



Government of St. Lucia

**Report
of the
Director of Audit
for the Financial Year
2010/2011**

MESSAGE FROM THE DIRECTOR OF AUDIT

A Supreme Audit Institution (SAI) (which in Saint Lucia is the Office of the Director of Audit) is in a unique position in any country. If set up with an appropriate degree of independence from the government it is auditing and if provided with a reasonable amount of funding in relation to its mandate, the Office can not only provide elected officials and the public with assurance about government's accountability and performance, but also can provide important insights into how that accountability and performance can be improved. In essence, a high quality external audit is an essential requirement for creating transparency in the use of public funds.

One of the fundamental principles promulgated by The International Organization of Supreme Audit Institutions (INTOSAI), for the establishment and operation of a public audit agency or Supreme Audit Institution (SAI) is its independence from government and the entities that it audits.

INTOSAI is an umbrella body for the external audit community. It is a non-governmental organization that is autonomous and independent. For over fifty (50) years it has provided an institutional framework for SAIs to promote development and transfer of knowledge, improve government auditing worldwide and enhance professional capacities. At its 1X Congress in Lima in 1977, INTOSAI identified the precepts required for SAI independence. The Lima Declaration identified three overarching government auditing precepts which are organizational independence, functional independence and financial independence. (See Appendix 2 for more details).

Unfortunately, in Saint Lucia, the Office of the Director of Audit though has elements of independence in legislation; however the administrative and budgetary independence that the Office requires to carry out its mandate effectively is inadequate. The issue of the Office's independence from Government was assessed in the Public Finance Management Performance Report, Saint Lucia 2009, based on the Public Expenditure Financial Accountability Framework (PEFA). The report stated that the external audit function is provided for in the Constitution (section 90) and the Audit Act (1988). The

office is supposed to be independent of Government, but some practices may impact on its independent position:

- First, its budget is part of the Government budget (including the salary of the Director of Audit) and has experienced reductions in its allocation even during a fiscal year.
- Second, its reports are not directly presented to Parliament, but they are submitted to the Minister of Finance, who then submits it to Parliament for tabling.

The lack of financial independence of the Office has been of increasing significance in recent years as international standards on auditing have been enhanced and have become rigorous. The standards require, among other things, that the Office has detailed manuals documenting its audit methodologies, including steps in place to ensure a quality audit product, staff having appropriate qualifications and competencies, and comprehensive staff training and professional development programs. The Office has been seeking, unsuccessfully to date, additional funding. As a result of not having adequate funding, it impedes the Office's ability to:

- Hire the additional staff which it critically needs;
- Update the Office audit manual so that it reflects current international standards;
- Provide a professional development program for staff; and
- Provide adequate oversight of the audits and performance of statutory bodies and government companies as called for in the Office's legislation.

Another major challenge is having the Office's budget controlled and decided by the government that it is expected to audit rather than by the House of Assembly – a situation that is clearly not consistent with the principles of independence of the Supreme Audit Institution (SAI) as acclaimed in the Lima Declaration.

Also, I acknowledge that, partly as a result of the above challenges, the work of the Office has likely not been seen by its stakeholders as relevant – because it has focused on assessing whether historic transactions were carried out in accordance with the laws and regulations governing them. The Office has not been focusing on current issues of interest to elected officials and the public.

The above challenges were confirmed to be ones that must be resolved by a recent independent review of the Office carried out by CCAF-FCVI, Inc., a Canadian non-profit research foundation, as a part of the international capacity building program it administers on behalf of the Canadian International Development Agency.

In the coming months, I intend to develop the strategies that will be required over the next few years to shift the Office from where it is currently to one that fully meets international expectations for a Supreme Audit Institution. To do this may require some changes to the Audit Act and will certainly require some changes to the Office's relationship with government.

I am excited about the opportunities for the Office to help government improve its accountability and performance and to better inform the public about issues of importance to the country.



.....
Averil James-Bonnette
DIRECTOR OF AUDIT

ACKNOWLEDGEMENTS

I wish to acknowledge the valuable work of my staff. As well, I wish to acknowledge and extend my appreciation for the co-operation and courtesy we received from all employees and management of the Ministries and Departments that we audited.

INTRODUCTION

I am pleased to present my Report to Parliament on the work completed by the Office of the Director of Audit for the financial year 2010/2011. Section 6 (1) of the Audit Act requires the Director of Audit to submit a report at least once a year to the Minister for transmission to the House of Assembly on

- i the work of his office; and*
- ii On whether, in carrying on the work of his office in the discharge of the duties, he received all the information, reports and explanations he required.*

Our Mission at the Office of the Director of Audit is to promote greater accountability in the Public Service through a professional approach to monitoring and reporting on whether monies appropriated by Parliament were applied as appropriated; whether expenditure conforms to the authority that governs it and on the efficiency, economy and effectiveness of Government spending.

Our objectives are to:

- report to the House of Assembly on the public accounts of Saint Lucia;
- provide the necessary resources and general support services to facilitate the achievement of the Administration and Operations programmes;
- conduct audits within the Public Sector in order to report to the House of assembly as to whether expenditure conforms to the authority that govern them and on the efficiency, economy and effectiveness of government spending;
- conduct various audits and special reviews within Central Government Agencies and Statutory Bodies, where specified, to report to Parliament on how agencies have accounted for resources entrusted to them.

SECTION I

OFFICE OF THE DIRECTOR OF AUDIT – WHO WE ARE AND WHAT WE DO

1.0 The Office of the Director of Audit is an independent Constitutional office. The Director of Audit reports to Parliament. In the exercise of his/her functions under the Audit Act, the Director of Audit shall not be under the control or direction of any other person or authority.

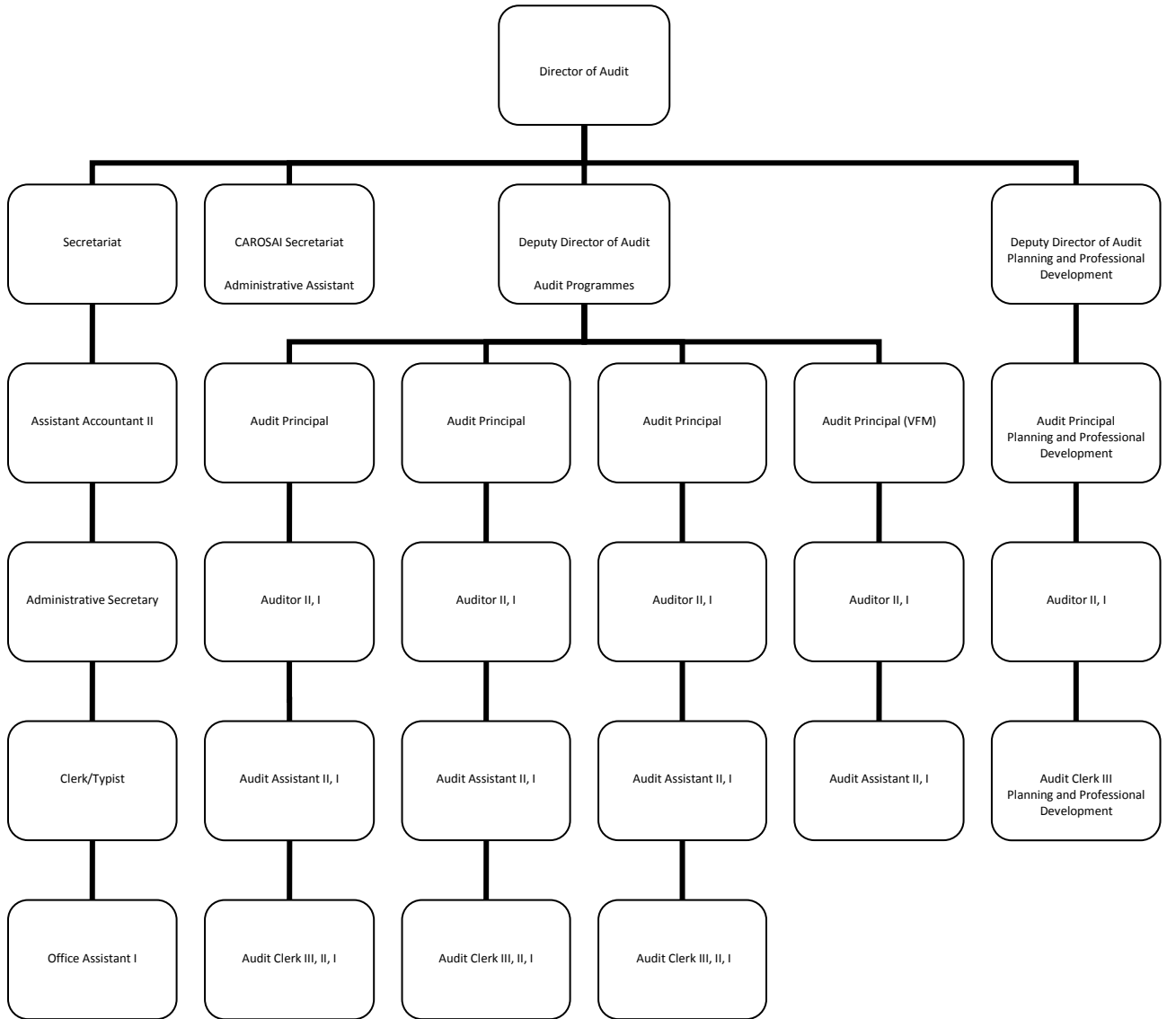
1.1 The Director of Audit is the Auditor of the Public Accounts of Saint Lucia and is responsible for making enquiries as is considered necessary to enable reporting to Parliament. He or she may conduct examinations as required by Parliament and may provide advice to officers and employees of government on matters discovered during an audit.

1.2 The Director of Audit's mandate, responsibilities and powers are established by the Revised Laws of Saint Lucia, Cap 15.19 (Audit Act). This Act provides that the Director of Audit upon request shall have free access to information and make copies of all registers, reports, documents or data in whichever form, relevant to the work of the Director of Audit.

1.3 In carrying out its work the Office of the Director of Audit is guided by and complies with the International Organization of Supreme Audit Institutions (INTOSAI) standards. The Office also follows government accounting procedures and policies and may seek guidance from other professional bodies and audit related best practices around the world.

STAFF STRUCTURE

For the financial year the office had twenty eight (28) staff members including five (5) support staff although the structure calls for thirty five (35). The organization structure is made up as follows:



Establishment; Accounts;
Supplies, Facilities

Appropriation/Compliance Audits of Ministries and Departments.
Financial Audits; Performance Audits; Project Audits; Surprise
Surveys and Audits of Pension and Gratuities

Annual Work Plan; Professional
Development; Audit and Training
Manuals; Methodology; Standards;
Criteria; CAATS

BUDGET

For the financial year 2010/2011 the Government of Saint Lucia approved a budget of \$1,564,900.00 for the Office of the Director of Audit. Of this amount \$1,313,067.00 was allocated towards salaries.

WEB SITE DEVELOPMENT AND IMPLEMENTATION

In order for the Office of the Director of Audit to improve its relationships, extend its reach, and increase its impact, it became important for it to have an online presence that met the evolving needs and expectations of its many clients and stakeholders. More and more Audit Offices are presently using the internet to communicate, and to share vital information. Indeed, for many offices, the internet has rapidly become their primary means of disseminating their audit reports.

Considering the growing need for a website, a contract was awarded to a designer to develop and implement a website for the Office.

TRAINING

Staff from the office of the Director of Audit participated in the following workshops/seminars held during the period April 2010 to March 2011.

Risk Based Approach to Financial Audit Programme

This Programme was jointly sponsored by The Caribbean Organization of Supreme Audit Institutions (CAROSAI) and INTOSAI Development Initiative (IDI), and was attended by an Audit Principal and an Auditor 11 during the period May 17 to 26, 2010 and September 13 to 17, 2010.

The focus of this Programme was to enhance the CAROSAI region in its professional capacity to conduct financial audits by developing a guide for a risk-based approach for financial audits and applying that knowledge to draft an audit plan.

First Caribbean Commonwealth Public Procurement Network (CPPN) Technical Conference

This technical conference was a joint collaboration of the Government of Saint Lucia and the Commonwealth Secretariat and supported by SEQUA a European Union (EU) funded project.

The conference was held in Saint Lucia from May 17 to 19, 2010. Its main objectives were to establish a Caribbean Chapter of the CPPN and facilitate the sharing of country procurement reform initiatives and emerging best practices within the region and other regional groupings, thereby building capacity within the participating countries.

The workshop was jointly attended by the Director of Audit and the Deputy Director.

Medium term Development and Strategic Plan

This five-day training formed part of the Ministry of Finance, Economic Affairs and National Development process of preparing its five-year Medium Term Development and Strategic Plan.

The training covered a number of areas that are integral to planning for development.

The Deputy Director of Audit attended this training during the week of September 13 to 17 2010.

Written and oral communication skills

This workshop lasted six (6) weeks and took place on a bi-weekly basis.

Two (2) Audit principals and one (1) Audit Assistant 11 participated in these workshops which were held in two (2) cohorts during the calendar year 2010.

Handling Conflict in the Work Place

This series of one-day training exercises targeted mainly middle managers, who were currently engaged in some form of supervisory work in their department or division. These series of workshops were attended by four (4) audit principals.

A series of other short-term workshops were also conducted by the Ministry of the Public Service during the period, and included the following:

Name of Workshop	Staff who Attended	Time Period
Evidence Required when Misconduct is Alleged	1 Deputy Director 2 Audit Principals	1 day
Customer Service	1 Clerk/Typist	2 days
Pre-retirement Workshop	1 Assistant Accountant	2 days
PFM Reform Action Plan Workshop	1 Deputy Director	2 days
Supervision and People Management Workshop	Director of Audit Deputy Directors	1 day
Human Resource Officers Workshop	Deputy Director	1 day
Handling Conflict in the Workplace	4 Audit Principals	1 day
Institutional Review of the Ministry of External Affairs	1 Deputy Director	1 day
Minute Taking Program	Administrative Secretary Administrative Assistant	1 day
Performance Management and Development Programme	Director of Audit Deputy Director	1 day

Environmental Auditing Course

This workshop was held during the period January 31 to February 11, 2011 in Costa Rica and was sponsored by the CCAF-FCVI of Canada. The Deputy Director attended the workshop.

The purpose of the workshop was to give participants an understanding on how to conduct a performance audit with an environmental focus.

Forensic and Wrongdoing Audit Course

This course was held during the period February 21 – 25, 2011 and was sponsored by the CCAF-FCVI of Canada.

Eighteen (18) auditors from the Office of the Director of Audit participated, as well as two (2) staff members from the Accountant General's Department and eight (8) auditors from the Auditor General's Office of Guyana.

The purpose of the workshop was to help the auditors understand their responsibilities and to provide knowledge of the various categories of fraud, wrongdoing and corruption. Also, to understand how fraud audits and forensic audits and preliminary investigations are undertaken.

International Public Sector Accounting Standards (IPSAS) Cash Basis of Accounting

A training seminar on the International Public Sector Accounting Standards, (IPSAS) was conducted at the Eastern Caribbean Central Bank (ECCB) in St. Kitts and Nevis during the period 24 – 25 February 2011.

The Director of Audit attended this seminar.

Evidence Gathering and Report Writing Workshop

This workshop was held during the period March 21 – 25, 2011 in St. Lucia and was sponsored by the CCAF-FCVI of Canada.

Eighteen (18) auditors from Saint Lucia, as well as four (4) staff members from the Accountant General's Department and two (2) auditors from the Director of Audit Department of Saint Vincent and the Grenadines and two (2) auditors from Argentina participated in the workshop.

The purpose of the workshop was to help the participants acquire and apply the basic knowledge and skills necessary to plan, collect evidence to support a performance audit and learn how to present audit findings with maximum impact.

STAFF APPOINTMENTS AND RESIGNATIONS

One officer in the position of Audit Assistant 11 resigned with effect from October 18, 2010.

One officer was temporarily appointed as Audit Clerk 1 with effect from December 18, 2010.

SECTION II

AUDIT OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF SAINT LUCIA

2.0 The Director of Audit provides an independent opinion on the financial statements prepared by the Accountant General. The duties of the Director of Audit are set out in Section 84 of the Constitution.

2.1 Section 84(2) b of the Saint Lucia Constitution requires the Director of Audit to audit and report on the Public Accounts of Saint Lucia. Section 3(2) of the Audit Act defines the Public Accounts to include the Accounts of Public Bodies, Statutory Bodies, and Government Companies. However, the new Finance Act passed in the House of Assembly in January 1997, defines accounts of Saint Lucia prepared by the Accountant General to mean accounts that relate directly to the Central Government. Consequently, only Central Government transactions are reported in these accounts.

2.2 Annual financial statements are tabled in Parliament and are referred to the Public Accounts Committee, which is supposed to report to Parliament on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying Audit Report. Representatives of the Government and of the Director of Audit attend the Public Accounts Committee (PAC) review proceeding when held, to provide testimony and other information requested by the Committee.

2.3 Unfortunately, the Committee has not held meetings for several years. The PAC plays a very important role in the accountability process and therefore must carry out its functions in order to hold those entrusted with the responsibility to spend public monies accountable.

2.4 The Finance (Administration) Act requires annual accounts to be prepared, certified and submitted to the Director of Audit within three months of the financial year-end. The Audit Act provides for the Director of Audit to submit the accounts to the Minister of Finance within three months who shall cause the statements to be laid before the House of Assembly. Therefore, the legislation provides for the time frame of no more

than six months for the accounts to be laid before Parliament. The Minister may by direction in writing addressed to the Accountant General extend the period within which the accounts may be transmitted and any directions must be laid before Parliament at its next meeting.

2.5 Current year-end financial statements are critical for transparency in the Public Financial Management System (PFM). The ability to prepare year-end financial systems in a timely fashion is a key indicator of how well the accounting system is operating and the quality of records are maintained.

2.6 There has been a serious time lag for the submission of the public accounts of the Government of St. Lucia. This significant challenge was reported during the conduct of the Public Expenditure and Financial Accountability (PEFA) assessment in 2009. This PEFA assessment was commissioned by the European Commission in order to assess the feasibility of direct budget support through the upcoming EDF 10 programme. The assessment adopts the widely accepted methodology of the Public Financial Management Performance Measurement Framework (PFM-PMF) issued by the PEFA multi-donor programme in June 2005. This assessment of the central government's PFM is the second one to be carried out.

2.7 The 2009 PEFA Assessment Report indicates that, the Accountant General's Department has a serious backlog in preparing annual accounts. There is at least a six (6) year backlog of accounts that have not been presented for auditing.

2.8 The report further stated that, in 2006, the Accountant General's Department (AGD) was supported by the Eastern Caribbean Economic Management Programme (ECEMP) project funded by Canadian International Development Agency (CIDA) to bring the accounts up to date and up to an auditable status. The project has been finished and has delivered audible statements up to 2002/03. As the project team included significant staff capacity of the AGD, delay has occurred in dealing with the ongoing operational matters leading to delays in more recent financial years and routine activities such as bank reconciliation.

2.9 Also, the effort to reduce the backlog has more chances of success if the standards for the statements are lowered and unrecoverable can be written off. Given the political implications of such decisions, it is recommended that prior to commence the process, the main stakeholders (Permanent Secretary of Finance, Accountant General, Director of Audit and Parliament) should agree on the standards to apply to the accounts.

2.10 Given these disclosures in the PEFA assessment report, the Accountant General must make a concerted effort to submit all outstanding accounts within the shortest possible time to improve timeliness, availability and relevance of accounting information to decision makers.

2.11 The audit of the financial statements of the Government of Saint Lucia for the years ended March 31st 1999, 2000, 2001, 2002 and 2003 were completed during the year 2010/2011.

2.12 A Disclaimer of Opinion was given on the financial statements for each financial year. Separate reports will be sent to the Minister of Finance for tabling in the House of Assembly in accordance with the Audit Act.

2.13 The Accountant General's Department has promised to submit the financial statements for the year 2003/2004 and 2004/2005 by May 2011.

2.14 Despite those efforts by the Accountant General's Department, the accounts will still be in arrears. A decision has to be made with regards to a strategy for writing off the outstanding accounts and begin at a point where the accounts will be recent and relevant for decision making.

2.15 The Government of Saint Lucia does not prepare its accounts in accordance with International Public Sector Accounting Standards (IPSAS). Therefore, the financial statements do not comply with the requirements of the Cash Basis IPSAS. The accounts are prepared on a modified cash basis which is not a comprehensive basis of accounting.

2.16 The Accountant General's Department discloses departmental accounting transactions on the face of the statement of revenue and expenditure. Disclosure of third parties transactions are not done separately. Beginning and closing cash balances are disclosed on the cash flow statement. Statement of accounting policies and the basis on which the accounts are prepared currently, are provided in the notes to the financial statements.

2.17 Cash balances that are available for use and cash and cash amounts that are subject to restrictions, and undrawn borrowing facilities are not disclosed. Comparison of budget and actual amounts are presented on statements of revenue and expenditure.

2.18 Disclosure is not made of material differences between budget and actual amounts. Presently the Accountant General prepares consolidated financial statements for the central government only, as prescribed by legislation. External assistance is not reported separately on the face of the financial statements. Undrawn external assistance is not disclosed.

2.19 In September 2010, the Organization of Eastern Caribbean States (OECS) region embarked on a project to map a direction for the migration to the International Public Sector Accounting Standards Cash Basis of Accounting (IPSAS)

2.20 A committee was set up to devise a strategy for migration to IPSAS. Most of the OECS countries, including Saint Lucia conducted a gap analysis to determine the gaps that existed between what is currently practiced and what is required. Based on the findings of the gap analysis from member states, a regional paper of the common gaps was compiled and a proposal is being developed to adopt a regional strategy to address those gaps.

2.21 This process will culminate with an implementation plan and timeline with specific steps to be taken to achieve compliance with IPSAS. A training workshop was held by the Eastern Caribbean Central Bank (ECCB) in February 2011 to provide the Accountant Generals and Directors of Audit in the region training in the IPSAS.

SECTION III

WORK OF THE DIRECTOR OF AUDIT FOR THE YEAR ENDED MARCH 31, 2011

3.0 Over the last few years the Audit Office in an effort to manage the increasing Audit Universe required to be audited by the Director of Audit, with the limited human resources, made a decision to audit over a cycle of two years. Consequently, the entities reported on in one year would not be included in the report of a subsequent year. That decision though practical needed to be modified in 2007 when it became necessary to audit three years of transactions to bring the work of the office up to date.

