *Director must ensure compliance with the Public Service Regulation PSSM 5.1 (f) and/or Public Financial Regulation PFR 8.14 (2) to prevent loss of public funds.*

Management comments

Management has taken note of the recommendations. As Mr. David Nawa had passed away in August of 2009, the over payment of Vt 73,140 will be recovered through a deduction from his final severance pay. See details of recovery in Appendix A.

7.3 Staff Personnel Files not complete with Birth Certificates of Children

Criteria

PSC FORM 4-8: "Please attach copies of these documents relating to the child";

- Birth Certificate
- Educational Institution attendance certificate (if children reached the age of 14(+))
- Adoption certificate (if certificate by chief, needs to be countersigned by magistrate)

Finding

A review of staff personnel records revealed that no birth certificates were kept in the personnel files for the following staff members to justify payment of child allowances:

**LIST OF VQIS STAFF MEMBERS RECEIVING FAMILY
ALLOWANCES BUT NO BIRTH CERTIFICATES KEPT IN
PERSONNEL FILES**

Name of Staff	Number of Child	Amount Paid for Child Allowance VT	Birth Certificate Y/N
Mary Aru	3	2,070	N
Violet A Willie	1	920	N
Timothy Telon	2	1,840	N
Tom Nuito	2	1,840	N
Ano Nawen	2	1,840	N
Moses Nambo	2	1,840	N
Andrew Massing	2	1,840	N
Leonard Tari	2	1,840	N
Lynette B	1	920	N
Eric Kalmanou	2	1,840	N
Georges Yarouel	2	1,840	N
George Swua	1	920	N
Manley Turris	2	1,840	N
Jeffery Shay	2	1,840	N
Roy Phillipe	2	1,840	N
Fiona Malkon	2	1,840	N
Alain Kutoseriovo	2	1,840	N
Krem Sam	2	1,840	N
Scott Kaltavara	1	920	N
Frazer Boe	2	1,840	N
Lony Bong	1	920	N
Thomas Iaru	2	1,840	N
Michael Karo	2	1,840	N
Darold Masing	1	920	N
David Nawa	2	1,840	N

Cause of Finding

No copies of birth certificates were kept in the above-named staff personnel files and no reasons were given for this oversight. Mr Andrew Moses, Acting HRO for the Ministry of Agriculture informed auditors that he was just appointed to this acting position at that time and as he was new to the job, he was unable to provide any satisfactory explanation.

Implication

As the staff personnel records are not complete as required by the Public Service Staff Manual there is a risk that child allowances may be overpaid.

Recommendation

The HRO for the Ministry must ensure that all department staff members' personnel records are updated and complete including all relevant documentation relating to their appointments and entitlements as required by the PSSM.

Management comments

The Director noted the recommendation to ensure that all the records are fully maintained up to date.

7.4 Variances in Cash Received/Collected and Cash deposited**Criteria**

PFR 8.18 (4) "A revenue collector must ensure that all revenue received is paid into the bank on a daily basis.

PFR 8.13 (1): "A revenue collector is responsible for safeguarding and balancing of any revenue received by him or her"

PFR 8.15 (3): "A revenue collector is personally liable, and may be held financially responsible, for the loss of cash or other Government property occurring through the loss of a key to any safe custody facility under his or her control"

Finding

A review of cash receipts and cash deposit slips revealed discrepancies in cash amounts collected and cash deposited, as summarized in the table below:

Revenue Shortfalls on Collections & Deposits – 1st of January 2005 to 31 December 2007.

2007						
	1	1032813	11,000	1,000	(10,000)	Kaltuk
	2	1033643	82,000	81,000	(1,000)	Kaltuk
	8	1049692			(2,500)	Kaltuk

			7,500	5,000		
	10	1072500	700	500	(200)	Kaltuk
	12	1039993	1,500	1,400	(100)	Kaltuk
	13	1051932	7,500	6,500	(1,000)	Kaltuk
	33	1036010	2,900	2,000	(900)	Kaltuk
		Total	113,100	97,400	(15,700)	
Overall Total			113,100	97,400	(15,700)	

As indicated by above Table, Mr Kaltuk Kalomor had a shortfall of Vt 15,700.

