



**Report**  
**of the**  
**Director of Audit**  
**for the Financial Year**  
**2011/2012**



## MESSAGE FROM THE DIRECTOR OF AUDIT

There are a number of challenges and opportunities that the Office of the Director of Audit now face. As a result the Audit Office must position itself to respond to the changes in the environment that are critical to its success. Many are looking to the Audit Office to assist the government in holding the executive accountable. Therefore, it is imperative for the Audit Office to have the necessary capacities in terms of resources both human and financial in order to carry out its responsibilities and meet the expectations of its stakeholders.

The Audit Office has plans to increase its emphasis on conducting Performance Audits. The increasing importance of performance audits requires auditors to be highly analytical, and to have the ability to drill down into issues of economy, efficiency and effectiveness of government spending. Many of our stakeholders have expressed interest in those audits.

Accounting and auditing standards continue to rapidly change and expand. The Accountant General's Department is preparing to migrate to the cash based International Public Sector Accounting Standards (IPSAS) in the near future. These changes will result in increased training needs for the staff.

Traditionalism underlies much of the legislation in St Lucia, particularly regarding the 1978 Constitution. In terms of the present Audit Act, revisions need to be made in order to bring the legislation in line with the International Organization of Supreme Audit Institutions (INTOSAI) principles.

For a number of years now the Public Accounts Committee (PAC) has not been functioning. A PAC is extremely important. This is the mechanism that links public sector audit into the scrutiny role of the legislature. However, the current government has placed emphasis on activating the PAC and undertaking a radical overhaul of the parliamentary practices and traditions enshrined in the Standing Orders to bring them in line with prevailing good practices. The activation of the PAC will certainly help the Audit Office to increase the beneficial impact audit work can have on strengthening internal control and improving standards of financial management and accountability in the public sector; encourage audit reporting improvements at the highest level; and ensure the running of the Audit Office effectively, efficiently and economically.

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**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 various ministries and departments that we audited.



**SECTION 1**

**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 and exists to serve the House of Assembly. 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). The Director's mandate is to examine and to provide independent reporting to the House of Assembly on Government's management of and accountability practices for the public resources entrusted to it. 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 is guided by and complies with the International Organization of Supreme Audit Institutions (INTOSAI) standards. The Office also follows government accounting policies and may seek guidance from other professional bodies.

**1.4** Our Mission 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.

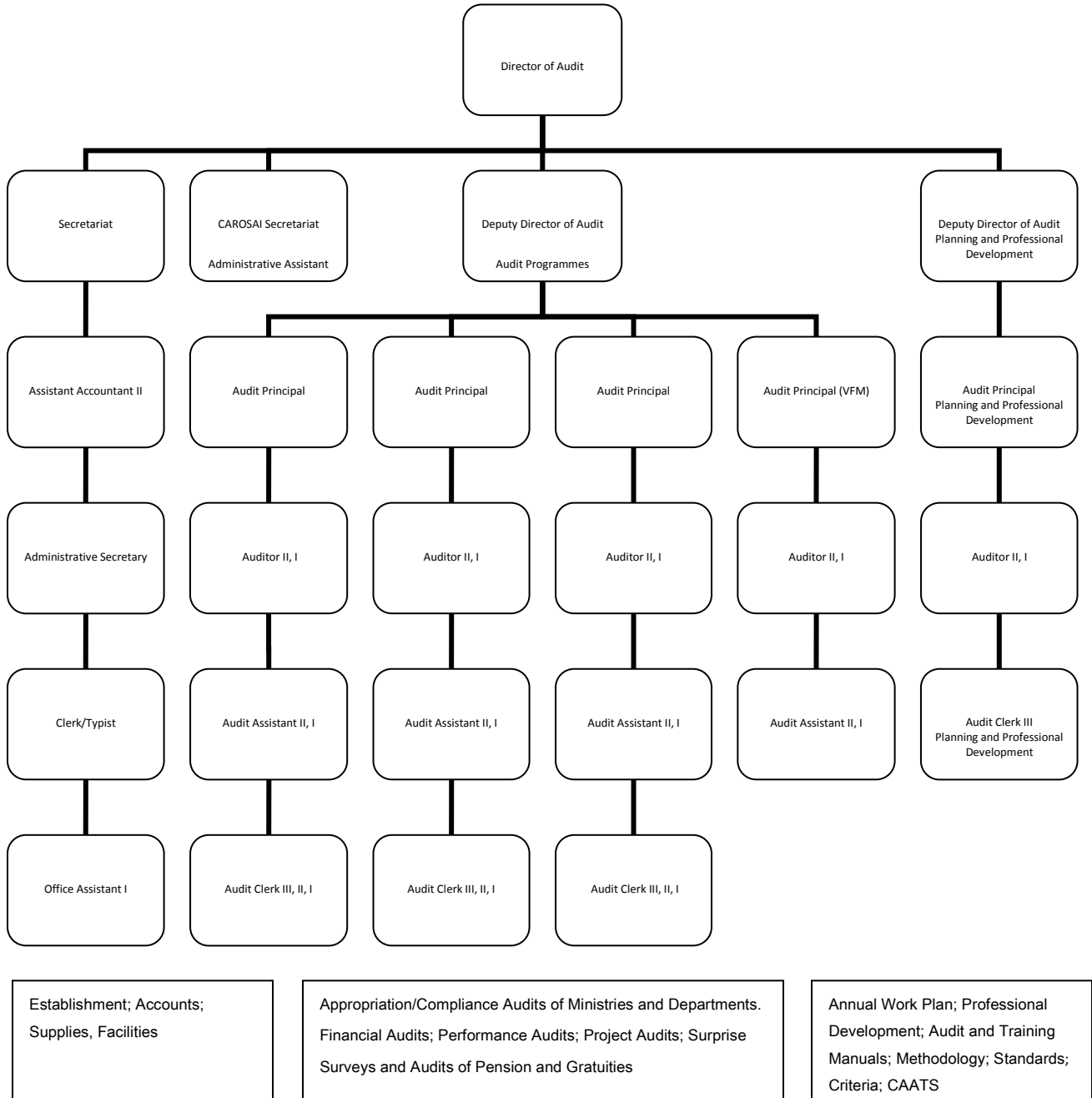
**1.5** We are pleased to announce that our website was completed and launched on March 12, 2012. Our reports can now be accessed at [www.audit.gov.lc](http://www.audit.gov.lc)

**1.6** We are also pleased to announce that in April 2011 the Office of the Director of Audit was awarded the TD-Gold Approved Employer Trainee Development status by the Association of Chartered Accountants (ACCA). Gold status is the second highest level of achievement under the Approved Employer Program that recognizes a level of commitment from employers who meet best practices, in key areas such as study support; work experience requirements; supervision; appraisal and workplace development; training records and continuing professional development.

**1.7** Approved employer status means that the ACCA trainees will no longer be required to complete and submit the Trainee Development Matrix (TDM) since it has already been established that the Office adequately provides for their training and development.

**STAFF STRUCTURE**

1.8 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:



**BUDGET**

**1.9** For the financial year 2011/2012 the Government of Saint Lucia approved a budget of \$1,787,500 for the Office of the Director of Audit. Of this amount \$1,486,888.00 was allocated towards salaries.

**1.10** The programme detail expenditure for the financial year 2011/2012 comprised the following:

<b>CODE</b>	<b>Details of Expenditure</b>	<b>ESTIMATES 2011/2012</b>
<b>01</b>	<b>Audit Administration</b>	
101	Personal Emoluments	294,976
102	Wages	6,447
105	Travel and Subsistence	8,004
109	Office and General Expense	19,060
113	Utilities	104,507
115	Communication	3,900
116	Operating and Maintenance Services	28,000
118	Hire of Equipment and Transport	1,000
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>465,894</b>
<b>02</b>	<b>Audit Operations</b>	
101	Personal Emoluments	1,191,912
105	Travel and Subsistence	123,431
108	Training	4,000
115	Communication	2,263
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>1,321,606</b>
	<b>TOTAL AGENCY EXPENDITURE</b>	<b>1,787,500</b>

## **STAFF PROMOTIONS AND TRAINING**

### **Promotions**

**1.11** There were seven (7) promotions for the year ranging from Audit Clerk 1, Grade 3 to Auditor 11, Grade 14.

## **TRAINING**

### **Pre-Retirement Programme**

**1.12** The Assistant Accountant attended this two-day programme conducted by the Ministry of the Public Service from October 13 – 14, 2011.

### **Workshop on Evaluating and Developing the Training Function**

**1.13** The Deputy Director of Audit responsible for Professional Development and Training attended this one-day training session conducted by the Ministry of the Public Service on April 28, 2011.

### **Workshop for Human Resource Officers**

**1.14** One-day training for human resource officers was attended by The Deputy Director of Audit responsible for Professional Development and Training. This workshop was held on May 05, 2011 and conducted by the Ministry of the Public Service.

### **Orientation Workshop**

**1.15** The Deputy Director of Audit responsible for Administration attended a one day orientation workshop.

**1.16** Two Audit Clerks attended a two-day orientation workshop conducted by the Ministry of the Public Service, from July 26-27, 2011.

### **Strengthening Oral and Written Communications Workshop**

**1.17** The Deputy Director responsible for Professional Development and Training and two Audit Principals attended this workshop on September 28, 2011 and October 19, 2011. The workshop was conducted by the Ministry of the Public Service.

### **Leadership Skills for Supervision and Change Management**

**1.18** A two day workshop was held on September 19 – 20, 2011. The training was conducted by Celestial Development and funded by World Bank under the OECS Skills for Inclusive Growth Project. The Deputy Directors, Audit Principals, Auditors and Audit Assistants attended.



## **Consultations on Public Procurement**

**1.19** The Deputy Directors attended this session on September 29, 2011. It was facilitated by the Ministry of Finance and funded and conducted by the Caribbean Single Market and Economy (CSME) unit of the CARICOM Secretariat.

## **An Overview of External Auditing**

**1.20** This workshop was conducted by the Deputy Director responsible for Professional Development and Training and an Audit Principal on October 19, 2011 for Audit Clerks and newly appointed staff.

## **Risk Based Approach for Financial Audits Workshop**

**1.21** This workshop was jointly sponsored by the INTOSAI Development Initiative (IDI) and Caribbean Organization of Supreme Audit Institutions (CAROSAI) and was attended by an Audit Principal during the period November 02 – 09, 2011 in Grenada.

**1.22 Workshop for Administrative Secretaries** - This training workshop was facilitated by the Ministry of The Public Service and was held on April 10, 2012.

**1.23 Workshop on Evaluating and Developing the Training Function** – The Deputy Director of Audit, Planning and Professional Development attended this one-day training session conducted by the Ministry of the public Service on April 28, 2011.

**1.24 Workshop for Human Resource Officers** – The Deputy Director of Audit, Planning and Professional Development attended this one-day training for human resource officers conducted by the Ministry of the Public Service.

**1.25 Time management Training** - The Ministry of the Public Service conducted a series on half-day training sessions on the above topic. Four officers attended this training.

**1.26 Management your Workload-** This workshop was held on January 31, 2012 for Office Assistants and was facilitated by the Ministry of the Public Service.

**1.27 Zimbra Training** - Two half-day training on the Zimbra software was conducted by the National Information Technology Centre (ITC) office. All staff members attended.

**1.28 Audit Risk Workshops** - A series of one-day risk workshops was conducted and facilitated by the National Audit Office (UK) on audit risk. These workshops were attended by Auditors, Audit Principals and the Deputy Director of Audit.

**Workshops and Conferences attended by the Director of Audit**

**1.29 Building Pyramids in the Valley** - Brainstorming Workshop Collaborating and Coordinating with the Caribbean Public Sector Internal Audit Profession and the Caribbean Organisation of Supreme Audit Institutions (CAROSAI) Planning Meeting took place in Barbados from April 18th – 19<sup>th</sup>2011

**1.30 Managing for Development Results & PRODEV Evaluation Tool Validation Workshop** was hosted by the Caribbean Development Bank, from July 21- 22, 2011 in Saint Lucia.