3.1 In the past an annual report on the work of the Director of Audit was issued almost four years later on the financial year for which a report was due. The extremely late submission of the accounts of the Government of Saint Lucia coupled with an increasing audit universe with very limited human and financial resources contributed to the tardiness in the submission of the report of the Director of Audit.

3.2 Upon assuming Office in 2008, the last annual report was issued in 2006 on the work of the Office of the Director of Audit for the year ended March 31, 2002. An annual report was prepared for the financial year ended March 31, 2003, but was not issued.

3.3 The annual report for the work done by the Office for the years 2003/2004 and 2004/2005 was issued in 2010.

3.4 During the year 2010/2011, the Audit Office completed compliance audits for eleven (11) Ministries and Departments for the financial years ended March 31, 2005 to 2007. The Ministries and Departments included:

- Ministry of Agriculture
- Labour Department
- General Post Office
- Fire Services
- Ministry of Tourism

- Ministry of the Public Service
- Ministry of Social Transformation
- Accountant General's Department
- Ministry of Home Affairs
- Police Department
- Ministry of Health

3.5 The audit of internal controls and accounting systems at the Victoria Hospital was conducted for the financial years ended March 31, 2009 and 2010 because the records for the financial years 2005 to 2008 were damaged and could not be audited.

3.6 These audits were conducted in keeping with our mandate given in the Revised Laws of Saint Lucia, Cap 15.19 (Audit Act) Section 6 (2) that requires the Director of Audit to submit a report at least once a year to the Minister for transmission to the House of Assembly.

(2) Each Report of the Director of Audit under sub-section (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Assembly, including any cases in which he has observed that:

- i. "accounts have not been faithfully and properly maintained or public monies have not been fully accounted for or paid, where so required by Law, into the Consolidated fund*
- ii. essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditure have been made only as authorized;..."*

3.7 At the end of the audits memorandums were sent to the Permanent Secretaries and Heads of Departments on the matters, which came to the auditors' attention relating

to the systems of internal control and accounting procedures. Recommendations were provided and were designed to overcome any weaknesses and to assist in:

- safeguarding Government's assets;
- preventing and detecting fraud and error;
- ensuring proper discharge of statutory responsibilities;
- ensuring reliability of accounting records; and
- improving the overall efficiency and effectiveness of operations.

3.8 None of those Ministries and Departments to which we issued management letters responded. The non-response by most Ministries and Departments is of great concern to the Office of the Director of Audit.

3.9 This lack of response usually means that recommendations are not acted on or implemented. The result of such non-action is the continuing existence of anomalies in Government's operations and violations of Government's policies and procedures. According to the 2009 PEFA Assessment report, underlying the lack of management response is the lack of follow up by the Public Accounts Committee of Parliament after reports have been tabled (see PI 28).

3.10 The report further states that, *the Standing Orders of the Honourable House of Assembly provide for the role of the Public Accounts Committee (PAC). The PAC is chaired by the Leader of the Opposition. The PAC has the duty of examining: (i) the accounts showing the appropriation of the sums granted by the Legislature to meet public expenditure; (ii) such other accounts as may be referred to the Committee by the House or any other law; and (iii) The report of the Director of Audit on any such accounts. However, the PAC has largely been inactive, though various audit reports have been submitted to Parliament ('getting dust' in the library of the Clerk of Parliament). This is partly a function of insufficient recognition of the important role of PAC. The Clerk of Parliament noted attempts to revive the PAC at the beginning of 2009. Allegedly a work plan has been drafted for the activities of the PAC. However, the mission could not confirm these intentions by written proof.*

SUMMARY OF COMPLIANCE AUDITS

3.11 The nature of the findings for the compliance/appropriations audits fell within six (6) broad categories:

- Non reconciliation of expenditure, revenue, sundry deposits and advance accounts
 - Failure on the part of the Ministries and Departments to retire the advance accounts in accordance with terms and conditions
 - Unclaimed deposits in excess of five years were not paid into the consolidated fund
 - Non-Submission of essential accounting records such as log books, receipt books, invoices, registers etc...
 - Non- Adherence to the Regulations set out by the Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulation) and (Procurement and Stores Regulation)
 - Non-compliance with directives given by the Accountant General, Director of Finance and the Ministry of the Public Service
- ***All of the Ministries and Departments we audited did not reconcile their accounts***

3.12 The Ministries and Departments we audited did not reconcile their accounts. Therefore we were unable to determine the correctness or accuracy of the account balances. Numerous errors and expenditure accounts with credit balances at year-end were found. Some of these were posting errors. Instances of over and unauthorized expenditure were also found.

3.13 The fact that most Ministries and Departments did not reconcile their accounts resulted in a breach of the Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulation) No. 10 (4) (c) which states:

(4) "vote accounts shall be maintained in the following manner:

(c) at the end of every month the vote account shall be reconciled item by item with the Accountant General's accounts."

3.14 This issue has been one that has been occurring government wide for many years now. It is important for Ministries and Departments to reconcile their accounts in order to increase the level of reliance that is placed on the financial information that they produce.

3.15 The Accountant General's Department prepared and distributed a manual on Reconciliation of Smart Stream accounts to all Ministries and Departments.

3.16 We need to stress that monthly reconciliation of expenditure is an important control process to assure the accuracy of transactions that are posted to the Accountant General's accounts (Smart Stream).

3.17 Reconciliation allows agencies to monitor the budget and guard against over expenditure. Every Ministry and Department is responsible for ensuring that documentary evidence, subject to audit is maintained, that expenditure reports are reconciled on a timely basis and that corrective action is taken to promptly resolve any discrepancies.

3.18 The authority requisite for expenditure out of public funds is a vote or enactment of the Legislature and the sanction of the Minister of Finance. The Government looks to the Heads of Departments and the officers responsible for expenditure to exercise due economy so that money will not be spend merely because it has been voted. To ensure that this is done, procedures have been put in place in Section 10 (1) – (4) of the Financial Regulations. All Ministries and Departments of Government are expected to adhere to these procedures.

3.19 Appendix 1 lists the Ministries and Departments with over and unauthorized expenditure.

- ***Advances were not retired***

3.20 Most Ministries and Departments did not retire the advances in accordance with the terms and conditions stipulated. This was in violation of the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation) No. 105(1) which states:

“An advance shall be repaid within the time and in accordance with the terms and conditions stipulated.”

3.21 It is important for Ministries and Departments to honour the repayment conditions of advances because it is only when the advances are retired or repaid that expenditure is captured in the Accountant General’s accounts.

- ***Unclaimed deposits in excess of five years were not paid into the Consolidated Fund***

3.22 Revised Laws of St. Lucia Cap 15.01 Finance (Administration) Act Section 37 (1) states:

“Any deposit which is unclaimed for five years shall be paid into the Consolidated Fund.”

3.23 We found Ministries and Departments with numerous deposit accounts with balances that were unclaimed for over five years and the balances were not paid into the Consolidated Fund.

3.24 It is important that deposits which are not claimed in excess of five years be paid into the Consolidated Fund because if this is not done it overstates the government’s true liability.

3.25 We recommend that Ministries and Departments pay these unclaimed deposits into the Consolidated Fund.

- ***Non-Submission of essential accounting records***

3.26 Most Ministries and Departments that we audited did not submit essential accounting records such as log books, receipt books, invoices, registers etc.

- ***Non adherence to Regulations***

3.27 Most Ministries and Departments did not maintain adequate financial records.

3.28 Government spends a large portion of its budget on stores, equipment and inventory items, consequently, lack or inadequate maintenance of bin cards, inventory and Plant and Equipment Registers and log books results in poor management of Government's assets.

SUMMARY OF OTHER SIGNIFICANT FINDINGS BY AGENCY

3.29 All other significant audit findings on internal controls violations are presented by agency in the following section of this report. The recommendations made to the agencies require immediate action in order to mitigate the possible risks, as a result of poor controls governing expenditure, cash receipts and disbursements and accountability for property.

VICTORIA HOSPITAL

3.30 Our audit of the Victoria Hospital showed that the Hospital does not have an adequate internal control system for the proper management of cash receipts, cash disbursements and accountability for property. As a result, there was no assurance that the Hospital can be expected to execute its operations and accounting for transactions in accordance with government’s policies and procedures.

REVENUE

- *The revenue accounts were not reconciled*

3.31 The Hospital’s revenue accounts were not reconciled monthly with the Accountant General’s accounts as required by the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No. 10 (4) (c).

3.32 As a result, differences between the revenue recorded in the Hospital’s cash book and the revenue recorded in the Accountant General’s accounts were found. The differences are shown in the table below:

Agency/Programme	Revenue according to the Cash Books	Revenue according to the Accountant General's Accounts	(Over)/Under Revenue according to the Cash Books
2008/2009			
5304-362021	635,436.67	1,211,961.52	(576,524.85)
5304-362022	88,470.00	13,218.00	75,252.00
5304-362026	446,986.00	6,748.00	440,238.00
5304-362028	521,557.00	549,570.75	(28,013.75)
5304-362037	6,435.00	14,504.00	(8,069.00)

Agency/Programme	Revenue according to the Cash Books	Revenue according to the Accountant General's Accounts	(Over)/Under Revenue according to the Cash Books
5304-363013	358,698.00	319,539.32	39,158.68
5304-369006	408,288.62	422,613.00	(14,324.38)
2009/2010			
5304-362021	682,545.81	1,218,121.10	(535,575.29)
5304-362026	494,240.39	1,788.00	492,452.39
5304-362028	589,106.35	602,773.10	(13,666.75)
5304-362037	4,315.00	4865.00	(550.00)
5304-363013	331,367.19	332,829.19	(1462.00)
5304-369006	430,760.93	421,204.61	9,556.32

3.33 Also, during the year 2008/2009, revenue of \$422,613 was posted to account 5304001 0369006 1001 (other revenue – sundry receipts). However, this account was not approved for the Hospital in the 2008/2009 annual Estimates of Expenditure.

3.34 We recommend that the revenue accounts should be reconciled.

- *A signature or initial showing evidence of the supervisory function was not seen in the cashbook*

3.35 We expect that a supervisor would sign or initial the cash book as proof that an independent check of the cash book was carried out.

3.36 Our audit revealed that there was no evidence to indicate that an independent check was done by the supervisor. We need to stress that the supervisory function is an important component of any internal control system. It helps to give assurance regarding the reliability of financial information. Therefore, the absence of proper supervision of operations can adversely affect the Hospital's ability to report financial information that gives users a reasonable level of assurance as to its accuracy.

3.37 We recommend that supervisors should check the cashbooks periodically and sign or initial upon completion of those checks.

- ***Errors were found on receipts***

3.38 The amount of money received should be written in figures and words when issuing receipts and the words and figures should be the same. Also, revenue receipts should be prepared in triplicate and details of receipts should be clearly written on each copy. We found receipts where the figures and the words did not agree.

3.39 We observed that these errors occurred several times during the months of April 2008, March 2009, May 2009 and February 2010. In most instances it was the Accountant General's Department staff who found those errors.

3.40 There were also instances where the book copies of the receipts were blank. The financial regulation requires that revenue receipts should be prepared in triplicate and details of receipts should be clearly written on each copy.

3.41 It is important for receipts to be properly written to guard against possible fraudulent activities and to provide assurance that there is adequate accountability for revenue.

3.42 We recommend that collectors of revenue should exercise due care when writing receipts.

- ***Cash was not deposited on a daily basis***

3.43 According to the Revised Laws of St. Lucia 2005 Cap 15.01 (Financial Regulation) No. 45 (1) collectors of revenue should deposit monies collected on behalf of the Government into a bank account or to the Accountant General or a Sub Accountant daily.

3.44 Our audit revealed that revenue was not always deposited daily. Deposits were sometimes made five to seven days after revenue was collected. Some examples are highlighted below:

Date of Receipts	Amount Collected \$	Date deposited in Bank Account	No of days kept before deposit
April 1, 2008	10,675.40	April 7, 2008	6 days
April 17, 2008	10,070.26	April 24, 2008	7 days
April 22, 2008	15,576.50	April 28, 2008	6 days
March 3, 2009	11,153.00	March 10, 2009	6 days
March 10, 2009	13,030.00	March 17, 2009	6 days
May 12, 2009	12,294.00	May 18, 2009	5 days

3.45 We were informed that the institution was not able to verify and process the cash for deposit on evenings and weekends because supervisors are not on duty during those time periods. We were also informed that due to limited staff, processing of cash for deposit was not given priority on a daily basis.

3.46 Our analysis showed that the Hospital collects an average of \$10,000 on a daily basis. This means that if cash is not deposited for 5 – 7 days, it can accumulate to levels of \$50,000 to \$70,000.

3.47 Such a substantial amount of cash on hand leaves room for possible misappropriation or theft of cash. We are concerned that an institution which collects such a large sum of cash daily is left without supervisory personnel in the evenings and on weekends.

3.48 We recommend that cash should not be left to accumulate, but deposited on a daily basis. The Hospital should consider using the night deposit bag facility along with the appropriate security to deposit cash after the normal working hours and on weekends. In addition, the Hospital should consider adopting a shift system for supervisors.

- *Some bank deposit vouchers were not submitted*

3.49 Accounting Officers are responsible for ensuring that his or her financial and accounting records are produced for audit on demand by the Director of Audit in accordance with the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No. 5(1) (g).

3.50 We were not given all bank deposit vouchers for deposits made during the period audited. As a result, we were unable to verify whether revenue collected as per the following receipts were deposited in the bank account:

Receipt Date	Receipt Numbers	Receipts Total \$
April 23, 2008	1597923-1598000 & 1597501 - 1597530	7,854.00
March 25, 2009	1812031 -1812157	8,289.00
March 26, 2009	1812158 -1812288	10,555.00
March 27, 2009	1812289 - 1812409	8,598.00

3.51 We recommend that all records requested should be produced for audit.

- *Treatment Register was not adequately maintained*

3.52 The Hospital requires every department where medical procedures are performed to maintain a treatment register. The register should reflect every procedure performed daily and the revenue received. Therefore, we expect that every procedure should be documented in the treatment register along with the payment.

3.53 Our audit showed that payments were not documented in the treatment register for the Radiology Department. Therefore, there was no way of knowing whether persons were charged for the services.

3.54 We recommend that the treatment register should show payments made for every procedure performed.

- *Written authorizations for refunds given to patients were not seen*

3.55 It is the Hospital's practice for the Senior Accountant to approve refunds of monies paid for services which were not rendered, by issuing written authorizations for those refunds. It is only upon submission of the written authorization that the cashier should issue a refund to a patient. The existing practice is to refund the patient his/her monies as soon as the request is made.

3.56 For the months of April 2008, March 2009, May 2009 and February 2010 the Hospital issued 231 refunds totalling \$11,590.00. However, we were able to verify written authorizations for only 49 of these refunds totalling 3,410.00. Therefore, the remaining one hundred and eighty two (182) refunds totaling \$8,180.00 were not substantiated by documentation.

3.57 The Accountant explained that due to the varying work schedules of the cashiers and accounting staff it necessitates that authorizations for refunds be given over the phone. We verified that there are cashiers on duty 24 hours a day while the accounting staff including the supervisors work a standard 8:00 am to 4:30 pm work schedule. As a result, there are times when a refund was required but the supervisor was not on duty or not available in the office. Under those circumstances the cashier had no choice but to call the supervisor to obtain verbal authorization for the refund.

3.58 We conducted an analysis of the authorizations for refunds and found that over seventy nine (79 %) of these authorizations were given verbally. Based on the results of the analysis we are of the view that this practice is the norm and not the exception.

3.59 We need to point out that the practice of granting such a substantial number of verbal authorizations for refunds can facilitate fraudulent behaviour. When authorizations for refunds are given verbally the basis for granting the refund remains unverified because the information is given over the phone without any independent verification or documentation review.

3.60 We are also concerned about the frequency of these requests for refunds. Our audit revealed that a substantial portion of the two hundred and thirty one (231) refunds was for medical consultation.

3.61 This was quite alarming because it seemed that persons were charged for doctors' visits that the hospital did not have the capacity to provide.

3.62 Based on the preceding, we recommend that the Hospital should:

- Develop a comprehensive policy on refunds that clearly addresses among other issues, the authority for granting refunds, the time period required for granting a refund as well as the conditions for processing these refunds.
- Assess its capacity for providing medical consultations and develop a strategy that would alleviate patients paying for doctor's visits and having to seek refunds because the services cannot be provided.
- *There was no evidence that persons actually received refunds*

3.63 The process currently being practiced for paying out cash to persons requesting refunds is that the cashier cancels the customer's copy of the receipt, endorses "refunded" on the receipt and affixes the paid stamp and attaches it to the relevant receipt book. The customer is required to sign the back of the receipt as evidence of receipt of cash.

3.64 Our audit revealed that some of the receipts contained the cashier's signature, endorsed cancelled and refunded as well as stamped paid, however, the customer did not sign the back of the receipt as acknowledgement of receipt of cash.

3.65 As a result, there was no evidence to indicate that customers actually received cash.

3.66 We recommend that the cashier as well as the supervisor ensure that all customers sign the back of receipts when they receive cash.

- *Persons indebted to Government were not notified of their outstanding balances*

3.67 The Revised Laws of St. Lucia (Financial Regulation) No. 38 (1) and (2) (a & b) place responsibility on accounting officers for the prompt collection of revenue and for informing persons who are indebted to the Government of their debts.

3.68 As we have highlighted in previous management letters, the Department did not send notices to persons who were indebted to government. Management indicated that an attempt was made, however, the addresses of those persons who were indebted were sometimes not accurate and as a result the Post Office would return the letters.

3.69 We recommend that management undertakes a review exercise aimed at revising the admittance form, as well as the admittance process in order to capture as much pertinent information as possible. This exercise would help the Hospital to mitigate the risks of having insurmountable receivables on its books because those indebted cannot be contacted.

- *Monthly reports of arrears of revenue recovered were not prepared and submitted to the Accountant General*

3.70 Accounting officers responsible for the collection of revenue are required to submit to the Accountant General annual returns of arrears of revenue and monthly reports of arrears of revenue recovered in compliance with the Revised Laws of St. Lucia 2005, Cap 15.01 (Financial Regulation) No. 42(1).

3.71 We noted that the entity did not prepare monthly reports of arrears of revenue recovered for the period.

3.72 Also, the Hospital did not credit the accounts of persons who made payments towards the balances owing. Consequently, arrears of revenue/receivables were incorrectly stated for the financial years under audit.

3.73 In a previous management letter we recommended that the Hospital should acquire an accounting software or electronic payment system to manage patient billings. We were informed that the Hospital purchased an accounting software package but has not been able to implement its use because of several challenges.

3.74 We recommended that as a matter of priority, and in order to provide the Accountant General with timely accurate information the Hospital should:

- Move to quickly implement an accounting software to manage its patients' billings;
- Ensure accurate information capture and financial reporting.
- *Interest was not added to patients bills outstanding for over 90 days*

3.75 Section 7 (2) (a) of the Statutory Instrument No. 68 of 1992 states:

"If charges are not paid within 90 days of the date the discharge from Hospital of the patient by whom they are payable, there shall be added an amount equal to 6% of such fees."

3.76 We saw no evidence that interest was charged for fees which were not paid within the 90 day limit. Our analysis of the revenues owed revealed that for the years 2008/2009 and 2009/2010 revenue of \$3,907,598.80 and \$4,300,349.75 respectively was outstanding.

3.77 The failure of the Hospital to apply interest charges to amounts outstanding in excess of 90 days resulted in the loss of revenue to the government.

3.78 The application of interest to accounts outstanding for over 90 days would have assisted the hospital in collecting balances in a timely manner because the additional interest charges may have deterred persons from defaulting on their debts.

3.79 We recommend that the Hospital applies the interest charges to accounts that are in arrears for over 90 days.

- ***Semi-annual returns of receipt forms were not prepared***

3.80 Every collector of revenue having custody of revenue receipt forms must render a return on the prescribed form to the Accountant General as at June 30 and December 31 each year. The return should indicate whether the receipt books were used, partly used or new, whether they have been audited and whether they were returned to the Accountant General or still held in the accounting officer's custody according to the Revised Laws of Saint Lucia Cap 15.01, (Financial Regulation) No. 68 (1).

3.81 The Hospital did not prepare semi-annual return of receipt forms. In addition, accounting staff were unaware of this requirement.

3.82 It is important to note that returns of receipt forms should be prepared on a semi annual basis because these returns are internal control measures aimed at ensuring that there is adequate accountability for receipt books.

3.83 We recommend that the Hospital prepares and submits semi annual returns of revenue receipts to the Accountant General as at June 30 and December 31 of each year.

- ***Used and partly used receipt books were not adequately secured***

3.84 The Revised Laws of St. Lucia 2005, Cap 15.01 (Financial Regulations) No. 62 (1) and (2) state:

(1) *"All revenue receipt forms of whatever description shall be secured in the custody of the collector of revenue or an officer authorized by him."*

(2) *"An officer to whom revenue receipt forms have been issued for use shall be responsible for them until they have been returned to the collector of revenue."*

3.85 In addition, we expect that receipt books should be used in their entirety before they are replaced or stored.

3.86 We noted that a number of used receipts books were not adequately stored. The accounting officer explained that there was insufficient storage space at the Hospital to store the large volume of books used during those financial years. The books were placed in cardboard boxes and placed in a 40ft container which was not well ventilated and was infested with rodents. As a result, many of the used receipt books became moldy and unfit for handling by the auditors. Consequently, the auditors were unable to carry out the audit procedures designed to verify the transactions contained in those receipt books.

3.87 We also observed that approximately fifteen (15) partly used receipt books were stored with the used receipt books. These receipt books were used during the financial years 2006 to 2010. The unused receipts remaining in these books were not cancelled. Our enquiry revealed that, these receipt books were used when replacement receipts were required and they were discarded irrespective of the number of receipts that were left in them.

3.88 We need to point out that partly used receipt books should be adequately stored away from unauthorized personnel. If there is need to discontinue use of a receipt book before it is completed, then the unused receipts should be appropriately cancelled.

3.89 In light of our audit findings, we recommend that all receipt books should be properly secured and stored as required by the Financial Regulations.

STORES – MEDICAL, HOUSEKEEPING, DIETARY AND DANGEROUS DRUGS

- *Handing over of medical stores was not undertaken when the storekeeper was changed*

3.90 According to the Revised Laws of St. Lucia 2005 Cap 15.01(Procurement and Stores Regulation) No. 97 whenever there is a change in the officer responsible for stores that a handing over process is undertaken to physically verify the items and note

any discrepancies. There should be documentation signed by both parties as well as the Head of Department to support the handing over process.

