



# PARLIAMENT OF THE COOK ISLANDS

## *Public Accounts Committee*

16 June 2017

Honourable Speaker  
Office of the Speaker of Parliament  
Parliament of the Cook Islands  
Nikao, Rarotonga  
COOK ISLANDS

Honourable Speaker

**RE: PARLIAMENT PAPER NO. 105: PAC REPORT 3-2017**

Pursuant to the Terms of Reference of the Public Accounts Committee, I have the honour to present the Committees Report on the Evidence Session with the Secretary of the Ministry of Cultural Development regarding the:

*Audit Report on the Special Review of Management of Ministry of Cultural Development (MOCD) and 2015 Te Maeva Nui (TMN).*

I have the honour, Madam Speaker, to be your obedient servant,

A handwritten signature in black ink, appearing to read "Mona Ioane".

Hon. Mona Ioane  
Chairman  
Public Accounts Committee



Cook Islands Public Accounts Committee@parliament.cookislands

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# PARLIAMENT OF THE COOK ISLANDS

## Paper No. 105



## Public Accounts Committee

**Report on Evidence Session: Monday 8 May 2017**

*Audit Report on the Special Review of Management of Ministry of Cultural Development (MOCD) and 2015 Te Maeva Nui (TMN).*

**PAC Report No. 3-2017  
18 May 2017**

## Public Accounts Committee Members

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<b>Chairman</b>	Hon Mona Ioane, MP Member for Vaipae-Tautu Deputy Speaker of Parliament
<b>Deputy Chairman</b>	Mr James Beer, MP Member for Murienua
<b>Members</b>	Mr Tekii Lazaro, MP Member for Pukapuka-Nassau
	Mrs Ngamau Munokoa, MP Member for Nikao-Panama
	Mr Tai Tura, MP Member for Mauke
	Mr Tangata Vavia, MP Member for Mitiaro

## Committee Staff

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<b>Committee Clerk</b>	Mr Tangata Vainerere Executive Director Pacific Legislatures for Population and Governance
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## Parliament Leadership

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<b>Speaker</b>	Mrs Niki Rattle
<b>Clerk</b>	Mr John Tangi
<b>Deputy Clerk</b>	Mrs Helen Maunga



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# Public Accounts Committee

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## Report on Evidence Session Monday 8 May 2017

*Audit Report on the Special Review of Management of Ministry of Cultural Development (MOCD) and 2015 Te Maeva Nui (TMN).*

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PAC Report No. 3-2017

Presented by

**Hon Mona Ioane, MP**

Laid on the Table of Parliament on 19 June 2017

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# SUMMARY OF RECOMMENDATIONS

The following is a list of all the recommendations made by the Public Accounts Committee in respect of the Evidence Session conducted by the Committee on Monday 8 May 2017 with the Secretary of the Ministry of Cultural Development, Mr Anthony Turua. This summary of recommendations is not intended to stand alone and should be read in conjunction with the PAC NOTES AND RECOMMENDATIONS section of this report which contains the rationales for these recommendations.

## **Recommendation 1**

*The Committee recommends that the Secretary of the MOCD consider the purchase and use of a clock card machine to efficiently track the hours worked by TMN casual staff and other casual staff employed by MOCD.*

## **Recommendation 2**

*The Committee recommends that the Secretary of the MOCD take immediate steps to pay out the sum of \$499.19 as indicated in the Audit Report and all other unpaid wages to the TMN casual staff concerned before the end of the 2016/2017 Fiscal Year. It is the view of the PAC that the benefit of the doubt rests with the employees.*

## **Recommendation 3**

*The Committee recommends that the Secretary of the MOCD take immediate steps to recover the sum of \$857.50 from the Edgewater Resort and Spa and return the said amount to MFEM before the end of the 2016/2017 Fiscal Year.*

## **Recommendation 4**

*The Committee notes the MOCD's continuing efforts in addressing the recommendations contained in the Audit Report and recommends that MOCD provide an update on the implementation outcomes in its Annual Report to Parliament for the 2016/2017 Fiscal Year.*

## **Recommendation 5**

*The Committee respectfully invites the Financial Secretary to provide to the Committee a written update on his implementation of the recommendation and request by the Audit Office.*

## **Recommendation 6**

*With the success of the MOCD transference of its key financial management functions to MFEM, the Committee recommends that Government consider similar strategies for smaller Ministries and Agencies of Government.*

## **Recommendation 7**

*The Committee recommends that Parliament consider the request of \$15,000 and approve its inclusion in the 2017/2018 Appropriation for the MOCD to support the work of the newly established Maori Language Commission.*

## **Recommendation 8**

*The Committee recommends that Parliament consider the request of \$40,000 and approve its inclusion in the 2017/2018 Appropriation for the MOCD to empower the Ministry in its enforcement of the Cook Islands Copyright Act 2013.*

## **Recommendation 9**

*The Committee recommends that MFEM reconsider its current policy of offsetting operations against trading revenue across all Ministries and implement the necessary adjustment to the policy.*

**Recommendation 10**

*The Committee recommends that MFEM develop proper guidelines for the management of sponsorship money and other resources sourced by Ministries to supplement the costs of events organised by them.*

# CHAIRMAN'S FOREWORD

This is the third report of the Public Accounts Committee (PAC) in the 48<sup>th</sup> session of Parliament, tabled as Paper No. 105 (PAC Report 3-2017, 18 May 2017).

Working within its mandate, the Committee examined the report by the Audit Office titled '*Special Review of Management of Ministry of Cultural Development (MOCD) and 2015 Te Maeva Nui (TMN)*' - Parliament Paper No. 76, 21 April 2016' and decided to call the Secretary of the Ministry of Cultural Development (MOCD), Mr Anthony Turua to appear before the Committee for the purpose of responding to questions by the Committee Members relating to the review of the MOCD.

This report outlines the key findings of the evidence session conducted by the Committee on Monday 8 May 2017 to address the contents of the Audit Report.

In attendance was Mr Anthony Turua, Secretary of the Ministry of Cultural Development (MOCD) as the sole witness.

## Background

The Cook Islands Audit Office (CIAO) received a complaint regarding allegations against the former Head of the Ministry (HOM) of the Ministry of Cultural Development (MOCD) in September 2015. Also at the same time, complaints over payment of contractors and payment of overtime for workers during the 2015 Te Maeva Nui (TMN) celebrations were raised by MOCD staffs. The Public Expenditure and Review Committee (PERC) approved that a special review to be undertaken by the CIAO into the complaints.

The purpose of the review was to ascertain whether or not the allegations raised were valid and well founded. The CIAO also assessed MOCD's existing controls and processes governing TMN celebrations to identify any weaknesses in the internal control environment. CIAO reviewed financial transactions from 1 July 2014 to 30 September 2015. Other anomalies identified during the course of the audit have also been highlighted in the review report which is annexed to this report as Appendix One: MOCD Exhibit 1 - Audit Report 21 April 2016.

The CIAO review found no evidence to indicate that allegations against the former HOM of the MOCD were valid. The CIAO found that the MOCD did not transfer any of its funds to other accounts to avoid the 'claw back' requirement by MFEM and neither was there any payment of \$15,000 made to the former HOM's wife for professional services.

## PAC History

The PAC was established by Parliament through Motion No. 3 as notified by Order Paper 17 on 14 December 2015:

*"To be the financial oversight of Parliament and to report on the Budget and Public Accounts, and also to examine reports of the Auditor General and any such report and to undertake any financial matters deemed necessary and to report all findings to Parliament."*

However, audit gathered several deficiencies in relation to the 2015 TMN celebrations. These deficiencies are highlighted in the PAC NOTES section of this report.

### **The Committee Process**

During the Evidence Session the Secretary of MOCD in his opening statement provided a background summary of the incidents that were investigated.

The Committee noted that the incidents in question took place during the tenure of the former Secretary of MOCD and proceeded to pose several questions to the Secretary focusing on the key findings of the Review.

The Committee further noted that the former MOCD Finance and Administration Manager had also been incriminated in another case of financial irregularities in 2015 and was suspended from duties in April 2016. She was terminated on 11 May 2016.

The majority of the hearing time focused on the remedial actions recommended by the Audit Office and the responses by the Ministry to those recommendations.

Hansard reports on PAC Evidence Sessions are available on request to the Committee Clerk.



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MR MONA IOANE, MP  
CHAIRMAN

## PAC NOTES AND RECOMMENDATIONS

### Allegations of mismanagement by the former MOCD Head of Ministry

1. The Committee was briefed on the complaint to the Cook Islands Audit Office (CIAO) regarding allegations against the former Head of the Ministry (HOM) of the Ministry of Cultural Development (MOCD) in September 2015.
2. The main allegations against the former HOM were that he:
  - a. transferred some of the MOCD trading revenue to other accounts to avoid the 'claw back' requirement by MFEM; and
  - b. paid his wife \$15,000 for professional services.
3. At the time of the above complaint, other complaints over payment of contractors and payment of overtime for workers during the 2015 Te Maeva Nui (TMN) celebrations were also raised by MOCD staffs.
4. The Public Expenditure and Review Committee (PERC) approved that a special review be undertaken by the CIAO into the complaints. The purpose of the review was to ascertain whether or not the allegations raised were valid and well founded.
5. During the course of the review, the CIAO also assessed MOCD's existing controls and processes governing TMN celebrations to identify any weaknesses in the internal control environment and focused on financial transactions from 1 July 2014 to 30 September 2015.
6. The CIAO subsequently discovered other anomalies during the course of the audit.
7. However, the review found no evidence to indicate that allegations against the former HOM of the MOCD (as in Item 2 above) were valid. The CIAO found that the MOCD did not transfer any of its funds to other accounts to avoid the 'claw back' requirement by MFEM and neither was there any payment of \$15,000 made to the former HOM's wife for professional services.