**1.31 Executive Coaching Training** - The Executive Coaching training was held in two sessions - a one day workshop followed by a six week course spread over three months from August to October 2011.

**1.32 Canadian Council of Public Accounts Committees (CCPAC) and Canadian Council of Legislative Auditors (COLA) conference** - This conference was held from August 28 - 30, 2011, in Halifax Nova Scotia, Canada.

**1.33 Planning the Performance Audit** - took place from September 6 - 7, 2011, in Ottawa Canada.

**1.34 Sub-Regional Monitoring and Evaluation workshop** – this four-day Sub-Regional Monitoring and Evaluation workshop from November 15 to 18, 2011 was conducted by the Ministry of Finance, Economic Affairs and National Development in collaboration with the Caribbean Centre for Development Administration (CARICAD).

**1.35 Strengthening Parliamentary Oversight** - A Caribbean workshop on “**Strengthening Parliamentary Oversight**” was held in St. John’s, Antigua and Barbuda on January 30<sup>th</sup> and 31<sup>st</sup>, 2012.

**1.36** The workshop was designed to: share best practices from the Public Accounts Committees (PACs) in the larger Caribbean legislatures, including Trinidad and Tobago, Guyana and Jamaica while examining how to strengthen the AG-PAC relationship; discuss how to effectively strengthen the committee system and parliamentary capacity, including capacity in smaller legislatures in the Caribbean; develop strategies to strengthen the independence of the Auditor General; and strengthen regional knowledge sharing around budgetary oversight.

**In-House Training**

**1.37 Government of Saint Lucia Accounts Training** - A one-day training workshop on the auditing of the accounts of the Government of St. Lucia was conducted by an Audit Principal for her team members.

**1.38 An Overview of External Auditing** - This workshop was conducted by the Deputy Director of Professional Development and an Audit Principal for Audit Clerks and newly appointed staff.

**1.39 Government Laws and Regulations** - This workshop was conducted by the Deputy Director of Professional Development for audit clerks and newly appointed staff.

**1.40 The Fundamentals of SmartStream** - This workshop was conducted by the Audit Principals for Audit Clerks, Audit Assistants and Auditors.

**1.41 Interviewing Skills** - This half--day training was facilitated by the Director and Deputy Director for Administration. It was held on March 13, 2012 and attended by the Deputy Director, Audit Principals and Auditors.

**External Training Facilitated by the Office**

**1.42** A two and a half-day training in the Interactive Data Extraction and Analysis (IDEA) software was facilitated by the Deputy Director and Audit Principal for one auditor from the Montserrat Audit Office.

**1.43** Three (3) one-day workshops on Public Sector Accounting (Understanding the role of the Audit Department) organized by the Ministry of the Public service for accountants within the Public Service were facilitated by two Audit Principals and they were assisted by the Deputy Directors. These workshops were held on February 23, March 06, 15 and 23, 2012.

**SECTION 11**

**AUDIT OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF SAINT LUCIA**

**2.1** 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.

**2.2** 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.

**2.3** 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.

**2.4** 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.

**2.5** 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.

**2.6** The Office of the Director of Audit substantially completed the audit of the financial years 2003 to 2005. These audit reports will be issued to Parliament under separate cover. In my previous audit report for the year 2010/2011, I highlighted the need for the financial statements of the Government to be current for transparency in the Public Financial Management System of Saint Lucia.

## **MINISTRY OF EDUCATION – CASH MANAGEMENT IN SCHOOLS**

### **INTRODUCTION**

**2.7** Quality education is a high priority of the government. All primary and secondary schools need financial support to operate effectively and deliver quality education to their students. The Ministry of Education (the Ministry) is the main agency through which government provides operational funding for schools. Schools are not in direct control of these funds.

**2.8** According to the Ministry of Education Statistical Digest 2010, \$167 million or 14 percent of the national budget was allocated to the Ministry of Education and Culture for the financial year 2009/10. Thirty-nine percent of the education budget was allocated to secondary education and 35 percent to primary education.

**2.9** Schools are also allowed to generate their own revenue through fees and fund-raising activities. They also receive donations from corporate sponsors for special projects. These amounts are small compared to the money the Ministry manages for the operation of the island's schools. Still, schools must have systems and controls for the accounting and reporting of their revenue and expenditure activities.

**2.10** The Ministry's Permanent Secretary requested an audit of the cash activities in schools because of the risk of misuse and improper accounting for monies raised and spent.

**2.11** The purpose of this audit is to inform Parliament and the Ministry about the status of the controls over the cash operations at schools and the role played by the Ministry in the process. Our report includes findings, recommendations, and overall conclusions on the management of cash in selected secondary schools.

## BACKGROUND

2.12 The authority governing the operation of schools in Saint Lucia is the *Education Act*, Chapter 18.01 of the Revised Laws of Saint Lucia.

2.13 The school stock in Saint Lucia is divided into eight districts as follows:

District No.	No. of primary schools	No. of secondary schools
1	11	3
2	7	4
3	8	4
4	10	3
5	11	4
6	10	3
7	11	2
8	7	1
<b>Total</b>	<b>75</b>	<b>24</b>

2.14 There are 75 primary schools, 24 secondary schools and 5 special education schools. Of the 24 secondary schools, 2 are assisted secondary schools, namely St. Joseph's Convent and St. Mary's College. The two assisted schools receive an annual grant of \$60,000 for capital projects and a subvention of \$100 per student, per term for operating expenses.

2.15 There is a bursar at every secondary school and a district bursar for primary schools. All 32 bursars are responsible for handling of and accounting for cash. Bursars report to school principals, district education officers, or the senior accountant at the Ministry.

## AUDIT OBJECTIVES

2.16 The objectives of our audit were to determine:

### Grants, subventions, and donations

- Whether the schools accounted for the grants and subventions received by government and disclosed all donations from sponsors.

### Facilities fees and other revenue activities

- Whether there was authority for fees collected and whether the authority was consistently applied throughout schools.

### **Record keeping**

- Whether there was adequate control over recordkeeping for cash in all schools and whether it was consistent with the stipulated laws, Ministry guidelines, and standards.

### **Monitoring and supervision**

- Whether the Ministry and senior officers of the schools monitored and supervised the management of cash at schools, and what action was taken to correct weaknesses.

## **AUDIT SCOPE AND APPROACH**

**2.17** Our audit covered three years from April 2008 to March 2011. We examined nine secondary schools, which included the two assisted schools, and seven primary schools in District 2. Our sample represents 38 percent of the secondary schools and 9 percent of the primary schools. (See appendix 1 for details)

**2.18** We did not examine tertiary-level academic, independent, or private schools, or monies collected from thrift co-operatives at schools.

**2.19** We examined the accounting records of schools and the controls established for the custody of cash. We reviewed the legislation, policies, procedures, and guidelines prepared by the Ministry for cash collected by the schools. We held interviews and discussions with school bursars, principals, vice-principals, and officials of the Ministry. We also reviewed financial reports prepared by the schools.

## **FINDINGS AND RECOMMENDATIONS**

### **Grants, Subventions, and Donations**

- **Inadequate records of grants and subventions by the assisted schools**

**2.20** The Ministry gives grants and subventions to two assisted secondary schools. They receive an annual grant of \$60,000 for capital projects and a subvention of \$100, per student per term. The following table shows the total subventions received by the two assisted secondary schools for the three-year audit period.



	2008/2009	2009/2010	2010/2011
<b>Saint Joseph's Convent</b>			
Sept – Dec	\$ 70,800	\$ 70,000	\$ 70,000
Jan – April	71,000	60,900	70,000
April – July	71,000	69,000	70,000
<b>Total</b>	<b>\$ 212,800</b>	<b>\$ 199,900</b>	<b>\$ 210,000</b>
<b>Saint Mary's College</b>			
Sept – Dec	\$ 66,900	\$ 70,300	\$ 71,500
Jan – April	66,900	70,500	71,500
April – July	66,800	70,300	71,500
<b>Total</b>	<b>\$ 200,600</b>	<b>\$ 211,100</b>	<b>\$ 214,500</b>

**2.21** The assisted schools are at liberty to receive donations from corporate sponsors for special projects and activities. Donations to these schools were significant and ranged from \$7,500.00 to \$228,369.00. Some donations were not disclosed to the Ministry. These schools did not account for the grants and subventions received. Although financial reports were prepared, we found that separate accounting records were not maintained for the grants and subventions; therefore we could not determine the total expenditure incurred.

**Recommendations:**

**2.22** *The schools should maintain proper accounting records for expenditure from the grants and subventions.*

**2.23** *School Principals should account for all donations received and should provide an account to the Ministry on how the monies were spent.*

**Facilities fees and other revenue activities**

- ***There was no approval for schools to charge fees***

**2.24** The Education Act states that, 'other charges may be imposed at a public school, or assisted private school, with the approval of the Minister'. Assisted schools can, through their boards, generate their own revenue from fund-raising activities. The most common sources of revenue at the secondary schools were facilities fees, graduation fees, and canteen rentals. Although secondary education is free, the fees charged are used to assist with general operations; for example, the maintenance of grounds, laboratories, additional security, replenishment of school supplies, cost of repairs, purchase of items, refurbishment of classrooms, purchase of furniture and equipment, and purchase of flowers for teachers.

**2.25** The Ministry is expected to play a role in determining the fees charged at secondary schools. The intention is to have consistent school fees so the parents of students do not experience unfair treatment depending on which school their child attends.

**2.26** We found that there was no specific authority that empowered schools to charge fees. The various fees were set solely on the authority of school principals and their staff. School principals indicated that the amount allocated to the Ministry for school operations was insufficient; therefore, the schools had to raise additional funds to supplement their operating costs.

**2.27** Although Ministry officials were aware of the schools' practice, there was no evidence of the Minister's approval or involvement in the setting of fees.

- ***Fees varied significantly among schools***

**2.28** We found that the fees varied widely among schools, as this chart shows:

Fees	Schools	Range	Reference
Facilities	Secondary, form 1	\$175-\$425	Appendix II
	Secondary, forms 2-5	\$60-\$225	
	Primary	\$25-\$55	Appendix III
Graduation	Secondary	\$50-\$360	Appendix IV
Canteen	All	\$250-\$1,000	Appendix V

**2.29** Principals imposed penalties against students whose fees were unpaid. This sometimes involved depriving students of school services such as receiving exam results, or having the opportunity to graduate.

**2.30** We found one school where students paid for graduation when the community was also sponsoring the event. The school refunded part of the fee to students for the return of their gowns, but the balance of the graduation fees were placed in a fund that was used to purchase gifts for teachers when they retired.

### Recommendations

**2.31** *The Ministry must take immediate steps to establish a policy on the fees that students pay in schools. It should also address the varying amounts charged throughout schools and action to be taken in default of payment. Students should be treated fairly and consistently across the sector.*

**2.32** *The Ministry must have clear guidelines on the use of funds collected from students.*

**2.33** *There should be a policy on refunds and monies paid by students for graduation should not be used towards buying gifts for teachers.*

#### **Record Keeping**

- ***Cash records were incomplete and inaccurate***

**2.34** All schools fall under the authority of the Ministry of Education, which is expected to play a leading role in providing guidance and advice on the management of cash. There are basic requirements that must be met by any collector of cash. As all schools engage in the same type of cash activity, their accounting systems should be consistent to facilitate monitoring, and reporting.

**2.35** We found that the type and format of accounting records varied among schools. While a few schools maintained basic records like cash books, receipt books, bank deposit books, cheque books, invoices/bills, and bank statements, the majority of schools had very poor, or no records at all. In our sample, 22 percent of the schools did not maintain a cash book or prepare an income and expenditure statement. Some cash books did not capture important details such as invoice number, amount, and date of receipt. We found that 11 percent of the schools did not issue receipts when revenue was received. Subsidiary records were poor or non-existent. One school was without a bursar before and during the time of the audit which resulted in financial transactions not being recorded.