3.91 We were informed that an accounts clerk was assigned the responsibilities of storekeeper in January 2010. A handing over process to verify the items and note the discrepancies was not undertaken. We were also informed that the officer was not briefed on his new responsibilities even though he had no experience in storekeeping.

3.92 We recommend that whenever there are changes in personnel responsible for maintaining stores, that a handing over process is undertaken to physically verify the stores and note any discrepancies. In addition, the Hospital should have an experienced storekeeper on staff to undertake the function of maintaining the stores.

- *Some documents were not submitted*

3.93 According to the Revised Laws of St. Lucia 2005, Cap 15.01 (Financial Regulation) No. 5 (1) (g), all Ministries and Departments are to provide the Director of Audit with all financial and accounting records when requested.

3.94 In addition, Financial Regulation No. 156 states that accounting officers are responsible for ensuring that accounting records in their custody are safeguarded.

3.95 We were not given some accounting records which we needed for the performance of the audit because the department was unable to locate them. These records included:

- Bin cards for stores for 2008/2009 (Housekeeping)
- Bin cards for dietary stores for 2008/2009
- Requisition vouchers for dietary stores for 2008/2009
- Requisition vouchers for dietary stores for the months of January, February and March 2010.

3.96 The non-submission of these documents, significantly hampered our ability to execute the audit procedures, designed to determine whether the entity complied with the relevant policies and procedures governing the management of stores.

3.97 In addition, some of the records were not properly filed and posed a significant challenge for our auditors to locate them.

3.98 We recommend that the Hospital puts measures in place that would enable it to provide the Director of Audit with all financial and accounting records when requested.

- *Stores Ledgers were not maintained*

3.99 The Revised Laws of St. Lucia 2005, Cap 15.01 (Procurement and Stores Regulation) No. 33 (1) requires stores ledgers to be maintained by accounting officers responsible for unallocated stores.

3.100 Stores ledgers were not maintained for housekeeping, medical and dietary stores and dangerous drugs. As a result, we were unable to verify the balances on the bin cards and to determine whether receipts and issues of goods were made in accordance with the policies.

3.101 All movement of stock should be recorded in the stores ledger because the ledger is used for maintaining a record of both the quantity of stores received and also maintains a record of stores receipts, issues and balances in respect of each item of inventory.

3.102 In light of the importance of the stores ledger we recommend that the Hospital maintains stores ledgers for housekeeping, medical and dietary stores and dangerous drugs.

- **Differences were found between the stock balances recorded on the bin cards and the balances verified**

3.103 Every accounting officer is responsible for ensuring that regular checks of stores are done and that the balances recorded on the stores ledger and the bin cards agree with the balances on hand. This is required by the Revised Laws of St. Lucia 2005, Cap 15.01 (Procurement and Stores Regulation) No. 3 (2).

3.104 We noted differences between some of the stock balances recorded on the bin cards and the balances obtained from the physical count. Below are some examples:

Description of Item	Quantity as per Bin Card	Quantity found	Difference
Dietary Stores:			
Corn beef	33	21	12
Rice	154 lbs	261 lbs	107 lbs
Yellow split peas	95	114	19
Sweet potatoes	116 lbs	94 lbs	22 lbs
Mixed chicken parts	185 lbs	204 lbs	19 lbs
Turkey Drumsticks	76 lbs	98 lbs	22 lbs
Medical Stores:			
Urine bags	1800	1740	60
Surgical blades	138	113	25
Medication cups	6200	6100	100
Batteries(9 Volts)	196	180	16
Nurses caps	59	24	35
Kidney Dishes	449	431	18
Housekeeping Stores:			
Toilet Paper	1704	1528	176
Paper Towel	1422	1336	86
Toilet Soap	281	207	74
Brooms	44	21	23
Toilet Bowl Cleaner	384	336	48
Steel Wool	164	75	89
Mops	36	4	32

3.105 It was explained that in some instances, the differences found between the stock count and the quantities recorded on the bin cards for the housekeeping stores were due to the disposal of damaged stores.

3.106 There was no documentary evidence to substantiate the explanation. We wish to bring to management's attention that the Government's Procurement and Stores Regulations outlines the procedures for disposal of stores and must be followed by all entities. Accounting officers are responsible for ensuring that stores are securely stored and safeguarded.

3.107 The Regulation further requires every storekeeper to carry out monthly checks of stores on hand against the balances reported on the bin cards and report any surpluses, deficiencies, damages, or obsolescence to the accounting officer. This procedure was not done. We found that the storage facilities at the Hospital were in a deplorable condition and there was evidence of water damage, rat and termite infestation.

3.108 The Government of Saint Lucia spends a significant amount of its budget on the purchase of materials and supplies for the Hospital. Therefore, the controls should provide adequate safeguards and accountability.

3.109 In light of our audit findings, **we recommend that the Hospital should:**

- **Conduct monthly checks of stores to identify any discrepancies.**
 - **Provide adequate storage facilities free from water, rodent and termite infestation.**
 - **Update bin cards when stores are received, issued or disposed.**
 - **Obtain approval for the disposal of stores and maintain evidence of the approval on file.**
-
- *Differences were found between some quantities recorded on requisition vouchers and the quantities recorded on bin cards*

3.110 The officer requisitioning stores as well as the receiving officer should sign the requisition vouchers. We found a number of deficiencies on some of the requisition vouchers. For example:

- There were instances where the quantities stated on the requisition/issue vouchers were different from the quantities recorded on the bin cards. In one

case, 150 Delee 8ft suction catheters were recorded as supplied on the requisition issue voucher dated 20th August 2008. However, the bin card showed that 100 units were issued.

- Some requisition/issue vouchers were not signed by the officer receiving the stores.

3.111 Therefore, we were unable to verify whether the quantities recorded on requisition issue vouchers were in fact the quantities which were actually received.

3.112 We recommend that quantities recorded on requisition vouchers and bin cards should concur and that officers requesting and receiving stores should sign the vouchers at all times.

OFFICE AND MEDICAL EQUIPMENT

- *All required Information was not recorded in the Equipment Register*

3.113 According to the Revised Laws of St. Lucia, 2005 Cap 15.01 (Procurement and Stores Regulation) No. 43 (1) every item of equipment is to be recorded in an equipment register.

3.114 The Regulation also indicates the information that should be recorded in the register. During the year 2009/2010 the entity purchased furniture and equipment costing approximately \$180,000.00.

3.115 The Hospital maintained a computerized equipment register. Our audit showed that the date the equipment was received, the source of supply, the period of warranty and the ancillary equipment and spares supplied, were not recorded in the register. Also, the date the item was purchased was not recorded in the register used for medical equipment. In addition to the aforementioned findings, not all the items purchased were recorded in the Equipment Register.

3.116 Based on the invoices and other documentation, the following medical items purchased during 2009/2010 valued at \$83,188.33 were not recorded in the medical equipment register:

Date Purchased	Description of Equipment	Cost \$
Feb 11, 2009	Damco Suction Machine	17,278.48
Feb 11, 2009	Schuco Compressor/Nebulizer	9,414.06
Feb 21, 2009	Defibrillator	16,295.79
Feb 21, 2009	Olympus Cytology Microscope	20,100.00
Mar 11, 2009	Olympus Cytology Microscope	20,100.00

3.117 We did not see the equipment on the Hospital's premises. In addition, there was no evidence of receipt of these items. Therefore, we were unable to determine whether the entity actually received those items.

3.118 Further, during our audit, we found the following items but they were not recorded in the medical equipment register:

Location of Equipment	Description of Equipment
Blood Bank	Platelet Rotator
Hematology	Microscope
Bacteriology	Microscope
Serology	Axsym Analyser
Serology	Tune-Refrigerator
Bacteriology	Refrigerated Incubator
Bacteriology	Microscope

3.119 We recommend that all information required by the Revised Laws of St. Lucia, 2005 Cap 15.01 (Procurement and Stores Regulation) No. 43 (1) should be recorded in the Equipment Register. Further the register should be updated to include all items of equipment.

- *Equipment purchased during the year could not be verified*

3.120 The responsibility for controlling and safeguarding of equipment rests with the entity in receipt of the equipment. It is also the accounting officer's responsibility to ensure that physical checks are conducted at least annually.

3.121 We were unable to verify 4 HP desktop computers which were purchased in March 2009 from Computer Centre Limited totalling \$12,780.00. The details are listed in the table below:

Details of Invoice	Equipment Purchased	Serial Number	Cost of Equipment \$
CCL #00893039	HP DX2400 Desktop	MXL9041M7J	3,195.00
	HP DX2400 Desktop	MXL9041M7T	3,195.00
	HP DX2400 Desktop	MXL9041MDR	3,195.00
	HP DX2400 Desktop	MAL9041MC	3,195.00

3.122 The locations for two of the computers were recorded in the computerized equipment management system, however these items were not found at the stated locations.

3.123 In verifying the equipment register we noted that the register gave the location of some items as the Physiotherapy Department. However, we did not find these items in the department identified.

3.124 Below is a list of the items which we could not verify:

Description of Equipment	Year Installed	Serial Number
Muscle-stimulator	1988	1272
Ultrasound therapy	1991	1274
Wax bath	1995	1-46965
Interferential stimulator	1997	1217
Nerve stimulator	1985	M298470

3.125 In light of the findings of our audit, **we recommend that the department ensures that periodic checks are conducted and that the locations of items of equipment are accurately recorded in the register at all times.**

MINISTRY OF AGRICULTURE

3.126 Our audit of the Ministry of Agriculture showed that the Ministry needs to take action to improve the level of control over cash management. We found deficiencies that require serious attention. Some of these deficiencies included:

REVENUE

- *There was no authority for the prices charged by the Ministry for services*

3.127 The costs of services rendered by the government are approved by the relevant authority and a Statutory Instrument supporting this approval is issued. Therefore, every government entity should have as a reference the Statutory Instrument that supports the prices charged for goods and services.

3.128 The Ministry offers plants and planting material, pharmaceuticals, surgical interventions, rental of chainsaws and irrigation materials to the public at a cost. We requested the authority for the prices charged for those services, but we were informed that the costs of these services were not supported by a Statutory Instrument. Therefore, the Ministry is charging the public for those services without authority. The existence of a Statutory Instrument to guide the Ministry in rendering a service to the public is absolutely important because this legal document ensures that fees are genuine and standardized. In the absence of an authorized fee customers can be charged illegal or unauthorized prices.

3.129 We were informed that the Ministry is in the process of obtaining legislative approval for the cost of the services that it renders to the public.

- *Cash was not deposited daily*

3.130 To safeguard cash the Revised Laws of Saint Lucia Chap 15.01 (Financial Regulation) No. 45 (1) requires that collectors of revenue other than a Sub-Accountant who receives any duties, taxes, licenses, fees, levies, rents or other public monies shall

pay the whole of the amounts received daily either into a bank to the credit of the Consolidated Fund Services Account or to the Accountant General or to a Sub-Accountant.

3.131 Our audit revealed that a few divisions of the Ministry did not deposit cash on a daily basis. Details are stated in the following paragraphs.

3.132 Head Office - Revenue totaling \$4,771.97 which was collected during the period March 12 to March 20, 2007 was deposited on March 21, 2007; Revenue collected during the period of March 21 to 29 2007 totaling \$5,505.62 was deposited on the 30th of March 2007.

3.133 Beausejour Farm – Revenue collected was deposited with the Sub-Accountant in Vieux Fort as follows:

Date Collected	Amount Collected	Date Deposited
Beausejour Farm		
28/2-02/03/06	\$2,248.75	06.03.06
06-07/03/06	\$1,343.00	09.03.06
9-10/3/06	\$500.00	14.03.06
14-15.03.06	\$965.00	17.03.06
16-21.03.06	\$892.00	22.03.06
22-23.03.06	\$2,015.00	24.03.06
27.03.06	\$1,033.00	30.03.06
28.03.06	\$778.00	31.03.06
Plant Propagation Unit - Barthe		
04.01.07	\$850.00	05.01.07
05-09.01.07	\$992.75	09.01.07
10-18.01.07	\$844.90	18.01.07
18-22.01.07	\$310.00	24.01.07
24-31.01.07	\$1,096.00	31.01.07
01-07.02.07	\$1,649.10	07.02.07
07.02.07	\$460.00	09.02.07
13-16.02.07	\$1,374.20	16.02.07

3.134 It is important for all cash to be deposited daily because having cash on hand for several days before it is deposited leaves room for fraudulent acts to occur, such as the unauthorized use of cash by employees.

3.135 We strongly recommend that cash should be deposited on a daily basis.

- ***There was no evidence that the cashbook was checked by a supervisor***

3.136 The examination of a cash account by the Accountant General or a Sub-Accountant shall not in any way absolve an accounting officer from his or her responsibilities under regulation 5 (Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No. 58).

3.137 We saw no evidence that the cash books of the Ministry were reviewed by a senior officer. We were informed that checks were carried out on a needs basis.

3.138 The supervisory function is an essential component of any internal control system and it helps to provide assurance regarding the reliability of financial information. The absence of proper supervision of operations can adversely affect the Ministry's ability to report financial information with a reasonable level of assurance.

3.139 We recommend that supervisory checks of the cash books should be done for all divisions of the Ministry where cashbooks are maintained.

- ***Inadequate controls over cash***

3.140 Accounting officers are required by The Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulations) to maintain an efficient system of internal control.

3.141 Cash is the most liquid of assets and is susceptible to loss if not properly controlled. Therefore, it is extremely important for all departments handling cash to implement and adhere to strong internal controls.

3.142 As part of an efficient internal control system cash collected must be deposited in a timely manner. As little cash as possible should be kept in departmental offices after business hours. Also, receipts should be issued for each cash transaction. In general, receipts serve two purposes; first, copies of the receipts serve as permanent records for the Ministry. The receipts allow for the orderly posting of cash collected to the cash

book. Second, the receipts provide customers with a permanent record of the transactions.

3.143 We were informed that invoices were prepared when items were sold at the Engineering Department. A copy was kept on file and a copy was given to the customer. These invoices were submitted to us and we observed that they were not pre-numbered. As a result, we were not able to determine whether all invoices were submitted to us.

3.144 Our examination of the records at the Engineering Department revealed that an official receipt was not issued to customers for irrigation materials sold by the Engineering Division. This is a serious breach of the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 45 (2). This regulation requires that a collector of revenue issue an official receipt for each sum received by him or her except that, in the case of the Comptroller of Customs, a duly stamped, signed and numbered copy of a customs entry shall serve as a receipt.

3.145 We also found that the Department did not keep a cashbook to record the cash transactions.

3.146 We conducted a cash count on February 16, 2010 and found that cash was last deposited in April 2009. A total of \$15,762.70 was on hand at that date.

3.147 The invoices submitted indicated that cash on hand should have been \$17,113.80. Therefore, the cash was short by \$1,351.10. At our request, the accounting officer deposited a total of \$17,010.70 in the bank on that day. There was still a shortage of \$103.10.

3.148 In April 2010 we conducted a follow up cash count. Our examination revealed that cash on hand equaled the total of all receipts issued. We also verified that cash was deposited daily.

3.149 We need to stress to management that these serious breaches of the Financial Regulations can result in loss, or theft of cash which can remain undetected.

3.150 To assist in minimizing the risk of fraud, loss or theft and to safeguard cash we recommend that the Ministry:

- Maintains a cash book at the Engineering Division;
- Monitors that cash is deposited on a daily basis;
- Verifies that receipts are issued for each cash transaction; and
- Carries out independent checks to assess the extent of compliance with the internal controls over cash.

- *Unauthorized credit given to customers*

3.151 The Ministry does not have a credit policy regarding the sale of irrigation equipment and farming materials; however our audit disclosed that the Engineering Division sold irrigation equipment and farming materials on credit to customers.

3.152 On March 9, 2006 the Ministry of Agriculture sold irrigation equipment to two customers. We determined that the sale was on credit because we found invoices to that effect. In February 2010 the customers had outstanding balances of \$2,000 and \$14,600.00. From these outstanding balances it was clear that the Ministry failed to collect the amount owed and extended further credit.

3.153 We found that the Ministry was not aware of the total amount currently owed to the Government of Saint Lucia

3.154 We are concerned about the practice of extending credit to customers in the absence of a credit policy. First, the responsibility of managing credit accounts is a serious undertaking and requires a reasoned and structured approach to credit management. Secondly, without the proper authority there is no level of consistency of terms of credit that are extended to customers.

3.155 In light of our finding, we recommend that the Ministry determines the amount owing to the Government of Saint Lucia and take steps to recover the amount. Also, the Ministry should cease from extending credit to customers as this is not the policy of the government.

LABOUR DEPARTMENT

REVENUE COLLECTED FROM WORK PERMITS

- *Differences in revenue reported by the Department, the Accountant General's accounts and the revenue obtained from the audit*

3.156 We expect the department to reconcile its revenue accounts on a monthly basis.

3.157 We compared the revenue reported by the Department and the revenue reported in the Accountant General's accounts for work permits. The Department reported revenue of \$2,925,097.20 while the Accountant General's Department reported revenue of \$3,070,421.98 for the financial year 2005/2006. For the Financial year 2006/2007 the Department reported revenue of \$3,657,571.72 while the Accountant General's Department reported revenue of \$3,765,046.13.

3.158 Consequently, differences of \$145,324.78 and \$107,474.41 existed between the records of the two departments for the financial year 2005/2006 and 2006/2007 respectively.

3.159 Our audit determined the revenue figures for 2005/2006 and 2006/2007 to be \$2,996,872.00 and \$3,756,541.90 respectively. Our figures were different from the Accountant General's figures by \$73,549.98 for 2005/2006 and \$8,504.23 for 2006/2007.

3.160 We could not place any reliance on the Department's and the Accountant General's figures because the revenue account 2206001-0360020-1001 was not reconciled for the periods audited.

3.161 We recommend that the Department should reconcile the revenue account on a monthly basis with the Accountant General's accounts.

- **Fees were not charged in accordance with the Employment Regulations**

3.162 Fees for granting of work permits are given in schedule 2 of the Laws of Saint Lucia Foreign Nationals and Commonwealth Citizens (Employment) Regulations Cap 16.13 which are as follows:

	<u>Fee</u>
(1) <i>Citizens or persons belonging to any CARICOM member state, for every period of 12 months or part of it for which the permit is valid</i>	\$2,000.00
(2) <i>Citizens or persons belonging to any country other than a CARICOM Member state for every period of 12 months or part of it for which the permit is valid</i>	\$7,500.00

3.163 Therefore, the Department should charge the following fees in accordance with the regulations.

3.164 We reviewed transactions for a few months for fees for work permits and found seven (7) instances where applicants were not charged the correct fees.

3.165 These instances included:

Nationality	Length of Permit	Amount as per SI	Amount Paid	Difference
Chinese	13.10.06- 12.04.07	\$7,500.00	\$3,750.00	\$3,750.00
Guyanese	01.11.06- 30.04.07	\$2,000.00	\$1,000.00	\$1,000.00
Jamaican	01.11.06- 30.04.07	\$2,000.00	\$1,000.00	\$1,000.00
Indian	20.11.06- 19.03.07	\$7,500.00	\$2,500.00	\$5,000.00
American	19.07.05- 19.01.06	\$7,500.00	\$3,750.00	\$3,750.00
Indian	01.09.05- 31.08.06	\$7,500.00	\$3,750.00	\$3,750.00
Indian	21.05.06- 20.08.06	\$7,500.00	\$1,875.00	\$5,625.00
Indian	21.05.06- 20.11.06	\$7,500.00	\$3,750.00	\$3,750.00
Total		49,000.00	21,375.00	27,625.00

3.166 We were informed that the fees were prorated when the period for the work permit was less than one year. Schedule 2 of the Laws of Saint Lucia Foreign Nationals and Commonwealth Citizens (Employment) Regulations Cap 16.13 clearly states the fee that should be charged for a part of a 12 month period. The Regulation does not give the Department the authority to prorate the fees at its discretion.

3.167 Fees for permits must be collected according to the regulation, because if the Department continues to prorate the fees the government inevitably loses revenue.

3.168 The Department should discontinue the practice of prorating the fees and charge the applicants the fees given in Schedule 2 of the Employment Regulations.

GENERAL POST OFFICE

OVERSEAS ACCOUNTS

3.169 Overseas accounts comprise money order accounts, postal order accounts, terminal dues, expedited mail service (EMS) dues, parcel post accounts and individual accounts. Our audit revealed several discrepancies in the administration of and accounting for the overseas accounts. The discrepancies included:

- *Differences were found between reconciled amounts and amounts for money orders obtained from the audit*

3.170 We looked at the money order accounts for four (4) countries. We found seven (7) instances where the amounts stated on the reconciliation statements were different from the amounts obtained from the audit for money order transactions between St Lucia and Barbados. These included:

Period	Audited Amount	Amount as per Reconciliation	Over/(under) Audited Amount
July – September 2005	\$97,244.89	\$98,106.82	\$861.93
October – December 2005	\$96,149.21	\$96,191.92	\$42.71
January – March 2006	\$91,462.11	\$91,629.69	\$167.58
April – June 2006	\$104,240.36	\$104,905.42	\$665.06
July – September 2006	\$111,093.02	\$112,205.39	\$1,112.37
October – December 2006	\$128,021.49	\$129,334.26	\$1,312.77
January – March 2007	\$136,684.67	\$140,795.00	\$4,110.33
Total			\$8,272.75

3.171 The officer in charge informed us that most times the statements from Barbados were not received in time to accurately reconcile the accounts. The reconciliation statements were not adjusted when the statements were received from Barbados.

3.172 We are concerned that the information presented as a result of these reconciliation statements may be misleading and can result in incorrect payments by St Lucia to Barbados.

3.173 We recommend that the reconciliation statements should be reviewed and adjusted when information that is needed at the time is not available but received at a later date.

- *The overseas accounts were not reconciled monthly*

3.174 It is expected that the overseas accounts would be reconciled and reviewed on a monthly basis.

3.175 Our audit revealed that the money order accounts were reconciled on a quarterly basis. In addition, the reconciliation statements were not signed by a senior member of staff. The absence of this control indicated that the reconciliation statements were not independently reviewed for accuracy.

3.176 The review function is absolutely important, in that, it helps to detect any errors or omissions before the information is formally presented to the internal and external users.