### Deficiencies relating to the 2015 Te Maeva Nui

8. The audit report on TMN found that the process followed by MOCD in the engagement of workers for the celebration was not transparent.
9. There were discrepancies in the management of timesheets of workers engaged for the celebration resulting in CIAO not being able to conduct an independent verification of the overtime and wages payments made to workers employed during the TMN.

<b>Recommendation 1</b>
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*The Committee recommends that the Secretary of the MOCD consider the purchase and use of a clock card machine to efficiently track the hours worked by TMN casual staff and other casual staff employed by the Ministry.*

10. Transfer of TMN workers' wages by the Manager Finance and Administration totaling \$1,671.92 into her bank account and \$5,458.64 into her uncle's bank account without proper written authorizations from the workers. The audit found that \$499.19 of the amount deposited into the uncle's account has not been paid to the concerned worker.
11. The process followed in the engagement of contractors to provide service or product for the Ministry during the 2015 TMN was not conducted in a transparent manner.
12. The Manager Finance and Administration's sister was engaged to provide professional services without a proper written contract. The former HOM and the Manager Finance and Administration was not able to explain how the payment of services of \$3,000 made to her was determined.
13. Double re-imbursements of instalment payment for a TMN contract totaling \$1,700 was made to the MOCD by MFEM based on documentations provided by MOCD.
14. The former Head of the MOCD failed to put in place sound financial management systems and stringent internal control to ensure the effective management of funds allocated for the event.
15. The breaches in financial policies and the actions of the Manager Finance and Administration's in dealing with the TMN workers' wages directly indicates poor and inadequate oversight on his part as the former Head of the Ministry.
16. Other irregularities identified in regards to the 2015 TMN celebration prompts the need for the Ministry to re-look at its policies, process and procedures to ensure that they are transparent, effective and appropriately managed.
17. CIAO made recommendations to the concerned parties for the issues raised in its report. CIAO also made recommendations to improve and strengthen the existing controls covering TMN celebrations.

#### **Recommendations by the Audit Office to MOCD**

18. The CIAO recommended that the current HOM of the Ministry of Cultural Development should ensure that a proper process for engaging workers for the TMN celebration is followed. In this regard it is recommended that all positions for the TMN celebration are advertised; application forms are filled by prospective workers; a proper appraisal of the applications received is conducted before deciding who to engage which should be appropriately documented; and appointment letters are issued to workers such that they are aware of the terms and conditions of their engagement.

19. MOCD was also asked to ensure that stringent controls are put in place for the proper recording, checking and overall management of timesheets of workers engaged for the TMN celebration. Supervisors for each areas should ensure that the timesheets are filled in by workers daily and that they are checked for accuracy. The Finance Department should ensure that the details entered into the database which forms the basis of the wages and overtime amount paid to workers agree with the actual timesheet records.

20. The Audit Office also instructed the MOCD to immediately cease the practice of depositing wages of part time workers during the TMN celebrations into MOCD staffs' bank accounts. If workers do not have a bank account then they should be required to provide written approval for their wages to be deposited into another bank account of their choice. Proper documentations should be maintained by the Ministry to evidence such approval.

21. The Audit Office also requested the MOCD to:

- Review the continuous engagement of the Manager Finance and Administration for the position in view of the issues highlighted concerning her in the audit report.
- Recover the amount totaling \$499.19 from the Manager Finance and Administration for payment to the TMN worker who did not receive his wages.

#### **Recommendation 2**

*The Committee recommends that the Secretary of the MOCD take immediate steps to pay out the sum of \$499.19 as indicated in the Audit Report and all other unpaid wages to the TMN casual staff concerned before the end of the 2016/2017 Fiscal Year. It is the view of the Committee that the benefit of the doubt rests with the employees.*

- Ensure that all supporting documentations to payment vouchers are correct before approving or certifying payment.
- Ensure that a proper and transparent process in the engagement of contractors is followed. In this regard it is recommended that the areas requiring external contractors are advertised in the local media and on the MOCD's website; a specification is prepared for each work; interested suppliers are required to provide a copy of their quotation, experiences with TMN and similar work and their ability to meet the specification; an evaluation is conducted to derive a conclusion whether the contractors are to be engaged or not.
- Ensure that a contract is in place for all contractors engaged for the TMN and all contractual agreement for contractors are reviewed by the Crown Law Office before being signed.

- Ensure that remuneration agreed to be paid to any contractors commensurate with the level of work they are required to do.
- Ensure only specialized areas which the Ministry do not have the capacity and capability to do in-house are contracted out.
- Ensure that documentations submitted to MFEM for re-imbursements are appropriately checked.
- Ensure that the components of operating and administration costs contained in the POBOC Policy are explained in more detail.
- Ensure that proper controls are in place governing follow up of delivery of goods and services purchased.
- Ensure that a detailed enquiry is conducted into the transaction relating to the incorrect deposit of \$6,200 to ensure that the amount is paid to the correct supplier that actually provided the service to the MOCD.
- Ensure that the refund of \$857.50 is required from the hotel and paid to MFEM as it entail funds relating to the 2014/2015 financial year.

### **Recommendation 3**

*The Committee recommends that the Secretary of the MOCD take immediate steps to recover the sum of \$857.50 from the Edgewater Resort and Spa and return the said amount to MFEM before the end of the 2016/2017 Fiscal Year.*

- Ensure that any payments made are covered in the Ministry's Policy and Procedures.
- Ensure that there is appropriate oversight on the work of the Management Finance and Administration to avoid occurrences of irregular financial transactions.
- Cease the practice of MOCD making payments for POBOC expenses from its operating account and then requesting re-imbursements from MFEM. All payments for POBOC expenses should be made directly by MFEM based on supporting documentations provided by the MOCD.
- Ensure that all finance staff are familiar with and adhere to all requirements as Outlined in the CIGFPPM and the Purchase and Sale of Goods and Services Cook Islands Government Policy.

### **Recommendation 4**

*The Committee notes the MOCD's continuing efforts in addressing the recommendations contained in the Audit Report and recommends that MOCD provide an update on the implementation outcomes in its Annual Report to Parliament for the 2016/2017 Fiscal Year.*

### **Recommendations by the Audit Office to the Financial Secretary**

22. The CIAO recommended that the Financial Secretary should ensure that a proper process for engaging workers for the TMN celebration is followed.
23. The CIAO further requested the Financial Secretary to ensure that supporting documentations to POBOC payments by MOCD are appropriately reviewed before authorization of payment.

#### **Recommendation 5**

*The Committee respectfully invites the Financial Secretary to provide to the Committee a written update on his implementation of the recommendation and request by the Audit Office.*

### **Financial mismanagement by the former Finance Manager**

24. In another case of financial mismanagement by the former MOCD Finance Manager, the ensuing investigations in 2016 revealed that she had used the Ministry of Cultural Development identity to access purchase of goods for personal use at the CITC Supermarket.
25. The former Finance Manager had also misused her position as Finance Manager to authorise purchase of goods for personal use without authority from the Secretary of Cultural Development.
26. In committing the above offences the former Finance Manager breached a number of provisions under the MFEM Financial and Procedure Manual and PSC Act Section 20 - Code of Conduct and was suspended from service by the Secretary of Cultural Development on 18 April 2016.
27. Under the Public Service Act Section 17, the employment of the former Finance Manager with Ministry of Cultural Development was eventually terminated by the Secretary of the Ministry of Cultural Development on 11 May 2016.

### **Centralized Financial Management at the MFEM**

28. As part of its advice to the MOCD following its audit review of the Ministry, the CIAO advised the MOCD to apply a responsible attitude when utilizing Crown funds allocated for the TMN and must ensure that proper controls are in place to ensure its proper utilization and its use for the purposes intended.
29. Consequently, the Secretary of MOCD took the option of utilizing the centralized financial management system at MFEM to manage all MOCD finances thereby eliminating the need for a

Finance Manager at MOCD. Instead, the MOCD currently employs only a Finance Clerk and a Senior Finance Officer.