**2.36** Some schools were able to open and maintain bank accounts that were unknown to the Ministry. Bank reconciliation statements were not regularly prepared. Although 67 percent of the schools attempted to reconcile their bank accounts, only one school did it satisfactorily. The audit team was not able to verify bank reconciliations against the source documents as many documents were missing.

**2.37** We interviewed Ministry officials who indicated that information on the proper maintenance and format of accounting records was communicated to bursars through regular meetings; however, we found that bursars were not aware of what records to maintain or how to maintain them. The bursars acknowledged attending some meetings, but not often enough to effect meaningful changes. We found that bursars used their judgment and knowledge of cash accounting in establishing cash records rather than following the Ministry's guidance.

- ***Schools did not have adequate internal controls over cash***

**2.38** Principals and bursars are responsible for recording and accounting for cash in their care. Cash by its nature is a high risk asset and therefore, there is a greater risk that cash can be used inappropriately. Consequently, it is important that schools have controls to safeguard against improper handling and misuse of cash.

**2.39** We found that there were no internal controls over cash at most schools. Bursars did not manage or hold all the cash that was collected. In addition, there was no segregation of cash-related duties. Most bursars performed these functions:

- collecting cash
- maintaining cash records
- banking
- writing cheques
- preparing reconciliations
- financial reporting

- ***Principals and bursars were not familiar with the Financial Regulations***

**2.40** The *Financial Regulations* provide guidance on accounting for receipts and payments.

**2.41** We found that school principals and bursars were not familiar with the Financial Regulations. Consequently, each school established its own cash system and procedures, which were not in accordance with the regulations, Ministry guidelines, or best practices.

**2.42** We were not able to verify the total cash collected and spent because funds were combined and the accounting records were poorly maintained. Those poor accounting practices coupled with the lack of standardization for accounting for cash increased the risk of funds being misused and unaccounted for.

- ***There was poor accounting for petty cash transactions***

**2.43** A petty cash imprest fund is established to make purchases of minor items when it would be impractical to write a cheque for small amounts.

**2.44** The Financial Regulations give guidance on how petty cash imprest funds should be maintained.

**2.45** We found that petty cash payments were not always recorded. Some schools spent beyond their petty cash limit and payments were not supported by bills or vouchers.

**2.46** Most schools simply spent out of the cash collected for specific activities and called it petty cash. We found little evidence that funds were replenished as required.

## Recommendations

**2.47** *The Ministry should establish guidelines for principals, bursars and other school staff to assist in maintaining financial records including petty cash. The guidelines should give clear instruction on proper recording systems for revenue and expenditure and documents to be generated and maintained.*

**2.48** *The accounting records and source documents should be consistent throughout schools.*

**2.49** *The Ministry with the assistance of school principals should establish strong internal controls over cash to minimize the risk of loss or misuse.*

**2.50** *The Ministry should make available to principals and bursars a copy of the Financial Regulations and further, to provide regular training in preparing the necessary financial reports and reconciliation of accounts in accordance with standard accounting practices.*

## Monitoring and supervision by the Ministry

- ***The Ministry did not provide sufficient guidance to schools on managing cash***

**2.51** The Ministry did not establish adequate standards or guidelines for accounting and reporting by schools.

**2.52** Schools were required to submit monthly financial reports to the Ministry.

**2.53** A record was made of the frequency of submissions by schools, but we saw no evidence of feedback to schools on those reports.

**2.54** The Ministry sent notices to bursars from time to time on the format of cash records however, the bursars indicated that those notices were too infrequent.

- ***The Ministry did not monitor cash in schools***

**2.55** The Ministry is expected to monitor the cash operations at schools. The school principals should also monitor the cash operations on a daily basis.

**2.56** Regular monitoring is important as it allows the Ministry and Principals to identify and rectify problems on a timely basis thus reducing the risk of improper practices.

**2.57** We found that the Ministry did not monitor the cash operations at schools. Our meetings with school officials indicate that Ministry officials hardly visited the schools to discuss cash management issues.

**2.58** Without proper monitoring, there is a risk that issues of non-compliance with policy, procedures, and guidelines will go undetected and not be addressed by the Ministry.

***Recommendations***

**2.59** *The Ministry should provide regular guidance to schools through workshops, bulletins, notices etc. on proper cash management.*

**2.60** *The Ministry should conduct periodic assessments and regular reviews of schools' cash operations in order to identify and rectify problems on a timely basis, thus reducing the risk of improper practices.*

**CONCLUSIONS**

**2.61** Our overall conclusion is that cash management in most schools was poor and there must be greater coordination and interaction between the Ministry and school principals. Policies, guidelines and controls must be developed by the Ministry to manage cash operations in schools.

***Grants, subventions and donations***

**2.62** We concluded that grants, subventions and donations were not managed properly by the assisted schools. Two assisted schools received grants and subventions but these were not accounted for, and not all donations were disclosed.

***Facilities fees and other revenue activities***

**2.63** We concluded that facilities fees and other revenue vary significantly and unfairly among schools. Secondary education is free yet parents, guardians and students are subjected to wide ranging differences in the cost of fees and charges for the same services, depending on the school the student attends. Not only are there wide ranging differences in the sum of monies raised by schools through fees, but also there are no guidelines on how monies raised should be used. We were not presented with the legal or other relevant authority for schools to charge fees.

***Record keeping***

**2.64** We concluded that record keeping for the management of cash was poor and grossly inadequate in most schools. The bursars did not maintain accurate and complete records. Further, the majority of schools examined did not prepare regular reports of cash transactions. Although some school principals and bursars tried their best to manage the cash activities at their schools, the absence of standardized record keeping and proper guidelines in place for authorizing, recording, monitoring, supervising, safeguarding and reporting of cash transactions made it very challenging. One school was without a bursar and as a result, financial transactions were not recorded.

**2.65** We concluded that schools did not have established internal controls over cash activities. Moreover, school officials were not familiar with the Financial Regulations. Consequently, the system was not geared to minimize the risk of errors or irregularities.

***Monitoring and supervision***

**2.66** We concluded that the Ministry did not monitor and provide enough supervision to the satisfaction of most school principals and bursars.

**2.67** Further, the Ministry does not have a mechanism in place for regular reviews of cash operations in schools. Without proper monitoring, there is a risk that issues of non-compliance with policy, procedures, and guidelines will go undetected and not addressed on a timely basis.



**APPENDIX I**

**TOTAL POPULATION**

District.	No. of Primary schools	No. of secondary schools	Number of bursars Primary schools	Number of bursars secondary schools
1	11	3	1	3
2	7	4	1	4
3	8	4	1	4
4	10	3	1	3
5	11	4	1	4
6	10	3	1	3
7	11	2	1	2
8	7	1	1	1
	<b>75</b>	<b>24</b>	<b>8</b>	<b>24</b>

**SAMPLE SIZE**

	Secondary Schools	District	Category	Bursar
1	St. Mary's college	2	Assisted School	1
2	St. Joseph's Convent	3	Assisted School	1
3	Sir Ira Simmons secondary	2	Non Assisted	1
4	Marigot Secondary	4	Non Assisted	1
5	Piaye Secondary	7	Non Assisted	1
	Secondary Schools	District	Category	Bursar
6	Babonneau Secondary	1	Non Assisted	1
7	Vieux-Fort Secondary	6	Non Assisted	1
8	Soufriere Comprehensive	8	Non Assisted	1
9	Vide Boutielle Secondary	2	Non Assisted	1

	Secondary Schools	District	Category	Bursar
	<b>Primary Schools</b>			
1	Vide Bouteille Combined	2		1
2	Carmen Rene Memorial	2		
3	Carmille Henry Memorial	2		
4	Gordan & Walcott Memorial	2		
5	Anglican Infant	2		
6	Canon Laurie Anglican Primary	2		
7	Morne Du Don Combined	2		
	<b>16 schools or 16%</b>			<b>10 bursars or 31%</b>

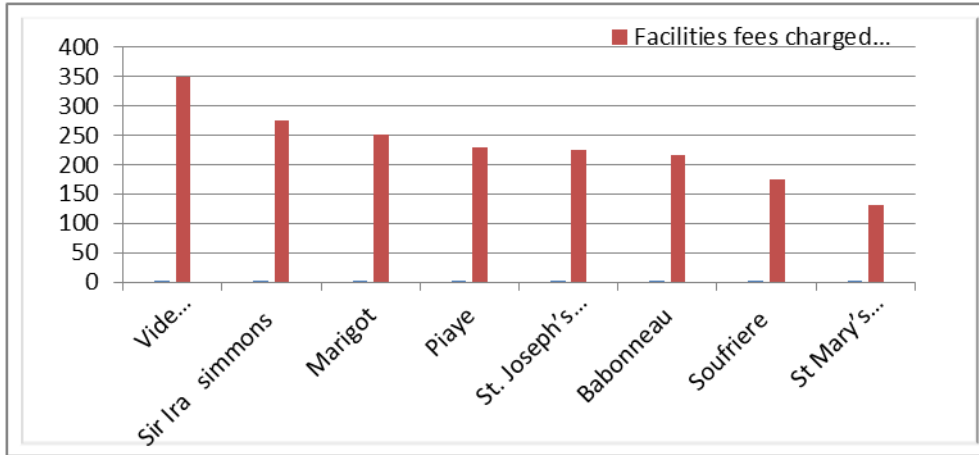
**2.68** We chose one secondary school from each district and primary schools from district 2.

**2.69** The sample size represents 38% of the secondary school and 9% of the primary school population or 16% of the total school population and 31% of bursar population.

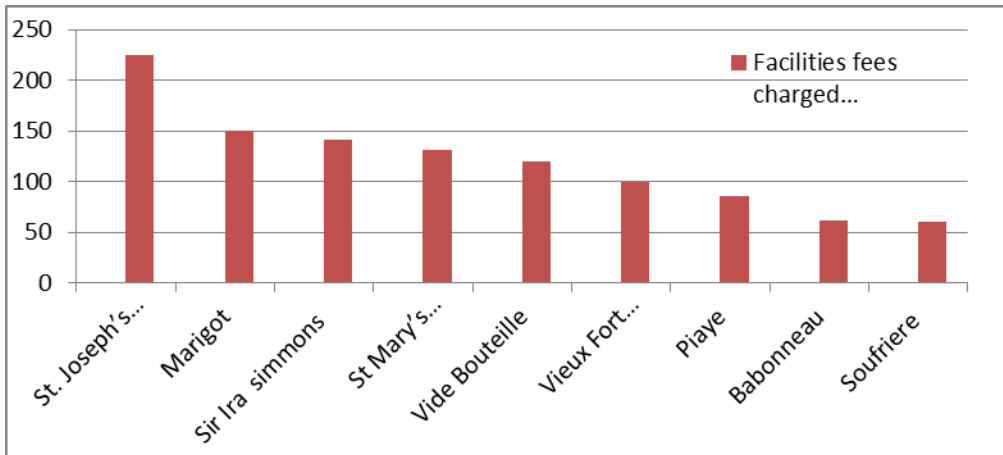
**APPENDIX II**

Wide variances of facilities fees charged among schools.