Cause of Finding

The Lab Technician, Mr. Kaltuk Kalomor admitted that the above shortfalls resulted from his lack of double checking of records against cash before banking. All monies collected during that period were received and kept under the custody of Mrs. Christina Ayong, Senior Executive Officer, sometimes up to 10 days before revenue collected is given to Mr. Kaltuk for banking. Furthermore he stated that whatever Mrs. Ayong gives him is what he takes for banking without thoroughly checking beforehand. And oftentimes not all the cash collected is given to the Finance Officer for banking as some cash collected are kept until later before being banked.

Mr. Kaltuk stated that another contributing factor which might result from the shortfalls is the treatment of revenue collected as petty cash fund. It has been a practice where senior officers whenever needed to buy fuel, sticky tape etc. would without proper authorization take money from cash collected to meet such minor expenses. After sometimes upon producing a receipt the money would be paid back to the finance officer or junior officers at the front desk.

Implication

There is a risk of cash being misused and stolen resulting in loss of public money.

Recommendations

- 1. The Director of Quarantine must ensure that Mr Kalomor and the receipting officers whose names appear on respective manual receipts immediately reimburse the amount of Vt 15,700 in full.*
- 2. The Director of Quarantine must ensure that the practice of using revenue collected for minor expenses be ceased at once and a petty Cash fund be established to cater for minor expenses.*

3. *The Director of Quarantine must instruct the Senior Executive Officer, Mrs. Christina Ayong not to handle any more cash and to let the Finance Officer to carry out that responsibility.*
4. *The Finance Officer to balance cash received daily with the cash deposited with the government cashier. Banking should be done daily and intact.*
5. *The Finance Department Revenue Manager must check to ensure that cash deposit amounts agree with the total of the cash receipts as per DP7 forms and to immediately follow-up on any shortfalls in cash deposits.*

Management comments

Management took note of the recommendations and with regards to the shortfalls Mr. Kaltuk stated that the receipting officers will be responsible for refunding all the shortfalls.

7.5 Cash Reported Missing under the Custody of Messrs Kaltuk Kalomor and Tom Alick Reported

Criteria

PFR 8.18(4): "A revenue collector must ensure that all revenue received is paid into the bank on a daily basis"

PFR 8.16 (4): "The loss of any receipts, invoices and debit notes must be reported immediately to the Director General of MFEM by the officer responsible for their custody".

Finding

A review of the cash receipts deposited from January 2005 to 31 December 2007 revealed that a total cash amount of Vt 106,400 was never deposited with the government cashier. Details extracted from the triplicate copy of the manual receipt books showed un-deposited cash receipts as follow:

Book 2				
	Feb	1033784	216 (Matthew Host)	1,400
			Sub-total	1,400
Book 4				
	04/04/07	1037667	M/R 1036 151	14,000
			Sub-total	14,000
Book6				
	14/06/07	1045218	QIP # 0363, CAIP # 202, 203	11,700
			Sub-total	11,700
Book 22				
	08/11/07	59604	AIP #	1,500
	08/11/07	59605	import of sausage and honey	1,500
Book 12			Sub-total	3,000
	18/04/07	1039812	Licence	20,000
	04/05/07	1039993	QIP # 0222	1,500
Book 14			Sub-Total	21,500
	14/08/07	1050070	PIP 0519	3,200
	24/08/07	1050140	Fine	20,000
Book 16			Sub-Total	23,200
	12/10/07	1053577	QIC # 3911	1,400
			Sub-Total	1,400

Book 18	17/12/07	1057284	Fish export	4,000
			Sub-Total	4,000
Book 23				
	24/12/07	1058601	QIC # 4449 & storage fees	2,900
	24/12/07	1058603	QIC # 2516	1,400
	24/12/07	1058604	QIC # 2517	1,400
	03/01/08	1058694	export of cheese	20,500
			Sub-Total	26,200
TOTAL				106,400

Cash collected amounting to Vt 106,400 were never deposited into the Government treasury and appear to be missing. Following audit enquiry three quarantine officers responded in settling the amounts outstanding against their names as they were the receipting officers. Details are as follows Mr. Bill Garae settled the amount owed by him on the 27/04/2010 receipt no. 409099, Mrs. Enolthy Saman on the 27/04/2010 receipt no. 409100 and Mr. Sylverio Watsivi on the 25/03/2010 receipt no. 402170. See Appendix B.