30. The savings from the removal of the Finance Manager position was re-directed towards supporting merit payments to staff following annual staff performance appraisals and boosting of budgets for the operations of core areas including the Museum, Archives and National Library.
31. On the question of centralization of financial management of some Ministries at MFEM, the Secretary was of the opinion that there is a need for such practice to be pursued especially by the smaller Ministries (e.g. Internal Affairs, Justice, etc). There is great advantage to having one accounting system rather than having a multiple accounting system where the respective Ministries have to maintain their accounting systems, maintain the necessary updates and have specialised people to run the software.
32. According to the MOCD Secretary, centralizing financial management at MFEM means just having one specific person, one specific upgrade for the software. The Secretary recalled back in the old days when Treasury used to handle all the finances for the Government and all the Ministries did was to manage their operations while all the payments and receipts were handled by Treasury. Under this system, a lot of the mismanagement practice that have previously occurred will no longer happen and the savings can then be channelled back to the respective Ministries to cover operational overheads.

#### **Recommendation 6**

*With the success of the MOCD transference of its key financial management functions to MFEM, the Committee recommends that Government consider similar strategies for smaller Ministries and Agencies of Government.*

#### **New policy directions for MOCD**

33. All the irregularities identified with the 2015 TMN celebration prompted the need for the Ministry to re-look at its policies, processes and procedures to ensure that they are transparent, effective and appropriately managed.
34. A new Policy Officer has been employed to develop a National Culture Policy for the Ministry of Cultural Development that will outline its Vision, Mission and Strategies for the next 20 years.
35. The summary draft brochure is attached to this report as Appendix Four: MOCD Exhibit 4 - Draft MOCD Policy Brochure.

#### **Budget request for the Maori Language Commission**

36. On the question of what else happening in the MOCD that needed to be brought to the attention of the Committee, the Secretary referred the Committee to the problem of financing new priority projects in the Ministry. A budget request for \$15,000 was included in the MOCD budget

proposals for the 2017/2018 Appropriation but this has been declined by the Budget Support Group. The Secretary requested the assistance of the Committee in advocating for the reinstatement of this allocation to enable the newly established Maori Language Commission to implement the most urgent prioritized activities included in the Commissions Terms of Reference as mandated under the Te Reo Maori Act 2003.

#### **Recommendation 7**

*The Committee recommends that Parliament consider the request of \$15,000 and approve its inclusion in the 2017/2018 Appropriation for the MOCD to support the work of the newly established Maori Language Commission.*

### **Enforcement of related Acts and Policy**

37. The Secretary also referred the Committee to its efforts at enforcing the Cook Islands Traditional Knowledge Act 2013 and the Copyright Act 2013 so that financial benefits can be attained by our Cook Islands artists, composers, producers and broadcasters for their artistic and intellectual property. e second one that's being declined is my policy and intellectual property. There is an urgent need to engage a designated staff member to be responsible for the co-ordination and oversight of the development of the necessary frameworks to facilitate the effective enforcement of the said Acts and the implementation of the new National Cultural Policy.

#### **Recommendation 8**

*The Committee recommends that Parliament consider the request of \$40,000 and approve its inclusion in the 2017/2018 Appropriation for the MOCD to empower the Ministry in its enforcement of the Cook Islands Copyright Act 2013.*

### **Operations Budget vs Trading Revenue**

38. The Committee in its debriefing on the evidence session noted a practice currently ongoing in Government Ministries where Parliament has approved an appropriation for Operations Budget for a Ministry but they are instructed by MFEM to offset the operations expenditure against the Ministry's Trading Revenue.

39. The Committee is of the view that it is remiss of MFEM to impose this condition on allocations for Operations already approved by Parliament for the Ministries as this creates problems for HOMs in that if they weren't able to raise the necessary trading revenue on time they won't be able to pay for their operational costs on time and subjects the Ministries to sanctions by their creditors.

40. The Committee requires clarification on this issue and resolved to call the Financial Secretary to appear before the Committee to explain this policy.

#### **Recommendation 9**

*The Committee recommends that MFEM reconsider its current policy of offsetting operations against trading revenue across all Ministries and implement the necessary adjustment to the policy.*

## Sponsorship Money

41. The Committee noted that the MOCD receives sponsorship money for the TMN and other cultural events every year. This is also the case with other agencies of Government. The Committee believes that the MFEM Act requires that all money that comes into a public account is public money and the only way that money can be expended is through an Appropriation Bill or through the MFEM Act.
42. The Committee expressed concern over the direct use by the MOCD of such sponsorship money for prizes as this practice may be against the general principles of the MFEM Act and provides potential opportunities for corruption to occur.
43. The Committee requires clarification from MFEM on this issue and resolved (as in Note 40 above) to call the Financial Secretary to appear before the Committee to explain the procedures in place for proper management of such sponsorship funds.

### **Recommendation 10**

*The Committee recommends that MFEM develop proper guidelines for the management of sponsorship money and other resources sourced by Ministries to supplement the costs of events organised by them.*



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MR MONA IOANE, MP  
CHAIRMAN

## **CHAIRMAN'S ACKNOWLEDGEMENT**

1. Secretary of the Ministry of Cultural Development, Mr Anthony Turua, for his cooperation in taking the time to appear before the Committee and for supplying the various documents to the Committee.
2. Committee members, Mr James Beer MP (Deputy Chairman), Mr Tekii Lazaro MP, Mrs Ngamau Munokoa MP, Mr Tai Tura MP and Mr Tangata Vavia MP for the collaborative way in which they have worked.
3. Parliament Executive Team of Speaker Mrs Niki Rattle, Clerk Mr John Tangi and Deputy Clerk Mrs Helen Maunga as well as the Hansard Staff and the rest of the Parliamentary Services Staff for all the technical and administrative support provided to the Committee.
4. Head of Hansard Mr Isaac Solomona, Corporate Services Head Mrs Ina Pierre, Hansard Staff and the rest of the Parliamentary Services Staff for all the technical and administrative support provided to the Committee.
5. Committee Clerk, Mr Tangata Vainerere, for his guidance and support throughout this inquiry and for the production of this report.
6. Media agencies who were represented at the hearing, including Cook Islands News, Cook Islands Television and Te Kave Korero Programme as well as members of the general public who were present at the hearing.
7. Director of the Audit Office, Mr Allen Parker, for the supply of the Audit Report and the presentations made to the Committee on Wednesday 10 May 2017.
8. UNDP Pacific Office for its ongoing support to the Committee and to Consultant Rob Oakeshott for empowering us with his immense technical knowledge and vast Committee experience.

## **APPENDICES**

### **Appendix One: MOCD Exhibit 1 - Audit Report 21 April 2016**

Date: 21 April 2016

To: Hon Mark Brown, Minister of Finance and PERCA

From: Allen Parker, Director of Audit

Subject: **Review into allegations against the former Head of the Ministry of Cultural Development and complaints raised by MOCD staffs over payments relating to the 2015 Te Maeva Nui (TMN)**

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### **EXECUTIVE SUMMARY**

The Cook Islands Audit Office (CIAO) received a complaint regarding allegations against the former Head of the Ministry (HOM) of the Ministry of Cultural Development (MOCD) in September 2015. Also at the same time, complaints over payment of contractors and payment of overtime for workers during the 2015 Te Maeva Nui (TMN) celebrations were raised by MOCD staffs. The Public Expenditure and Review Committee (PERC) approved that a special review to be undertaken by the CIAO into the complaints.

The purpose of our review was to ascertain whether or not the allegations raised were valid and well founded. We also assessed MOCD's existing controls and processes governing TMN celebrations to identify any weaknesses in the internal control environment. We reviewed financial transactions from 1 July 2014 to 30 September 2015. Other anomalies identified during the course of the audit have also been included as part of this report.

### **KEY FINDINGS**

Our review found no evidence to indicate that allegations against the former HOM of the MOCD were valid. We found that the MOCD did not transfer any of its funds to other accounts to avoid the 'claw back' requirement by MFEM and neither was there any payment of \$15,000 made to the former HOMs wife for professional services.

However, audit gathered several deficiencies in relation to the 2015 TMN celebrations. The key findings highlighted in this report on TMN includes the following:

- The process followed by MOCD in the engagement of workers for the celebration was not transparent.
- There were discrepancies in the management of timesheets of workers engaged for the celebration resulting in CIAO not being able to conduct an independent verification of the overtime and wages payments made to workers employed during the TMN.
- Transfer of TMN workers' wages by the Manager Finance and Administration totaling \$1,671.92 into her bank account and \$5,458.64 into her uncle's bank account without proper written

authorizations from the workers. The audit found that \$499.19 of the amount deposited into the uncle's account has not been paid to the concerned worker.

- The process followed in the engagement of contractors to provide service or product for the Ministry during the 2015 TMN was not conducted in a transparent manner.
- The Manager Finance and Administration's sister was engaged to provide professional services without a proper written contract. The former HOM and the Manager Finance and Administration was not able to explain how the payment of services of \$3,000 made to her was determined.
- Double re-imbursements of instalment payment for a TMN contract totaling \$1,700 was made to the MOCD by MFEM based on documentations provided by MOCD.

## **CONCLUSION**

We found the allegations against the former Head of the Ministry of Cultural Development to be invalid and unfounded.

However, our audit into the 2015 TMN celebrations found that he failed to put in place sound financial management systems and stringent internal control to ensure the effective management of funds allocated for the event. In addition, the breaches in financial policies and the actions of the Manager Finance and Administration's in dealing with the TMN workers' wages directly indicates poor and inadequate oversight on his part as the former Head of the Ministry.