3.177 We recommend that the accounts should be reconciled on a monthly basis. Also, the reconciliation statements should be reviewed by a senior member of staff.

- *Entries in the Money Order Register were incomplete*

3.178 Out of twenty (23) transactions chosen, nineteen (19) of them were not recorded in the Money Order Register. The unrecorded transactions included:

Country/Quarter	Amount
Trinidad	
April – June 2005	845.37
July- September 2005	1,096.25
October – December 2005	1,254.42
January – March 2006	201.80
April – June 2006	545.40
July – September 2006	504.40
October – December 2006	962.64
January – March 2007	412.08
Antigua	
April – June 2005	1.70
July –September 2005	364.60
January – March 2006	186.10
April –June 2006	304.70
October – December 2006	2,449.20
St Kitts	
October – December 2005	500.00
April – June 2006	590.00
July – September 2006	1,000.00
January – March 2006	620.00
Barbados	
April – June 2005	97,121.12
July – September 2005	98,106.82
October – December 2005	96,191.92

3.179 The omission of information in the register impacts the level of reliance placed on the information generated on the overseas accounts. Most importantly, omission of information can result in countries receiving and making incorrect payments.

- *Differences between the amounts derived from the audit and the amounts reported by the Department for postal orders and individual accounts*

3.180 We found nine (9) differences between the amounts obtained from the audit and the amounts recorded in the register for Micoud, Vieux Fort and Castries for postal orders. These instances included:

Month/District	Audited amount for Postal Orders	Postal Orders recorded in Register	Difference
June 2005			
Castries	\$6,073.60	\$6,467.60	(\$394.00)
September 2005			
Micoud	\$368.00	\$0.00	\$368.00
Vieux Fort	\$1,403.00	\$1,771.00	(\$368.00)
Castries	\$8,845.80	\$8,937.80	(\$92.00)
December 2005			
Castries	\$19,965.70	\$19,155.40	\$810.30
February 2006			
Castries	\$3,592.10	\$3,597.80	(\$5.70)
April 2006			
Castries	\$5,121.60	\$5,209.60	(\$88.00)
November 2006			
Castries	\$4,505.65	\$3,263.15	\$1,242.50
March 2007			
Castries	\$1,905.50	\$2,216.45	(\$310.95)
Total	\$51,780.95	\$50,618.80	\$1,162.15

3.181 Similarly we found eleven (11) differences when we compared the amounts obtained from the audit with the amounts that were paid to the airlines. These included:

Description	Amount paid to Airline	Audited Amount	Over/(under) audited amount
American Airlines			
January 2007	\$1,226.28	\$971.28	\$255.00
LIAT			
April 2005	\$12,605.27	\$12,990.49	(\$385.22)
May 2005	\$13,724.72	\$13,770.08	(\$45.36)
July 2005	\$9,724.72	\$9,804.24	(\$79.52)
August 2005	\$10,836.32	\$10,707.49	\$128.83
September 2005	\$8,470.36	\$8,463.09	\$7.27
October 2005	\$8,339.41	\$8,478.00	(\$138.59)
November 2005	\$13,193.67	\$12,158.91	\$1,034.76
December 2005	\$16,723.19	\$15,639.99	\$1,083.20
January 2006	\$16,737.74	\$16,786.52	(\$48.78)
February 2006	\$11,369.00	\$11,203.38	\$165.62
Total	\$121,724.40	\$120,002.19	\$1,722.21

3.182 The sum of \$255.00 was included twice in the calculation of the total for January 2007.

3.183 We recommend that the Postal Order Register should be reviewed so that anomalies can be corrected.

- ***Only two remittances (credit notes) were seen***

3.184 The Revised Laws of Saint Lucia Cap 15.01, (Financial Regulation) No. 5 (1) (g) instructs all Ministries and Departments to provide the Director of Audit with all financial and accounting records when requested.

3.185 The Accountant General's Department receives payments from the United Kingdom for parcel post and forwards credit notes to the General Post Office. We found only two credit notes for the financial years 2005/2006 and 2006/2007.

3.186 As a result of not obtaining all credit notes, we were not able to verify whether the United Kingdom paid all outstanding amounts.

3.187 We recommend that the GPO obtains all credit notes from Accountant General's department as soon as the transactions have taken place.

- ***Outstanding payments due to and from countries***

3.188 The Revised Laws of Saint Lucia Cap 15.01, (Financial Regulation) No.38 (1) confers the responsibility on accounting officers for the prompt collection of all revenue relating to their Departments.

3.189 Jamaica, Antigua and St. Vincent owed St. Lucia SDRs 613, 1,971, 886.58 respectively for terminal dues. The officer in charge informed us that reminders for payment were sent to these countries.

3.190 At the time of the audit Barbados owed St. Lucia 1,747 SDRs for Expedited Mail Service (EMS) and at the end of the financial year 2005/2006 St. Vincent owed St. Lucia SDR 156 for parcel post.

3.191 We were informed that countries are exempted from making payments if their accounts are below SDRs 300. We did not find any documentary evidence to substantiate this information.

3.192 St. Lucia owed the United Kingdom SDR 2,318 for parcel post for the period 2006/2007. We were informed that amounts owed to the United Kingdom were charged against the amounts owed to St. Lucia. Both countries verified and accepted the charges presented on the statements that were submitted. This procedure was necessary in order for any country to make a payment. However, despite the fact that the procedure was followed, payments have not been made.

3.193 We recommend that monies owed to the Government of St. Lucia should be collected and monies owed to other countries should be promptly settled.

MAIN AND SUB STOCK OF STAMPS

- *Some requisition forms were not properly authorized*

3.194 All requisitions should be properly authorized. Some of the requisition forms that we verified were not signed by the issuing and requisitioning officers. As part of the internal control system, requisition forms should be signed to ensure that requests for stamps are duly approved.

3.195 We recommend that all requisitions should be signed by the issuing and requisitioning officers.

- *Stock balances in the register and the physical count did not agree*

3.196 We expect that the main and sub-stock registers would be updated whenever stamps are received and issued.

3.197 We conducted a count of the main stock of stamps and found discrepancies with the stock balances. These discrepancies included:

Description	Quantity as per Audit	Quantity as per Register	Difference
Independence			
\$0.30	44	79	(35)
\$5.00	17,601	17,801	(200)
\$10.00	77,901	77,951	(50)

3.198 Similarly, a count of the sub stock of stamps was conducted and the balances obtained were compared to the balances given in the register. We noted sixteen (16) instances where the stock balances were different:

Description	Sub stock balance obtained from Audit	Sub stock balance given in the Register	Difference
Independence			
\$5.00	8547	8750	203
\$10.00	6580	7195	615
Revenue			
\$20.00	2723	2787	64
\$50.00	1118	1191	73
\$100.00	1157	1219	62
Fruits			
\$0.15	17454	18055	601
\$0.20	24559	24959	400
\$0.50	21149	21500	351
\$0.65	5859	6359	500
\$0.70	16719	17519	800
\$0.75	27154	27955	801
\$0.95	16825	17126	301
\$1.00	23686	23862	176
\$2.50	8450	8556	106
\$25.00	17025	17378	353

3.199 All of the variances were as a result of stamps which were issued out of the main and sub stocks but these issues were not recorded in the registers.

3.200 We recommend that every issue of stamps from the main and sub stocks should be recorded in the registers.

GENERAL

- ***Records and documents requested were not submitted***

3.201 We requested some documents which were necessary for the performance of the audit, but these documents were not given to us. They included:

- A list of specimen signature of persons authorized to certify invoices. As a result of not receiving this information we were not able to verify that persons who certify invoices had the authority to do so.
- Cashbooks, treasury receipts and bank deposit books. Only two (2) bank deposit books were given to us and some treasury receipts.
- The relevant receipt books, cashbooks, some out district post box rental registers and evidence of closure of post boxes. The officer in charged explained that he had just assumed the responsibilities of the position and that he did not have the information we required.

3.202 As a result of not receiving the information that we needed, we encountered a limitation in the scope of the audit. Therefore, we were unable to determine the extent of compliance with the laws and regulations and to determine or verify the accuracy of the figures in the Accountant General's accounts and the Department's records.

3.203 We recommend that the GPO should strengthen its records management system so that information needed is easily obtained.

IMPREST

- *Poor controls over cash held for the encashment of postal and money orders resulted in fraudulent practices*

3.204 Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 5 (1) (f) requires accounting officers to maintain an efficient system of internal control.

3.205 Internal controls are an extremely important part of an entity's financial and business policies and procedures. An efficient system of internal control comprises all measures taken by the Ministry or Department for the purpose of:

- Protecting government's resources against waste, fraud and inefficiency;
- Ensuring accuracy and reliability in accounting and operating data;
- Ensuring compliance with the government's policies, laws and regulations; and
- Evaluating the level of performance in all units within the Ministry or Department.

3.206 Our audit revealed several control weaknesses over the cash held for the encashment of postal and money orders.

3.207 Reimbursements for payments made out of the imprest were made by the Accountant General's Department without receiving from the General Post Office, receipted claims and payment instruments made from the imprest. This was in contravention of the Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 110.

3.208 In addition, we noted that for the period of the audit, the Daily Counter Balance Forms prepared by the senior cashier which gave an account of cash received out of the imprest for payments of money and postal orders, encashment of money and postal orders and opening and closing imprest balance, were not signed by the cashier nor reviewed and signed by a senior officer.

3.209 We checked the arithmetical accuracy of a sample of these daily counter balance forms and found numerous errors or differences which we have listed in the table:

Date	Totals Obtained from the Audit \$	Totals given on the Daily Counter Balance Form \$	Differences \$
01.03.06	81,168.97	71,168.97	10,000.00
06.03.06	95,641.56	85,641.56	10,000.00
09.03.06	75,503.75	67,503.75	8,000.00
14.03.06	73,445.57	64,445.57	9,000.00
20.03.06	121,828.97	111,828.97	10,000.00
22.03.06	72,935.61	62,935.61	10,000.00
27.03.06	104,195.13	92,195.13	12,000.00
30.03.06	78,002.37	68,022.37	9,980.00
04.04.06	151,916.08	151,846.08	70.00
26.04.06	113,492.00	103,492.00	10,000.00
22.05.06	89,693.52	79,693.52	10,000.00
29.05.06	101,801.18	93,801.18	8,000.00
22.06.06	52,994.53	50,994.53	2,000.00
24.07.06	61,436.95	55,436.95	6,000.00
22.12.06	66,290.75	55,490.75	10,800.00
12.03.07	125,884.67	115,884.67	10,000.00
29.03.07	79,603.30	69,603.30	10,000.00

3.210 The differences we found clearly indicated that the information on the Daily Counter Balance Forms could not be relied on because of the frequency of errors.

3.211 Also, we found forms where totals were not reflected and instances of inaccurate totals, as well as forms which were incomplete because information was omitted.

3.212 These major internal control weaknesses over the reimbursement of payments from the imprest and lack of supervisory review significantly increased the GPO's vulnerability or exposure to fraudulent practices by employees.

3.213 The Accountant General's Department carried out an investigation of alleged fraud and embezzlement of cash held for the encashment of money and postal orders for the period April 01 2003 and September 30, 2008. The investigation revealed that the senior cashier failed to account for \$1,566,000.00 remitted for encashment of money and postal orders.

3.214 Following this incident and as a result of the Accountant General's report, the General Post Office made changes in the manner in which it administered the cash held for encashment of postal and money orders.

3.215 In order to assess whether those changes were effectively implemented and monitored, we reviewed certain elements of the system in June 2010. We noted that the Daily Counter Balance Forms were reviewed and signed by the senior cashier and the supervisor.

3.216 Presently, when the imprest is reimbursed, the General Post Office submits to the Accountant General's Department copies of statements which include the information relating to the receipted claims and payment instruments. The actual copies of the receipted claims and payment instruments are not submitted. There was no evidence to indicate that the Accountant General's Department verified the information on the statements it receives from the General Post Office.

3.217 We recommend that the Accountant General's Department verifies the information submitted by the GPO to conclusively determine that the reimbursement agrees with the payments made. If this control is implemented it would be a good step towards reducing further, the GPO's vulnerability or exposure to future fraudulent practices by employees.

FIRE SERVICES

GENERAL SUPPORT AND AMBULANCE SERVICES

- *There was no authority for fees charged for general support and ambulance services.*

3.218 We expect that fees charged for services provided by government would be supported by a Statutory Instrument.

3.219 We found that fees were charged for general special services such as rental of ladder, rental of hose, flushing of compound, flushing of road and washing of building.

Those fees ranged from \$20.00 for rental of ladder to \$8,400.00 for washing of building. We were informed that those fees were not supported by a Statutory Instrument.

3.220 The entity charged fees for use of the ambulance based on the rates given in a memorandum dated January 26, 1994 from the then Hospital Administrator of Victoria Hospital. The memorandum suggests that the rates were decided by the Hospital Administrator, after a meeting held with then Acting Chief Fire Officer and his senior on January 25, 1994. This issue has been raised in several management letters that we issued to the Department in the past. We also recommended that the Department seek to resolve the issue. It is quite obvious that action was not taken since the issue has surfaced again.

3.221 In light of this repeated audit finding we again recommend, that the Department should take prompt action to legitimize the fees charged for ambulance and general support services.

STORES

- *There was no evidence to indicate that the bin cards were checked by a supervisor*

3.222 We expect that an officer charged with the responsibility of supervising/monitoring key operations of an entity to sign or initial all records.

3.223 As part of our audit procedure, we inquired as to whether a supervisor periodically verified the bin cards. We were informed that the supervisor did, however we did not find any evidence such as an initial or signature to substantiate this claim.

3.224 We must stress that the bin cards help control physical issuance of supplies, in a manner that provides effective service for the operations of the Department and at the same time protect against unauthorized issues of supplies. Further, the bin cards also help in reducing the occurrence of shortage. Every time supplies are issued the balance available would be maintained.

3.225 Therefore, it is absolutely important for a supervisor to perform periodic independent checks of balances of stores and to initial or sign each bin card to attest to the accuracy of the balances.

3.226 In light of our audit finding, we strongly recommend that the supervisor should sign or initial the bin cards every time the stock balances are checked.

- *Non-compliance with internal controls over accounting for stores*

3.227 Under the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Procurement and Stores Regulations) No. 36(1) storekeepers are expected to maintain bin cards and registers for each item of unallocated stores for the purpose of recording receipts, issues and balances on hand by quantities.

3.228 We also expect stores on hand for each item would be the same as the balances recorded on the bin cards.

3.229 Our audit revealed that bin cards were not maintained for some items such as hand sanitizers, electronic cleaner, T-shirts, fitted sheets and berets. We counted the items in stock and found quantities ranging from three hundred and sixty (360) items to four (4) items.

3.230 We inquired as to the cause of the non-compliance with the regulation and we were informed that the officer-in-charge of stores did not have the time to prepare the bin cards.

3.231 As part of our audit procedure, we conducted a stock count of the items of stores. In several instances, the balances we obtained did not agree with the balances stated on some of the bin cards. Some of these inconsistencies included:

Items	Balance as per bin card	Balance as per stock count	(Over)/under bin card
Air wick	49	79	(30)
Baygon	55	15	40
Boots – size 10 1/2	15	2	13

Items	Balance as per bin card	Balance as per stock count	(Over)/under bin card
Binders	79	38	41
Gloves	73	2	71
Windex	47	2	45
Harpic	90	47	43
Lysol	47	94	(47)
Cutlass	14	2	12
Super clean cleaner degreaser	29	6	23
Silicone spray	34	4	30
Trousers	161	21	140
UU trousers	96	7	89
Berets - 7	77	40	37

3.232 The fact that the bin cards were not updated when items were received or issued out of stock, contributed to the inconsistencies that we found during the stock count.

3.233 We note that during the audit, the responsible officer adjusted the balances on the bin cards to reflect the balances verified during the physical count.

3.234 We must stress that the Government of Saint Lucia spends a significant amount of its budget on supplies and materials for Ministries and Departments. Therefore, the Fire Services should exercise the strict compliance with the controls governing stores.

3.235 We recommend the following:

- The storekeeper should maintain bin cards for all items of stores.
- Bin cards should be updated as soon as items are received or issued.
- The storekeeper or person responsible for stores should carry out a periodic count of the balances to confirm that the balances on the card are accurate.
- There should be a periodic independent review of the bin card balances, as well as the balances in the stores register.

MINISTRY OF TOURISM

3.236 For the financial years 2005/2006 and 2006/2007, the audit team focused on expenditure for the Saint Lucia Tourist Board and the Community Based Nature Heritage Tourism programme.

The Saint Lucia Tourist Board

3.237 The Saint Lucia Tourist Board receives a subvention from the Government of Saint Lucia.

3.238 The Tourist Board submitted forecast statements to the Ministry of Tourism for inclusion in the budget proposals/estimates to the Ministry of Finance. Subventions of \$23,000,000.00 and \$25,798,407.00 were disbursed to the Tourist Board in 2005/2006 and 2006/2007 respectively.

3.239 The allocation to the Tourist Board accounted for 98% of the Ministry's capital budget in 2005/2006 and in 2006/2007.

- ***The Tourist Board did not report frequently and regularly to the Ministry***

3.240 The Tourist Board submitted reports to the Ministry of Tourism. However, we were concerned about the frequency with which those reports were submitted. We noted that the last report submitted to the Ministry was dated 2006. The Permanent Secretary indicated that the Board should be submitting quarterly reports to the Ministry and yearly reports to Parliament.

3.241 The submission of reports by the Tourist Board seemed quite infrequent. Good management practice requires regular and timely reporting of operations. The infrequent submission of reports can result in the Ministry not being able to make timely decisions concerning matters relating to the operations of the Tourist Board.

3.242 We recommend that the Ministry demands more timely and regular reports from the Tourist Board.

- ***The Ministry of Tourism did not monitor the work plan and budget of the Tourist Board.***

3.243 The Tourist Board is expected to have annual work plans and budgets and these should be submitted to the Ministry of Tourism. Although the Tourist Board is funded mostly by a subvention from government, the Ministry of Tourism has no mechanism in place to assess whether the Tourist Board's activities throughout the year were consistent with its work plan and budget.

3.244 This is a key monitoring activity which should have been undertaken by the Ministry of Tourism. This control could have assisted the Ministry in determining whether the Tourist Board utilized the funds received in a manner that was consistent with its work plan. Further, the fact that the Ministry of Tourism plays no critical role in the implementation of the Board's activities, it was even more important for the Ministry to have a monitoring mechanism in place.

3.245 We recommend that the Ministry seeks to have a monitoring mechanism that would assist in assessing whether the activities of the Tourist Board are consistent with its work plan and budget for the financial year.

The St Lucia Tourism Development Project

- ***Scope limitation due to the non-presentation of financial information***

3.246 The Community Based Nature Heritage Tourism programme, known as the St. Lucia Heritage Tourism Project (SLHTP) was established by virtue of Cabinet Conclusion No. 621 of 1998. In 2007 the SLHTP was renamed The St. Lucia Tourism Development Programme (SLTDP). This unit was set up to oversee the implementation of the Community Based Nature Heritage Programme. The sources of funds came from local revenue and European Union (EU) Grants.

3.247 For the years 2005/2006 and 2006/2007, allocations were made to the Saint Lucia Tourism Development Project (SLTDP).

3.248 We saw four invoices amounting to three hundred and six thousand eight hundred and fifty five dollars (\$306,855.00). The accounts did not reflect the details of this expenditure. It seemed that the amounts of the quarterly allocations were posted as the expenditure in the accounts. According to government's financial policies when payments are made directly from the bank account, an imprest system should be used and the imprest retired at the end of the period in order to capture the expenditure in the accounts.

3.249 Revised Laws of Saint Lucia (Financial Regulation) No. 5(1) (g) states-

- (1) "...an accounting officer shall be responsible for ensuring that-*
(g) his or her financial and accounting records are produced for
audit on demand by the Director of Audit"

3.250 We were informed by the Project Coordinator that financial statements were prepared. However, we received information only for the period October to December 2005.

3.251 As a result we encountered a scope limitation. The financial statements were fundamental for the performance of the audit. In the absence of the financial statements, the Ministry was not in a position to properly account for the activities undertaken and funds spent under the programme.

3.252 We noted that the cheque and bank account system was discontinued in 2009. All transactions now pass through the Accountant General's accounting system (Smartstream).

MINISTRY OF THE PUBLIC SERVICE

GOVERNMENT CONTRACTS

- *The minutes of the Departmental Tenders Board were not submitted*

3.253 Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulation) No. 5(1) (g) states:

“Subject to section 6 of the Act, an accounting officer shall be responsible for ensuring that –

(g) his or her financial and accounting records are produced for audit on demand by the Director of Audit.”

3.254 A request for the minutes of the Departmental Tenders Board for the periods ended March 31st, 2006 and 2007 was made. We were given a file containing minutes for part of the period ended March 31st, 2007.

3.255 We learned that all minutes could not be located because the persons responsible at the time were no longer employed with the Ministry. This is of concern, because the Ministry’s records should be filed in such a way, that irrespective of personnel changes, that record should be easily retrieved. The minutes of a meeting provide a historical account of official business and give an account of the operational and other decisions that were taken. Minutes of a meeting can be used as a periodic and frequent reference. Therefore, they should always be available.

3.256 We recommend that the Ministry reviews its document storing system and takes corrective action to eliminate the weaknesses that would prevent it from complying with Financial Regulation No. 5 (1) (g).

- *Completion certificates were not seen*

3.257 Procurement and Stores Regulation No. 23(1) (c) states:

(1) *“an accounting officer or any officer authorized by him or her shall sign a certificate in respect of every payment to be made relating to a contract as follows:*

(c) where retention money or any balance thereof is to be paid to the contractor at the end of the retention period...”

3.258 There were three (3) projects for which completion certificates were not seen. They included:

- Renovations to the Public Service (New Center of Excellence)
- Renovation works at Parliament Houses
- Installation of the Fire Alarm at G.L.A.B

3.259 We were unable to complete all the audit procedures because the completion certificates were not available. This was also in violation of government’s procurement policies.

3.260 We recommend that certificates of completion be properly stored and should be easily retrieved when needed.

- *Ministry unable to locate bids*

3.261 Procurement and Stores Regulation No.14 (2) states:

“Until the decision regarding the acceptance of a tender has been taken by the Central Tenders Board or a Departmental Tenders Board, tenders must be kept securely locked or otherwise secured by the Secretary, and the contents of any tender shall not be divulged to any person.