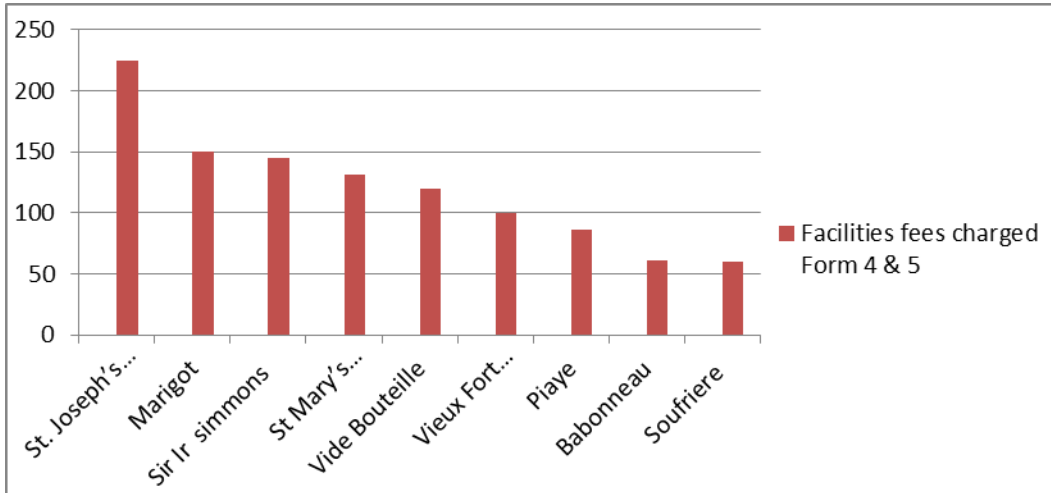
**Form 1 (from a low of \$175.00 to a high of \$425.00)**



**Form 2 to 3 (from a low of \$60.00 to a high of \$225.00)**



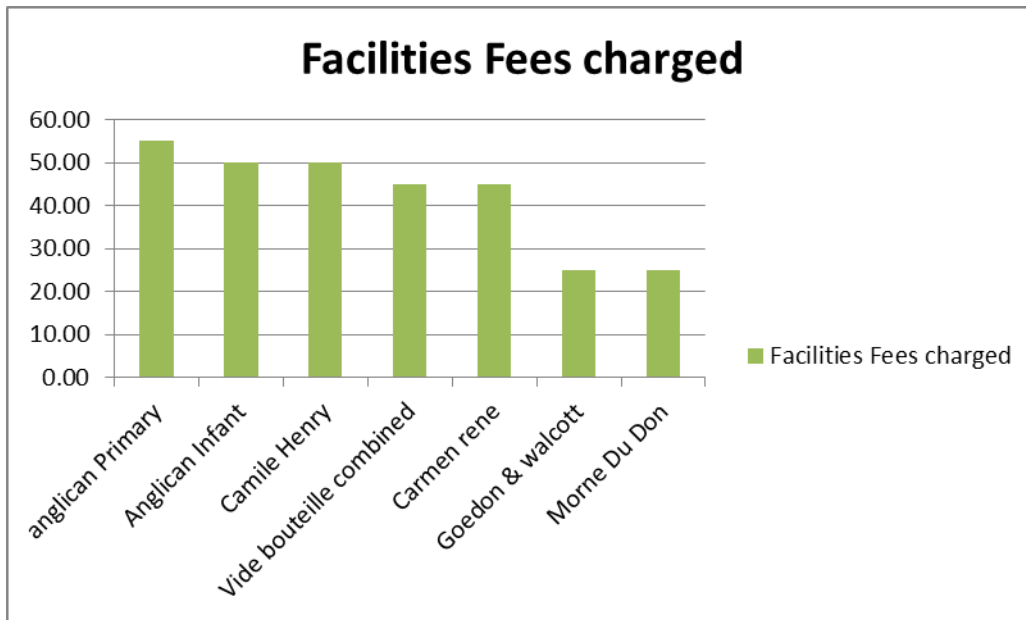
**Form 4 to 5 (from a low of \$60.00 to a high of \$225.00)**



**APPENDIX III**

**Facilities fees charged in primary schools.**

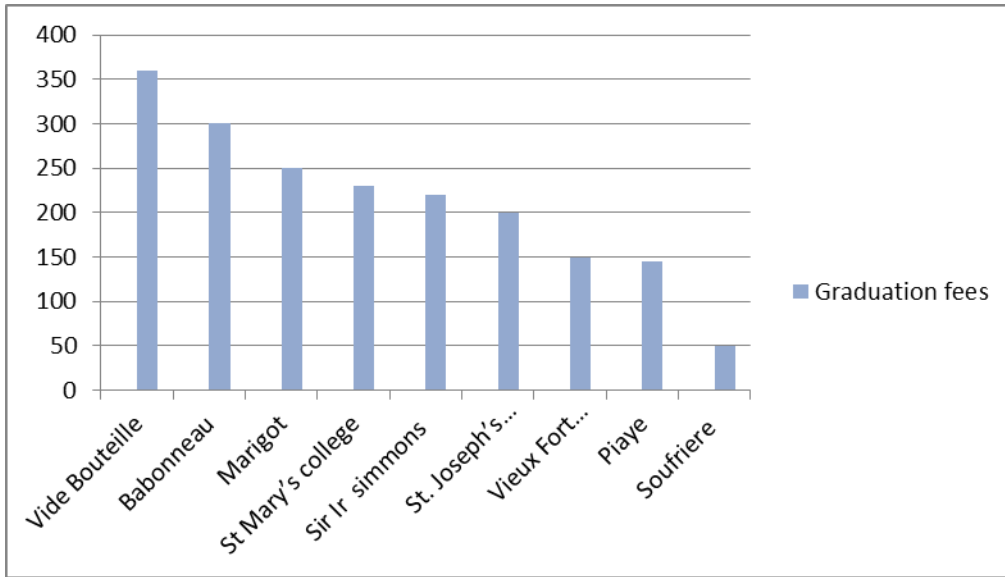
**(From a low of \$25.00 to a high of \$55.00)**



**APPENDIX IV**

Graduation fees across secondary schools.

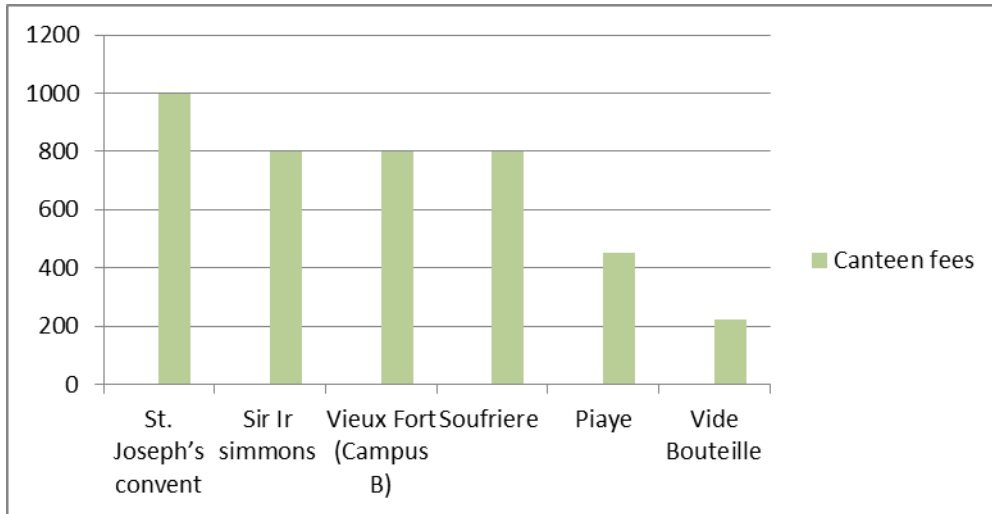
**(From a low of \$50.00 to a high of \$360.00 monthly)**



**APPENDIX V**

Canteen rental charged at different schools.

**(From a low of \$250.00 to a high of \$1000.00 monthly)**





## **MINISTRY OF COMMERCE - AUDIT OF THE SUPPLY WAREHOUSE**

### **BACKGROUND**

**2.70** The Supply Warehouse is the commercial arm of the Ministry of Commerce, Industry and Consumer Affairs. The Unit came into being about thirty (30) years ago under the provisions in the External Trade Act 1968 and the Distribution and Price of Goods Act No. 23 of 1967. The Warehouse was then called Price Control and Supply Department and headed by a Price Control and Supply Officer.

**2.71** The Supply Warehouse was established as a means of providing basic commodities to the consuming public at affordable prices. It is responsible for procuring, selling and distributing bulk supplies of Rice (parboiled and white), Sugar (brown and white) and Flour (white and whole-wheat). Given that world market prices of supplies of Rice, Flour and Sugar are not stable, it was and still is necessary for the Government to provide these basic food items to ensure that local prices remain stable for consumers.

**2.72** The Supply Warehouse commenced operations with about four (4) employees and has grown almost tenfold to thirty-eight persons. The overall responsibility for the operations of the Warehouse is presently that of the Director of Consumer Affairs. The day-to-day operations of the Unit fall under the purview of the Deputy Director, Consumer Affairs. Warehouse operations are the responsibility of the Warehouse Manager.

### **AUDIT ENGAGEMENT AND OBJECTIVE**

**2.73** The Office of the Director of Audit was engaged to conduct an audit of the operations of the Supply Warehouse of the Ministry of Commerce, Industry and Consumer Affairs. The Ministry required:

- An assessment of procedures and documents used in receiving, handling, recording, reporting and disposal of (sale or non-sale items) the following categories of stock:
  - Full bags in good condition;
  - Damaged and wet bags;
  - Donations; and
- Recommendations that would enhance the efficiency of the operation.

**2.74** Therefore, in relation to the above the overall objective of the audit was to assess the procedures and review the documents used in receiving, handling, recording, reporting and disposal of stock, with respect to full bags in good condition; damaged and

wet bags; donations and to develop recommendations that would enhance the efficiency of operations.

## **SCOPE AND METHODOLOGY**

**2.75** The audit covered the period April 01, 2006 to March 31, 2010 (4 years).

**2.76** To achieve the audit objective, we focused on the internal controls in existence over the functions of receiving, handling, recording, reporting and disposal of stock. During our audit we conducted interviews with management and staff of the Ministry of Commerce and the Supply Warehouse and reviewed the key legislation, policies and guidance underpinning the Warehouse's operations.

**2.77** We documented the systems in place for receiving, handling, recording, reporting and disposal of stock in the categories identified in our terms of reference. We performed documentation reviews of policies, procedures and guidelines developed for the Supply Warehouse. We conducted walk-through of systems to observe and test for breaches in controls.

**2.78** Also, we conducted site visits to the Wharf to observe shipside sales and at the Deglos Sanitary Landfill to observe the disposal of condemned commodities.

## **AUDIT FINDINGS AND CONCLUSION**

**2.79** The audit determined that there were significant weaknesses and breaches in the internal controls over inventory management with regards to receiving, handling, recording and reporting functions.

**2.80** There is a critical need for management to tighten controls over inventory management in order for the Supply Warehouse to operate efficiently and to minimize losses. This means adhering to the legislation and policies which govern its operations.

**2.81** In addition to the Revised Laws of Saint Lucia, 2008 Cap 15.01 (Procurement and Stores Regulations), the Supply Warehouse has an Operations Manual that documents all the procedures for the various operating activities. The document is fairly updated and helps to provide an environment that fosters strong internal controls. The manual was also developed in order to provide a reference document to staff in the execution of their duties.

**2.82** The Ministry of Commerce has the overall responsibility for the operations of the Warehouse. Therefore, it is incumbent upon management of the Ministry to establish, maintain, and review a sound internal control structure that will help to reduce the risk of asset loss.

**2.83** During the audit period the total cost incurred on the main stock of sugar, flour and rice was:

Year	Total Cost (\$)
2006/2007	24,630,645.10
2007/2008	26,482,064.13
2008/2009	42,319,959.31
2009/2010	39,966,638.73

**2.84** We noted that in the last three years, the Warehouse operations suffered significant losses. The table below shows the losses sustained from the financial year 2007/2008 to 2009/2010.

Financial Year	Net Loss \$
2007/2008	(1,883,040.65)
2008/2009	(14,222,445.29)
2009/2010	(12,451,300.23)

## DETAILED AUDIT FINDINGS

### RECEIPT OF STOCK

- **Total stock sold at shipside was not tallied**

**2.85** It is a requirement of the Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores Regulation) No. 60 (1) that as soon as possible after the receipt of goods, the receiving officer shall examine every item, package or other container to ensure that the goods making up the consignment are exactly equal to the quantity and specifications shown on the accompanying invoices, delivery notes, packing-slips or other documents.