Other irregularities identified in regards to the 2015 TMN celebration prompts the need for the Ministry to re-look at its policies, process and procedures to ensure that they are transparent, effective and appropriately managed.

We have made recommendations to the concerned parties for the issues raised in this report. We have also made recommendations to improve and strengthen the existing controls covering TMN celebration. The recipients of this report are required to respond to the recommendations contained in this report within 14 days from the date of this report.

We also would like to thank all those that assisted the Audit Office during the course of this review.

**Allen Parker**

**Director of Audit**

**CC:** Hon Teariki Heather, Minister for Cultural Development

Garth Henderson, Financial Secretary, MFEM

Russell Thomas, Public Service Commissioner, OPSC

Anthony Turua, Head of the Ministry of Cultural Development

Geoff Stoddart, Chairperson of PERC

Heinz Matysik, Member of PERC

Joseph Caffery, Member of PERC

## **1.0 INTRODUCTION**

- 1.1 In September 2015 the Audit Office received a request from the Public Service Commission to look into allegations made against the former Secretary of the Ministry of Cultural Development (MOCD) Sonny Williams. The details of the allegations were as follows:
- the former HOM of the MOCD had transferred funds into accounts of people with the intention of avoiding the ‘claw-back’ of funds by MFEM at the end of the financial year 14/15.
  - the former HOM of the MOCD had paid his wife Georgina Keenan-Williams the sum of \$15,000 for a consultancy.
- 1.2 At the time CIAO received the above allegations complaints were also raised by staffs of the MOCD on irregularities over the payment of overtime and engagement of contractors during the 2015 Te Maeva Nui (TMN) celebration.
- 1.3 The special review was conducted following approval by the Public Expenditure and Review Committee (PERC).

## **2.0 BACKGROUND**

### **2.1 Cash Re-Call funds by MFEM**

- 2.1.1 Cash Re-Call funds requirements are provided for under the MFEM Act and the Cook Islands Government Finance Policies and Procedures (CIGFPP).
- 2.1.2 Section 43 of the MFEM Act outlines that public money is the property of the Crown and that all money paid into any designated bank account shall be deemed to public money, and may not be removed except as provided for by the Constitution or the MFEM Act. Section 44 outlines that the Financial Secretary may from time to time invest any balances of the Public Account or any part thereof at call or for such period on such terms which he thinks fit.

Part D Section 20 Clause 3.1 of the Cook Islands Government Financial Policies and Procedures states that on the last working day of each financial year, MFEM Treasury will transfer the balances of each government funded entity’s operating bank account back to the government public bank account.

### **2.2 Te Maeva Nui (TMN) Celebrations**

- 2.2.1 Te Maeva Nui (TMN) is the most important annual festival in the Cook Islands. The event is held yearly from the end of July to the first week of August. In 2015, it was the TMN 50<sup>th</sup> year of Celebrations and was held from the 25<sup>th</sup> of July to the 9<sup>th</sup> of August.
- 2.2.2 Funding for the TMN Celebration is appropriated through Cabinet and parliamentary approval and is expended by the Ministry of Cultural Development (MOCD) as a Payment on Behalf of the Crown (POBOC). POBOCs are not an Output of a specific Ministry, but are managed or

administered by the Ministry on behalf of Government.<sup>1</sup> The Head of the Ministry is responsible for the use and management of the funds in line with the appropriation.<sup>2</sup>

2.2.3 POBOC funds are disbursed according to POBOC polices of that specific fund which should be developed by the Ministry administering the POBOC funds according the MFEM Guidelines. In administering POBOC funds, the Ministry is also required to comply with the Ministry of Finance and Economic Management (MFEM) Act and the Cook Islands Government Financial Policies and Procedures.

### **3.0 AUDIT OBJECTIVES, SCOPE AND METHODOLOGY**

#### **3.1 Audit objectives and scope**

3.1.1 The objectives of the audit were to:

- establish whether the former HOM of the MOCD had transferred funds into accounts of people with the intention of avoiding the ‘claw-back’ of funds by MFEM at the end of the financial year 14/15;
- ascertain whether the former HOM of the MOCD had paid his wife the sum of \$15,000 for consultancy;
- establish whether funds allocated for the 2015 TMN Celebrations were appropriately utilized for the intended purpose; and
- review the internal control procedures over the utilisation of TMN funds.

3.1.2 The period covered for the audit was from July 2014 to September 2015. The audit also considered other anomalies identified during the course of the review against the objectives.

#### **3.2 Audit Methodology**

3.2.1 Our methodology included the following:

- interviews were conducted with the former HOM of the Ministry and the Manager Finance and Administration. Enquiries was also made with other MOCD staffs.
- various documentations were reviewed. Key documentations reviewed included the MFEM Act, Public Service Act 2009, Cooks Islands Crimes Act 1969, CIGPPM, Purchase and sale of goods and services Cook Islands Government Policy, MOCD Policies and Procedures, payment vouchers, timesheets, cheque butts and bank statements.
- confirmations were sought from some contractors, suppliers and workers during the 2015 TMN. Audit also obtained confirmations from the MOCD bank on details of the Ministry’s transactions.
- analysis were conducted on various documentations obtained from MOCD.
- clarifications were also sought through e-mail from various parties.

### **4.0 AUDIT FINDINGS**

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<sup>1</sup> Paragraph 2.2 Part C Section 8 – Cook Islands Government Financial Policies and Procedures

<sup>2</sup> Paragraph 2.3 Part C Section 8 – Cook Islands Government Financial Policies and Procedures

## **Allegations against the former HOM**

### **4.1 Transfer of funds to avoid ‘claw back’ of funds by MFEM**

- 4.1.1 Audit found no evidence to indicate that the MOCD had transferred funds out of its operational account to other bank accounts. The only transfers made out of the operational account entail payments made to the MOCD visa debit card.
- 4.1.2 Funds totaling \$21,354.14 entailing \$15,421.77 of the MOCD operational account and \$5,932.37 of the visa debit card account were re-called by MFEM for the 2014/2015 financial year.
- 4.1.3 We therefore conclude that the MOCD did not transfer funds from its account to any other account.

### **4.2 Payment of \$15,000 by the former HOM to his wife for consultancy work**

- 4.2.1 Our enquiries with a public official and our review of payment vouchers confirmed that Mrs. William’s was not engaged by MOCD for consultancy work.
- 4.2.2 The audit found no evidence to indicate that the MOCD had paid Mrs. Williams a total of \$15,000 for consultancy work provided to the Ministry. However, audit found that a payment of \$900 was made by the Ministry to Mrs. Williams in her capacity as Assistant Convenor during the 2015 TMN celebration. Similar payments were also made to other judges that were engaged by the MOCD in the 2015 TMN.

Audit was able to establish that the former HOM’s wife is generally considered an accomplished event’s organizer and an expert in the field of cultural performances. In this regard audit was satisfied that she met the necessary skills to be engaged by the MOCD as an Assistant Convenor.

- 4.2.3 We conclude that no payment of \$15,000 was made to Mrs. Williams in return for the provision of consultancy work with the Ministry.

## **Utilization of funds for the TMN Celebration**

### **4.3 Lack of transparency in the engagement of workers for the 2015 TMN**

- 4.3.1 MOCD engaged workers during the 2015 TMN Celebration to undertake various activities. Workers engaged fall into one of the following category:
  - MOCD workers - includes permanent and casual workers of the Ministry.
  - Other government workers- entail casual workers from other government agencies.
  - Private workers – workers engaged on part time comprising workers either from the private sector or members of the public.

4.3.2 The audit noted that the Ministry did not formally advertise the positions on offer for the 2015 TMN celebration. The former HOM indicated that the Ministry uses its government network and already established workers to identify suitable workers for the TMN celebration. He further added that months before the TMN celebration he normally makes a request to the HOMs during the HOM's meeting for the release of staffs within their agencies. The former HOM emphasized that the pool of workers they have possesses the required experience to carry out the work as they have been involved in the TMN in the past as well as other events organized by the Ministry. In addition to this the Ministry also provided training to staffs prior to the commencement of the TMN celebration.

4.3.3 The audit also found that no application forms were filled by the workers engaged. Audit learnt after interview with the Manager Finance and Administration that workers were only required to fill in a form to enter their details (name, RND number, bank details etc). In addition, audit found in our interview with the former HOM that he only approved the total number of workers to be engaged and the number of workers allocated for each TMN areas however the actual selection of the workers were left to the supervisors of various areas to make supposedly from the existing pool of TMN workers that the Ministry have built over the years.

Further to the above our interview with the Manager Finance and Administration gathered that appointment letters were not issued to part time workers.

4.3.4 The audit acknowledges the effort taken by the Ministry to ensure that they employ workers with the suitable work experience based on their previous participation in the TMN. However, in our view the engagement of the workers without a formal advertisement, not filling out of application forms including their subsequent appraisal to decide who to engage and the non-issuance of appointment letters to part time workers setting out the terms and conditions of their engagement do not reflect a fair and transparent recruitment process. Also its audits view that the actual selection of workers being left to supervisors to decide encourages favoritism and nepotism in the selection of workers as they are prone to engage people they know.

