

ONPA Releases Audit on the National Fisheries Corporation

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2012-05, which contains the results of a performance audit entitled *Audit of the National Fisheries Corporation (NFC)*. A digital copy of the report is available for public review online at www.fsmopa.fm and printed copies are available at the ONPA's offices in Palikir, Pohnpei and Weno, Chuuk. The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

The NFC was established in 1983 under Public Law No. 3-14 to develop the pelagic fisheries industry in the FSM. It started as a fully functioning corporation in fiscal year 1987, started its first fisheries project in FY 1990, and has been operating as a public corporation and an agency of the FSM National Government for fisheries development for the past 25 years.

The NFC is managed and controlled by a Board of Directors (the Board) consisting of seven appointed members who have service terms for four years. All of the day-to-day administrative and management functions of the corporation are carried out by the Chief Executive Officer (CEO), appointed by the Board, with the supporting staff.

The Corporation's finances are managed independent of the FSM National Government and are operated under a budget approval by the Board. The company generates its own income while periodically receives subsidies from the FSM National Government.

The audit scope covered the review and observation of existing management controls in planning and monitoring as well as the process leading to major business decisions. We also examined sampled transactions, documents, and reports for fiscal years (FY) 2010 and 2011 to verify the operation of controls.

The objectives of the audit were to determine whether the NFC:

1. Implemented planning and monitoring controls to ensure the achievement of its goals and objectives based on its enabling legislation.
2. Followed a process to ensure adequate basis in deciding joint venture agreements or other business undertakings.
3. Implemented sufficient controls to safeguard its assets and cash receipts.

The audit found the following weaknesses:

1. Lack of Strategic Development Plan to provide corporate direction.
2. Inadequate Annual Budget Plan that failed to implement strategies on how to achieve goals and objectives.
3. Absence of performance measures to implement and monitor the achievement of goals and objectives.
4. No negotiation process manual in place to promote sound and justifiable decision making on joint ventures and other business undertakings.
5. Inadequate segregation of duties led to undetected error.
6. Insufficient controls for payroll processing increased the risk of abuse and violation of law.
7. Insufficient controls and safeguarding of fixed assets led to missing and unaccounted fixed assets.

The audit findings and recommendations were discussed with NFC Management, and their responses were included in the audit report, practically agreeing to the audit findings and recommendations provided by the ONPA.