3.262 In a memorandum dated September 12, 2006, the Deputy Permanent Secretary informed the Permanent Secretary that two bids which were received for the Repartitioning of the Center for Excellence were missing. This resulted in the re-tendering of the works.

3.263 We must stress that procurement procedures must be closely followed in order to have transparency in government operations. The re-tendering of the works should not have occurred if those documents were properly safeguarded.

3.264 We recommend that all bids received be kept securely locked or secured by the Secretary, as required by the Procurement and Stores Regulation No. 14 (2) in order not to have a repeat of this situation.

- *Notifications of awards were not submitted*

3.265 Revised Laws of Saint Lucia, Cap 15.01 (Procurement and Stores Regulation) No. 12(2) and (3) states:

“The secretary of the Board shall notify the tenderers in writing of the decision of the Board.”

“Copies of all letters of acceptance shall be sent to the accounting officer concerned, the Accountant General and the Director of Audit.”

3.266 For six (6) of the contracts issued by the Ministry of the Public Service, we did not find the notification of award for any of them. We did not get an explanation that would assist us in determining whether these notification letters were misplaced or whether these letters existed at all.

3.267 We strongly recommend that every effort be made to store all documents in a manner where they can be easily retrieved for reference.

- *Required information was omitted from the contract register*

3.268 Revised Laws of Saint Lucia, Cap 15.01 (Procurement and Stores Regulation) No. 25 (1) and (2) states:

(1) Every accounting officer shall maintain a Contract Register in which shall be recorded –

- (a) the contract number;*
- (b) the description of the contract;*
- (c) the file number in which the contract documents are filed;*
- (d) the name of the contractor;*
- (e) the names of the officers signing the contract;*
- (f) the head and item of expenditure to which the contract costs will be charged;*
- (g) the dates of commencement and completion;*
- (h) details of any security or bond deposited;*
- (i) the amount of the contract;*
- (j) the amount of the contract sum retained; and*
- (k) the retention period.*

(2) Accounting officers shall enter into the register details of any variations made, progress payments, final payment, payment of retention money, deductions for penalties and release of any security or bond deposited with respect to the contract.”

3.269 We found that some information was not recorded in the contract register. The omitted details were:

- The file number in which the contract documents are filed
- The names of the officers signing the contract
- Details of any security or bonds deposited
- Retention period
- Particulars of penalties

- Release of security or bond deposited

3.270 We also noted that the register was last updated on December 12, 2006.

3.271 We recommend that the contract register should be updated to reflect all information required by Procurement and Stores Regulation No. 25 (1) and (2).

MINISTRY OF SOCIAL TRANSFORMATION

GOVERNMENT CONTRACTS

- *The bidding and evaluation documents requested were not provided*

3.272 As previously stated, all documents required by the Director of Audit should be produced upon request. Also, we expect the Ministry to have an efficient filing and storing system in place to safeguard all financial, accounting and other documents.

3.273 We requested, but did not receive bidding or evaluation of tender documents for two of the six contracts issued during the period of the audit. Specifically, those contracts were for the repairs of the Coolie Town Day Care Centre and the Canaries Public Facility.

3.274 As a result, we were unable to determine whether proper procedures were followed in sourcing contractors, evaluating tenders and issuing the contracts.

3.275 We recommend that all records should be made available to the Director of Audit when requested.

- *Information pertaining to some contracts was not recorded in the contract register*

3.276 Revised Laws of St. Lucia, 2005 Cap. 15.01 (Procurement and Stores Regulation) No. 25 (1) states that accounting officers must maintain a contract register and record pertinent information of all contracts.

3.277 We noted that information pertaining to only one of the six contracts issued during the period of the audit was recorded in the contract register.

3.278 It is important to record all pertinent information relating to contracts in the register, as this information facilitates proper monitoring and management of contracts.

3.279 We recommend that pertinent information with regards to contracts should be recorded in the contract register.

ACCOUNTANT GENERAL'S DEPARTMENT

LOG BOOKS FOR PERSONAL VEHICLES

- *Log books were not produced for audit*

3.280 Revised Laws of St. Lucia Cap 15.01 (Financial Regulation) No. 5 (1) (g) states:
"... an accounting officer shall be responsible for ensuring that –

his or her financial and accounting records are produced for audit on demand by the Director of Audit."

3.281 In addition, the Travelling and Subsistence Allowance Regulation, Chapter 169 Section 16 Vol. VII states:

"Every officer to whom mileage allowance may be payable must keep a logbook showing a clear and legible form every journey performed on government service

and the distance covered. The logbook must be produced on demand to the Head of the officer's department or to an officer of the Treasury or Audit."

3.282 We were given one out of seven log books. The accounting officer explained that she tried to contact the other six officers, but had difficulty in obtaining the logbooks because these travelling officers were stationed in the out districts. The six officers claimed total mileage of \$35,382.46 in 2005/2006 and \$24,779.26 in 2006/2007.

3.283 As a result, we were unable to determine whether all officers who claimed mileage allowance recorded their official journeys and whether there was full compliance with other management controls over mileage claims.

3.284 We recommend that in accordance with Financial Regulation No. 5 (1)(g), records requested by the Director of Audit should be made available for the complete performance of the audit.

MINISTRY OF HOME AFFAIRS

CITIZENSHIP REGISTER

- *Several discrepancies were found in the Citizenship Register*

3.285 We expect the Citizenship Register to accurately reflect the information on the application forms and all payments made in respect of citizenship fees.

3.286 We found the following discrepancies during our audit:

- (1) **Some treasury receipt numbers were not recorded in the register**

3.287 The corresponding treasury receipt numbers for some payments were not recorded in the register.

3.288 These included \$50.00 paid on May 04, 2006 (receipt no. 156984), \$700.00 paid March 15, 2007 (receipt No. 1167899) and \$950.00 paid February 12, 2007 (receipt No. 1165225).

(2) The transaction detail for an applicant was entered twice in the register

3.289 The transaction detail for an applicant who was awarded citizenship was entered twice in the register. As a result, payment of \$2,050.00 made by the applicant on December 08, 2005 (treasury receipt no. 147636) was accounted for twice and total revenue for December 2005 was overstated by that amount.

(3) Incorrect citizenship fee was charged

3.290 An applicant who was awarded citizenship in the year 2006 was charged the incorrect fee. The applicant's form showed that her date of birth was March 23, 1988, however, the year of birth was incorrectly recorded in the register as 1998. Consequently, the applicant was incorrectly awarded citizenship as a minor under Section 5 of the Act and was charged a fee of \$300.00. The applicant should have been awarded citizenship as an adult under Section 3 of the Act and charged a fee of \$550.00.

(4) Information pertaining to some applicants who were awarded citizenship was not recorded in register.

3.291 Information pertaining to some of the applicants who were awarded citizenship was not entered in the register. As a result, revenue of \$2,950.00 and \$1,800.00 collected from these applicants for the years 2006/2007 and 2005/2006 respectively was not recorded in the register.

3.292 These anomalies indicated that there were significant weaknesses in the internal control system over record keeping of transactions and that the operations were not adequately monitored and supervised. This could have major implications for the Ministry, since most of these anomalies were directly related to payments made. Therefore, the yearly revenue figures reported by the Ministry were inaccurate.

2.293 We recommend that the Ministry should seek to correct these discrepancies in the citizenship register. As well, we recommend that the officer maintaining the register should exercise due care when carrying out her duties. Moreover, the supervisory function should be strengthened to mitigate these deficiencies.

- *All treasury receipts and application forms were not submitted for auditing*

3.294 An accounting officer has the responsibility to ensure that he/she produces on demand by the Director of Audit all his or her financial and accounting records as directed by the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No. 5(1) (g).

3.295 Some of the treasury receipts and application forms processed during the two-year period, as well as the reconciliation statements for the year 2005/2006 were not given to the audit team.

3.296 Consequently, the auditors encountered an audit scope limitation because they were unable to verify some payments and to determine whether, the information on the application forms were accurately recorded in the register.

3.297 We recommend, that the Ministry puts systems in place to effectively manage the storage and filing of its records in order for it to successfully discharge its responsibility under the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No. (5)(1)(g).

POLICE DEPARTMENT

LOG BOOKS – PERSONAL VEHICLES

- *All traveling officers did not submit their logbooks*

3.298 An accounting officer should ensure that he or she produces on demand to the Director of Audit all his or her financial and accounting records in accordance with the Revised Laws of Saint Lucia, 2005, Cap 15.01 (Financial Regulation) No. 5(1)(g).

3.299 During the financial year 2005/2006 there were thirty-nine (39) scheduled traveling officers of which twenty-six (26) officers were paid mileage allowance totaling \$77,284.92. For 2006/2007, there were forty-one (41) scheduled traveling officers of which thirty (30) officers received mileage allowance totaling \$86,740.61; an increase of \$9,455.69 or 12% over the amount paid for mileage allowance for 2005/2006.

3.300 We received log books from only five (5) traveling officers out of a total of twenty six (26) persons who claimed mileage in 2005/06 and thirty (30) persons who claimed mileage in 2006/07.

3.301 Since we did not receive log books from the majority of traveling officers, we could not carry out the audit procedure, that would have enabled us to establish whether all traveling officers to whom mileage was paid, recorded their official journeys and to assess the extent to which there was compliance with the internal controls governing the payment of travel and mileage allowances.

3.302 We recommend that the Department takes the necessary steps which will assist in making traveling officers' logbooks available when requested.

LOG BOOKS – GOVERNMENT VEHICLES

- *Log books were not checked by the responsible officer*

3.303 The Revised Laws of Saint Lucia, 2005, Cap 15.01 (Procurement and Stores Regulation) No. 45(4) requires accounting officers to ensure that log books are checked at least once every month and that reports of misuse of or damage to vehicles are submitted to the Director of Finance.

3.304 Our examination of the log books revealed that the log books did not contain signatures, initials, or dates showing that the officer-in-charge carried out monthly checks of the log books. Also, authorizations for journeys traveled were not seen in the log books and the speedometer readings and times traveled to and from journeys were not always recorded.

3.305 If the log books had been checked by the responsible officer, then the omissions which we identified would have been noted and hopefully corrective action would have been taken.

3.306 We recommend that the responsible officer should carry out periodic checks of log books and document these checks.

- *Records were not submitted for auditing*

3.307 The Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No. 5(1) (g) requires a Ministry or Department to submit to the Director of Audit, all financial and accounting records when requested.

3.308 We were not given the records we required to substantially complete our audit procedures for the Police Reward Fund, Police Warrants Register, Certificate of Character and Passport Register because some of the records could not be found.

Police Reward Fund

3.309 The register maintained for the police reward fund was not submitted. Therefore, we could not determine whether all amounts received for fines and penalties and amounts paid out as rewards, or for meritorious acts or service were adequately recorded.

Police Warrant Register

3.310 The cash book kept in respect of monies collected from warrants executed for the two-year period was not submitted. Although transactions were recorded in the Government accounts, in the absence of the cash book we could not determine the accuracy and completeness of these transactions.

Certificate of Character

3.311 The application forms and copies of the certificate of character were not submitted. In the absence of these records, we were unable to determine whether all the pre-requisites for processing the applications were met.

Passport Register

3.312 Twenty-three (23) damaged passports which were cancelled during the two-year period were not submitted. The officer-in-charge explained that the passports could not be found. As a result, we could not verify the existence of these passports. The cancelled passports included:

Passport Numbers	
2005/2006	2006/2007
180972	198186
182110	198263
184123	198483
195548	199361
001171	200294
001721	200487
001932	193538
001999	R000085
003200	R000566

Passport Numbers	
2005/2006	2006/2007
004118	R000825
004119	R000826
004227	

3.313 We recommend that the Department should exercise greater care when securing sensitive records. We further recommend that the Department should take immediate action to locate the missing records especially the cancelled passports.

MINISTRY OF HEALTH

REVENUE

- *Cash collected was not deposited on a daily basis and was not adequately secured*

3.314 The Revised Laws of St. Lucia 2005 Cap 15.01 (Financial Regulation) No. 45 (1) requires collectors of revenue to deposit monies collected on behalf of the Government into a bank account, or to the Accountant General's department or a Sub Accountant's office daily.

3.315 Examination of the cash book revealed that revenue collected by the Ministry was not always deposited daily. Deposits were sometimes made one month after collection. Also, we noted that revenue collected on a particular day was deposited in increments on three different dates in the following month. The information is given in the table:

Date of Receipts	Amount Collected \$	Date deposited in bank account	Amount Deposited \$	No of days kept before deposit
22/08/05	3,989.00	02/09/05	2,833.00	11 days
		19/09/05	900.00	28 days
		29/09/05	255.00	38 days

3.316 Also, we noted that cash on hand was not secured in a safe or a strong room as required by Revised Laws of St. Lucia Cap 15.01 (Financial Regulation) No. 129 (2). The cash was kept in a lockable till, the till was stored in a desk drawer which did not lock, hence, leaving the cash vulnerable to theft.

3.317 We recommend that measures be put in place to deposit all cash on a daily basis.

- **The cash book was not checked by a supervisor**

3.318 The Revised Laws of St. Lucia 2005 Cap 15.01 (Financial Regulations) No. 58 states:

“The examination of the cash account by the Accountant General ... shall not in any way absolve an accounting officer from his or her responsibilities under regulation 5.”

3.319 Also, the cashbook should be checked by a supervisor who should sign upon completion of the check.

3.320 We saw no evidence that the cashbooks were periodically checked by a supervisor.

3.321 The supervisory function is an important component of any internal control system because it helps to provide assurance regarding the reliability of financial information. The absence of proper supervision of operations, can adversely affect the Ministry’s ability to report financial information with a reasonable level of assurance.

3.322 We recommend that the supervisor performs an independent check of the cash book.

RECEIPT BOOK REGISTER

- *All receipt books were not submitted*

3.323 The Revised Laws of St. Lucia Cap 15.01 (Financial Regulation) No. 63 requires that all receipt books should be retained until they have been checked by an officer from the Audit Department. The safe keeping of receipt books is therefore the responsibility of accounting officers and these should be produced when requested by the Director of Audit.

3.324 We were unable to verify the existence of three hundred and twenty five (325) receipt books which should have been in the Ministry's custody, according to the Accountant General's distribution register. Although the accounting officer explained that the books may have been issued to the sub offices, we noted that these books were returned to the Ministry according to the explanation given in the receipt book register.

3.325 In light of our audit finding, we recommend that all used receipt books should be properly secured until they have been audited.

- *The register was not maintained in the approved format*

3.326 According to the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No. 67(2) the approved format for the Receipt Book Register should include the memo number and the date when the books were sent for custody.

3.327 Our audit revealed that this information was not recorded in the Receipt Book Register.

3.328 Recording this information is essential for accountability purposes and for keeping track of all receipt books.

3.329 We recommend that the Receipt Book Register should be amended to include the memo number and the date when the books were sent for custody.

- ***Semi-annual returns of receipt forms were not prepared***

3.330 The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 68 (1) requires every collector of revenue having the custody of revenue receipt forms to render a return on the prescribed form to the Accountant General as at June 30 and December 31 each year. The return should indicate whether the receipt books were used, partly used or new, whether they have been audited and whether they were returned to the Accountant General's department or still held in the accounting officer's custody.

3.331 The Ministry did not prepare semi-annual return of receipt forms and the accounting staff informed us that they were unaware of this requirement.

3.332 Submitting the semi-annual returns of revenue receipts ensures that there is proper accountability for receipt books.

3.333 We recommend that the Ministry prepares and submits semi-annual returns of revenue receipts to the Accountant General's department as at June 30 and December 31 of each year.

- ***A listing of government vehicles for the audited period was not provided***

3.334 We found that a listing of Government vehicles operated by the Ministry was not kept for the audited period. Although, we were given some log books, we are unable to determine whether these were for all the vehicles which had been assigned to the Ministry during that period.

GOVERNMENT CONTRACTS

- *All bidding and evaluation documents were not submitted*

3.335 The Revised Laws of St. Lucia Cap 15.01 (Financial Regulation) No. 5 (1)(g) requires that all documents required by the Director of Audit be presented upon request. In addition, it is important for Ministries to maintain an efficient filing and storing system to adequately safe-guard all documents.

3.336 The Ministry did not submit the bidding documents for sixteen (16) contracts and the evaluation of tender documents for four (4) of those contracts.

3.337 As a result, we were unable to determine whether proper procedures were followed in sourcing contractors, evaluating tenders and issuing those contracts.

3.338 In light of our findings, **we recommend that all records should be available when requested by the Director of Audit.**

- *Contract information was not fully recorded in the contract register*

3.339 Revised Laws of St. Lucia Cap. 15.01 (Procurement and Stores Regulation) No. 25(1) states that accounting officers must maintain a contract register and all information pertaining to the contract should be recorded.

3.340 We noted that the file number, retention period, commencement and completion dates were occasionally recorded in the contract register, despite the fact that the register made provision for recording this information.

3.341 It is important for all information regarding contracts awarded is recorded in the register because the register assists management in monitoring the progress of contracts in terms of costs, in addition to providing summary details of contract agreements that were issued by the Ministry.

3.342 We recommend that the Ministry records all contract information in the contract register as required by the Revised Laws of St. Lucia Cap. 15:01 (Procurement and Stores Regulation) No. 25.

AUDITS OF THE FOREIGN MISSIONS

3.343 The Office of the Director of Audit is mandated to audit the operations of the foreign missions because they are programs under the Ministry of External Affairs. Over the years, the Office has experienced a decline in the frequency in which it audits these missions because of funding constraints.

3.344 During the year 2010 the report on the New York Mission and the High Commission of London were sent to Parliament for tabling. These audits were conducted in 2007 and 2009 respectively.

3.345 The audits of the Consulate in Toronto and the Consulate in Fort de France were completed during 2010. A separate report on the findings will be submitted to Parliament for tabling.

3.346 The objective of our audits was to:

- Assess the systems of internal control and accounting procedures at the Consulates in Fort de France and Toronto to determine the extent to which these entities complied with government's regulations, policies and procedures.

3.347 The audits covered the financial years ending March 31, 2007, 2008, 2009 and 2010. To meet the audit objective the records and operations of the Consulates were assessed against the financial and procurement regulations and the policies and procedures included in the following documents:

- Orders for the Saint Lucia Foreign Service
- Revised Laws of Saint Lucia Cap. 15.01 Finance (Administration) Act
- Revised Laws of Saint Lucia, Cap 15.01 Financial Regulation
- Revised Laws of Saint Lucia, Cap 15.01 Procurement and Stores Regulation
- Staff Orders of the Public Service of Saint Lucia
- Finance, Accountant General and Ministry of the Public Service Circulars

3.348 A synopsis of the findings of these Consulates is given in this report.

CONSULATE IN FORT DE FRANCE

3.349 Based on our audit findings, the major areas of weakness for which immediate remedial action should be taken included:

- An inefficient internal control system governing expenditure and other financial operations at the consulate and ;
- Failure to give staff the necessary orientation, guidance and training on government's policies, procedures and regulations.

3.350 We were unable to locate a number of accounting records which were necessary for the performance of the audit. In some instances, it took a significantly long period of time to locate records because the filing system was very poor. There were significant issues regarding expenditure, including lack of monitoring and reconciling the Consulate's expenditure accounts. The lack of monitoring of expenditure resulted in the Consulate incurring over and unauthorized expenditure.

3.351 Management must implement a proper system of internal control that would function according to government's polices, procedures and financial regulations. Internal control is a process designed to help an entity accomplish specific goals or objectives. It is a means by which the entity's resources are directed, monitored, and measured. It is intended to safeguard all assets of the entity. It is therefore management's responsibility to ensure that an efficient system of internal control exist within the entity.

3.352 It is also management's responsibility to ensure that new staff members receive the necessary orientation about their roles and responsibilities. Within the Government service orientation would involve among other things, introduction to government rules, policies and financial regulations.

3.353 The newly appointed staff which included the Consul General was not given the appropriate guidance and orientation regarding the proper execution of government laws, policies and regulations governing the operating environment.

3.354 The Administrative Secretary who performs the accounting function was constantly occupied with consular duties. As a result, the accounting function was often postponed for significantly long periods of time. This contributed significantly to the non-compliance issues that we found during our audit.

CONSULATE IN TORONTO

3.355 There were major non-compliance issues during our audit of the Consulate's internal control system and accounting procedures for the financial years 2007 to 2009. We found that subsequent to the period of the audit, management had taken corrective action to address some of the issues of non-compliance with government's regulations, policies and procedures.

3.356 Some of the major weaknesses included:

- Unauthorized expenditure and expenditure in excess of the approved budgetary provisions;
- All of the Consulate's expenditure was not reflected in the Accountant General's accounts;
- Imprests were not retired;
- A petty cash imprest system was not maintained;
- Bank balances were overdrawn;
- Authorization to collect passports in St. Lucia and signature of persons issuing passports in Canada were not documented;

- Unauthorized rates of subsistence and meals paid to the Consul;
- Accounting records which were necessary for the performance of the audit were not submitted; and
- Irregularities in the remuneration paid to the housekeeper and in the appointment and remuneration of the administrative assistant/attaché.

3.357 It is management's responsibility to ensure that there are systems in place that would enable the Consulate to carry out its operation in an efficient manner and in compliance with government's regulations, policies and procedures. As a result of the findings of our audit, the Ministry of External Affairs, in an effort to improve the overall operations of the Consulate must step up its efforts at monitoring the operations of the Consulate especially as it relates to the completeness of the Consulate's expenditure in the Accountant General's accounts.

SURPRISE CHECKS

3.358 We conducted surprise checks of petty cash imprests in some Ministries and Departments as well as cash and inventory in the out district post offices, fire stations, day care centers, health centers, police stations, and Sub Accountants.

3.359 Our biggest concern emanating from the findings of those checks was that there was a general lack of monitoring of the operations of these out district offices by the main agencies. Therefore, there was a high level of non-compliance with the internal controls governing cash. In most instances, we found that cash was not deposited regularly and cash books as well as inventory were not adequately maintained.

SECTION IV

DONOR FUNDED PROJECTS

4.0 The Office of the Director of Audit is required to audit the projects financed by the World Bank.

4.1 We completed the audit of four projects for the financial year ended 2009/2010 namely:

- Second Disaster Management Project (SDMP)
- OECS Skills for Inclusive Growth
- Water Supply Infrastructural Improvement Project
- Saint Lucia Enhancing Public Service Project

4.2 The specific objectives of the audits were to:

- Issue an opinion as to whether the Project financial statements present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with the requirements of the respective agreements with the Bank and other co-financing organizations.
- Issue an opinion on whether the supplementary financial information for the Project is fairly presented, in all material respects.
- Issue an opinion on whether the implementing agency's compliance with the terms of the loan agreement and applicable laws and regulations (with regard to the financial respects).
- The Special Account Statement used for managing the funds provided by the Bank presented fairly the availability of funds at the end of the period audited, as well as the transactions made during the same period, in

accordance with the provisions for the use of the funds established in the corresponding agreements with the Bank.