Cause of Finding

Finance Officers, Messrs Tom Alick and Kaltuk Kalomor could not give an explanation with regards to the un-deposited cash amounts. However they can only explained that there are too many officers handling or issuing receipts at the department of quarantine. It has been reported that there are 28 Quarantine officers including the Director who are issuing manual receipts and handling cash money from revenue collected at the Department of Quarantine. See Appendix C. This might be a main contributing factor to the misplacement of records and cash.

Implication

There is a high risk of cash being misused or stolen resulting in loss of public money.

Recommendations

1. *Director General of MAQFF must ensure that online cashier access is implemented in the department of Quarantine. This will minimize loss of cash and allow for efficient and effective control.*
2. *Daily monitoring and check by the revenue section of the Department of Finance will ensure cash collected is deposited intact daily.*
3. *The Director of Quarantine must ensure that Messrs Kalomor and Alick immediately refund the shortfall or make arrangements with the finance department to recover in installment the amount of Vt 106,400 in full.*

Management comments

Mr Kalomor admitted that there may be misuse of public money and misplacements of accounting records due to a poor filing system. However, he gave an assurance that all quarantine officers whose signatures appear on the manual receipts have agreed to reimburse and recover all the monies that have gone missing or misused.

7.6 Missing Used Receipt Books

Criteria

PFR 8:16 (2): "The Director of Finance must keep a register of all stocks of receipts, invoices and debit notes and conduct regular inspections to ensure that no receipts, invoices or debit notes have been stolen, lost or misused".

PFR 8.16 (3): "Revenue Collectors must ensure that all receipts, invoices and debit notes under their control are kept in a strong room, safe or strong lockable box when not in use".

PFR 8:16 (4): "The loss of any receipts, invoices and debit notes must be reported immediately to the Director General of MFEM by the officer responsible for their custody".

Finding

A review of used receipt books for 2005 to 2007 revealed that twenty seven (27) used receipt books are missing, as indicated below:

2005 Missing Used Receipt Books

1.	416651 to 416700
2.	417651 to 417700
3.	417601 to 417650
4.	417801 to 417850
5.	418201 to 418250
6.	418251 to 418300
7.	418451 to 418500
8.	418551 to 418600
9.	418601 to 418650
10.	419701 to 419750
11.	419801 to 419850

2006 Missing Used Receipt Books

1.	422801 to 422850
2.	420101 to 420150
3.	420051 to 420100
4.	422551 to 422600
5.	420151 to 420200
6.	420601 to 420650
7.	421701 to 421750
8.	425001 to 425050
9.	425451 to 425500
10.	425151 to 425200

2007 Missing Used Receipt Books

1.	1036001 to 1036200
2.	414701 to 414751
3.	57401 to 57450
4.	58651 to 58700
5.	58701 to 58750
6.	58101 to 58135

It was noted that several cash collected from the above missing receipt books have been deposited with the government cashier. No confirmation can be obtained as to whether all the above cash receipts have been deposited or not, as not all bank deposit slips have records of manual receipts details and therefore no audit trail exists to enable confirmation as to whether all cash receipts have been accounted for.

Cause of Finding

There is lack of controls over the accountable documents. Management is not complying with the requirements of the PFR. There are no permanent register maintained to control the issuing and returning of the receipt books to and from

the departments and as a result these missing receipt books listed above went unnoticed until detected by audit.

Implication

The accountable documents are at risk of missing, lost or misused and not accounted for. Also poor management of the accountable documents is a breach of the PFR 8:16 (2-4).

Recommendations

1. *The finance officer to ensure that all used receipt books are returned to finance department revenue section;*
2. *The finance officer to ensure that any lost receipts are reported immediately to the Department of Finance;*
3. *The finance officer to ensure that details of manual receipts must appear on the bank deposit slips for easy audit trail;*
4. *The Director of Finance to instruct the Revenue Manager to maintain permanent accountable books register of all the receipt books issued out to departments. And all completed receipt books must be returned and recorded against details of issuing of the same, before any new receipt books are further issued to any department.*

Management comments

The Finance Officer responded that following an audit enquiry in 2007 a register was set up and maintained for every new receipt books that were obtained from the Department of Finance.

7.7 Deficiencies In the Revenue Collection System

Criteria

PFR 8.17 (2): "The reconciliation must exclude any float amount in the cash box and the float amount must remain in the cash box and not be included in the banking".

PFR 8.2 (1): "A revenue collector must immediately issue an official receipt for each sum of revenue paid to him or her for the account of the Government".