**2.86** In addition to the above requirement, the Warehouse's operations manual requires the Tally Clerk to make certain that actual quantities offloaded from vessels at the ports correspond with the quantities that are manifested, according to the supplier's invoice and the quantities which are delivered to customers at the warehouse.

**2.87** Our audit revealed that the Tally Clerk did not comply with the requirements of the manual or regulations because not all the stock sold at shipside (shipline sales) was tallied. We were informed that it is standard practice to tally only the stock transported directly from the wharf to the warehouse and not the stock transported directly to the customers' business place from the wharf. Further, Warehouse personnel were not present when the containers were de-stuffed. The tally sheet showed a quantity of stock as shipside sales, however, the quantity was based on the supplier's invoice.

**2.88** Our audit determined that the Warehouse was not in a position to independently certify the quantity of stock actually received in those containers because an independent tally was not done. In the absence of this control, the Warehouse was not in a position to attest to any shortages or damages if such claims were made.

**2.89** Therefore, **we recommend that the Tally Clerk from the Warehouse should be present and perform an independent tally of the stock whenever the containers are de-stuffed.**

- **Non-existence of a policy for refunds to customers for shortages from shipside sales**

**2.90** Due to the operations of the Warehouse, there should be a policy in place to address issues that are likely to occur in the business of retailing or selling. Therefore, the Warehouse should have an approved policy that addresses issues such as refunds of merchandise, options and conditions for returns, wrong shipments, etc... The policy would protect the customers and the Warehouse and should be in keeping with the prevailing legislation such as the Consumer Rights Act.

**2.91** The audit determined that the warehouse did not have a policy to guide the manner in which refunds were given to customers who claimed shortages from sales made shipside.

**2.92** From the sample of tally sheets selected, we noted a number of shortages. The audit determined that revenue of \$75,055.08 was lost over the four-year period due to those shortages. It was explained that most of the shortages were from shipside sales and the customers were refunded accordingly.

**2.93** Verbal reports of the shortages were made to the Warehouse Manager and customers were refunded from the tallied stock in the Warehouse. In addition, the refunds were not reported on the stock cards or the commodity registers.

**2.94** The practice of refunding customers based on verbal requests is very alarming. Given the current mode of operation at the Warehouse it was very likely that customers were refunded for shortages that were not genuine.

As we stated previously, the goods were taken directly to the customers' business premises from the wharf, without the Warehouse performing an independent tally of the quantities that were de-stuffed from the containers and sent to the customers. This was certainly a weakness in internal control that would certainly encourage fraudulent practices.

**2.95 We recommend that the Ministry should investigate the issue of refunding customers for shortages with a view to instituting the necessary measures as well as establishing a refund policy to guide the staff in executing their duties.**

- **Accounting records were in a deplorable condition and unsuitable for auditing**

**2.96** Under the Revised Laws of Saint Lucia, 2005, Cap 15.01 (Financial Regulations) accounting officers are responsible for the care and safe-keeping of receipts, payments instruments and other accounting records in their custody and shall retain them until they are destroyed in accordance with Regulation 157.

**2.97** Most of the sales receipts needed for the performance of the audit were damaged and infested with insects making them unfit for handling by the auditors. (Figure 1) Consequently, the auditors were not able to carry out the audit procedures designed to verify the transactions contained in these records.



***Figure 1. Damaged accounting records***

**2.98** The Warehouse Manager explained that the records were stored in a room behind the cashiers' booth and were severely damaged, as a result of major flooding from a busted pipe. He explained that attempts were made to save the records by drying them, but some were so severely damaged that the attempts proved futile.

**2.99** We noted that subsequent to this incident, the storage facilities at the Warehouse were improved and records were stored securely in a built-in-cupboard.

- **Stock received by the Warehouse was not always reconciled with the suppliers' invoices and bills of lading**

**2.100** In keeping with the requirements of the Revised Laws of Saint Lucia, 2005, Cap 15.01 (Procurement and Stores Regulations) No. 59(1), officers who receive goods should ensure that the goods received are in accordance with the goods invoiced.

**2.101** Also, under Regulation No. 60(1) of the Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulations) as soon as possible after the receipt of goods, the receiving officer shall examine every item, package or other container to ensure that the goods making up the consignment are exactly equal to the quantity and specifications shown on the accompanying invoices, delivery notes, packing slips or other documents.

**2.102** Our audit determined that the stock received was not always reconciled with the suppliers' invoices. In response to this finding, the Stock Verifier explained that on several occasions these documents were not available at the time the goods were received. The matter was reported to the Warehouse Manager but action was not taken to remedy the situation.

**2.103** The requirement to always reconcile the stock received by the Warehouse with the suppliers' invoice and the bills of lading is an extremely important control. This control aims to ensure that commodities invoiced are the commodities that are actually received and suppliers are not paid for commodities that are not received.

**2.104** We recommend that the Ministry should issue a directive to the staff especially the store keeper who should have the suppliers' invoices and bills of lading available, to always reconcile the information on these documents with the goods received.

- **Payments were made to suppliers without verifying the quantities received against the invoices**

**2.105** An accounting officer or an officer duly authorized by him or her who signs or authorizes a payment instrument certifies to the accuracy of every detail set out in the instrument and is responsible for ensuring that computations and costings have been verified and are arithmetically correct and that the stores purchased have been correctly received and put to use or taken on charge according to the Revised Laws of Saint Lucia, 2008, Cap 15.01 (Financial and Stores Regulation) No. 72 (d) and(f).

**2.106** We noted that quantities on the suppliers' invoices were not verified against the stock received by the Warehouse before payments were made to the suppliers.

**2.107** From the sample of invoices examined, the corresponding tally sheets showed eleven (11) instances where the goods received were less than the goods invoiced and four (4) instances where the goods received were more than the goods invoiced. In all instances the suppliers were paid in full. These shortages included:

Supplier	Invoice Date	Invoice No.	Commodity	Quantity as per invoice and bill of lading (bags)	Quantity actually received (bags)	Shortage (bags)	Cost of Shortage \$
Guyana Sugar Corporation	06.02.08	S08045	Brown sugar	1000	960	40	2,999.20
Barbados Mills	22.02.08	ELC08022	Wheat flour	1,020	995	25	1,827.50
East Caribbean Rice Mill	13.10.07	14933/07	Wheat flour	10,455	10,323	132	9,649.20
Guyana Sugar Corporation	02.03.06	S06064	Brown Sugar	10,000	9,937	63	4,723.74

**2.108** As a result, the government paid for goods that were not received. These shortages were not reported to the Ministry.

**2.109** We recommend that the Ministry should issue a directive to warehouse personnel to verify the quantities of stock actually received before the invoices are certified and paid to the suppliers. As well, reports of all shortages and overages should be communicated to the suppliers.

#### HANDLING OF STOCK

- The employees were not provided with the necessary protective clothing

**2.110** The Revised Laws of Saint Lucia, 2008, Cap 16.02 (Occupational Health and Safety Act) No. 3 (e) instructs employers to provide his or employees with any personal protective clothing and equipment where adequate protection against risks of accident and injury to health cannot be provided by other means.

**2.111** In addition, Clause 34.4 (a) of the collective agreement between the National Workers Union requires all employees working in unsanitary or dangerous conditions to be supplied with the necessary tools, safety equipment and protective clothing.

**2.112** According to the entity's operations manual, porters are entitled to receive uniforms comprising shirts, pants and shoes that should be worn for the purposes for which they were purchased.

**2.113** The stackers are entitled to protective gears such as overalls, supportive belts, helmets, respirators, gloves and boots given the nature of the work. Warehouse Supervisors and Porters are to use helmets whilst on duty.

**2.114** The audit revealed that the employees were not provided with the necessary protective clothing and gears to execute their duties. Some employees wore uniforms that was issued many years ago, and were in poor condition because of prolonged use. The uniforms were definitely unsatisfactory for use at work. (Figure 2). Others had no protective clothing at all.



**Figure 2 – Damaged shoes worn by warehouse employee**

**2.115** Also, the Warehouse Supervisor, Stock Verifier and Tally Clerk were working without respirators. These employees were stationed near the entrance of the main store area in the warehouse and were exposed to the dust and airborne particles from the flour.

**2.116** In general, employees were performing their duties without the necessary protective clothing and gears to safeguard them against health and occupational hazards such as respiratory problems.

**2.117** We note that the Ministry of Commerce and the St. Lucia Premier Safety Products entered into a contractual agreement for the supply of protective clothing and gears for warehouse personnel. This agreement was signed on September 14, 2010. The supplier was paid thirty percent (30%) of the contract price equivalent to \$7,225.62 on September 21, 2010 in keeping with the payment terms of the contract. However, at the time we conducted our audit (February 2011) the Ministry had not yet received the items from the supplier.



**2.118** Although the contract did not specify the time frame in which the items should have been delivered, we are of the opinion that given the date that the contract was signed it was unreasonable on the part of the supplier, to not deliver the items after five months.

**2.119** We were informed that the supplier was contacted on many occasions and explained that the delays were as a result of customs clearance problems. The supplier promised delivery of the items as soon as the problems were rectified.

**2.120** In light of our findings, **we recommend that the Ministry should:**

- **Provide adequate office accommodation for the Warehouse Supervisor, Stock Verifier and Tally Clerk that would protect them from the elements of the environment.**
  - **Follow-up with the supplier contracted for the protective clothing and explore the avenues available for recourse, since the supplier has not satisfactorily fulfilled his contractual obligations after such a lengthy period of time.**
  - **In future, ensure due diligence by investigating whether suppliers who are awarded contracts are competent and have the capacity to fulfill their contractual obligation.**
  - **Ensure that the terms of the contract always specify a time frame for delivery of items.**
- **Inadequate storage space for containerized cargo**

**2.121** It is expected that whenever an entity like a warehouse expands or upgrades its operations, for example, a shift from bulk cargo to containerized cargo that factors such as additional storage space would be considered to facilitate the changes in its operations.

**2.122** We note that the current facility at Faux a Chaud was designed for storage of bulk cargo. The Ministry has since moved to containerized cargo which requires much more storage space. The audit noted that the current warehouse compound did not have adequate storage space to house the volume of containerized cargo cleared from the wharf. The cargo remained on the wharf for a few days after it was cleared from Customs until storage space became available at the Warehouse.

**2.123** It appears that the Ministry did not consider the additional storage space that would be required for the containerized cargo when the decision was made to shift the operations in that direction. At March 2010, a total of \$102,221.76 was paid to the Saint Lucia Air and Seaports Authority (SLASPA) for storage space.

**2.124** **We recommend the Ministry should address the storage capacity issues faced by the Warehouse by devising a more cost effective strategy.**

- **The pallets used in the Warehouse were in poor condition**

**2.125** It is expected that the pallets used at the warehouse would be of sound construction and strong enough to withstand the load. In situations where pallets are stacked tier by tier, the pallets on the lower level should be strong enough to comfortably support the weight of the pallets at the top.

**2.126** Our audit found that the wooden pallets used by the warehouse were damaged because of wear and tear as a result of frequent usage over a number of years. (Figure 3) Some of the pallets were broken or splintered and in some cases, the metal nails which held the pallets together were protruding. These faulty pallets also contributed to damaged bags of commodities.



**Figure 3. Faulty pallets in use**

**2.127** The Warehouse Manager informed us that the Ministry was aware of the faulty pallets.

**2.128** We recommend that the Ministry should move quickly to replace the existing pallets which are currently in a deplorable condition and unfit for use.