#### **4.4 Discrepancies in the timesheets of workers**

4.4.1 All workers during the TMN were required to fill in a timesheet on a daily basis.

4.4.2 Our review of the timesheets gathered the following anomalies:

- Timesheets for certain period for some MOCD staffs were not filled out. However, upon clarification with the concerned workers they indicated that they were working during the indicated period.
- Some timesheets were not signed by the staffs concerned and/or their supervising officers.
- Some timesheets contained errors of additions in the total hours worked per day and for the duration of the TMN.
- The hours reflected on some of the workers' timesheets do not agree with the hours reflected on the summary prepared by MOCD from which the amount of wages and overtime actually paid were based.

The Manager Finance and Administration indicated that the differences in the hours reflected in the actual timesheets and the hours as per payment voucher was due to the Ministry taking out hours for workers to account for lunch and dinner breaks as well as workers going home to take a shower. She was not able to provide a reasonable explanation for the remaining anomalies identified.

Audit discussion with the Finance Officer who was responsible for the collection of timesheets and updating of the database with details of hours worked by workers gathered that the timesheets were in order at the time she collected and prepared them ready for the processing of payment by the Manager Finance and Administration.

- 4.4.3 Due to the anomalies identified audit could not place any reliance on the accuracy of the timesheets provided for audit review and thus was not in a position to carry out an independent verification as to whether the wages and overtime payments paid out to workers based on the pay summary records maintained at the Finance and Administration Department of the Ministry was correct.

#### **4.5 Wages of part time workers totaling \$1,671.92 deposited into Manager Finance and Administration bank account**

- 4.5.1 Audit found that MOCD submitted documentations requesting MFEM for the payments of wages for TMN part time workers totalling \$7,495.47 in September 2015. The payment voucher detailing the wages payment was certified by the former HOM and approved by the former Financial Secretary.
- 4.5.2 Our review of the supporting documents found that a total of \$1,671.92 of the amount which comprised wages of 5 part time workers for the TMN were all indicated to be deposited into an ANZ Bank Account number 143460. Audit review of the documentations found that the Manager Finance's name was written in brackets beside the wage earners name. Audit questioned the Manager Finance and Administration as to the ownership of the account and she indicated that the account belonged to her.
- 4.5.3 Audit further questioned the Manager Finance and Administration as to whether approval was sought from the five workers for the amount to be deposited into her account to which she responded that verbal approval was obtained from only two of the workers. She indicated that the amount was transferred into her account since the wage workers did not have their bank accounts so the amounts were deposited into her account and withdrawn for payment to the workers. However, one of the workers indicated to audit that he had provided his bank account to the Ministry.
- 4.5.4 When asked who had withdrawn the amount the Manager Finance and Administration indicated that the wages amount was withdrawn by her mother who is a Trustee for her account. Audit found no evidence to indicate that the same amount withdrawn was actually passed to the Manager Finance and Administration by her mother.

- 4.5.5 Audit further questioned the Manager Finance and Administration as to whether the workers have received their wages and she responded that they have and that they had signed for the receipt of the amount. However, audit review of the relevant documentation found that only three of the workers had signed receiving their wages. No signature was noted for the two remaining workers which the Manager Finance and Administration had indicated having obtained verbal approval from for their wages to be deposited into her account. Also audit confirmation from one of the workers indicated that he did not receive his wages until after 3 weeks when he was told to visit the MOCD where he received the amount which was contained in an envelope.
- 4.5.6 Audit asked the former HOM whether he was aware of the payment being made to the Manager Finance's bank account while certifying the voucher to which he responded that he was not aware of it.
- 4.5.7 Its Audit's view that the Manager Finance and Administration's depositing of monies into her bank account without written approval provided by the workers was particularly unethical for a person in her position. It is also our view that the former HOM should have reviewed the documentation submitted in detail before certifying the vouchers.

**4.6 Wages of part time workers totaling \$5,458.64 deposited into an account related to the Manager Finance and Administration**

- 4.6.1 The audit found that wages of 11 TMN part time workers totalling \$5,458.14 were all deposited into a BCI Bank Account number 33016S8. Review of the two MFEM payment vouchers detailing the payments found that one of the voucher entailing \$4,958.95 of the total amount was certified by the former HOM and approved by the former Financial Secretary. The second voucher which comprised \$499.19 of the amount was certified by the Manager Finance and Administration as acting HOM and approved by the Funds Manager.

Audit questioned the Manager Finance and Administration as to the owner of the account and she indicated that the account belonged to her uncle and that she uses the account as a savings account. The audit also learnt after interviewing the Manager Finance and Administration that her uncle is not an employee of MOCD and has never worked with the Ministry before.

- 4.6.2 Audit further questioned the Manager Finance and Administration as to the reason the amount was deposited into her uncle's account and she indicated that the workers did not provide their bank account details so the monies were transferred into the account and then it was withdrawn and paid out to them. However, one of the worker indicated to audit that he had provided his bank account to the MOCD.

- 4.6.3 Audit questioned the Manager Finance and Administration as to whether approval was provided by the workers for the amount to be deposited into her uncle's account and she responded that this was not the case.
- 4.6.4 Audit obtained authorisation from the Manager Finance's uncle to allow BCI to provide information relating to the wages transactions and other relevant details of the account for audit purpose. Audit review of information provided by the bank gathered the following:
- The bank statement showed that wages of ten of the workers totalling \$4,958.90 were deposited into the account on the 9<sup>th</sup> of September 2015.
  - The same amount was withdrawn on the 10<sup>th</sup> of September 2015. The withdrawal slip confirmed that the amount was withdrawn by the Manager Finance and Administration's uncle.
  - The wages for the 11<sup>th</sup> worker totalling \$499.19 was deposited on the 15<sup>th</sup> of September 2015. The statement did not indicate that withdrawal of the exact amount was made separately.
- 4.6.5 Audit questioned the Manager Finance and Administration as to whether the workers have been paid the amount and she indicated that payments have been made and that the workers have signed for the receipt of the amount. Our review of the documentation for the receipt of wages by 10 of the workers found that 7 of the workers have signed receiving their wages, 2 did not sign receiving the amount and 1 was signed by the former HOM on behalf of the worker. The audit interview with the former HOM confirmed his signing and uplifting of the worker's wages. Audit also obtained confirmations from the wage worker that the amount was paid to him by the former HOM.
- 4.6.6 No evidence existed to indicate that the 11<sup>th</sup> worker had received his wages totalling \$499.19. Audit sought confirmation from the 11<sup>th</sup> worker as to whether he had received his wages and he confirmed that he has yet to receive the amount from MOCD. We questioned the Manager Finance and Administration on this and she responded that the payment has been processed and might still be in the cabinet. However, from our review of her uncle's bank statement we found that the amount was already deposited into his account on the 15<sup>th</sup> of September and it has already been withdrawn along with other monies deposited into the account.
- 4.6.7 Audit was able to obtain responses from 6 of the 10 workers as to whether they have received their wages and when they received the amount and gathered the following response:
- 4 indicated having received the amount at the end of September 2015.
  - 1 indicated having received the amount at the end of October 2015.
  - 1 indicated having received the amount after 2 and half months.

The Manager Finance and Administration uncle's bank statement however indicates that the amount was already withdrawn on the 10<sup>th</sup> of September.

- 4.6.8 Audit also asked the former HOM whether he was aware of the amounts being deposited into the Manager Finance and Administration uncle's account to which he responded he was unaware.
- 4.6.9 In audits view the use of her uncle's bank account by the Manager Finance and Administration to deposit the wages of the workers without their approval is totally unacceptable and least expected from an officer entrusted with the responsibility to manage public finances.

Also the delay in the time taken for the Manager Finance and Administration to actually make payments to the workers after the withdrawal of the amount is highly questionable and raises suspicion that the amount may have been misappropriated and later replaced to allow payments to be made to the workers who were vigorously following up on the payment.

- 4.6.10 The former HOM had placed a lot of trust on the Manager Finance and Administration to the extent that he did not place a lot of detail on the documents provided by her for his certification and even allowed her to act as HOM in his absence. This provided the Manager Finance and Administration the perfect opportunity to carry out improper financial practices.

In audits opinion occurrence of such inappropriate financial transactions undertaken by the Manager Finance and Administration could have been prevented if the former HOM had placed more attention in supervising her work.

#### **4.7 Engagement of contractors during the TMN Celebration**

- 4.7.1 The MOCD engaged a number of contractors to provide a service or product on behalf of the Ministry during the 2015 TMN Celebration.
- 4.7.2 Audit found that the areas that were contracted out were specialized areas. The former HOM indicated that the identification of the areas that needed to be contracted out was done by the Ministry based on their experience with the TMN over the years. He indicated that in this regard the Ministry identified all the areas they needed and then identify the available provider. He further added that in situations where an area is identified and there is no available provider the Ministry target the people they know that can perform the task or provide the product. Most of these areas entail those that are tailor made for the event and/or specific to the Ministry's needs.
- 4.7.3 Audit into the engagement of the contractors found that no general advertisement was made by the MOCD inviting contractors for the 2015 TMN Celebration. The former HOM explained that the non-advertisement was due to the fact that there are limited options available locally for the areas identified and most of the contractors have been engaged by the Ministry in the past for the same purpose.