PFR 8.18 (4): "The revenue collector must ensure that all revenue received is paid into the bank on a daily basis".

Finding

The Cash Count revealed the following deficiencies in the revenue collection system:

- There is no cash float maintained in the cash box and as a result personnel money is being used to change public money.
- Cash were being collected without the immediate issuing of receipts.
- Receipts were being prepared and completed for cash not yet received.
- Receipts were not amended to reflect the correct amounts banked which resulted in discrepancies between cash receipts and bank deposit slips.
- The Finance Officer's position has been vacated since 2005.

Cause of Finding

The weakness arose because:

- Quarantine Officers collecting revenue are not designated revenue collectors and therefore were not familiar with the revenue collection procedures detailed in the Public Financial Regulation.
- there is no permanent Finance Officer to properly carry out the financial responsibilities.
- there is no proper internal control systems in place.

Implication

Non compliance with the Public Financial Regulation 8.17 (2), PFR 8.2 (1) and PFR 8.18 (4) may result in the misuse, thefts and loss of public money.

Recommendations

1. *A permanent finance officer is recruited at the earliest time possible.*

2. *The responsible finance officer needs to familiarize himself/herself with all the accounting procedures detailed in the Public Finance Regulations and ensure that the following mechanisms are in place to prevent loss of public money:*

- *All accounting records are properly filed up to date;*
- *A cash float is maintained in the cash box to avoid using personnel money for change of public money;*
- *Receipts are only prepared and issued when cash is received to avoid confusion; and*
- *Banking is done intact and on a daily basis.*

Management comments

The Finance Officer is fully aware of these weaknesses and will raise the issue with the Director to come up with better control mechanisms in place and also for the appointment of a permanent Finance Officer.

7.8 Fixed Asset Register and Stock-take

Criteria

PFR 9.2 (1): "The Head of Ministry must ensure that all assets under his or her management are adequately maintained and cared for".

PFR 9.5 (1): "The Head of Ministry must conduct a stock-take of all assets of the Ministry at least every 6 months and check that the assets listed on the Ministry's fixed asset register are still in their register location and in workable condition".

Finding

A review of Fixed Assets revealed the following:

- Apart from FMIS asset register the Department of Quarantine and Inspection Services does not maintain a register of all government assets held in the department.
- No stock-take of fixed assets was ever conducted.
- No fixed asset register was ever maintained.

Cause of Finding

Senior Executive Officer, Mrs. Christie Jonas who is also delegated with the task of maintaining the fixed asset register together with undertaking stock takes of all assets appears to be overloaded with other work and was therefore unable to perform this task.

Implication

The Statement of assets and equipment does not correctly reflect assets that are operational and in use by the department.

Recommendations

1. *An asset register is maintained, showing details of all assets as required by the Finance Department.*
2. *The officer responsible should carry out a periodic asset inventory of all the assets as required under PFR 9.5 (1).*

Management comments

The Finance Officer confirmed that an asset register has now been set up and maintained up to date following an appointment of an officer on a three months contract as a result of the audit finding and suggestion in 2008.

7.9 Outstanding Invoices

Criteria

PFR 8.9 (2): "Ministries must check their outstanding invoices at least monthly in order to check those invoices issued by the Ministry".

PFR 8.9 (3): "Ministries must follow revenue collection procedures as issued by the Director of Finance".

PFR 8.10 (1): "If an item of revenue is overdue for more than 6 months for any reason whatsoever, the relevant Head of Ministry must submit a detailed written report on the matter to Director of Finance".

PFR 8.11 (1): "Any write-offs of outstanding debts must be approved by the Director General of MFEM acting with the approval of the Minister of Finance".

PFR 8.11 (2): "All reasonable efforts must be taken to collect outstanding debts before they may be written off".

Finding

A review of the outstanding debts revealed that:

- Outstanding debts as at 23 April 2007 amounted to Vt 47,590,183 in accordance with the Smart stream Finance system; some of which dated as far back as 2002.
- Some of these outstanding invoices should be cancelled as they have already been paid. See Appendix D.
- There are no follow up actions taken to recover the outstanding debts since 2005.
- The Acting Finance Officer is not familiar with the invoicing and invoice payment procedures and as a result, paid invoices which should be marked 'paid' are still showing as unpaid invoices in the financial records.