- **Current method of stacking and de-stacking stock contributed to significant loss of commodities**

**2.129** The method employed for stacking commodities is dependent on the type of commodity. In addition, the stability of the stack of commodities is dependent on the following factors:

- Safe relation of height to dimension of the base;
- Sound interlocking of the goods;
- Compact construction and avoidance of transfer stress if any dunnage used for artificial bonding;
- Shape of articles such as boxes, bags and tins;

- Determination of the aggregate weight to be borne by the components in the lowest tier of the stack; and
- Good placing of every component forming part of the stack, with special care taken to avoid overhang on any side or end of a stack intended to be vertical.

**2.130** The commodities received by the Warehouse were stacked using two methods. The first method involved stacking the commodities on a single pallet to a specific height based on the weight of the load, height clearance and the capability of the forklift. The pallets were then taken to the warehouse where they were placed one on top the other.

**2.131** The other method involved, using several pallets which were placed at ground level in the Warehouse in the form of a square or rectangle.

The commodities were arranged on the pallets in rows which were repeated until the stack reaches a certain height with all sides of the stack arranged vertically.

**2.132** The commodities were stacked haphazardly (Figure 4) and sometimes up to the roof level in order to utilize as much space as possible. Consequently, it was impossible to conduct stock counts during periods when stock levels were high.



**Figure 4. Haphazard stacking of commodities**

**2.133** Although the preferred inventory moving method used at the Warehouse was the first-in-first out (FIFO) system, however, sometimes it was impossible to do so because the new stock was always stacked onto the existing stock resulting in the last-in commodities to be first-out. Therefore, given that the shelf life of the commodities was short; the rate of spoilage increased with this inventory moving method.

**2.134** Most of the damages to the bags of commodities were as a result of commodities collapsing from the stack during de-stacking. Bags were sometimes removed from front to back rather than top to bottom causing the bags to slide. For example, we observed a stack of brown sugar where the rows in the lower levels were buckling because the weight of the bags at the top caused the bags to slide down.

**2.135** When bags of commodities were damaged they were sold at reduced prices which resulted in decreased revenue to the government.

**2.136** Based on the preceding, **we recommend that the Ministry should:**

- **Implement standards for stacking and de-stacking of commodities to minimize damages to bags and to ensure the safety of workers from collapsing stacks.**
- **Develop a monitoring mechanism to ensure that the standards implemented are used properly.**
- **Provide training for staff in warehousing operations.**

• **Substantial losses of revenue due to wet and damaged commodities**

**2.137** The Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores Regulation) No. (1)(d) requires storekeepers with stock under their control to prevent occurrences of losses, deterioration, wastage or irregular issues.

**2.138** We conducted an analysis of revenue from the sale of commodities at reduced prices due to damaged or wet bags. Transactions over three months out of each financial year were chosen. The results of the analysis are given in the table below:

**Damaged bags**

**2006/2007 (April to June 2006)**

Commodity	Quantity of damaged bags sold	Weight of bags Sold (Lbs.)	Normal value of bags sold (\$)	Dollar value of damaged bags sold (\$)	Dollar value of loss incurred (\$)	Percentage loss
Whole wheat flour	12	920	1,032.00	791.20	240.80	
Brown sugar	175	11,605	13,090.00	7,891.40	5,198.60	
Refined sugar	149	5,173	8,580.00	5,173.00	3,407.00	
Parboiled rice	111	6,630	11,200.00	6,630.00	4,570.00	
White rice	65	4,589	4,680.00	3,304.08	1,375.92	
<b>Total</b>	<b>512</b>	<b>28,917</b>	<b>38,582.00</b>	<b>23,789.68</b>	<b>14,792.32</b>	<b>38%</b>

**2007/2008 (April to June 2007)**

Commodity	Quantity of damaged bags sold	Weight of bags Sold (Lbs.)	Normal value of Bags sold (\$)	Dollar value of damaged bags sold (\$)	Dollar value of loss incurred (\$)	Percentage loss
Whole wheat flour	11	1,007	946.00	866.02	79.98	
Brown sugar	169	13,222	12,641.20	8,990.96	3,650.24	
Refined sugar	197	5,774	10,835.00	5,774.00	5,061.00	
Parboiled rice	175	11,934	17,500.00	11,934.00	5,566.00	
White rice	24	1,530	1,728.00	1,101.60	626.40	
<b>Total</b>	<b>576</b>	<b>33,467</b>	<b>43,650.20</b>	<b>28,666.58</b>	<b>14,983.62</b>	<b>34%</b>

**2008/2009 (October to December 2008)**

Commodity	Quantity of damaged bags sold	Weight of bags Sold (Lbs.)	Normal value of bags sold (\$)	Dollar value of damaged bags sold (\$)	Dollar value of loss incurred (\$)	Percentage loss
Whole wheat flour	3	288	258.00	247.68	10.32	
Brown sugar	36	3,096	2,692.80	2,105.28	587.52	
Refined sugar	29	2,477	3,190.00	2,477.00	713.00	
Parboiled rice	78	6,576	7,800.00	6,576.00	1,224.00	
White rice	13	1,094	936.00	787.68	148.32	
<b>Total</b>	<b>159</b>	<b>13,531</b>	<b>14,876.80</b>	<b>12,193.64</b>	<b>2,683.16</b>	<b>18%</b>
Whole wheat flour	5	466	430.00	400.76	29.24	
Wheat flour	99	7,892	7,227.00	5,761.16	1,465.84	
Brown sugar	133	10,683	9,948.40	7,264.44	2,683.96	
Refined sugar	57	4,509	6,270.00	4,509.00	1,761.00	
Parboiled rice	95	7,087	9,500.00	7,087.00	2,413.00	
White rice	49	3,870	3,528.00	2,786.40	741.60	
<b>Total</b>	<b>438</b>	<b>34,507</b>	<b>36,903.40</b>	<b>27,808.76</b>	<b>9,094.64</b>	<b>24%</b>

**2009/2010 (October to December 2009)**

**Wet bags**

Commodity	Quantity of damaged bags sold	Normal value of bags sold (\$)	Dollar value of wet bags sold (\$)	Dollar value of loss incurred (\$)	Percentage loss
<b>2006/2007 April – June 2006</b>					
Brown sugar	23	1,724.54	655.00	1,069.54	
Refined sugar	25	1,370.75	535.00	835.75	
White rice	20	1,446.00	410.00	1,036.00	
Parboiled rice	150	15,000.00	2,965.00	12,035.00	
Whole wheat flour	18	1,548.00	475.00	1,073.00	
<b>Total</b>	<b>236</b>	<b>21,089.29</b>	<b>5,040.00</b>	<b>16,049.29</b>	<b>76%</b>

Commodity	Quantity of damaged bags sold	Normal value of bags sold (\$)	Dollar value of wet bags sold (\$)	Dollar value of loss incurred (\$)	Percentage loss
<b>2007/2008</b>					
<b>April – June 2007</b>					
Brown sugar	7	524.86	130.00	394.86	
Refined sugar	142	7,785.86	2,685.00	5,100.86	
Parboiled rice	74	7,400.00	1,570.00	5,830.00	
White rice	1	72.30	10.00	62.30	
Whole wheat flour	8	688.00	110.00	578.00	
<b>Total</b>	<b>232</b>	<b>16,471.02</b>	<b>4,505.00</b>	<b>11,966.02</b>	<b>72%</b>
<b>2008/2009</b>					
<b>Oct. – Dec. 2008</b>					
Brown sugar	40	2,999.20	1,360.00	1,639.20	
Refined sugar	45	4,934.25	3,150.00	1,784.25	
Parboiled rice	29	2,900.00	1,205.00	1,695.00	
Whole wheat flour	37	3,182.00	1,100.00	2,082.00	
<b>Total</b>	<b>151</b>	<b>14,015.45</b>	<b>6,815.00</b>	<b>7,200.35</b>	<b>51%</b>
<b>2009/2010</b>					
<b>Oct. – Dec. 2009</b>					
Brown sugar	394	29,542.12	14,335.00	15,207.12	
Refined sugar	1	109.65	40.00	69.65	
Parboiled rice	28	2,800.00	555.00	2,245.00	
Whole wheat flour	7	602.00	200.00	402.00	
Wheat flour	786	57,456.60	20,175.00	37,281.60	
<b>Total</b>	<b>1,216</b>	<b>90,510.37</b>	<b>35,305.00</b>	<b>55,205.37</b>	<b>60%</b>

**2.139** We are very concerned about the high volume of damaged and wet bags. This issue should be of great concern to the Ministry since it translates to substantial losses of revenue for the Government. Based on our audit we are of the view that the Ministry paid little or no attention to the high volume of stock categorized as damaged and wet bags. The Warehouse submitted monthly sales statements which showed damaged and wet bags that were sold, yet the Ministry failed to investigate the circumstances that contributed to the frequency of damaged commodities and to implement action that would alleviate or minimize those circumstances.

**2.140** We recommend that the Ministry should undertake a comprehensive review of the operations of the Warehouse with a view to improving the overall efficiency of operations and reducing the volume of damaged commodities.

## RECORDING OF STOCK

- **The tally book was not always updated**

**2.141** We expect that the Warehouse's accounting records would be updated as soon as transactions take place or are completed.

**2.142** The Stock Verifier maintained a tally book to record the quantities of commodities received by the warehouse.

However, the tally book was not always updated when commodities were received. The audit identified a period of approximately one year from June 03, 2008 to June 29, 2009 where the tally book was not updated. Shortages of commodities recorded on the tally sheets were not recorded in the tally book.

**2.143** The Stock Verifier explained that she was unable to keep the tally book up-to-date because of the volume of work. We noted that as of September 2009, an officer from the Ministry of Commerce was assigned to the Warehouse to assist the Stock Verifier.

**2.144 We recommend that the Ministry should constantly monitor the operations of the Warehouse to ensure that the Warehouse maintains updated accounting records especially records of the quantum of stock received by the Warehouse.**

- **A tally register was not maintained**

**2.145** The Operations Manual Section 4(c) requires that the Warehouse maintains an updated tally register showing a running balance of the physical commodities in inventory. The Tally Clerk, the supervisor of the specific commodity and the Warehouse Manager are expected to sign the tally register as proof of receipt of the quantity of goods.

**2.146** Our audit revealed that a tally register was not maintained at the Warehouse. We were given a file containing the suppliers' invoices, bills of lading and tally sheets for each shipment received. The Warehouse referred to this file as the tally register. Based on the manual, the information contained in the file did not satisfy the requirements of the manual and therefore, would not suffice as the tally register.

**2.147 In this regard, we recommend that the Warehouse should maintain a tally register in the required format.**

- **Stock cards and commodity registers reflecting negative stock balances**

**2.148** According to the Revised Laws of Saint Lucia, 2005, Cap 15.01 (Procurement and Stores Regulation) No. 5(1) (c), storekeepers should ensure the correctness of stock balances.

**2.149** We note that the stock cards for some commodities, as well as the commodity register showed negative stock balances for some stock items although there was stock on hand. This occurred because stock cards and commodity registers were not immediately updated when the commodities were received.

**2.150** For example, during the months of December 2007 and January 2008 the stock card for brown sugar showed negative closing balances. However, according to the stock card on December 30, 2007 the warehouse received three thousand five hundred and three (3503) bags of sugar but was recorded on the stock card on January 07, 2008.

**2.151** **We recommend that the stock cards and commodities register should be immediately updated whenever there is movement (receipts/issues/damages) in a particular stock item.**

- **All commodity registers were not submitted for auditing**

**2.152** 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 Saint Lucia, 2008, Cap 15.01 (Financial Regulation) No. 5(1) (g).

**2.153** We were not given all the commodity registers that were requested. As a result, we were unable to determine whether all commodities received were adequately recorded.

**2.154** The officer-in-charge informed us that the commodity registers for the financial years 2006/2007 and 2007/2008 for wheat flour could not be located.