4.7.4 Audit found lack of evidence to indicate that quotations were obtained by the Ministry from suppliers engaged to provide the service or product. The former HOM indicated that costing details were obtained through e-mails and meetings were held to negotiate the contracted amount. However, our enquiry with the relevant staff of the Ministry on this found that the details of costing or quotations available were relating to other contractors and not specifically those that were engaged for the 2015 TMN.

4.7.5 Audit also gathered that the contractual agreements signed between the contractors and the MOCD were not reviewed by the Crown Law Office.

4.7.6 In audits view even though there are generally limited suppliers available locally to provide the services and products required by the Ministry during the TMN celebration, for the purposes of transparency the advertisement of the areas that needed to be contracted out and obtaining of quotations from prospective or known suppliers is still a necessary requirement. Audit also views the review of contracts by the Crown Law Office as pivotal to ensure that the Crown's interest in the engagement is safeguarded.

#### **4.8 Engagement of Manager Finance and Administration's sister**

4.8.1 The audit found that the MOCD engaged the Manager Finance and Administration's sister as one of the contractor for the 2015 TMN.

4.8.2 Our review of the documentations relating to the payments made by MOCD to the Manager Finance and Administration's sister found that the Ministry paid her a total of \$3,000 on the 13<sup>th</sup> of August 2015 for the following professional services provided by her from the 1<sup>st</sup> of July to the 3<sup>rd</sup> of August 2015:

- Reconcile POBOC Solomons 400, 500 Report;
- Prepare expenditure form;
- Prepare payment vouchers;
- Prepare POBOC vouchers;
- Print and prepare staff ID cards for Media, Ushers, Property, Security, Ticketing, Auditorium, VIP, Judges and all MOCD staff;
- Arrange distribution of green polo and t-shirt for all Te Vaeva Nui staff;
- Daily check of banking for ticket sales;
- Supervise and delegate duties to casual students as advised by Manager regarding TMN preparation;
- Assist and arrange VIP seating with casual student staffs;
- Maintain operation of Office in the absences of Finance/Administrative Manager and Senior Finance Officer; and
- Assist and support other Divisions within the Ministry of Culture when required.

4.8.3 Our audit gathered that the Manager Finance and Administration's sister was engaged without a written contract. This was confirmed by the Manager Finance and Administration.

- 4.8.4 Audit questioned the Manager Finance and Administration as to how her sister was engaged and she indicated that she sort verbal approval from the former HOM to bring her in. Our interview with the former HOM gathered that the main reason she was engaged was to print out the ID cards for all workers engaged during the TMN 2015 as she was familiar with the use of the machine that was acquired by the Ministry for the purpose.
- 4.8.5 Audit questioned the Manager Finance and Administration as to how the amount of \$3,000 being paid to her was determined and she indicated that the amount was determined by the former HOM. However, in our interview with the former HOM he indicated that he could not remember how the amount was determined.
- 4.8.6 Audit also questioned the Manager Finance and Administration as to the details of the sister's qualification and experience to which the officer responded that her sister is a university student, has yet to obtain a qualification and had undertaken a few work for the MOCD which audit found entail a few errands she attended to on behalf of the Ministry in New Zealand where she studies.
- 4.8.7 Audit further questioned the Manager Finance and Administration as to whether she was aware that the engagement of her sister was a conflict of interest to which she responded that she was aware however the processing of her payment was conducted by the Senior Finance Officer. Audit review of the payment voucher for the payment made to the Manager Finance and Administration's sister found that the voucher was indeed raised by the Senior Finance Officer however the payment was approved by the Manager Finance and Administration and the former HOM.
- 4.8.8 Audit also found that the MOCD employs a Senior Finance Officer and a Finance Officer whose responsibilities entail the tasks indicated in the invoice that was undertaken by the Manager Finance and Administration's sister. As such her engagement to carry out similar work conducted by the two workers was in fact a duplication of responsibilities.
- 4.8.9 In audit's view the magnitude of the amount paid to the Manager Finance and Administration sister for the work conducted is unjustifiable considering the fact that MOCD already has qualified staffs to carry out most of the tasks she was engaged to do.
- 4.9 Double reimbursement for contractual payment**
- 4.9.1 A contractor was engaged by the Ministry during the 2015 TMN for the Signage Project which included production of the TMN15 Signature, TMN15 E-Blasts, TMN15 Souvenirs Posters and overseeing of the production of TMN15 Official Souvenirs Programme.
- 4.9.2 The contractual agreement signed between the contractor and the Ministry of Culture on the 24<sup>th</sup> of December 2014 revealed a total sum of \$17,000 was agreed to be paid for the services provided. Clause D of the contract indicated that the contracted amount was agreed to be made to the Contractor in ten installments at the sum of \$1,700.

- 4.9.3 Confirmation sought from the contractor indicated that the full contracted amount of \$17,000 was not paid to her as it was mutually agreed with the former HOM that the tasks for the month of August and September was not required. Thus, the actual payment that was made as confirmed by the contractor was \$13,600.
- 4.9.4 Audit analysis of the payment for the services offered by the contractor however found that an actual payment of \$15,300 was made by the Ministry on the contracting works. Further review of the vouchers found that instalment payment made on the 16<sup>th</sup> of April as per payment voucher number 489 which was initially re-imbursed by MFEM on the 14<sup>th</sup> of May 2015 was again submitted by MOCD to MFEM for reimbursement on the 3<sup>rd</sup> of September 2015. Refer to the following table for details:

Table 1: Details of actual payments made for the contracting works

Payment	Date	Invoice	Date re-imbursed by MFEM	Amount (\$)	Comments
1	24/12/2014	18122014	5/2/2015	1700	
2	22/01/2015	21012014	5/2/2015	1700	
3	20/02/2015	20022015	9/3/2015	1700	
4	19/03/2015	17032015	26/3/15	1700	
5	16/04/2015	16042015	14/5/15	1700	First submission of payment voucher. Re-imbursed by MFEM as per batch number 18755.
6	19/05/2015	19052015	n/a	1700	Direct payment made by MFEM.
7	26/06/2015	19062015	3/9/15	1700	Bulk re-imbusement
8	20/07/2015	15072015	3/9/15	1700	Bulk re-imbusement
9	16/04/2015	16042015	3/9/15	1700	2 <sup>nd</sup> submission of voucher to MFEM. Included together with June and July instalment payment above as per batch number 19158.
Total				\$15,300	

4.9.5 In audits view the anomaly is mainly due to the lack of proper monitoring of POBOC payments submitted for re-imbursements.

**4.10 Items purchased for the 2015 TMN have been paid but still yet to be delivered**

4.10.1 Audit gathered that the Ministry purchased assets totaling \$11,185 from Wireless Warehouse on the 29<sup>th</sup> of June 2015 for utilization during the 2015 TMN. Refer to the following table for details:

Table 2: Items purchased from Wireless Warehouse

Item	Amount (\$)
Vertex VX539 Digital Portable Radio	8,450.00
Heavy Duty Head set	1,095.00
Single side head set	585.00
Audio Accessories (Flex) ( Motorola)	405.00
Audio Accessories ( Acoustic Tube) (Vertex)	650.00
<b>Total</b>	<b>11,185.00</b>

4.10.2 Our enquiry into the existence of the items in December last year found that they were still not delivered to the MOCD even though payments have been made to the supplier on the 29<sup>th</sup> of June 2015 and re-imbursement of the amount have been made by MFEM on the 1<sup>st</sup> of July 2015. The MOCD only came to know about the non-delivery of the items and then followed up with the supplier after audit enquired into the matter.

4.10.3 In audits view the irregularity reflects poor internal controls in the Ministry's process of following up on the delivery of goods and services purchased.

**4.11 Payment of services totalling \$6,200 incorrectly deposited**

4.11.1 The Ministry issued cheque number 307056 to ANZ Bank on the 30<sup>th</sup> of June 2015 for the total sum of \$12,570.64 to account for the payment of a number of TMN suppliers and contractors. Audit found that the Manager Finance and Administration presented the cheque to the ANZ Bank for the payment of the suppliers and contractors.

4.11.2 Confirmation sought from one of the supplier who was supposed to have been paid \$6,200 from the cheque payment found that as at to date it has yet to receive the amount. Audit review of the payment voucher and deposit receipt found that the amount was deposited into ANZ Bank Account number 314619 instead of 122610 which is the account of the supplier that provided the services to the Ministry. Audit obtained a copy of bank statement of ANZ Bank Account number 314619 through the FIU and confirmed that the amount was deposited into the account on the 30<sup>th</sup> of June 2015.

Audit's effort to seek explanation from the supplier to whose bank account the amount was deposited was futile as both the owner and company's phone connections have been disconnected. Also our attempts to discuss the issue with the owner in person was unsuccessful as he was neither at his home nor the company's premises during our visit.

However, due to the severity of the transaction it is audit's opinion that the MOCD should still follow up with the supplier to address the anomaly.