Cause of Finding

- The acting finance officer lacks knowledge and understanding with regards to his financial responsibilities as he stated that he was not aware that part of his responsibility is to follow up on the outstanding debts.
- The acting finance officer lacks knowledge and understanding of the financial procedures of the government as he stated that whenever a customer settled an invoice, he never cancelled the invoice as "paid" and

as a result paid invoices are still showing as outstanding in the financial records.

- Also independent confirmations from customers or debtors confirmed that they had never received the original invoices from the department resulting in the non payment of invoices.

Implications

The debtors balance may be incorrectly stated in the accounts due to the failure of not having a properly trained Finance Officer.

Recommendations

1. *A permanent Finance Officer is recruited immediately, who should be properly trained and be familiarized with the Public Financial Regulations and other relevant acts.*
2. *Credit notes must be raised against all invoices that have already been paid but are still showing as outstanding or unpaid in the financial records.*
3. *Follow up actions are taken immediately to recover all the outstanding debts.*
4. *Correct addresses must be obtained from the customers to ensure that invoices are sent/directed to the right persons.*

Management comments

The Finance Officer of the Department of Quarantine has confirmed that with the assistance of the Revenue Officers of the Department of Finance they had undertaken an exercise in identifying and eliminating invoices that have already been paid but not cancelled in their records and as a result has substantially reduced the debtors balance.

He further acknowledged that recovering debts from clients is a big challenge for the department. However with the recent possession of a new vehicle this should help in recovering these debts more effectively.

8. CONCLUSION

Compliance

The department is required to comply with the financial controls that have been introduced in the Financial Regulations; the Public Finance and Economic Management Act; the Public Service Act and Public Service Staff Manual. The Financial Management Section must ensure that all accounting practices are in accordance with those regulations.

This report contains instances where the Department of Quarantine and Inspection Services did not comply with some of these regulations.

This report contains instances where the Department of Quarantine and Inspection Services did not comply with some of these regulations.

Control

Where management implements sound internal controls, there is reasonable assurance that operational, financial and regulatory risks will be mitigated. However, weaknesses and inadequate internal controls and lack of compliance can result in financial losses and inability to achieve objectives effectively and efficiently.

For the two years under review, I do not consider the Department of Quarantine and Inspection Service to have met the standard of controls required under the Public Finance and Economic Management Act and the procedures and rules laid out under the Financial Regulations of Vanuatu. There is a clear need for the Department to improve its internal controls in respect of its fixed assets records, cash receipts and revenue system, security of cash and accountable documents and recovery of debts.

Accountability

The responsibility for exercising prudence in the expenditure of Public money, maintaining proper accounting records and safeguarding the assets procured out of the Public fund rests with the Department Director and the financial management officers.

The report demonstrates that the standard and quality of financial management in the Department of Quarantine and Inspection Services was below expectation and therefore immediate action must be taken to rectify the anomalies and implement improvements as required.

4. ACKNOWLEDGEMENT

I sincerely appreciate the cooperation extended by the Department Director and staff to the auditors during the conduct of the audit.


John Path
Auditor-General



INDEX OF APPENDICES

1. Appendix A: Copy of Receipt for recovery of late David Nawa's outstanding payment of Child Allowance.
2. Appendix B: Copies of Receipts for recovery of missing cash.
3. Appendix C: List of Quarantine Officers collecting revenue from 2006 to 2010
4. Appendix D: Debtors Independent confirmation.

GOVERNMENT OF THE REPUBLIC OF VANUATU
GOUVERNEMENT DE LA REPUBLIQUE DE VANUATU



LOCAL PURCHASE ORDER / ORDRE D'ACHAT LOCAL

ORIGINAL: For supplier to submit for payment
ORIGINAL: A remettre par le fournisseur pour règlement

PAGE
1

L.P.O. No.
490-006702
Change Order No.
0

TO (Supplier) / A (Fournisseur)
MERIAL IAWILUM MANENGER

Cout Total/VUV

Please supply to the / Prière de fournir au Service
Department of Quarantine
Agriculture Station
Lini Highway Tagabe
PMB 095
Port Vila

Payment Terms

30 Days

Order Date	Date Required	Ship Via	Vendor ID
04/05/2010	04/05/2010	Collect	MME008

Line	Description of goods or services Description des fournitures ou services	Quantity Quantite	Unit Price Prix Unitaire	Total Cost/VUV Cout Total/VUV
1	SEVERANCE-DEATH IN SERVICE(NAWA.D)	1	765,155.00	765,155
TOTAL COST VUV TOTAL en VUV				VT 765,155

