

MINISTRY OF LANDS AND MINERAL RESOURCES

RESPONSE

TO

PUBLIC ACCOUNTS

COMMITTEE

YEAR 2016

PARTS A: FINANCIAL STATEMENTS

33.1 Audit Opinion

Given:

The audit of the 2016 accounts of the Ministry of Lands and Mineral Resources (Ministry) resulted in issue of an unqualified audit opinion.

- Through the good accounting practice and adherence to all financial regulations, the Ministry's Agency Financial Statements was unqualified.

33.2 Statement of Receipts and Expenditures

Given:

The Ministry recorded revenue totaling \$9.0 million and incurred a total expenditure of \$15.4 million for the seven months period ended 31 July 2016.

- The financial year for the government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. Though it was a 7 month period, the Ministry was able to collect \$9.0 million. Majority of the Revenue was from the collection from Land Lease totaling of \$ 6.9 million.

33.3 Appropriation Statement

Given:

The Ministry incurred expenditure totaling \$15.4 million in 2016 against a revised budget of \$31.0 million resulting in a savings of \$15.6 million or 50%.

- The large savings was due to the budget being for the whole of 2016 while expenditures were only for seven months up to 31 July 2016.

33.4 Statement of Losses

Given:

The Ministry recorded no loss for the seven months period ended 31 July 2016. However, the annual Board of Survey resulted in write-off of various assets totaling \$190,003.

- The Ministry in line with the Agency Financial Manual confirms that we have over the years conducted; the Board of Survey (BOS) with reports provided to Ministry of Finance together with the statement of Loss. As for the year 2016 there was no loss recorded for

the 7 month but the Ministry Annual Board of Survey was prepared and forwarded to Ministry of Economy on the write off of asserts. **(Refer Annexure I)**.

33.5 Statement of Trust Receipts and Payments

Given:

The Department of Lands had a trust account balance of \$4,230,897 as at 31 July 2016. The Department recorded total receipts of \$2,096,622 and incurred total payments of \$3,431,296 in the trust account during the year.

The Mineral Resources Department had a trust account balance of \$4,482,035 as at 31 July 2016. The Department recorded total receipts of \$716,567 and incurred total payments of \$354,220 in the trust account during the year.

➤ The Ministry operates two trust account:-

- **Department of Lands** such as- Compensation, Fisheries Impact, Lease Offer, Priority Plan, Royalty, Sand & Gravel and Other Revenue.
- **Mineral Resources Department** includes- Mining Bond, SPL Renewal fees, Mining Tender Fees, Mining Surrender Fees, Geotechnical Survey and Borehole Construction.

PART B: AUDIT FINDINGS

33.6 Administrative Issues

Audit Recommendations:

The Permanent Secretary must ensure that the gift register is maintained and the reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and the Finance Instructions 2010.

- The Ministry has since updated all their reconciliation on a monthly basis. This report is submitted to the MOF and a consolidated report is submitted to Executive Management as an internal control measure initiative that the Ministry has adopted to comply with the Agency Financial Manual and other Accounting Instructions. **(Refer Annexure II)**

33.7 Failure to deposit the Retention Sum in the Trust Fund Account

Audit Recommendations:

The Ministry should ensure that the retention sum deducted from the progress payments are deposited into the trust fund account; maintain a register to record details of all retention sum deducted; and ensure that the clauses in the contractual agreement are being adhered to.

- The current practice the Ministry is undertaking is that we work to the Interim Payment Certificate (IPC) issued by the Engineering Consultant engaged by the Ministry to oversee all payments in regards to civil work. **(Refer Annexure III).**
- The Ministry has also maintained a register as recommended.
- The Ministry only request for RIE based on the claim amount stated on the IPC which has less the Retention Sum. If the project spills over to the next financial year, the Ministry will then submit a budget proposal for the Retention Sum to be included in the Budget provision in the next financial year.

33.8 Double Posting in General Ledger

Audit Recommendations:

The Ministry should ensure that the ledger balances are reconciled to the general ledger reports in a timely manner and errors or misallocations are adjusted accordingly.

- The Ministry had always prepared reconciliation statements on a monthly basis as required by the Financial Instructions. In the process of journalizing of vouchers there was mis-posting of allocation through the FMIS system. The Ministry has ensures that proper reconciliation is being done for General Ledger to avoid any mis-posting or double posting as the case for due to some misunderstanding between Ministry of Economy and the Ministry which resulted in that double posting.

33.9 Main Trust Fund Account Not Properly Maintained

Audit Recommendations:

The Ministry should ensure that the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry of Lands and Mineral Resources Finance Manual 2013; the monthly trust fund reconciliations are prepared for SLG 89 account and certified by Permanent Secretary in a timely manner; and the trust cash book and trust ledger records are properly maintained and updated.

- The Ministry has improved on the submission of monthly reconciliation and ensures that any discrepancies will be resolved and variances in the Trust Ledger records is identified and adjusted accordingly with supporting documents. The issue has been rectified and

reconciliations for SAG 52 and SLG89 is updated and prepared in timely manner and trust cash book and ledger is also updated. (Refer Annexure IV).

34.0 EFT Payments Unpresented as at 31/07/2016

Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies. The Department should ensure that the Drawings Account is reconciled monthly and any errors or misallocations noted should be investigated and adjusted accordingly.

- The Ministry has since been preparing reconciliation statements on a monthly basis as required by the Financial Instructions. Over the years we have been consistent with our submission of Drawings reconciliation to Ministry of Economy.

34.1 Main Trust Fund Account Not Properly Maintained

The Ministry should ensure that; the monthly trust fund reconciliations are prepared in a timely manner; the bank fees and charges are updated in the general ledger in a timely manner; and the stale and voided cheques are cleared in a timely manner.

- The Department has improved on the submission of monthly reconciliation and ensures that any discrepancies will be resolved and variances in the Trust Ledger records is identified and adjusted accordingly with supporting documents.
- For internal control purposes the Department is in the process of reviewing its Management control of the Trust Fund.