- 4.11.3 In audit's view the deficiency clearly indicates negligence on the part of the Manager Finance and Administration in ensuring that the amount is deposited correctly.

#### **Other issues**

##### **4.12 Payment for MOCD permanent and casual staff function**

- 4.12.1 Audit found that MOCD held a function for the Ministry's permanent and casual staffs in a hotel on the 2<sup>nd</sup> of July 2015.
- 4.12.2 Our review of the payment voucher relating to the function found that a total of \$2,250 was paid by the Ministry to the hotel on the 29<sup>th</sup> of June 2015 for the function's food and beverages.

Clarifications sought from the hotel over the payment found that the amount was not fully utilized as not all staffs attended the function thus a balance of \$857.50 is still held with the hotel. The hotel further indicated that a staff of the Ministry had called in enquiring about the transaction and after learning about the balance requested that the amount to be kept by the hotel for future meals that the Ministry will have at the hotel.

- 4.12.3 In audit's view the balance entail Crown funds that should be deposited back into the Ministry's operational account and returned to MFEM as it entail funds provided to the Ministry in the previous financial year.

##### **4.13 Sponsorship funds**

- 4.13.1 The audit noted that MOCD made sponsorship payment of \$1,000 towards the Matini Book launch held at Manihiki hotel held on 30<sup>th</sup> June 2015.
- 4.13.2 Audit review of the MOCD Policy and Procedure however found that it does not cover sponsorship or donations to external parties. Audit discussion with the former HOM over the payment found that the Ministry usually sponsor initiatives to do with culture and arts. He also indicated that in sponsoring such events the Ministry received copies of books for their national library collection and in this instance they received two books in return of their sponsorship.

However, our review of the MOCD Policy and Procedure found that the purchase of such books are allowed TMN expense upon the recommendation of the Manager National Museum and Cultural Heritage.

4.13.3 In audits view the purchase of books rather than the sponsorship would have been a more suitable option for the Ministry to support the launch as it is specifically stated in the MOCD Policy and Procedure.

#### **Weaknesses in the existing policy, procedures and process and breaches of financial policies**

##### **4.14 POBOC costing outlined in the policy are not detailed**

4.14.1 The Cook Islands Government Financial Policies and Procedures requires that POBOC funds are to be disbursed according to POBOC policies of that specific fund and that the policy should be developed by the Ministry administering the POBOC funds according to the MFEM guidelines.

4.14.2 Our review of the POBOC policy contained in the MOCD Policy and Procedure found that the costing items included as operating and administration cost for TMN were merely listed without detailed explanations being provided to indicate what the costing entails.

##### **POBOC payments and re-imbursements**

4.15.1 Audit noted that most POBOC payments were made by MOCD from the Ministry's operational account and re-imbursements requested from MFEM at a later date. Audit however found that this arrangement is not specifically provided for under the CIGFPPM.

No proper checks were conducted by both the former HOM and the former Financial Secretary on supporting documentations provided by the MOCD before payments or re-imbursements were made. As such payments of wages for TMN workers were allowed to be deposited into the MOCD Manager Finance and Administration's account and her uncle's account. Also this resulted in a double re-imbursement made to the MOCD on a contractor's instalment payment.

##### **4.16 Lack of appropriate oversight on the Manager Finance and Administration's work**

4.16.1 The audit also noted lack of oversight by the former HOM on the Manager Finance and Administration's work. This provided the Manager Finance and Administration with the opportunity to carry out the unusual financial transactions.

##### **4.17 Breaches of the Financial Policies**

4.17.1 Our review found that provisions of the CIGFPPM and the Purchase and Sale of Goods and Services Cook Islands Government Policy was not complied with by MOCD. Refer to the following for details:

- Payments for POBOC in relations to wages were made in cash instead of payments made by cheque or made directly to bank accounts.
- Quotations were not obtained for all contractors engaged by MOCD as required under the Purchase and Sale of Goods and Services Cook Islands Government Policy.
- Most cheques of the MOCD were not stamped not negotiable.
- In some instances "pay cash" were not signed by the two officers signing cash cheques.

## **5.0 RECOMMENDATIONS**

The following recommendations are made to the current HOM of the Ministry of Cultural Development and the Financial Secretary.

**The HOM of the Ministry should:**

- 5.1 Ensure that a proper process for engaging workers for the TMN celebration is followed. In this regard it is recommended that all positions for the TMN celebration are advertised; application forms are filled by prospective workers; a proper appraisal of the applications received is conducted before deciding who to engage which should be appropriately documented; and appointment letters are issued to workers such that they are aware of the terms and conditions of their engagement.
- 5.2 Ensure that stringent controls are put in place for the proper recording, checking and overall management of timesheets of workers engaged for the TMN celebration. Supervisors for each areas should ensure that the timesheets are filled in by workers daily and that they are checked for accuracy. The Finance Department should ensure that the details entered into the database which forms the basis of the wages and overtime amount paid to workers agree with the actual timesheet records.
- 5.3 Immediately cease the practice of depositing wages of part time workers during the TMN celebrations into MOCD staffs' bank accounts. If workers do not have a bank account then they should be required to provide written approval for their wages to be deposited into another bank account of their choice. Proper documentations should be maintained by the Ministry to evidence such approval.
- 5.4 Review the continuous engagement of the Manager Finance and Administration for the position in view of the issues highlighted concerning her in this report.
- 5.5 Recover the amount totaling \$499.19 from the Manager Finance and Administration for payment to the TMN worker who did not receive his wages.
- 5.6 Ensure that all supporting documentations to payment vouchers are correct before approving or certifying payment.
- 5.7 Ensure that a proper and transparent process in the engagement of contractors is followed. In this regard it is recommended that the areas requiring external contractors are advertised in the local media and on the MOCD's website; a specification is prepared for each work; interested suppliers are required to provide a copy of their quotation, experiences with TMN and similar work and their ability to meet the specification; an evaluation is conducted to derive a conclusion whether the contractors are to be engaged or not.
- 5.8 Ensure that a contract is in place for all contractors engaged for the TMN and all contractual agreement for contractors are reviewed by the Crown Law Office before being signed.
- 5.9 Ensure that remuneration agreed to be paid to any contractors commensurate with the level of work they are required to do.

- 5.10 Ensure only specialized areas which the Ministry do not have the capacity and capability to do in-house are contracted out.
- 5.11 Ensure that documentations submitted to MFEM for re-imbursements are appropriately checked.
- 5.12 Ensure that the components of operating and administration costs contained in the POBOC Policy are explained in more detail.
- 5.13 Ensure that proper controls are in place governing follow up of delivery of goods and services purchased.
- 5.14 Ensure that a detailed enquiry is conducted into the transaction relating to the incorrect deposit of \$6,200 to ensure that the amount is paid to the correct supplier that actually provided the service to the MOCD.
- 5.15 Ensure that the refund of \$857.50 is required from the hotel and paid to MFEM as it entail funds relating to the 2014/2015 financial year.
- 5.16 Ensure that any payments made are covered in the Ministry's Policy and Procedures.
- 5.17 Ensure that there is appropriate oversight on the work of the Management Finance and Administration to avoid occurrences of irregular financial transactions.
- 5.18 Cease the practice of MOCD making payments for POBOC expenses from its operating account and then requesting re-imbursements from MFEM. All payments for POBOC expenses should be made directly by MFEM based on supporting documentations provided by the MOCD.
- 5.19 Ensure that all finance staff are familiar with and adhere to all requirements as Outlined in the CIGFPPM and the Purchase and Sale of Goods and Services Cook Islands Government Policy.

**The Financial Secretary should:**

- 5.20 Ensure that supporting documentations to POBOC payments are appropriately reviewed before authorization of payment.

## **6.0 CONCLUSION**

We found the allegations against the former Head of the Ministry of Cultural Development to be invalid and unfounded.

However, our audit into the 2015 TMN celebrations found that he failed to put in place sound financial management systems and stringent internal control to ensure the effective management of funds allocated for the event. In addition, the breaches in financial policies and the actions of the Manager Finance and Administration's in dealing with the TMN workers' wages directly indicates poor and inadequate oversight on his part as the former Head of the Ministry.

Other irregularities identified in regards to the 2015 TMN celebration prompts the need for the Ministry to re-look at its policies, process and procedures to ensure that they are transparent, effective and appropriately managed.

It is prudent that the MOCD applies a responsible attitude when utilizing Crown funds allocated for the TMN and must ensure that proper controls are in place to ensure its proper utilization and its use for the purposes intended.

The MOCD should address the recommendations contained in this report as soon as practical such as to ensure that deficiencies identified do not occur again.