- Issue an opinion as to whether: (a) the expenditures reported are eligible for financing; and (b) loan funds have been used only for Project purposes.

- Issue a report with respect to the adequacy of the internal control structure of the implementing institution in regard to the project.

4.3 Unqualified opinions were issued at the end of the audits. The Auditor's opinions and reports were issued separately to the World Bank, Project Co- ordination Unit and the implementing agencies which were the:

- Ministry of Finance, Economic Affairs and National Development
- Ministry of Education and Culture
- Ministry of the Public Service

4.4 During the audits of the financial statements we noted certain matters involving controls over financial reporting which we reported in a management letter. The matters relating to the internal control system and accounting procedures are presented in this report.

SECOND DISASTER MANAGEMENT PROJECT (SDMP)

Background to the Project

4.5 The Government of Saint Lucia (GOSL) signed a financing agreement with the World Bank for the financing of the Second Disaster Management Project (SDMP). The funds of the World Bank are from the resources of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD will provide US\$3,700,000.00 by way of a Loan No. 7238-SLU and the IDA will provide SDR 2,600,000.00 under the Credit No. 3936-SLU which is equivalent to approximately US\$3,800,000.00. The GOSL is expected to provide counterpart financing in the sum of US\$1,402,890.00 which is equivalent to EC\$3,771,284.90. The expected cost of the project is approximately US\$8.9 million.

4.6 On June 15, 2007 and September 14, 2007 the Government of Saint Lucia requested additional financing from the World Bank which was approved by the World Bank on November 6, 2008. The effective date for additional financing was February 4, 2009. The additional financing was for US\$3,000,000.00 (Credit No. 4498-SLU) to be provided by the IDA and counterpart funds of US\$960,000.00. The revised project cost is US\$12,890,000.00.

4.7 The project aims at reducing the country's vulnerability to adverse natural events such as hurricanes, tropical storms, floods, landslides, earthquakes and storm surges through investment in risk management activities. This would be achieved by strengthening the following:

- Infrastructure against the impact of adverse natural events through the implementation of physical mitigation measures.

- The response capacity in case of adverse natural events through capacity building, equipment purchase and investment in emergency infrastructure; and

- The institutional capacity of various ministries and agencies dealing with disaster management through the provision of adequate facilities, critical equipment, technical assistance and training.

AUDIT FINDINGS

- *Project's accounts were not reconciled monthly*

4.8 In keeping with the requirement of the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No.10(4)(c), the Ministry is expected to reconcile the Project's accounts with the Accountant General's accounts at the end of every month.

4.09 We found that the project's accounts were not reconciled by the Ministry on a monthly basis with the Accountant General's accounts. Instead, the accounts were reconciled at the end of the financial year.

4.10 We observed that the expenditure reported in the Project's accounts was different to the expenditure reflected in the Accountant General's accounts. The differences are given in the table below:

Agency Programme	Expenditure as per Project EC\$	Expenditure as per Accountant General's Accounts EC\$	Difference EC\$
IBRD 5008202-0200000-3043	2,241,437.92	3,271,437.92	(1,030,000.00)
IDA	1,577,532.83	0.00	1,577,532.83
GOSL 5008202-0200000-1004	1,596,425.06	1,579,810.78	16,614.28
Total	5,415,395.81	4,851,248.70	564,147.11

4.11 Though explanations for these differences were highlighted on the reconciliation statements, corrective journals were not prepared by the Ministry to effect changes to the respective accounts. Therefore, these discrepancies still existed.

4.12 We need to emphasize that it is absolutely important for the accounts to be reconciled monthly. By reconciling the accounts the entity would be able to identify any differences that may exist between the two sets of accounts and the appropriate corrective action could be taken on a timely basis to resolve the differences identified.

4.13 We recommend that the Ministry prepares corrective journals so that the project's expenditure can be accurately reflected in the Accountant General's accounts. In addition, the project accounts should be reconciled monthly to help detect errors and omissions and to take corrective action on a timely basis.

MANAGEMENT'S COMMENTS

4.14 *The Accountant of the Ministry has been informed of the differences between the Project's Accounts and the Accountant General. Since then, a journal has been made to reflect the Expenditures in the Accountant General's Accounts.*

4.15 *In addition, the Project Coordination Unit (PCU) will ensure that monthly Statements of Expenditure (SOE) reach the Accountant of the Ministry by the 7th day of the following month in order that the Project's Accounts and the Accountant General's Accounts reflects the same expenditure balances.*

- *Capital revenue to cover expenditure was not recorded in the Accountant General's accounts*

4.16 It is government's accounting policy that whenever revenue to fund capital expenditure is raised by issuing bonds, that when the related expenditure is incurred, the accounting entry would show the expenditure as well as the revenue raised or funds available to cover such expenditure.

4.17 Expenditure recorded in the Accountant General's account in respect of bonds funds for the financial year was \$1,579,109.90 however; bond revenue to cover this

expenditure was not recorded. Therefore, the transaction is incomplete in the Accountant General's account.

4.18 We recommend that the corresponding charge of \$1,579,109.90 should be made to the capital revenue account (5008202 0474000 1004).

MANAGEMENT'S COMMENTS

4.19 *The PCU has had various meetings with the Accountant General's Department with regards to the recording of capital revenues and capital expenditures.*

4.20 *The Accountant General is implementing a Capital Project module on Smart Stream that will help to minimize the anomalies.*

- *Budgetary provision was not made for IDA expenditure*

4.21 The budgetary provisions for the Central Agencies of the Government of Saint Lucia are contained in the Estimates or subsequent supplementary provisions.

4.22 We noted that budgetary provision (loan funds) for the International Development Association (IDA) expenditure was not made in the Estimates for the financial year 2009/2010. We observed that capital revenue received from IDA was credited to the International Bank of Reconstruction and Development (IBRD)'s revenue account and IDA's expenditure was charged to the IBRD's expenditure account.

4.23 However, we observed a letter dated July 26, 2010 written by the Project Coordinator to the Senior Accountant of the Ministry of Finance, Economic Affairs and National Development requesting supplementary estimates to report and reflect expenditure of EC\$1,506,968.01 incurred during the year for IDA Credit #4498-SLU.

MANAGEMENT'S COMMENTS

4.24 *The PCU has been informed by the Budget Department that the Special Warrant has been approved and that an account will be created to enable the posting of expenditure and revenue relating to the International Development Association (IDA) to record the expenditure and capital revenue.*

INTERNAL CONTROL

- ***Income tax deducted from salaries was financed by the World Bank***

4.25 We observed that for the audited period, that income tax deducted from staff salaries was still financed by the World Bank. We need to stress, as we have done in the past that this is not in keeping with the Bank's policy on financing income taxes. The Bank policy states that income taxes levied by borrower countries on payment to consultants under consultant contracts 2 and on payments for salaries of PCU staff are not eligible for financing under Bank loans.

4.26 The Project Coordinator indicated to us that the Ministry of Finance was informed of the above; however, to date the situation has not been rectified.

4.27 We recommend that the amounts deducted for income taxes be refunded to the World Bank.

MANAGEMENT'S COMMENTS

4.28 *The PCU will follow up with the Payroll Section and hold the necessary discussions with regards to the World Bank Operational Memorandum, Section 3 (a) which states that income taxes levied by borrower countries on payment to consultants contracts and payments for salaries of PCU staff are not eligible for financing under Bank Loans; and taxes be refunded to the World Bank.*

- *Payments were incorrectly apportioned*

4.29 In accordance with the new Agreement (IDA Credit #4498-SLU) between the Government of Saint Lucia (GOSL) and the International Development Association (IDA), expenditure should be financed in the proportion 81% IDA and 19% GOSL. However, we observed that all expenditure was apportioned in the percentages 85% IDA and 15% GOSL which was the proportion used in the previous credit agreement.

4.30 This resulted in an overpayment of 4% of expenditure by IDA and an underpayment of 4% by the GOSL. The total amount due to IDA by the GOSL for the financial year was EC\$194,878.10. During the year the GOSL reimbursed IDA EC\$119,298.12 and offset expenditure of EC\$4,962.67. Therefore, at the end of the financial year EC\$70,346.78 was outstanding. This balance was reimbursed in June 2010.

MANAGEMENT'S COMMENTS

4.31 *This error was identified and corrected in June 2010. The PCU will ensure that all payment vouchers are thoroughly reviewed.*

- *The PCU has no formal risk assessment policy*

4.32 An entity's risk assessment for financial reporting purposes is its identification, analysis and management of risks pertaining to financial statement preparation. A risk based approach means focusing on qualitative and quantitative factors that potentially affect the reliability of financial reporting and identifying where in transaction processing, or other activities related to financial statement preparation could go wrong.

4.33 Accordingly, the process should provide assurance that the PCU produces complete, accurate and timely financial statements.

4.34 Our discussions with personnel of the PCU revealed that the Project Coordinating Unit has no formal risk assessment process. We were informed that annually, management and staff of the PCU meet to identify the business risk relevant to the financial reporting objectives and decide on the actions to be taken to address the risk identified. However, this process is not formalized.

4.35 A formal risk assessment policy will enable the process to be conducted in a structured manner and can be used as an assessment tool for performance. In addition, it will enable continuity of the process in the absence of current staff.

4.36 We recommend that the Project Coordination Unit adopts a formal risk assessment policy.

MANAGEMENT'S COMMENTS

4.37 *Management is in the process of initiating an overall risk assessment policy that will help to identify and minimize risk in Financial Reporting within the PCU.*

- *GOSL was not fully reimbursed by NIC for salaries paid*

4.38 The Procurement Officer, a contributor to the National Insurance Corporation, was on maternity leave from June 1 to August 31st, 2009. In accordance with existing policies, during that period the PCU should have paid 35% of the Officer's salary and the National Insurance Corporation (NIC) should have paid the remaining 65%.

4.39 The Officer's salary for June was EC\$4,867.15 and for July and August EC\$5,173.15. Therefore, the total salary due for the three months was \$15,213.45. This meant that for the three-month period the PCU should have paid total salaries of \$5,324.72(35%) and the NIC a total of \$9,888.74 (65%).

4.40 We noted that to date, the NIC has paid EC\$7, 655.46 which means that there is still an outstanding balance of EC\$2,233.28.

4.41 We recommend that the PCU requests reimbursement from the NIC for the outstanding balance of \$2,233.28.

MANAGEMENT'S COMMENTS

4.42 *The PCU has written to the National Insurance Corporation with regards to the under payment to the PCU. A meeting is scheduled with an officer from the NIC on November 23, 2010 to discuss the matter. Based on the discussions held, the PCU has informed the staff of the balance due to the NIC, the amount was reimbursed by the staff and was paid to the NIC.*

SPECIAL ACCOUNT

- *Outstanding amount due to the Special Account at year end*

4.43 Our audit revealed that at March 31st, 2010, EC\$83,475.52 was due to the special account in respect of reimbursements.

4.44 GOSL owed the IBRD EC\$70,564.81 (US\$26,249.84) for expenditure relating to civil works and operating expenditure. This amount was reimbursed in June 2010.

4.45 IBRD paid EC\$12,910.71 (US\$4,802.73) for a study tour in Bogotá, Colombia which should have been financed by the South-South Experience Exchange Trust Fund Project. This amount was reimbursed in August 2010.

4.46 Consequently, at March 31, 2010 the special account was understated by US\$31,052.57 or EC\$83,475.52. The details of the understatement were disclosed in the notes to the Financial Statements.

MANAGEMENT'S COMMENTS

4.47 *The amount was reimbursed to the special account in August 2010, prior to the completion of the audit*

FINANCIAL STATEMENTS

- ***Material errors were found on financial statements***

4.48 We expect the PCU to have controls in place that would enable it to record, process, summarize and report accurate financial data and statements. More specifically, we expect that the financial statements and related information would be verified before submission for auditing to minimize the errors found in the financial statements.

4.49 We noted errors on the financial statements. The errors were as a result of incorrect formulas, omissions of figures and incorrect amounts. The Accountant was informed of the errors and all the statements were revised.

4.50 We need to point out that there was failure in the operation of the internal control system to ensure that the PCU provides complete and accurate financial statements.

4.51 We recommend that the review function for the preparation of the financial statements should be strengthened. The financial statements should be thoroughly verified for these types of errors before they are submitted for auditing.

MANAGEMENT'S COMMENTS

4.52 *The PCU agrees with the recommendations made and will ensure that all necessary checks (verification, vouching and review) are done with a view to minimize errors and to improve internal controls.*

- ***Difference between total expenditure as per the financial statements and total expenditure as per the general ledger***

4.53 Financial statements should accurately reflect the accounting information contained in the general ledger.

4.54 A total of EC\$5,416,830.65 was disclosed on the financial statements for expenditure for the period March 31, 2010. However, EC\$5,121,302.08 was recorded in the general ledger as expenditure. The difference of \$295,528.57 resulted from the following transaction posted to the general ledger:

- A credit of EC\$294,043.53 was posted to expenditure to record recovery of overpayment, relating to the previous financial year, which was recovered in the current financial year.
- The balance of EC\$1,484.84 was a reimbursement made by GOSL to IBRD in respect of expenditure financed in the previous financial year which was included as current year's expenditure on the financial statements.

4.55 The accounting treatment for the sum of \$294,043.53 was in contravention of the financial regulations, because receipts in respect of previous years should not be credited to the current year's expenditure accounts.

4.56 The effect of these transactions is that expenditure was understated by \$294,043.53 in the general ledger and overstated by EC\$1,484.84 on the financial statements.

4.57 We recommend that the accounts should be adjusted to reflect the correct accounting treatment identified. Also, the ledger should accurately reflect the financial statements.

MANAGEMENT'S COMMENTS

4.58 *The accounting records (QuickBooks) have been adjusted to reflect the correct accounting treatment of the expenditures relating to the previous year 2009/2010. In this regard, the ledger accurately reflects as the financial statements.*

OECS SKILLS FOR INCLUSIVE GROWTH PROJECT

Background to the Project

4.59 The Government of Saint Lucia (GOSL) signed a financing arrangement with the World Bank for the financing of the Saint Lucia OECS Skills for Inclusive Growth Project. The funds are resources of the International Development Association (IDA). The IDA will provide Standard Drawing Rights (SDR) \$2.4 million under the Credit Agreement (Credit No. 4300-SLU) with is approximately US\$3.5 million. The total project cost is estimated at US\$5.320 million of which GOSL is financing the equivalent of US\$.873 million. The Private Sector will provide the remaining US\$.948.

4.60 The broad objectives of the Project are two-fold, namely, to increase the employability and career mobility of unemployed youth and to strengthen the policy framework for the delivery of training by:

- Increasing quality and market value of training through the introduction of occupational standards, competency based training and certification.
- Enhancing institutional capacity to implement and plan training programs and social assistance to unemployed. This will be pursued through regional collaboration within the area of training, investing in institutional strengthening and developing of policy action plans.
- Contributing to a better match between provisions of education and training with labour market demand. This will be pursued by piloting a new modality for demand-driven training delivered through a public-private partnership, and by increasing coordination between employers and education and training institutions.

AUDIT FINDINGS

- *The Project's accounts and the Accountant General's accounts showed different expenditure balances*

4.61 We observed differences between the expenditure recorded in the Project's accounts and the expenditure recorded in the Accountant General's accounts for the accounts shown below:

AGENCY / PROGRAMME	FINANCER	EXPENDITURE AS PER		(OVER)/ UNDER PROJECT RECORDS \$
		PROJECT RECORDS \$	CENTRAL GOVERNMENT ACCOUNTS \$	
5202214 0200000 1001	GOSL	0.00	(22,004.96)	22,004.96
5202214 0200000 1004	GOSL	485,937.19	508,706.71	(22,769.52)
5202214 0200000 3063	IDA	556,860.50	536,949.74	19,910.76
	Total	1,042,797.69	1,023,651.49	19,146.20

4.62 The Project recorded total expenditure financed by counterpart funds (GOSL) of EC\$485,937.19. However, in verifying the expenditure in the Accountant General's account we observed that expenditure was posted to two different accounts. Account (5202214-0200000-1001) (local revenue) had a credit balance of EC\$22,004.96 which represented a refund to GOSL for salaries paid to a consultant on behalf of IDA. We are of the view that the accounting treatment for the refund was incorrect. The refund should have been credited to the expenditure account 5202214-0200-1004 (bond revenue) and not the account 5502214 0200000 1001.

4.63 In addition, the Project's accounts should be reconciled monthly with the Accountant General's accounts, in keeping with the requirement of the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No.10(4)(c).

4.64 Our audit revealed that the accounts were reconciled at the end of the year and not on a monthly basis. In this regard, only one reconciliation statement was prepared for the entire audited period. We noted that while discrepancies were identified, journals to correct these discrepancies were not prepared. Therefore, these discrepancies were never corrected in the accounts.

4.65 We need to emphasize that it is absolutely important for the accounts to be reconciled monthly. By reconciling the accounts, the entity would be able to identify any differences that may exist between the two sets of accounts and the appropriate corrective action could be taken on a timely basis to resolve the differences identified.

4.66 In light of our finding, **we recommend that the Ministry reconciles its accounts on a monthly basis with the Accountant General's accounts. Further, journals should be prepared to effect necessary changes so that the Accountant General's accounts can reflect accurate information.**

- *Capital revenue to cover expenditure was not reflected in the Accountant General's accounts*

4.67 It is government's accounting policy that whenever revenue to fund capital expenditure is raised by issuing bonds, that when the related expenditure is incurred, the accounting entry would show the expenditure, as well as the revenue raised or funds available to cover such expenditure.

4.68 The Accountant General's capital account 5202214 0200000 1004 showed project expenditure of \$508,706.81 in respect of bonds funds. However, the accounting entry was incomplete in that the corresponding charge against the capital revenue account (5202214 0474000 1004) was not shown.

4.69 As we indicated in our previous observation, the project incurred expenditure of \$485,937.19 from bonds funds which should have been the expenditure reflected in the Accountant General's accounts.

4.70 We recommend that the account be adjusted to reflect the correct expenditure of \$485,937.19 and that the corresponding charge be made to the capital revenue account (5202214 0474000-1004).

- *Actual expenditure was in excess of the estimated expenditure*

4.71 According to the Estimates of Expenditure government's budgeted expenditure for the financial year was EC\$439,402.00. However, our audit revealed that the actual expenditure financed by the GOSL for the financial year was EC\$485,937.19. Consequently, actual expenditure was in excess of the estimated expenditure by EC\$46,535.19.

4.72 According to the government's accounting policies, whenever it becomes necessary to spend in excess of the budget a warrant requesting supplementary funds must be obtained and approved. We saw no evidence that this procedure was followed to obtain the supplementary funds that were necessary to cover the excess expenditure of EC\$46,535.19.

4.73 We recommend that the Ministry should obtain the necessary warrant to cover the excess expenditure of EC\$46,535.19.

INTERNAL CONTROL

- *No evidence of receipt of goods on three requisitions*

4.74 Good internal control practices require that there is documented evidence when goods are received by way of a goods received note or an indication on the paid invoice or requisition voucher that goods were received. This is a control mechanism whereby management can ensure that payments are made only for goods received.

4.75 We found three purchase orders that did not indicate whether the goods were received. The purchases included flash drives, folders, notepads and office supplies totaling EC\$8,864.95.

4.76 Consequently, we were unable to determine whether the quantities and specifications of the goods that were ordered and paid were actually those goods and the quantities that were received.

4.77 We recommend that the requisition orders are signed to indicate that the goods that were ordered or purchased were actually received.

- *Transaction was refunded twice to the Special Account*

4.78 During the audited period, the IDA paid salaries totalling EC\$8,856.58 to two (2) officers on behalf of the Government of Saint Lucia (GOSL). We verified that the GOSL refunded the IDA a sum of EC\$8,856.58 in September 2009. We also found that in March 2010, the GOSL again refunded the IDA for the salaries paid to these officers. Therefore, the GOSL refunded IDA twice for the same transaction. We also verified that the sum of EC\$8,856.57 was included in the total funds contributed by GOSL at March 31, 2010 as per the Accountant General's accounts.

4.79 We note that in May 2010 the IDA refunded the GOSL the sum of EC\$8,856.57 which was erroneously refunded in March 2010.

- *Incorrect accounting treatment of an amount recovered in the current year*

4.80 The Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No.97(2), requires that unauthorised payments or overpayments recovered in respect of expenditure incurred within the same financial year in which the unauthorised payment or overpayment was made to be credited to the expenditure vote to which the unauthorised payment or overpayment was charged.

4.81 Our audit revealed that in March 2010, the GOSL was reimbursed a sum of \$16,503.72, for salaries paid to a consultant for the period January to March 2010.

4.82 The credit was made to the revenue account 4402001-0369003-1001, (recoveries - overpayment previous years). This accounting treatment was contrary to the regulation, because the refund of \$16,503.72 was recovered in the same financial year in which the overpayment was made. Therefore, the expenditure should have been credited to account (5202214 0200000 1004) to which the payment was charged.

4.83 We recommend that the accounts should be adjusted to reflect the correct accounting treatment identified as a result of our audit finding.

PROCUREMENT OF GOODS

- *Some items purchased during the year were not recorded in the fixed asset register*

4.84 We expect that the PCU would record all purchases of non expendable items in the fixed asset register.

4.85 We found that some non expendable items, including an executive chair and an external hard drive, were not recorded in the fixed asset register. We noted that similar items were previously included in the fixed asset register.

4.86 We recommend that all purchases of non expendable items should be recorded in the fixed asset register.

WATER SUPPLY INFRASTRUCTURAL PROJECT

Background to the Project

4.87 The Government of Saint Lucia (GOSL) signed a financing agreement with the World Bank for the financing of the Saint Lucia Water Supply Infrastructure Improvement Project. The funds of the World Bank are from the resources of the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD will provide US\$3,850,000.00 by way of Loan No. 7297-SLU and the IDA will provide SDR 2,600,000.00 under the Credit No. 4065-SLU which is equivalent to US\$3,850,000.00. The GOSL is expected to provide counterpart financing of US\$240,000.00 which is equivalent to EC\$645,168.00. The expected cost of the Project is approximately US\$7,940,000.00.