**2.155** **We recommend that all records should be produced when requested by the Director of Audit to facilitate the effective performance of the audit. In addition, the Ministry should take the necessary steps to ensure that the Warehouse records are safeguarded and can be retrieved when needed.**



## REPORTING OF STOCK

- **Weekly and monthly stock reports were not prepared and submitted**

**2.156** According to the Operations Manual for the Supply Warehouse, Warehouse Supervisors are required to prepare and submit weekly stock reports to the Warehouse Manager. Also, the Warehouse Manager should submit monthly records of all activities to the Deputy Director of Consumer Affairs or the Director in the absence of the Deputy for onward submission to the Permanent Secretary of the Ministry.

**2.157** We requested weekly stock reports from the Warehouse Manager and was informed that these reports were not prepared. The Manager explained that in the absence of the weekly reports, daily stock reports were prepared and submitted to the Deputy Director of Consumer Affairs. However, copies of the reports were not kept at the Warehouse.

**2.158** We contacted the Deputy Director for the reports but she explained that for the periods under audit, daily stock reporting was done in an ad hoc manner and reports would only be made upon requests by the Ministry.

Further, the reports were made via telephone or were hand written and faxed to the Ministry. The Deputy Director also indicated that from the beginning of the year 2011, daily stock reports were formally prepared and submitted to the Ministry. The daily stock reports showed only the opening stock balances per commodity for each day.

**2.159** With regards to the monthly stock reports, we were informed that these reports were not prepared and submitted to the Ministry. We found on file, monthly reports of the activities of the Warehouse for May and June 2007. However, these reports contained no information on stock movement such as opening and closing balances, quantities sold, wet, damaged and spoilt stock, disposed stock, shortages and donations made.

**2.160** It is important that the stock reports are prepared in the required format because it is a management tool required for decision making such as re-ordering stock and for sales projections.

**2.161** **We recommend that the Ministry should remind those officers at the Warehouse of their obligation to prepare and submit the stock reports.**

## DISPOSAL OF STOCK

- **Disposed/condemned stock was not always recorded on the stock cards and in the commodity register**

**2.162** Section 5(b) of the Operations Manual states that where necessary condemned commodities are taken out of stock, the process requires the Public Health Inspector to prepare and issue a certificate of condemnation. The signed certificate is the authority used by management of the Warehouse to update all relevant records.

**2.163** On February 01, 2010 certificate number 1234 showed that eighty-five (85) bags of flour were condemned and disposed at the Deglos Sanitary Landfill on February 05, 2010.

**2.164** We could not trace the condemned stock to the stock cards and the commodity register because the condemned commodities were not recorded in these records.

**2.165** Also, the stock card showed that one thousand and twenty (1020) bags of wheat flour were disposed on September 03, 2008 however; the adjustment was not made in the commodity register.

**2.166** The Warehouse Manager explained that the information concerning the condemned stock was not recorded on the cards or in the commodity register for two reasons. The first reason being, that the spoilt commodities may not have been tallied and as a result, the commodities were not recorded on the cards, and in the commodity register.

**2.167** The second reason for the omission could have been that the commodities were tallied and the manufacturer may have agreed to replace them, therefore, it was not necessary to record the condemned commodities.

**2.168** At the time of conducting this audit, the Ministry was negotiating with a supplier to replace or compensate for eighty-five (85) bags of flour that were condemned.

**2.169 We recommend that in order for the Warehouse to have accurate records for the stock, all movement of stock regardless of the condition should be recorded on the stock cards and in the commodity register.**

- **Certificates of condemnation were not submitted for auditing**

**2.170** According to the Revised Laws of Saint Lucia, 2008, 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.

**2.171** We were not given all certificates of condemnation issued during the audited period. This included the certificate of condemnation for a quantity of one thousand and twenty (1020) bags of wheat flour costing \$83,640.00. The stock card showed that the bags of flour were disposed on September 03, 2008.

**2.172** The Warehouse Manager informed us that all certificates were sent to the Ministry of Commerce. We requested the certificates from the Ministry, but we were informed that they were archived and every effort would be made to have them available before the completion of the audit. Unfortunately, the audit was completed and the certificates were not presented.

**2.173** All certificates were necessary in order for the audit to determine whether there was proper authorization for the disposal and to verify the accuracy of the quantities disposed.

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

## **ACCOUNTANT GENERAL – SURPRISE CHECKS OF THE CASH IMPREST IN MINISTRIES AND DEPARTMENTS**

### **Scope and Purpose**

**2.175** We conducted surprise checks of Petty Cash/Imprest funds, at seventeen Ministries and Departments during the period January 20 to February 1, 2012. The objective was to assess the adequacy of internal controls over petty cash, and to determine whether the entities complied with the Revised Laws of Saint Lucia Cap. 15.01 Finance (Administration) Act Section 30, the Revised Laws of Saint Lucia Cap. 15.01 Financial Regulations No. 106 to 112 and the Accountant General's Circulars No. TD 17/1999 and TD 15/2000.

**2.176** We did not evaluate the overall internal control structure of the ministries and departments. Our examination was designed to evaluate procedures and processes in place for petty cash imprests, test for compliance with regulations, policies and procedures and provide recommendations where necessary.

**2.177** Management is responsible for establishing and maintaining a system of controls to adequately safeguard cash as an integral part of the overall internal control structure. According to the Revised Laws of St. Lucia Cap 15.01 Finance (Administration) Act the Accountant General shall-

- Ensure that proper and adequate accounting systems are established and maintained in Ministries and Departments of Government both within and outside Saint Lucia
- Report to the Director of Finance in writing any defect in departmental control of revenue, expenditure, cash, stamps, stores and other property and any breach of non-observance of the Financial Regulations ...

**2.178** Therefore, the Accountant General's Department has the ultimate responsibility for ensuring that internal control systems across government are established and are properly maintained, to provide reasonable, but not absolute, assurance that cash as an asset is safeguarded against unauthorized use or loss. This assurance can be achieved by test of controls in the form of surprise checks of cash imprest given to the various government Ministries and Departments. The Office of the Director of Audit who is the government's external auditor, endeavored to carry out surprise checks of the cash imprests in order to satisfy itself that the internal control systems governing cash is adequate.

## **INTRODUCTION**

**2.179** A cash imprest is a fixed sum of money advanced to Ministries and Departments to facilitate small purchases of goods and services.

**2.180** During the period January 20 to February 1, 2012 we conducted unannounced checks of the petty cash imprest that are maintained by the following ministries and departments:

Ministry/Department	Petty Cash/ Imprest Amount \$
Government Information Services	2,500.00
Ministry of Home Affairs and National Security	2,000.00
Ministry of Agriculture, Food Production, Fisheries and Rural Development	2,000.00
Ministry of Education, Human Resource Development and Labour	1,500.00
Office of the Prime Minister	2,500.00
Ministry of Infrastructure, Port Services and Transport	2,000.00
Ministry of External Affairs, International Trade and Civil Aviation	2,000.00
Gros Islet Polyclinic	1,000.00
National Printing Corporation	2,000.00
Fire Services Department	2,000.00
Parliament Office	2,000.00
Ministry of Health, Wellness, Human Services and Gender Relations	1,500.00
Ministry of Housing and Urban Renewal	2,000.00
Vat Implementation Project Office	2,000.00
Ministry of Commerce, Business Development, Investment and Consumer Affairs	2,000.00
Ministry of Social Transformation, Local Government and Community Empowerment	2,500.00
Accountant General's Department	2,000.00
	2,500.00
<b>Total</b>	<b>38,000.00</b>

**2.181** While the sum of initial imprest disbursement was \$38,000.00, we must draw attention to the fact that these imprests are replenished regularly. Thus petty cash disbursed to these ministries and departments could well exceed ten times the amount of the initial disbursement.

**AUDIT FINDINGS AND RECOMMENDATION**

**2.182** Of the petty cash accounts examined we noted that the main issue was that of supervision. While most imprest are maintained by the person named on the imprest warrant (normally a senior accountant) we saw no evidence that the petty cash/imprest fund was reviewed by a supervisor within the ministry or department.

- **Cash Shortage**

**2.183** On January 25, 2012, our examination of the Imprest account (No. 55 of 2011/12) issued to one of the departments revealed a shortage of \$610.01.

**2.184** The imprest was issued for \$2,500. We verified expenditure of \$1,681.56 and cash on hand of \$204.43. Therefore the cash was short by \$601.10. The holder of the imprest informed the auditors that she used the cash for her personal expenses due to an emergency.

**2.185** Although the full amount of \$610.01 was replaced in the auditors' presence, of concern to us is the fact that this incident occurred without detection. We saw no evidence that the officer's supervisor made periodic checks of the petty cash imprest. Had there been regular supervisory checks, the discrepancy would have been discovered and appropriate action could have been taken. Given the present system, there is no assurance that misappropriation of imprest funds will not reoccur.

**2.186** Regular supervision is a key element in minimizing errors or irregularities and if done regularly and consistently it will definitely help to deter employees from using government's cash inappropriately. With the high volume of cash that is given as imprests, it is therefore necessary for the Accountant General's Department to highlight to the various Ministries and Departments the need for close supervision of persons maintaining the petty cash imprests within those Ministries and Departments.

### **Recommendations**

**2.187** We therefore strongly recommend that:

- **The Accountant General's Department performs regular unannounced checks of the petty cash/imprest funds.**
- **Heads of Ministries and Departments have systems in place to ensure consistent supervision of those who are entrusted with the responsibility of operating of the petty cash imprests.**

## **MINISTRY OF HEALTH – INVENTORY MANAGEMENT, ST. LUCIA NATIONAL WELLNESS CENTER**

### **BACKGROUND**

**2.188** The Government of Saint Lucia through the Ministry of Health, Wellness, Family Affairs, National Mobilization, Human Services and Gender Relations embarked on a process of reforming the mental health services through the establishment of the Mental Health Reform Project Office in February 2007. The major themes for a reformed mental health system centered around the expansion of existing services to include continuum of care options from primary prevention to highly specialized services for people with serious disorders as well as a complete integration of mental health services into the mainstream health service delivery system. This was led by the development of a national mental health policy, the drafting of new legislation and the development and launching of a public education campaign.

**2.189** The highlight of the reform process was the introduction of full-time community mental health teams to provide a range of care options around the country and the commissioning of the newly constructed one hundred and eight (108) bed facility, the Saint Lucia National Mental Wellness Centre (SLNMWC) comprising six (6) patient units (extended acute, acute, rehab I, rehab II, rehab III and rehab IV), the administrative and the diagnostic buildings.

**2.190** The overall responsibility for the day-to-day operations of the SLNMWC is presently that of the Executive Director, Mental Health Services. The accounting function is the responsibility of the Accounting unit of the Ministry of Health, Wellness, Family Affairs, National Mobilization, Health Services and Gender Relations; sourcing of stores and certification of supplier invoices lies with the SLNMWC.

**2.191** The types of inventory carried by the SLNMWC include household and dietary stores, pharmaceutical drugs, maintenance stores, furniture, equipment and tools. Furniture and equipment were provided by central government and donations from external agencies such as the Taiwanese Government.

### **AUDIT OBJECTIVES**

**2.192** The Office of the Director of Audit conducted an audit of Inventory and Stores Management System of the St. Lucia National Mental Wellness Centre of the Ministry of Health, Wellness, Family Affairs, Human Services and Gender Relations. The objectives of the audit were:

- To assess the system of inventory and Stores management and accounting procedures at the entity to determine the extent of compliance with government's regulations, policies and procedures; and
- To develop recommendations that would enhance the efficiency of inventory and stores management at the Centre.

## **SCOPE AND METHODOLOGY**

**2.193** The audit covered the period April 01 to October 31, 2011.

**2.194** We conducted interviews with management and staff of the Ministry of Health and the St. Lucia National Mental Wellness Centre; we reviewed the policies, procedures and regulations governing stores and inventories; we documented the internal control systems in place and conducted walk-throughs to observe and test for breaches and or weaknesses in the internal control system. We also counted inventories and stores on hand on November 02 and November 03, 2011.

## **AUDIT FINDINGS AND CONCLUSION**

**2.195** The audit determined that there were significant weaknesses and breaches in the internal controls over inventory and stores with regards to recording, purchasing issuing and disposing. We note several instances where the entity did not adhere to government's policies, procedures and regulations.