## Appendix Two: MOCD Exhibit 2 - Expressions of Interest for Staff



ARE YOU LOOKING FOR A PART TIME JOB OR ARE YOU LOOKING AT FURTHERING YOUR CAREER PATHWAYS  
– HOORAY, WE HAVE THE ANSWER FOR YOU

We are seeking for Expression of Interest (EOI) for individuals to provide support services during all our Events for 2017 in the following areas

- a) Security Staff
- b) Stage Management Staff
- c) Lighting Technical Staff
- d) Sound Technical Staff
- e) Audio and Visual Staff
- f) Administration and Sales Staff
- g) Judging Panel
- h) Protocol and Usher Staff
- i) Script Readers
- j) Maintenance Staff

We will provide training for the above positions prior to all the events. Please submit your CV and application to any of the above positions. Email: [repeta.puna@cookislands.gov.ck](mailto:repeta.puna@cookislands.gov.ck) or contact 20725. EOI closes on the 13th January 2017

- Advertisement published in the Cook Islands News on the 4<sup>th</sup>, 7<sup>th</sup>, 10<sup>th</sup> and 13<sup>th</sup> January 2017 and the Cook Islands Herald on the 4<sup>th</sup> and 11<sup>th</sup> January 2017.

## Appendix Three: MOCD Exhibit 3 - New MOCD template for Staff Contracts



**TAURANGA VANANGA**

**MINISTRY OF CULTURAL DEVELOPMENT  
GOVERNMENT OF THE COOK ISLANDS**

**PO Box 8 Rarotonga, Cook Islands, ·Phone (682) 20725 ·Fax (682) 23725, [www.culture.gov.ck](http://www.culture.gov.ck)**

### **Contract of Service**

**Between**

Her Royal Majesty The Queen in Right of the Cook Islands Government through the

**Ministry of Cultural Development (the Employer)**

**and**

**Te-pua-neinei Tuakata**

**(The Employee)**

**(Name of Employee)**

**The Employer**

The Employer, being satisfied that the above-named employee is sufficiently skilled to perform the duties set out below, has undertaken to engage him/her through this contract of Service. The employee has agreed to perform the duties of a **Security Supervisor** whose obligations are outlined in 3 and the employer obligations in 4 below.

#### **1. Duration of Service:**

This contract is effective on Thursday 05 January 2017. The normal hours of service of 7.5 hours per day will apply.

#### **2. Rate of remuneration:**

The rate of remuneration for this position will be \$10 per hour. You will be remunerated at the end of the contract into your bank account with the following details – (Bank – account number – account name). Please ensure the details are correct. Signing this contract absolves the employer from any liability if this detail is incorrect and the employee fails to correct it.

### **Obligations of the Employer**

#### **3. The Employer agree to:**

- a) Employ the above named employee to perform the duties as set out below under "Obligations of the Employee";
- b) Employ the employee during the employment period specified in the Job Description. However, depending on demand for service, the employee may not be required to work on all dates during the employment period;
- c) Remunerate the employee at the end of the employment period in a bank account nominated by the Employee;
- d) Remunerate the employee on an hourly rate of \$10.
- e) Provide guidance to the employee on the work required to be performed during the employment period stipulated in the Job Description;
- f) Provide the necessary tools to enable the employee to perform the employee's his/her duties at all times;
- g) Ensure the workplace is safe for the performance of the required duties by the employee.

### **Obligations of the Employee**

#### **4. The Employee agree to:**

- a) Assist the Director of Governance with refining the Ministry of Cultural Development National Cultural Policy;
- b) Assist the Director of Governance with the Development of the Ministry of Cultural Development Strategic Plan and three year Business Plan;
- c) Provide professional advice and assistance with strategies when required;
- d) Provide advice on layout of documents;
- e) Provide editing and typesetting services where required;
- f) Be at work during the times required;
- g) Any other duties as required by the Director of Governance.

#### **h) Termination:**

This Contract will terminate on Tuesday 31 January 2017 or on a mutually agreed date between the two parties.

#### **Dispute Resolution:**

In the event of any dispute arising during the course of employment regarding the employee is advised to notify the Employer of your dispute or grievance as soon as practically possible. If the dispute cannot be resolved, either you or the Employer may, by written notice to the other, refer the dispute for mediation. If the dispute cannot be resolved at mediation, either you or the Employer may refer the dispute for arbitration under the Arbitration Act 2009.

#### **i) Variation:**

This contract may be varied through agreement by both parties and such variation shall be written out signed by both parties and attached to this contract.

**j) Acceptance:**

I, .....have read, understood and accepted the terms and conditions of employment as set out in this Contract Agreement.

.....  
**(Signature of Employee)**

.....  
**(Date)**

.....  
**Anthony Turua (HOM)**

.....  
**(Date)**

**Ministry of Cultural Development**

**Appendix Four: MOCD Exhibit 4 - Draft MOCD Policy Brochure**  
**Ministry of Cultural Development**



**National Cultural Policy**

**2017 - 2030**

**Vision**

*“Kia rauka te oraanga tiratiratu tei umuumuia e te iti tangata, tangoia ki runga I ta tatou peu Maori e te aotini taporoporoia o te Basileia”*

*To enjoy the highest quality of life consistent with the aspirations of our people and in harmony with our culture and environment.*

Two foundations upon which we base our success in whatever we aspire to build our future: Culture and our Environment.



## Mission

**"Kia matutu ta tatou peu Maori ei tutau no to tatou oraanga tiratiratu"**

*To strengthen our culture as foundation for achieving a high quality of life.*

Our people will succeed in life if the cultural foundations upon which they are based is strong. Currently, this foundation is not as strong as it should. Our mission is to ensure that strength in our identity and culture is restored as a matter of priority.



## Values

- **Vaerua Taokotai – Partnership and Cooperation**
- **Vaerua Akangateitei** - Respect and Loyalty
- **Vaerua Aroa – Kindness and Generosity**
- **Vaerua Taporoporo – Accountability and Transparent**
- **Vaerua Aruaru – Effectiveness and Efficiency**
- **Vaerua Akamoeau – Professionalism and Equality**



## Goals

1. Strengthen the language:

**"Strengthen the use of our Cook Islands Maori Languages and/or any of its dialects through wide and proper use to ensure it is preserved, perpetuated and promoted into the future".**

2. Preserve and promote all arts and art forms:

**"To preserve, perpetuate and promote all arts and art forms that belongs to the Cook Islands and its people".**

3. Preserve and promote our history and historical places;

**"To collect, store and promote our history and preserve, perpetuate and promote our historical places for the current and future generations of Cook Islands people".**

4. Promote our cultural industry;

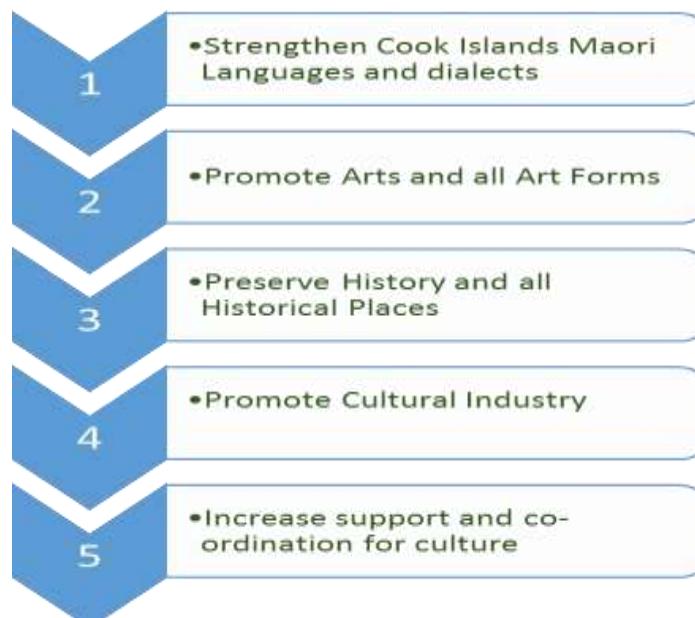
**"To promote our cultural industry in a safe and sustainable manner to support and stimulate economic activities for our indigenous Cook Islands people".**

5. Increase national support for Culture.

**"To increase and improve support from all sectors of government and the community and to gauge positive backing from our nation, regional and international partners to better preserve, perpetuate and promote our culture and language".**



## Key Strategic Areas



## **Key Strategies**

### **Language**

**Focus:** Emphasis will be centred on the strengthening of the Cook Islands Maori languages and / or all its dialects in our four strategic areas. They are the homes, the school, the workplace and adult learning.

**Outcomes:** All Cook Islands people genuinely value the Cook Islands Maori languages and dialects and can use them properly

### **Art and Art Forms**

**Focus:** To educate our people on our arts and so they can appreciate our different art forms and use them as a foundation to diversify and be creative.

**Outcomes:** Raise awareness of the arts and various art forms for the benefit of our people

### **History and Historical Places**

**Focus:** Collect, store and raise awareness of our history and maintain all our historical places.

**Outcomes:** More people have knowledge of our history and historical places and appreciate our culture as a result of having that knowledge

### **Cultural Industry**

**Focus:** Better co-ordinate our cultural industry through promotion of our unique cultural products.

**Outcomes:** Better develop our cultural industry as a way of improving the standard of living our people and stimulating economic activities

### **Support and Co-ordination**

**Focus:** The Ministry of Cultural Development, being the major implementation agency of this policy will ensure the spirit of this policy is upheld at the highest possible level

**Outcomes:** Improved efficiency, effectiveness and economy in the delivery of services that support the preservation, perpetuation and promotion of our language and culture