REFER ALL ENQUIRIES TO:

NOTES

Purchase Order contains 1 pages

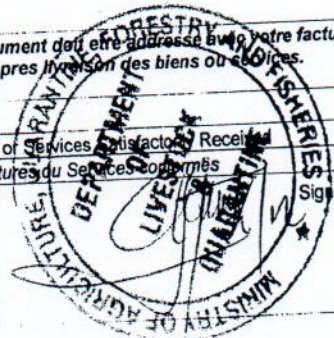
NOTE TO SUPPLIER: This document must be sent with your invoice to the ordering ministry or department after the goods or services have been supplied.

NOTE AU FOURNISSEUR: Ce document doit être adressé avec votre facture au ministère ou service acheteur après livraison des biens ou services.

Local Purchase Order approved by authorised officer.	Order d'Achat approuvé par l'agent habilité
Signature	Print Name / Nom en majuscule
	Francis Qarani 6/05/2010

Not Valid Without Official Stamp Imprint

Goods of Services	Receipt
Fournitures ou Services	Reçu
Signature	Signature



Voucher No:
(Dept of Finance Use)

LPO Payment Confirmation

LPO Number **490-006702**

Line No	Order Date	Date Required	Short Description	Qty	Unit Price	LineTotal
Fund Dept Activity Account Job	Project	Location	Proj ID	Comp	Cost Elmnt	
Write any changes to the account code to be charged in this section						
1	4/05/2010	4/05/2010	SEVERANCE-DEATH IN SERVICE(NAW	1	765,155	VT765,155
2	49DA MADA	8CXD				

Complete Sections Below on Receipt of Invoice / Completer les Cadres Ci-Dessous a la Reception de la Facture

Vendor:	MME008	MERIAL IAWILUM MANENGER
Invoice No:		Description to be printed on cheque / Description des fournitures
Invoice Date:		
Due Date:		Complete Due Date if different from normal 14 day payment terms

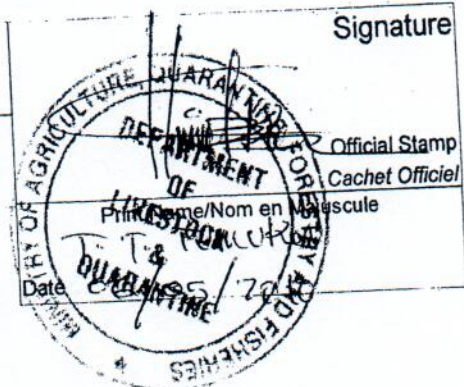
Certification by Head of Dept. or authorised officer

I certify that the above sum is due for payment in accordance with the Government of Vanuatu Financial Regulations

Attestation du Chef de Service ou de l'agent habilité

Je certifie que la somme indiquée ci-dessus est due pour paiement conformément aux Régulations Financières du Gouvernement de Vanuatu

Signature



CALCULATION OF SEVERANCE PAYMENTS-DEATH IN SERVICE

NAME: Nawa David
NPF #: 0209304
Effective Date: 08th February 1994
Date Officer died: 16th August 2009
Salary Grade: Bs1.6
Annual Salary: Vt564,480.

1. Length of Service: 15 years, 06 months, 09 days.

Fortnightly Rate: $Vt564,480 / 26.089286 = Vt21,636.$
Rate per month: $Vt21,636 \times 2 = Vt43,272.$
Rate per (2) months: $Vt43,272. \times 2 = Vt86,544.$

15 years = $Vt1,298,160. (86,544 \times 15)$
06 months = $Vt 43,272. (86,544 \times 06/12)$
09 days = $Vt 2,134. (86,544 \times 09/365)$

TOTAL... = Vt1,343,566.

2. Accumulated leave balance (O/s)

Accumulated days = 58 days
Rate per day = $Vt2,164.$
Cost of O/s days = $Vt125,512. (2,164 \times 58)$

3. Six months Entitlement (Death in Service)

$Vt564,480 + 180,016 + 24,002 / 2 = \underline{Vt 384,249.}$

TOTAL Severance payment: VT1,853,327.