4.88 On April 04, 2006 a request was made to the World Bank for additional financing of US\$1,841,174.00 to finance short falls in the project cost. A request was also made for an amendment to the Loan Agreement on September 25, 2006 to enable the reallocation of the IBRD and IDA resources. The request was approved on October 09, 2006.

4.89 On April 10, 2007 the IDA approved Credit No. 4065-1 in the amount of SDR 1,300,000.00 equivalent to US\$1,840,000.00. Based on the reports submitted, this amount will be insufficient to finance the shortfalls under the Project, therefore, the GOSL has agreed to meet the shortfall of EC\$2,495,580.86.

4.90 The Project was successfully completed on January 15, 2009.

OBJECTIVES

4.91 The Saint Lucia Water Supply Infrastructure project aims to carry out critical works which are required to achieve the following objectives:

- (i) To alleviate the water shortage in the north of the country. The

infrastructural works will allow the utility to supply the entire north of the island with more efficient, continuous and reliable service; and

- (ii) To implement urgent investments that will result in additional revenues, reduce the likelihood of commercial users (important sources of cross-subsidy for poor consumers) abandoning the system and improve the potential of a successful partnership between the government and the private sector.

AUDIT FINDINGS

- ***Capital revenue to cover expenditure was not reflected in the Accountant General's accounts***

4.92 According to the government's accounting policies whenever revenue to fund capital expenditure is raised by issuing bonds, that when the related expenditure is incurred, the accounting entry would show the expenditure as well as the revenue raised or funds available to cover such expenditure.

4.93 For the audited period, the Accountant General's account (5008203 0200000 1004) showed the project's expenditure of \$898,640.77 financed by the government of St. Lucia. However, the accounting entry was incomplete in that the corresponding charge against the capital revenue account was not shown.

4.94 We recommend that the corresponding charge to the capital revenue account (5008203 0474000-1004) of \$898,640.77 should be shown in the Accountant General's accounts. Further, the project has been completed and accurate information needs to be reflected in the accounts.

- ***The Ministry did not reconcile the project account with the Accountant General's accounts***

4.95 In keeping with the requirement of the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No.10 (4)(c), the Ministry is expected to reconcile the Project's accounts with the Accountant General's accounts at the end of every month.

4.96 Our audit revealed that the Ministry did not reconcile its account with the Accountant General's accounts during the audited period.

4.97 We were able to verify that the year-to-date expenditure reported by the Accountant General was correct, because very few transactions were processed during the year.

4.98 This may not always be the case for other projects or programs. Other programs may have several transactions during the year which increases the likelihood of errors occurring. In such situations, the expenditure figures reflected in the Accountant General's accounts may not always be in agreement with those disclosed in the Project's financial statements.

4.99 Therefore, it is absolutely important for the accounts to be reconciled because the reconciliation process would clarify any differences that may exist between the two sets of accounts and provide a basis for corrective action.

4.100 In light of our finding, **we recommend that the Ministry reconciles its accounts with the Accountant General's accounts.**

BANK BALANCES

- ***Two bank accounts were overdrawn***

4.101 Under the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No. 114 accounting officers should not overdraw any bank account that is being operated by him or her.

4.102 The bank statements for May 2009 showed that the US dollar account (No. 901116473) and the local operational account (No. 901116825) were overdrawn by US\$110.45 (equivalent to EC\$300.08) and EC\$100.00 respectively.

4.103 Bank charges for overdrawn balances were levied against the accounts. The situation was further compounded when a request to close the bank accounts was processed late.

4.104 By memorandum dated March 19, 2009 to the Accountant General; the Permanent Secretary of the Ministry of Economic Affairs, Economic Planning and National Development requested that all bank accounts be closed effective April 01, 2009 because the project was completed. However, one bank account was closed in July 2009; and another was closed in July 2010; sixteen months after the request was made. The late closure of the bank accounts resulted in additional service charges.

4.105 These additional costs were borne by the Government of Saint Lucia.

4.106 We recommend that management ensures that expenditure against a bank account is carefully monitored to prevent the account from being overdrawn. Further, there should be follow-up to ensure timely processing of information to avoid unnecessary cost to government.

ST. LUCIA ENHANCING PUBLIC SERVICE PERFORMANCE PROJECT

Background to the Project

4.107 The World Bank (WB) approved a grant under the Institutional Development Fund (IDF) in the amount of US\$421,200 to finance the proposal “Enhancing Public Service Performance in St Lucia.” The grant has been approved under the condition that the Government of Saint Lucia (GOSL) makes in-kind contribution by providing Office and Training facilities, staff time and administrative support for implementation of the activities included in the proposal.

4.108 The grant proposal is in response to a request made by the GOSL for technical assistance to review of the public service pay and classification plan and to strengthen the Ministry of the Public Service. The Proposal was prepared in April 2009 and approved on May 12, 2009. However, the proposal was subsequently modified in May 2009 to include a capacity building activity to undertake functional reviews. The grant became effective on July 10, 2009 (upon signature of the letter of agreement). The closing date for the grant is October 7, 2012.

4.109 The objective of the IDF is to strengthen the capacity of the Ministry of Finance and the Ministry of the Public Service to tackle two crucial and closely related, interrelated challenges to improve public service performance in Saint Lucia. To this end the following is expected:

- (1) At the aggregate level, to manage a sustainable wage bill during times of fiscal stress and increased pressures for public employment.
- (2) At the agency level, to enhance performance and productivity by decentralizing some aspects of human resources management and strengthening the performance appraisal system.

4.110 The project consists of two components, namely, Capacity Building on Managing Personnel Expenditure and Capacity Building for Reforming Saint Lucia’s Human Resources Management (HRM) Legal Framework.

AUDIT FINDINGS

- ***Total grant funds received and related expenditure were not reflected in the Accountant General's accounts on a timely basis***

4.111 It is the government's accounting policy that expenditure from grant funds would be captured in the Accountant General's accounts by way of journals. Also, the Ministry of Finance re-introduced the special warrant in order that grant funds received and related expenditure can be reflected in the accounts on a timely basis.

4.112 No budgetary provision was made in the annual Estimates of Expenditure for the project for the financial year 2009/10. During this financial year, the Government of St. Lucia received grant funds of EC\$422,132.99. However only EC\$268,779.67 was reflected as capital revenue (grant fund - 2202238-0200000-3642) in the Accountant General's accounts by way of a special warrant.

4.113 The project's Statement of Sources and Uses of Fund reported expenditure financed by grant funds (IDF) for the audited period of EC\$248,356.87. The PCU prepares statements of expenditure and submits them to the Ministry of the Public Service. The Ministry is responsible for preparing the journals in order that the expenditure reported by the project is posted to the Accountant General's accounts.

4.114 Our audit revealed that none of this expenditure was posted in the Accountant General's accounts. Consequently, the Ministry has failed to ensure that there was completeness in recording government's expenditure and revenue from grant funds.

4.115 We recommend that all grant funds and related expenditure should be reflected in the Accountant General's accounts on a timely basis.

MANAGEMENT'S COMMENTS

4.116 *It should be noted that the project Coordination Unit (PCU) relies on the Ministry of the Public Service (MOPS) for posting of capital expenditure and revenues on the Central Government Accounts as the project is captured under the Estimates of that*

Ministry. Therefore, to ensure that grant funds received and related expenditure are reflected in the Accountant General's account on a timely basis the Accountant General will implement a Capital Project module on Smart Stream. This module will enable the PCU to monitor in real time entries posted by Ministries and approved by the Accountant General. By so doing the PCU will be able to address the issue of differences in project records and that of the Accountant General and will be able to ensure that all expenditures and revenues are accurately posted on the Central Government's Accounts.

4.117 The PCU will be represented on the team providing input for the development of the module and upon completion the PCU will be able to access the Capital Project Module.

- *Incorrect classification of grant funds at the object classification level*

4.118 It is management's responsibility to ensure that the controls in place would allow the entity to record, process, summarize and report accurate financial data.

4.119 We noted that a capital expenditure detail object code 0200000 instead of a capital revenue detail object code (0472000) was used to record grant funds received in the Accountant General's accounts.

4.120 It is important for transactions to be properly classified because errors of this nature can affect the entity's ability to report accurate financial data.

4.121 We recommend that a revenue detail object code should be used to record the grant funds received in the Accountant General's accounts.

MANAGEMENT'S COMMENTS

4.122 *The PCU will inform the Accountant of the Ministry of the Public Service and the Accountant General of this anomaly and will follow up with the Accountant and the Accountant General to ensure that the adjustments are made to correct this error.*

PROJECT'S INTERNAL CONTROLS

- ***No evidence of receipt of goods and services***

4.123 As an internal control measure, goods and services should be verified prior to approving invoices. In this regard, the responsible officer should sign the requisition voucher as having verified and received goods before payment was made.

4.124 We found requisition forms, where the officer did not sign when the goods were received. For example, requisition vouchers dated November 03, 2009 for 100 laptop bags, 1 box of envelopes and 6 boxes each of pens and pencils costing a total of EC\$3,255.76 were not signed to indicate that the goods were verified and received before the invoices were paid.

4.125 We note that the current system does not have controls in place to acknowledge that a service was actually rendered before payment was made.

4.126 In light of these findings, **we recommend that all goods should be checked by the person receiving the delivery. The person receiving should verify that the goods conform to specifications and the quantities ordered were actually received. Also a system to acknowledge that services contracted were actually rendered before payments are made should be implemented.**

PROJECT IMPLEMENTATION

- *Two (2) instances of contract prices exceeding budgeted costs*

4.127 We found two instances in the Procurement Plan, where the contract prices exceeded the budgeted costs. These included:

- One sub-activity under the Capacity Building on Managing Personnel Expenditure component. The budgeted cost for airline tickets for International consultants was US\$12,000. The actual contract cost was US\$17,806.00 resulting in actual cost exceeding the budget by US\$5,806.
- Expenditure under the activity Functional Reviews for International Consultants exceeded the budget by US\$15,286. The budgeted amount was US\$37,400 whereas actual contract sum was US\$52,986. The project provided only for the international consultants.

4.128 We note that under the Capacity Building on Managing Personnel Expenditure component the overall budget cost was not exceeded.

4.129 We recommend that budgeted statements such as the procurement plans be revised to reflect contract prices.

MANAGEMENT'S COMMENTS

4.130 *The referenced activities fall under component 1- Capacity Building on Managing Personnel Expenditure. Overall there were savings on the component to facilitate the reallocation of funds. However, airline ticket forms part of the activity within a sub activity 1.1 – Promoting Knowledge – Transfer from small Commonwealth states. The actual cost of airline tickets exceeds the amount allocated for the sub-activity. The Functional Review funds have been reallocated from activity 1 to meet the shortfall as the activity is completed. The PCU will however ensure that proper reallocations are*

made within the Procurement Plan to address shortfalls at the sub-activity, activity and component levels.

- ***Errors and adjustments were identified on the Financial Statements***

4.131 We expect the PCU to have controls in place that would enable it to record, process, summarize and report accurate financial data and statements.

4.132 More specifically, we expect that the financial statements and related information would be verified before submission for auditing to minimize the occurrences of errors found in the financial statements.

4.133 We identified errors on the financial statements during the audit. The errors included transposition of figures, differences between words and figures and different amounts for the same accounts reflected on different statements.

4.134 The frequency of these errors made the audit very time consuming. Consequently, there was a failure in the operation of the internal control system to ensure that the PCU provides complete and accurate financial statements.

4.135 We recommend that the review function for the preparation of the financial statements should be strengthened. The financial statements should be thoroughly verified for these types of errors before they are submitted to the auditors.

MANAGEMENT'S COMMENTS

4.136 *The PCU agrees with the recommendation made and will ensure that all necessary checks (verification, vouching and reviews) are done with a view to minimizing errors and to improving internal controls.*

SECTION V

PERFORMANCE AUDITS

5.0 The Revised Laws of Saint Lucia, Cap 15.19 (Audit Act) Section 6 (2) states: each Report of the Director of Audit under Sub-section (1) shall call attention to anything he considers to be of significance and of a nature that should be brought to the attention of the House of Assembly including any cases which he has observed that:

iii money has been expended without due regard to economy (the acquisition at the lowest cost and at the appropriate time, of human and material resources in appropriate quantity and quality) or efficiency (the conversion in the best ratio, of resources into goods and services; or

iv satisfactory procedures have not been established to measure and report on the effectiveness of programme (the achievement to the best degree, of the objectives or other intended effects of a programme, an organization or any activity) where such procedures could appropriately and reasonably be implemented.

5.1 The Office of the Director of Audit in fulfilling this mandate carries out performance audits. A performance audit is defined as an outcome of the movement towards a public service that is more responsive to public needs and is more accountable. It summarizes three separate but inter-related values: economy, efficiency and effectiveness.

5.2 During the year we substantially completed work on a performance audit of the Public Assistance Programme managed by the Human Services Division under the Ministry of Health, Wellness, Family Affairs, National Mobilization, Human Services and Gender Relations.

5.3 During the month of June 2010 a team from the Auditor General's Office of Nova Scotia provided technical assistance to the audit team. The team identified four lines of

Inquiries which were:

- Eligibility for receipt of public assistance
- Welfare cash management
- Information management
- Programme Oversight

5.4 The audit covered the period April 1, 2006 to March 31, 2009. At March 31, 2011 a draft report was completed. The final report will be issued separately to Parliament.

SECTION VI

PENSIONS

6.0 For the period May 2009 to March 2010, the Government of Saint Lucia paid out \$12,531,516.58 for contract gratuity and retiring benefits.

6.1 We verified two hundred and eighty-nine (289) terminal benefit payments. These payments comprised one hundred and sixty-nine (169) payments for Contract and Gratuity, one hundred and eighteen (118) payments for Pension and Gratuity and two (2) payments in respect of Ex -Gratia Awards.

6.2 We found some errors in the computations and payments made. We note however, that compared to previous years, there was a significant reduction in the number of errors found.

6.3 The errors found included:

1. Seven (7) officers were overpaid a total of \$23,737.58. Six percent (6%) of the amount was in respect of Contract and Gratuity, approximately one percent (1%) was in respect to Ex-Gratia Awards whilst the remaining ninety-three percent (93%) was for Pension and Gratuity payments.
 - The overpayment for Contract and Gratuity resulted because a salary higher than the one given in the officers' contract was used in the computation.
 - In the case of the Ex-Gratia Award, the weekly rate was incorrectly calculated
 - The incorrect salaries were used to calculate pension and gratuity for two (2) officers. In another instance, two (2) officers were not employed in the post for three years and as a result, the aggregate salaries should have been used to calculate their pension and gratuity entitlements.

2. Seven (7) officers were underpaid a total of \$21,636.86. It was noted that two percent (2%) of this amount was for Contract and Gratuity payments whilst the remaining ninety-eight percent (98%) was in respect of Pension and Gratuity payments.

- The underpayment for Contract and Gratuity to one officer occurred because a 6% salary increase was not included in the computation.
- Two (2) officers were underpaid pension and gratuity because the acting allowances were not included in the computations. In another instance, the incorrect number of months of service was used in the computation of pension and gratuity for two (2) officers. Also, the incorrect aggregate salaries and pensionable emoluments were used in the calculations for two (2) other officers.

6.4 In light of our audit findings, **we recommend that steps should be taken to ensure that:**

- **The amounts overpaid are recovered.**
- **The amounts underpaid are made good to those officers who were affected.**
- **Terminal benefits computations are independently verified for accuracy by an officer other than the officer responsible for calculating benefits due.**

SECTION VII

STATUTORY BODIES, PUBLIC BODIES AND GOVERNMENT COMPANIES

7.0 Part 1 Schedule 2 of the Revised Laws of Saint Lucia, Cap 15.01 (Finance Act) defines a Statutory Body as any corporation, company, board, commission, authority or other body established by or under an Act to provide goods or services to the public which meets one or more of the following conditions:

- all or part of its appropriations for operating purposes are provided under that heading in the budgetary estimates tabled in Parliament;
- the cabinet or a Minister appoints at least half of its members or directors;
- at least half of its operating expenses are borne directly by the Consolidated Fund or by other funds administered by a public body, or by both at the same time.

7.1 The interpretation section of the Revised Laws of Saint, Cap 15.19 (Audit Act) defines a Government Company as:

- companies under the control and supervision of Government;
- companies in which Government holds stock, shares or bonds; and
- companies or institutions in which Government has a financial interest.

7.2 The responsibility for reporting on Public Bodies, Statutory Bodies and Government Companies is given to the Director of Audit in subsection (1) of Section 5 of the Audit Act. Subsection (2) of Section 5 of the Act further states that the Director of Audit is the Auditor of the Public Accounts of Saint Lucia and as such shall make such examinations and enquires as he considers necessary to enable him to report as required by this Act.

7.3 Notwithstanding subsection (1) of Sections 5, subsection (1) of Section 16 dictates that the Director of Audit shall not be required to audit the books and accounts of a Statutory Body or Government company for which another Auditor is appointed in

accordance with the provisions of its constituting Act or of the Act that governs its operations and may, in order to fulfill his responsibilities as the Auditor of the accounts of Saint Lucia, rely on the Report of the duly appointed Auditor of the Body or Company.

7.4 In addition, subsection (2) of Section 16 require that the Auditor of the books and accounts of a Statutory Body or Government company, other than the Director of Audit, must provide to the latter, with dispatch, a copy of:

- the Annual Financial Statements of the Body or Company;
- his report on these statements; and
- any other report he makes to the Board of Directors, the executive or the management of the Body or company, as the case may be, on his findings and recommendations.

7.5 The Auditor mentioned in subsection (1) and (2) shall make available to the Director of Audit, on request, the working papers, and other reports and documents in respect of his audit, as well as any other information and explanation which the Director of Audit may require in respect of that audit and its results.

7.6 In keeping with the requirements of the Act, the Director of Audit by letter dated March 4, 2011 requested from all thirty-one (31) public bodies, statutory bodies and government companies listed below copies of their financial statements and auditor's report for the financial years 2007 to 2010.

- Saint Lucia Fish Marketing Corporation
- Saint Lucia Air and Seaports Authority
- Soufriere Regional and Development Foundation
- Water and Sewerage Authority
- Saint Lucia Bureau of Standards
- Computer Center Limited
- National Conservation Authority
- National Skills Development Centre
- Financial Intelligence Agency

- Free Zone Management Authority
- National Archives Authority of Saint Lucia
- Saint Lucia Marketing Board
- Saint Lucia Solid Waste Management Authority
- National Development Corporation
- National Insurance Corporation
- National Lotteries Agency
- St Lucia Social Development Fund
- Sir Arthur Lewis Community College
- Saint Lucia Tourist Board
- Saint Lucia National Housing Corporation
- National Telecommunications Regulatory Commission
- Radio Saint Lucia Company Ltd
- Saint Lucia Marine Terminals Limited
- Cultural Development Foundation
- International Financial and World Investment Centre
- Banana Industry Trust
- Southern Development Corporation
- Saint Lucia National Trust
- National Community Foundation
- St Lucia Gaming Control Authority
- Sports Saint Lucia Incorporated

7.7 At March 31, 2011 the annual audited financial statements and the auditor's report were received from nine (9) of those contacted namely:

NAME	REPORT RECEIVED
St. Lucia Marine Terminals Limited	2007, 2008, 2009 and 2010
St Lucia Fish Marketing Corporation	2007 and 2008
St Lucia Air and Seaports Authority	2007, 2008 and 2009
St. Lucia Tourist Board	2007 and 2008
National Community Foundation	2007, 2008 and 2009
Saint Lucia Marketing Board	2007, 2008 and 2009
Banana Industry Trust	2007, 2008 and 2009
National Telecommunications Regulatory Commission	2008
St. Lucia Solid Waste Management Authority	2007, 2008, 2009 and 2010

ST. LUCIA MARINE TERMINALS LIMITED

Introduction

7.8 St. Lucia Marine Terminals Limited was incorporated under the laws of Saint Lucia on April 15, 1993 and is a wholly owned subsidiary of Saint Lucia Air and Sea Ports Authority. Its principal activity is the management of the seaport facilities located in Vieux Fort. The Company began operations on February 6, 1995.

Independent Auditors

2007 and 2008 - Chase Skeete & Boland Chartered Accountants
2009 and 2010 – BDO

Auditor's Opinion

7.9 The auditor issued unqualified opinions on the financial position of St. Lucia Marine Terminals Limited as at March 31, 2007, 2008, 2009 and 2010, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ST. LUCIA FISH MARKETING CORPORATION

Introduction

7.10 The Corporation was incorporated under the Commercial Code of St. Lucia on October 24, 1984, and commenced trading in February 1985. The Corporation was continued under the Companies Act 1996 on December 27, 2000.

7.11 The Corporation is a wholly owned subsidiary of the National Development Corporation. The principal activity of the Corporation is to organize, promote and develop the fishing industry in St. Lucia. The Corporation's registered office is at Sans Souci, Castries.

Independent Auditor

2007 and 2008 – PKF Chartered Accountants & Business Advisers

Auditor's Opinion

7.12 The auditor issued unqualified opinions on the financial position of St. Lucia Fish Marketing Corporation Limited as of December 2007 and 2008 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

SAINT LUCIA AIR AND SEA PORTS AUTHORITY

Introduction

7.13 The Saint Lucia Air and Sea Ports Authority (The “Authority”) was established and is governed by the Saint Lucia Air and Sea Ports Authority Act 1983 (the “Act”). Under this Act, the assets and liabilities of the Saint Lucia Port Authority and Airport Division of the Ministry of Communications and Works were assumed. The consolidated financial statements of the Authority as at and for the years ended March, 2008, comprise the Authority and its wholly owned subsidiaries, St. Lucia marine Terminal Limited and Anchorage Investment Limited (together refer to as the “Group” and individually as “Group entities”). The principal activity of the Group is the regulation and management of air and seaport facilities in Saint Lucia.

Independent Auditors

2007 - Chase Skeete & Boland Chartered Accountants
2008 and 2009 - KPMG Eastern Caribbean Chartered Accountants

Auditor's Opinion on the Non-consolidated Financial Statements

7.14 The non-consolidated financial statements present fairly, in all material respects,

the financial position of Saint Lucia Air and Sea Ports Authority as of March 31, 2007 and 2008, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards except for the non-consolidation of the investment in the subsidiary companies as disclosed in note 2 (a).