4. Deductions of salary payments (24/08/09 to 15/11/09) (From Pay Period 0918 to Pay Period 0923)

Wages: $Vt21,636 \times 6 = VT129,816.$
Housing Allance $Vt 6,900 \times 6 = VT 41,400.$
Child Allowance $Vt 920 \times 6 = VT 5,520.$

TOTAL Overpayments of salaries VT 176,736.

Net payment of Severance allowance to be received: Vt1,676,591. -

1st Installment → 838,296

838,295 → Left

- 73,140

765,155

Naomi Sope
MAQFF Corporate Services

Date: 24th November, 2009

Over paid child allowances
See AG's report attached

7.2 Over Payment of Child Allowances made to Mr. David Nawa

Criteria

PSSM 5.1 (f): "An officer is entitled to be paid a child allowance in respect of children of either sex who are under 14 years of age. The age limit shall be 18 years where a child is receiving full-time education or has a physical or mental infirmity".

PFR 8.14 (2): "It is the responsibility of the Head of Ministry to ensure that all due precautions are taken to prevent the loss of such cash".

Finding

An Officer continued to receive child allowances after his children attained the age of 18. His children attended Vila City College and Vila North Primary School from 2000 to 2004. A total amount of Vt 73,140 was improperly paid and must now be recovered from the officer. The Table below shows details of the improper payments of child allowances:

1st Child Robert David Naoah

DOB	Date the Child Turned 18 Yrs	Date & Pay Period of last entitlement	Pay Period Paid Child Allowance not Entitled	Amount Received VT
2/01/1986	2/01/2004	26/12/2004 – (Pay period 0326)	0401	690
			0402	690
			0403	690
			0404	690
			0405	690
			0406	690
			0407	690
			0408	690
			0409	690
			0410	690
			0411	690
			0412	690
			0413	690
			0414	690
			0415	690
			0416	690
			0417	690
			0418	690
			0419	690
			0420	690
			0421	690
			0422	690
			0423	690

			0424	690
			0425	690
			0426	690
			0501	690
			0502	690
			0503	690
			0504	690
			0505	690
			0506	690
			0507	690
			0508	690
			0509	690
			0510	690
			0511	690
			0512	690
			0513	690
			0514	690
			0515	690
			0516	690
			0517	690
			0518	690
			0519	690
			0520	690
			0521	690
			0522	690
			0523	690
			0524	690
			0525	690
			0526	690
			0527	690
			0601	690
			0602	690
			0603	690
			0604	690
			0605	690
			0606	690
			0607	690
			0608	690
			0609	690
			0610	690
			0611	690
			0612	690
			0613	690
			0614	690
			0615	690

			Total	46,920
--	--	--	--------------	---------------

2nd Child Tasso Tawai Naoah

DOB	Date the Child Turned 18 Yrs	Date & Pay period of last entitlement	Pay Period Paid Child Allowance not Entitled	Amount Received VT
26/07/1988	26/07/2006	14/07/2006 - 0614	0615	690
			0616	690
			0617	920
			0618	920
			0619	920
			0620	920
			0621	920
			0622	920
			0623	920
			0624	920
			0625	920
			0626	920
			0701	920
			0702	920
			0703	920
			0704	920
			0705	920
			0706	920
			0707	920
			0708	920
			0709	920
			0710	920
			0711	920
			0712	920
			0713	920
			0714	920
			0715	920
			0716	920
			0717	920
			Total	26,220

3 be
educt
on Service
pay to
families

Mr. David Nawa stated that despite the fact that he reminded the responsible officer to cease payment of the child allowance in 2005, no action was taken to stop payment. However, he should have also exercised some responsibility then

8



Government of the Republic of Vanuatu

Receipt

Location PORT VILA QUARANTINE
Cashier talick

Receipt No:	409099
Date	27/04/2010
Page 1 of 1	

Description	Qty	Unit Price	VAT	Payment
Payment Method: CASH				
Item: 491 Quarantine - import permit fine Rcpt59604(refnd) -	1.00	1,333	STD 167	1,500
Account: BILL GARAE	MISC PORT VILA			
Currency VUV Includes VAT of				1,500
Total				1,500

67 Panel 11,500; 700 to be paid later

Appendix B



Government of the Republic of Vanuatu

Receipt

Location PORT VILA QUARANTINE

Cashier talick

Receipt No:	409100
Date	27/04/2010
Page 1 of 1	

Description	Qty	Unit Price	VAT	Payment
Payment Method: CASH				
Item: 491 Quarantine - import permit refund Rcpt1045218 -	1.00	9,778	STD 1,222	11,000
Account: ENOLTHY SAMAN MISC PORT VILA				
	Currency	VUV	Includes VAT of	1,222
Total				11,000

⑨ Paul

Appendix



Government of the Republic of Vanuatu

Receipt

Location PORT VILA QUARANTINE

Cashier talick

Receipt No:	402170
Date	25/03/2010
Page 1 of 1	

Description	Qty	Unit Price	VAT	Payment
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Payment Method: CASH

Item: 491 Quarantine - import permit per Rcpt59605 - 1.00 1,333 STD 167 1,500

Account: SYLVERIO WATSIVI

MISC.

PORT VILA

Currency VUV Includes VAT of 167

Total				1,500
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Appendix C**Quarantine Officers Collecting Revenue from 2006-2010**

<u>Name of Officer</u>	<u>Job Title</u>
1. Kaltuk Kalomor	Lab Technician
2. Tom Alick	Acting Finance Officer
3. Benuel Tarilongi	Director
4. Christina Ayong	Senior Executive Officer
5. Francis Qarani	Senior Quarantine Officer
6. Baegeroge Swua	Plant Protection Officer
7. Erickson Kalmanou	Assistant Animal Health
8. Tom Nuito	Assistant Quarantine Officer
9. Armstrong Nimisa	Quarantine Officer
10. Anno Nawen	Assistant Quarantine Officer
11. Meriam Seth	Assistant Plant Protection
12. Nambo Moses	Animal Health Officer
13. Sylvie Warimavute	Quarantine Technical Assistant
14. Bill Garae	Quarantine Technical Assistant
15. Kelep John Fred	Quarantine P Scale
16. Tari Tambe Bretian	Assistant Quarantine Officer
17. Stegler Tabiaga	Livestock Officer
18. Michael Karo	Assistant Livestock Officer
19. Bong Lonny Jonah	Acting Snr. Livestock Officer
20. Sylverio Watsivi	Plant Protection Officer
21. Lynette Berukilukilu	Plant Protection Officer
22. Dorin Kaitip	Assistant Plant Protection Officer
23. Timothy Tekon	Principal Plant Protection Officer.
24. Enolthy Saman	Former Filing Clerk Officer
25. Moti Maki	Former Receptionist
26. Susie Jacobas	Former Receptionist
27. Vasamaca Samuel	Former Filling Clerk Officer
28. Tina John	Former Receptionist

Appendix D**DEBTORS' INDEPENDENT CONFIRMATIONS**

Name	Balance Due at 23/04/2007 VT	Comments from Debtors
Transam Vanuatu Agent	584,353	TVA responded by email to say they have paid 10 invoices on 24 th April amounting to Vt386,103 by cheque # 969355.
Air Caledonie International	248,532	The following invoices are all paid: <ul style="list-style-type: none"> • # 49000529, Chq. # ANZ 496259 Date 22/05/00 • # 49001079, 49001080, & 49100459, Chq. # ANZ 689400, Date 04/04/01 • # 49002055, Chq # ANZ 624357 Date 21/12/01.
The Chinese Ambassador	170,500	Mr. Liu, Chinese Ambassador responded by phone requesting some clarification on the invoice as he had never received this invoice.
Vila Distribution Ltd	129,000	Amiane responded that they have already settled invoice # 06-000282 with an amount of Vt34,200. She has a copy of the cheque.
Vanuatu Abattoirs Ltd	3,200,428	They responded in writing to confirm that they have no outstanding account with VQIS.
Port Services Ltd	4,415,702	Mrs Suzanne Antoniou responded in writing to confirm that they can only agree with the amount owing to Port Services from VQIS with the following Exceptions. <ul style="list-style-type: none"> • Inv 06-009112 has been duplicated on inv 06-009699. • There is a list of invoices which they do not have, to enable verification.
Pacific Blue Airlines (NA)	502,126	Virgin Blue emailed to confirm that they have settled most of their outstanding invoices through the finance department.
Vanuatu Terminal Services	151,700	They responded in writing to confirm that they have never received any invoice.
Milai Cattle Company	100,990	Called on the 4/05/07 to request original invoices as she had never received any invoices.