7.15 The auditors issued unqualified opinions on, the consolidated financial position of the Group as at March 31, 2007, 2008 and 2009, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

ST. LUCIA TOURIST BOARD

Introduction

7.16 The Tourist Industry Development Board (the Board) is a corporate body with perpetual succession, established by the Tourist Industry Development Act No 4 of 1981, for the purpose of administering and developing the tourist industry in Saint Lucia.

7.17 The financial statements have been prepared on the going concern basis which assumes that the Board will be in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

7.18 The Board's shareholder, the Government of Saint Lucia, has committed to support it by annual subventions until such time that its financial independence and viability is established and secured. Management is therefore of the opinion that sufficient working capital will be obtained from operations, the Board's shareholder, and external financing to meet the Board's liabilities and commitments as they become payable.

Independent Auditors

2007 - Price Waterhouse Coopers Chartered Accountants

2008 - KPMG

Independent Auditor's Opinion - 2007

7.19 The accompanying financial statements present fairly, in all material respect, the financial position of the Company as of March 31, 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

7.20 Without qualifying our opinion, we draw attention to note 2 in the financial statements with respect to going concern, which indicates that the Board, as of March 31, 2007 had an accumulated deficit of \$5,574,452 (2006 - \$8,083,817) and a working capital deficiency of \$5,955,377 (2006 - \$8,490,239).

7.21 Except for possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting standards.

7.22 Without further qualifying our opinion, we wish to draw attention to note 2 to the accompanying financial statements which have been prepared on the assumption that the Board will continue as a "going concern". As discussed in the note, as of March 31, 2008, the Board had an accumulated deficit of \$8,155,513 (2007 - \$5,574,452) and working capital deficiency of \$8,484,964 (2007 - \$5,955,377).

NATIONAL COMMUNITY FOUNDATION

Introduction

7.23 The National Community Foundation (NCF) is a philanthropic, non-profit, community based, non-governmental organization that functions primarily as a grant making institution. The NCF was established in August 2002 and supports initiatives that engender self-development and social upliftment.

7.24 Its mission statement is to support initiatives that engender self-empowerment and social upliftment through assistance to a wide area of benefactors for emerging and community needs in education, health, social services, arts and culture, community development, environment and civic affairs.

7.25 The NCF's objectives are:

- To receive and distribute philanthropic funds for the benefit of targeted individuals, groups, organizations or other charitable causes in a manner consistent with specific interests of contributors and objectives of the Foundation.
- To facilitate the empowerment of individuals and groups living in challenging circumstances, including children who want to pursue their education.
- To provide philanthropic leadership and help create, sustain and promote efforts among citizens to improve the quality of life within wider community.
- To advocate for such shifts in public policy and in public attitude that would support the aims and objectives of the Foundation.

7.26 Areas of focus of the NCF are:

- Youth at risk
- Older persons
- Disadvantaged children (scholarship programme)
- Health care
- Homeless/disadvantage persons
- Persons with disabilities
- Pensioners

Independent Auditors

2007, 2008, 2009 and 2010 – Price Waterhouse Coopers Chartered Accountants

Auditor's Opinion

7.27 The auditor issued unqualified opinions on, the financial position of the Foundation as of July 31, 2007, 2008, 2009 and 2010, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

ST. LUCIA MARKETING BOARD

Introduction

7.28 The St. Lucia Marketing Board is a statutory body established under an act of parliament of St. Lucia, No. 18 of 1967.

7.29 The Board had an accumulated (deficit) of (\$1,554,161), (2009-\$1,376,015), a working capital deficiency of \$471,659 (2009 - \$1,023,882), and is in need of an injection of funds and some measure of restricting to sustain its operations in a profitable way. The Board is therefore dependent of the government of St. Lucia to effect the necessary

changes required to sustain its operations as a going concern.

Independent Auditor

2007 to 2010 - G. Llewellyn Gill and Co. Chartered Accountants

Auditor's Opinion

7.30 The auditor issued unqualified opinions on the financial position of the St. Lucia Marketing Board as of December 31, 2007, 2008, 2009 and 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BANANA INDUSTRY TRUST

Introduction

7.31 The Banana Industry Trust, also referred to as the Trust for the Banana Industry of St. Lucia, was established on June 29, 1999 by virtue of a registered trust deed and is responsible for managing various investments on behalf of the banana industry.

7.32 The trust completed the following projects during the year:

1. **The Windward Island Banana Production Recovery Plan**

This was a multifaceted programme developed in mid-1998 to reverse the downward trend in the production of bananas in the Windward Islands. Under the Plan, three revolving funds were established to provide targeted recapitalization support to banana producers on an ongoing basis. This was funded by virtue of a European Union grant to the Windward Island governments under the STABEX programme.

2. **The Banana Commercialization Project**

The first phase of this project commenced in November 2001. It was funded through the Special Framework Assistance (SFA) funding from which the government of St. Lucia made available €4,350,000 (EC\$10,159,425) to the Trust under a grant contract. The objectives of this project were to develop (i) a commercial and competitive banana industry, (ii) increased foreign exchange earnings and savings and (iii) increased rural sector employment and farm household income.

7.33 The second phase of the project commenced in June 2003. Funding was through the SFA from which the GOSL has made available €4,070,000 (EC\$11,452,736) to the Trust under a grant contract.

7.34 The Trust currently manages the following project:

1. **The Environmental Management Fund – SFA 2003**

By virtue of SFA funding from the European Community, the GOSL represented by the National Authorizing Officer (NAO) has made available to the Banana Industry Trust €3,999,861 under the grant contract for implementation of the project entitled the Integrated Natural Resource Management. The contract was signed on December 16, 2006. The overall objective of this project is to provide continued support to banana commercialization, agriculture and general economic diversification efforts through integrated resources management.

Independent Auditor

KPMG Eastern Caribbean Chartered Accountants

Auditor's Opinion

7.35 The auditor issued unqualified opinions on the financial position of the Trust as at March 31, 2007, 2008 and 2009, and the Trust's financial performance, changes in equity and cash flows for the years then ended in accordance with International

Financial Reporting Standards.

NATIONAL TELECOMMUNICATIONS REGULATORY COMMISSION

Introduction

7.36 The National Telecommunications Regulatory Commission was established by the Telecommunications Act Cap. 8.11 of the 2001 Revised Edition Laws of St. Lucia on the 22nd November 2000. The Commission commenced operations on March 18, 2002.

7.37 The principal activity of the Commission is to execute the functions defined in Section 11 of the Telecommunications Cap. 8.11 in the regulation of Telecommunications in Saint Lucia.

Independent Auditor

G. Llewellyn Gill & Co Chartered Accountants

Auditor's Opinion

7.38 The auditor issued unqualified opinions on the financial position of the National Telecommunications Regulatory Commission as of September 30, 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ST. LUCIA SOLID WASTE MANAGEMENT AUTHORITY

Introduction

7.39 The primary responsibility of St. Lucia Solid Waste Management Authority is to provide co-ordinated and integrated systems for the collection, treatment and disposal of

waste, including hazardous waste and to establish and manage landfills throughout Saint Lucia as appropriate.

Independent Auditors

2007 to 2009 - Chase Skeete & Boland Chartered Accountants

2010 - BDO

Auditor's Opinion

7.40 The auditor issued unqualified opinions on the financial position of St. Lucia Solid Waste Management Authority as at March 31, 2007, 2008, 2009 and 2010, and the results of its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

APPENDIX 1 – OVER EXPENDITURE BY MINISTRIES AND DEPARTMENTS

Agency/Programme	Revised Estimates and Approved Allocations \$	Actual Expenditure \$	Expenditure in Excess of Revised Estimates and Approved Allocations \$
MINISTRY OF THE PUBLIC SERVICE			
2006			
2201001-105	30,720.00	31,396.24	(676.24)
2201004-110	10,500.00	10,809.85	(309.85)
2201004-113	982,000.00	1,002,059.65	(20,059.65)
2202002-101	41,350.00	41,969.85	(619.85)
2202003-101	128,828.00	130,158.10	(1,330.10)
2203001-101	242,700.00	268,415.47	(25,715.47)
		Total	(48,711.16)
2007			
2201001-101	386,513.00	430,991.22	(44,478.22)
2201001-109	4,100.00	5,366.64	(1,266.64)
2201004-101	171,579.00	172,769.09	(1,190.09)
2203001-101	260,688.00	302,830.28	(42,142.28)
2203001-105	6,852.00	10,498.00	(3,646.00)
		Total	(92,723.23)
MINISTRY OF LABOUR			
2006			
2206004-101	46,113.00	46,804.35	(691.35)
2206005-101	47,268.00	47,976.18	(708.18)
2206006-101	40,891.00	42,383.25	(1,492.25)
		Total	(2,891.78)
2007			
2206001-101	309,962.00	310,317.55	(355.55)
2206003-101	213,358.00	218,952.84	(5,594.84)
2206004-101	50,725.00	51,186.93	(461.93)
		Total	(11,545.23)
GENERAL POST OFFICE			
2006			
4309001-102	0.00	3,629.31	(3,629.31)
4309002-101	17,247.00	33,538.52	(16,291.52)
4309002-112	381,233.00	389,995.87	(8,762.87)
4309003-109	12,000.00	13,908.24	(1,908.24)
4309003-120	204,666.00	205,266.60	(600.60)
4309004-101	1,099,288.00	1,174,160.07	(74,872.07)

Agency/Programme	Revised Estimates and Approved Allocations	Actual Expenditure	Expenditure in Excess of Revised Estimates and Approved Allocations
	\$	\$	\$
4309004-112	0.00	10,483.15	(10,483.15)
4309004-116	140,123.00	140,720.23	(579.23)
4309005-101	14,505.00	21,980.31	(7,475.31)
Total			(124,602.30)
2007			
4309002-101	18,972.12	22,138.03	(3,165.91)
4309003-102	47,188.12	49,744.15	(2,556.03)
4309003-109	12,000.00	16,409.26	(4,409.26)
4309004-101	1,245,281.80	1,263,141.62	(17,859.82)
4309004-102	822,995.48	854,524.45	(31,528.97)
4309004-113	132,000.00	138,602.41	(6,602.41)
4309004-116	385,809.00	389,585.41	(3,776.41)
Total			(69,898.81)
MINISTRY OF SOCIAL TRANSFORMATION			
5103230 0200000 1004	240,000.00	259,199.44	(19,199.44)
Total			(19,199.44)
2006/2007			
5101003 0109000	27,816.00	28,652.82	(836.82)
5103001 0102000	2,195,335.00	2,543,845.93	(348,510.93)
5103002 0105000	121,025.00	122,064.16	(1,039.16)
5103005 0102000	1,537,708.00	1,600,286.81	(62,578.81)
Total			(412,965.72)
MINISTRY OF AGRICULTURE			
Recurrent			
2007			
4112001-113	31,000.00	35,173.82	(4,173.82)
4112003-102	55,235.00	56,972.32	(1,737.32)
4112004-113	28,976.00	34,312.03	(5,336.03)
Total			(11,247.17)
Capital			
2006			
4101208-3125	0.00	8,900.00	(8,900.00)
4101215	145,267	148,843.22	(3,576.22)
4112226-1004	1,355,152.00	1,403,168.67	(48,016.67)
Total			(60,492.89)
2007			
4101207	1,066,565.00	1,206,421.04	(139,856.04)

Agency/Programme	Revised Estimates and Approved Allocations	Actual Expenditure	Expenditure in Excess of Revised Estimates and Approved Allocations			
	\$	\$	\$			
4101208	0.00	102,296.10	(102,296.10)			
4101215	0.00	7,256.00	(7,256.00)			
4101218	333,318.00	530,663.80	(197,345.80)			
Total			(446,753.94)			
FIRE SERVICES						
Agency/ Programme	Description	Revised Estimates	Approved Allocations	Actual Expenditure as per Accountant General	Actual Expenditure in excess of Revised Estimates	Actual Expenditure in excess of Approved Allocations
		\$	\$	\$	\$	\$
3602001-0102	Wages	64,128.00	63,676.00	73,909.54	(9,781.54)	(10,233.54)
3602001-0105	Travel and Subsistence	73,886.61	73,886.61	77,299.61	(3,413.00)	(3,413.00)
3602001-0113	Utilities	125,000.00	125,000.00	131,422.43	(6,422.43)	(6,422.43)
3602002-0105	Travel and Subsistence	25,500.00	25,500.00	26,498.10	(998.10)	(998.10)
3602004-0105	Travel and Subsistence	69,000.00	69,000.00	77,882.91	(8,882.91)	(8,882.91)
3602005-0102	Wages	149,892.00	87,466.00	88,335.54	0.00	(869.54)
3602006-0101	Personal Emoluments	2,446,371.00	2,446,371.00	2,661,262.70	(214,891.70)	(214,891.70)
3602006-0105	Travel and Subsistence	49,000.00	49,000.00	55,492.82	(6,492.82)	(6,492.82)
Total					(250,882.50)	(252,321.04)

POLICE DEPARTMENT						
Agency/ Programme	Description	Revised Estimates	Approved Allocations	Actual Expenditure as per Accountant General	Actual Expenditure in excess of Revised Estimates	Actual Expenditure in excess of Approved Allocations
		\$	\$	\$	\$	\$
2005/2006						
3607001-0113	Utilities	1,267,519.00	1,267,682.00	1,267,681.08	(162.08)	0.00
3607011-0101	Personal Emoluments	1,033,698.00	1,033,697.68	1,035,443.43	(1,745.43)	(1,745.75)
Total					(1,907.51)	(1,745.75)
2006/2007						
3607001-0105	Travel & Subsistence	243,920.00	243,920.00	244,222.02	(302.02)	(302.02)
3607001-0109	Office & General Expenses	380,367.00	380,367.00	382,524.05	(2,157.05)	(2,157.05)
3607003-0105	Travel & Subsistence	9,438.00	9,438.00	11,035.33	(1,597.33)	(1,597.33)
3607004-0105	Travel & Subsistence	26,228.00	26,228.00	27,244.26	(1,016.26)	(1,016.26)
3607006-0101	Personal Emoluments	1,112,824.00	1,092,824.00	1,114,478.05	(1,654.05)	(21,654.05)
3607007-0101	Personal Emoluments	1,735,484.00	1,683,147.70	1,712,662.15	0.00	(29,514.45)
3607010-0101	Personal Emoluments	1,216,568.00	1,176,567.72	1,235,361.54	(18,793.54)	(58,793.82)
3607014-0101	Personal Emoluments	1,148,811.00	1,148,810.52	1,257,946.72	(109,135.72)	(109,136.20)
3607015-0101	Personal Emoluments	0.00	0.00	765.00	(765.00)	(765.00)
3607015-0105	Travel & Subsistence	(2,486.00)	0.29	1,306.47	(3,792.47)	(1,306.18)
3607016-0101	Personal Emoluments	4,412,218.00	4,112,218.00	5,075,413.31	(663,195.31)	(963,195.31)
3607020-0101	Personal Emoluments	6,164,041.00	6,064,042.00	6,671,817.19	(507,776.19)	(607,775.19)
3607021-0101	Personal Emoluments	1,091,179.00	1,091,178.58	1,139,631.01	(48,452.01)	(48,452.43)
Total					(1,358,636.95)	(1,845,665.29)

MINISTRY OF HEALTH					
Agency/ Programme	Audited Revised Estimates \$	Allocations \$	Expenditure as per Accountant General's Accounts \$	Expenditure in excess of Revised Estimates \$	Expenditure in excess of Allocations \$
2006/07					
5304001-0105	11,568.00	11,568.00	13,467.00	1,899.00	1,899.00
5304001-0109	16,500.00	16,500.00	19,737.80	3,237.80	3,237.80
5304002-0101	668,983.00	668,983.00	706,084.12	37,101.12	37,101.12
5304002-0102	1,717,746.00	1,717,746.75	1,921,172.71	203,425.71	203,425.96
5304002-0114	8,402.00	8,402.00	11,506.14	3,104.14	3,104.14
5304005-0101	11,677,904.00	11,677,903.96	11,819,418.51	141,514.51	141,514.55
5304007-0110	1,100,061.00	1,100,061.00	1,266,159.99	166,098.99	166,098.99
5304007-0115	291.00	291.00	2,211.44	1,920.44	1,920.44
5305002-0102	80,656.00	80,656.18	83,678.02	3,022.02	3,021.84
5305004-0105	16,020.00	16,020.00	22,228.20	6,208.20	6,208.20
5306004-0102	46,234.00	46,233.64	49,266.98	3,032.98	3,033.34
5306004-0105	8,160.00	8,160.00	13,081.24	4,921.24	4,921.24
5310001-0105	80,856.00	88,208.00	93,477.88	12,621.88	5,269.88
5313003-0102	79,455.00	79,455.30	82,031.83	2,576.83	2,576.53
5315001-0102	56,586.00	56,585.89	57,756.41	1,170.41	1,170.52
5315002-0109	62,500.00	62,500.00	79,066.19	16,566.19	16,566.19
5316003-0102	934,341.00	934,341.38	937,868.92	3,527.92	3,527.54
5316005-0102	133,157.00	133,157.27	135,910.79	2,753.79	2,753.52

Agency/ Programme	Audited Revised Estimates \$	Allocations \$	Expenditure as per Accountant General's Accounts \$	Expenditure in excess of Revised Estimates \$	Expenditure in excess of Allocations \$
5316203-3052	74,500.00	74,500.00	80,619.04	6,119.04	6,119.04
5316206-1004	1,476,560.00	795,208.00	814,444.94	0.00	19,236.94
2005/2006					
5301001-0101	436,600.00	434,200.56	436,599.23	0.00	2,378.67
5304001-0101	624,910.00	619,910.00	639,835.49	14,925.49	19,925.49
5304001-0101	624,910.00	619,910.00	639,835.49	14,925.49	19,925.49
5304001-0102	453,449.00	453,448.53	585,556.18	132,107.18	132,107.65
5304001-0105	11,568.00	11,568.00	13,892.00	2,324.00	2,324.00
5304001-0109	13,000.00	13,000.00	17,937.39	4,937.39	4,937.39
5304001-0115	308,253.00	308,253.00	310,396.02	2,143.02	2,143.02
5304005-0101	10,517,819.00	10,417,820.00	10,559,479.39	41,660.39	141,659.39
5304005-0105	238,3120.00	212,312.00	226,291.20	0.00	13,979.20
5304005-0110	1,600,000.00	1,600,00.00	1,965,780.95	365,780.95	365,780.95
5304004-0114	20,000.00	20,000.00	21,915.23	1,915.23	1,915.23
5304006-0101	1,482,412.00	1,427,411.00	1,504,112.74	21,700.74	76,701.74
5304006-0110	1563,561.00	1,563,560.96	1,630,718.83	67,157.83	67,157.87
5307004-0101	1,227,715.00	1,207,299.00	1,213,235.18	0.00	5,936.18
5310004-0101	194,308.00	194,307.87	196,400.87	2,092.87	2,093.65
5319002-0101	42,325.00	42,325.00	45,981.29	3,656.29	3,656.29
5319003-0120	404,868.00	390,723.00	407,682.15	2,814.15	16,959.15

Agency Programme	Audited Revised Estimates \$	Allocations \$	Expenditure as Per Accountant General's Accounts \$	Expenditure in excess of Revised Estimates \$	Expenditure in excess of Allocations \$
5316206-3062	3,923,806.00	400,000.00	1,969,491.15	0.00	1,565,865.90
5316206-1004	991,361.00	400,000.00	417,987.93	0.00	17,987.93

APPENDIX 2

The Lima Declaration of SAI independence identified three (3) overarching government auditing precepts:

ORGANIZATIONAL INDEPENDENCE

- Independence of SAI members (acting free from instructions; no possibility of willful dismissal);
- Supreme authority of the SAI head in all staff-related matters
- Non interference on auditors by external auditors

FUNCTIONAL INDEPENDENCE

- The audit powers of the SAI are laid down in the Constitution
- The SAI is free to set up its own audit programme
- The SAI is free in drafting reports intended for publication

FINANCIAL INDEPENDENCE

- SAI can directly apply for the required funding to the body adopting the state budget (Parliament) as necessary
- SAI can freely dispose of the appropriated budget during the financial year.

These precepts were further developed in Mexico at the 19th Congress in 2007 with a declaration made on the eight core principles that flow from the Lima Declaration. These are:

- Principle 1 – The existence of an appropriate and effective constitutional/statutory/legal framework and of de facto application provisions of this framework
- Principle 2 – the independence of SAI heads, including security of tenure and legal immunity in the normal discharge of their duties

- Principle 3 – A sufficiently broad mandate and full discretion, in the discharge of SAIs functions
- Principle 4 – Unrestricted access to information
- Principle 5 – The right and obligation to report on their work
- Principle 6 – the freedom to decide the content and timing of audit reports and to publish and disseminate them.
- Principle 7 – The existence of effective follow-up mechanisms on SAI recommendations.
- Principle 8 – Financial and managerial/administrative autonomy and the availability of appropriate human, material and monetary resources.

APPENDIX 3

LIST OF ABBREVIATIONS

AGD	-	Accountant General Department
CAROSAI	-	Caribbean Organization of Supreme Audit Institutions
CCAF	-	Canadian Comprehensive Auditing Foundation
CIDA	-	Canadian International Development Agency
CPPN	-	Commonwealth Public Procurement Network
ECCB	-	Eastern Caribbean Central Bank
ECEMP	-	Eastern Caribbean Economic Management Programme
EDF	-	European Development Fund
EMS	-	Express Mail Service
EU	-	European Union
GOSL	-	Government of Saint Lucia
GPO	-	General Post Office
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Association
IDF	-	Institutional Development Fund
IDI	-	Intosai Development Initiative
INTOSAI	-	International Organization of Supreme Audit Institution
IPSAS	-	International Public Sector Accounting Standards
MOPS	-	Ministry of the Public Service
NAO	-	National Authorizing Officer
NIC	-	National Insurance Corporation
OECS	-	Organization of Eastern Caribbean States
PAC	-	Public Accounts Committee
PCU	-	Project Co-ordination Unit
PEFA	-	Public Expenditure and Financial Accountability
PFM	-	Public Financial Management
PFM-PMF	-	Public Financial Management – Public Management Framework
PMF	-	Public Management Framework
SAI	-	Supreme Audit Institution

SDMP	-	Second Disaster Management Programme
SDR	-	Standing Drawing Rights
SFA	-	Special Framework Assistance
SLHTP	-	St. Lucia Heritage Tourism Programme
SLTDP	-	St. Lucia Tourism Development Programme
SOE	-	Statement of Expenditure
WB	-	World Bank