**2.196** Based on the findings of our audit, we concluded that there is a critical need for the SLNMWC to tighten its internal controls over inventory and stores in order to operate efficiently and to minimize the risk of loss or misuse.

**2.197** The Ministry of Health has the overall responsibility for the operations of the SLNMWC. Therefore, it is incumbent upon management of the Ministry to monitor and review the internal control system of the SLNMWC to help promote efficiency and reduce the risk of asset loss.

## **DETAILED AUDIT FINDINGS**

### **Recoding Keeping**

#### **Equipment and tools registers as well as inventory forms contained incomplete information**

**2.198** Every item of equipment should to be recorded in an Equipment Register in accordance with The Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores Regulations) No. 43(1). Section 43(2) of the Procurement and Stores Regulations requires that a tools register should be maintained to account for all items of tools received and issued for use.

**2.199** The entity had computers, printers and photocopiers which were donated by external agencies or provided by the central government.

**2.200** We reviewed the equipment register and found that the name of the manufacturer, the date equipment was received; the source of supply, the period of warranty and the ancillary equipment and spares supplied were not recorded in the register.



**2.201** We found tools such as power drills, hacksaws, chisels, pressure water hose, ladders and pipe wrenches, but a tools register was not maintained. The supervisor of maintenance kept a record of the tools in a note pad, but there was no account of tools issued for use. Consequently, the risk of theft or loss of tools was increased.

**2.202** In addition to the issues concerning the equipment and the tools register we also found that contrary to the Revised Laws of Saint Lucia, 2005, Cap 15.01 (Procurement and Stores Regulations) No. 39(1) some items of inventory were not included on the inventory lists: They included the items listed in the table.

Office/Station	Quantity	Items
Personnel	1	Power strip
	1	Power supply
Executive Director Office	1	Picture
	1	Executive chair
	1	Transformer
	2	Power strips
Room 215	1	Couch
Auditorium	2	Transformers
	3	Power strips
Monitoring Room	1	Sampo screen mouse & multifunction controller
	1	Digital video recorder
	3	Scanner control
	1	Monitor and VU meter
	1	Compact disc player
	1	Public address amplifier
	1	Power amplifier
	1	Remote control microphone
Laundry	3	Chairs
	1	Washing machine
	1	Electric fan
Rehab IV	1	Three-drawers storage cabinets
	2	Waiting chairs
	1	Kettle
	1	Laundry basket
	1	Lantern
Rehab III	1	Kettle
	1	Power strip
	1	Power strip
Clerk Typist Office	1	Guillotine
	1	Power supply
	2	Power strip

**2.203** Further, our audit showed that none of the inventory forms were signed and some of them were not dated by the officers who checked the inventories.

**2.204** In light of our audit findings for equipment, tools and inventory, **we recommend the following:**

- The name of the manufacturer, the date equipment was received; the source of supply, the period of warranty and the ancillary equipment and spares supplied should be recorded in the equipment register.
- A tools register should be maintained and there should be proper accountability for tools, in that, persons receiving and issuing tools should be required to sign the register.
- All items of inventory should be recorded on the inventory forms.
- Checks of inventory should be done at least once a year.
- Officers responsible for checking the inventories should sign and date in the space provided on the forms.

### **Custody and Distribution of Stores**

- **Inadequate accountability for stores**

**2.205** According to the Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores Regulation) No. 33(1) and No. 36 (1) Stores Ledgers for unallocated stores should be maintained and the receipts, issues and balances on hand by quantities should be recorded in the bin cards and registers kept by the storekeeper.

**2.206** The entity did not have a Stores Ledger for dietary, housekeeping and maintenance stores. A material log book was kept for issues of the maintenance stores. The information in the log book included the date the item was issued, description of the item, quantity, location for use and the name of the supervisor issuing the stores.

**2.207** We noted instances where the store keeper failed to sign the bin cards for some of the dietary and household stores that were issued.

**2.208** From the three-month sample of bin cards for dietary and housekeeping stores, we found ten (10) instances where produce was not recorded on the bin cards.

**2.209** Also, we found other items that were not recorded on the bin cards as soon as they were received or issued. The dates when, receipts and issues of stock took place were not in chronological order on the bin cards.

**2.210** Consequently, there were differences between the stock balances on the bin cards and balances obtained from the count conducted by the store keeper. Below are some examples:

Items	Balance as per bin card	Date as per bin card	Balance as per physical count	Date of physical count	Difference
Toilet paper	11 rolls	24/05/2011	960 rolls	24/05/2011	949 rolls
Flour	330 lbs	05/07/2011	180 lbs	05/07/2011	150 lbs
Laundry soaps	368 bars	28/06/2011	348	30/06/2011	20 bars
Tooth paste	1	12/07/2011	25	12/07/2011	24
Luncheon meat	54	05/10/2011	65	06/10/2011	11
Combs	57	09/08/2011	43	16/08/2011	14
Pot scrubbers	72	05/08/2011	55	08/08/2011	17
Toilet soaps	241	06/09/2011	211	08/09/2011	30
Dishwashing liquid	84	18/10/2011	72	24/10/2011	12
Laundry soaps	368 bars	28/06/2011	348	30/06/2011	20 bars
Tooth brushes	6	26/07/2011	72	26/07/2011	66

**2.211** In compliance with The Revised Laws of Saint Lucia, 2005, Cap 15.01 (Procurement and Stores Regulation) No. 68(3), the officer receiving the stores must sign the original and duplicate copies of the store issue voucher in acknowledgement of the receipt of issues and stores.

**2.212** We noted some store issue vouchers were not signed by the requisitioning officer and or the officer receiving the stores. Also, the quantities required were not always entered by the requesting officer.

**2.213** We were informed that due to the shortage of staff and the volume of work it was difficult to get the head nurses to complete the store issue vouchers.

**2.214** Government of Saint Lucia spends a significant amount of its budget on dietary and housekeeping stores for the SLNMWC. Therefore, the internal control system should provide adequate accountability.

**2.215** In light of our findings, **we recommend that:**

- **Stores ledgers should be maintained for dietary, housekeeping and maintenance stores.**
- **A bin card system should be implemented for maintenance stores.**
- **Bin cards for dietary and housekeeping stores should be updated and receipts and issues of stock should be recorded in chronological order.**
- **Regular checks of stores should be conducted.**
- **Store issue vouchers should be completed and signed by all parties concerned.**

- **There was no handing over of stores when the store keeper proceeded on leave and there was lack of segregation of duties**

**2.216** According to the Revised Laws of Saint Lucia, 2008, 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 to support the handing over process.

**2.217** We were informed that the store keeper proceeded on vacation leave in April 2011 and that the domestic assistant was assigned the responsibility of the store keeper. A handing over process to verify the items and note any discrepancies was never undertaken.

**2.218** Also, we note that the domestic assistant who was responsible for the store room in the absence of the store keeper was the same officer requisitioning and receiving stores for the kitchen.

**2.219** This is of serious concern because the same officer who was in charge of the store room was also responsible for requisitioning and receiving stores for the kitchen. Given, the nature of the items in the store room there is a very high risk that misappropriation, theft and loss of stores can take place.

**2.220 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.**
- **The functions of requisitioning and storekeeping should be done by two separate officers.**

**Custody and storage of goods**

- **The store room was in poor condition**

**2.221** Store keepers should keep store rooms clean, properly ventilated and secured from fire and unauthorized entry according to The Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores Regulation) No. 5(4).

**2.222** The audit revealed that the store room was not properly ventilated. Also, there was a large space in the store room ceiling as well as the ceiling of the adjacent room.

**2.223** The store keeper explained that the store room had been in this condition for quite some time. Management was informed but to date the conditions remained the same.

**2.224 We recommend that the Ministry should move quickly to address the deplorable conditions in the store room.**

- **Unsanitary practices by some employees while handling food**

**2.225** Food handlers are expected to display good sanitary practices and should be provided with the necessary gear.

**2.226** We noted that porters served as kitchen staff and they did not wear gloves when handling food. We were informed that the Centre was in the process of purchasing gloves for kitchen staff.

**2.227** We found items such as chicken and turkey packages stacked on the floor. Also, staff did not wash their hands before handling food and produce delivered by suppliers were not washed when they were received. Further, we observed that staff did not use cleaning agents to clean up spills.

**2.228 We recommend that:**

- **The Ministry should train staff in good food handling practices that would prevent or minimize food contamination and the spread of food poisoning and related illnesses.**
- **The necessary safety gear should be provided to all food handlers.**
- **Excess stock of perishable goods resulting in spoilage**

**2.229** According to the Revised Laws of Saint Lucia, 2008, Cap 15.01 (Procurement and Stores) Regulation No. 5(3), store keepers should ensure that stocks are maintained to the required level and shall not permit any shortages or excesses to occur.

**2.230** The bin cards showed a number of items with the description 'spoilage'. For instance on June 03, 2011 one hundred and fifty one (151) pounds of tomatoes were spoilt. Also, in April 2011 two hundred and twenty-seven (227) pounds of banja were spoilt.

**2.231** We noted that despite having large quantities of produce on hand, the Center still purchased produce on a bi-monthly basis.

**2.232** It was explained that the Center has standing orders for eggs and produce from local farmers. Regardless of the balance of produce on hand, the quantities agreed were delivered on a bi-monthly basis.

**2.233** The practice of purchasing perishable goods irrespective of the need for them at the time was definitely not cost effective and resulted in excessive spoilage.

**2.234 We recommend that the current system for purchasing produce should be reviewed with a view to minimizing spoilage.**

- **No formal policy for disposing of spoilt and expired stores**

**2.235** There should be a policy in place to guide the disposal of spoilt and expired stores at the SLNMWC.

**2.236** The entity did not have a policy in place to guide the disposal of spoilt and expired dietary stores.

**2.237 We recommend that the Ministry should establish a policy for the disposal of spoilt and expired stores.**

## **AUDIT OF STORES AT THE VECTOR CONTROL UNIT**

### **BACKGROUND**

**2.238** The Vector Control Unit is a sub-unit of the Environmental Health agency which falls within the Public Health Programme of the Ministry of Health, Wellness, Family Affairs, Human Services and Gender Relations.

**2.239** The main objective of the Vector Control Unit is to reduce the incidents of disease vectors and the risks of vector borne illnesses among residents of St. Lucia. This is done primarily through public education, entomological surveillance and intervention at high risk areas and treatment and control. Vector programmes have been aimed at the *Aedes aegypti* mosquito and rodents. The programs have been heavily reliant upon house to house inspections and the application of chemicals to actual or potential habitats of these vectors.

### **AUDIT ENGAGEMENT AND OBJECTIVE**

**2.240** The objectives of the audit were:

- To determine whether accounting for and recording of stores conformed to government's Procurement and Stores Regulations; and
- To make recommendations where necessary to enhance the efficiency of the internal control system governing stores.

### **SCOPE AND METHODOLOGY**

**2.241** The audit focused on the years 2008/2009 to 2010/2011.

**2.242** The Unit maintained a storage facility. However, during the time of the audit, the facility was being relocated and not in use.

As a result, chemicals that were purchased during the time of the audit were left on the supplier's premises because there was no facility to store them. There was no stock on hand.

**2.243** We documented, reviewed and assessed the internal control system and conducted interviews with key personnel.

**2.244** We also carried out various procedures to ascertain whether the stores system and the related records conformed to government's Procurement and Stores Regulations and the Financial Regulations.

## **AUDIT FINDINGS AND CONCLUSION**

**2.245** The audit determined that there were several instances of non-compliance with government's stores policies, in that, stores documents and records that were required were not maintained.

**2.246** Since the overall responsibility for managing the operations of the Vector Control Unit is that of the Ministry of Health, it is incumbent upon management within the Ministry to establish and maintain a sound internal control system that would minimize the risk of stores mismanagement.

## **DETAILED AUDIT FINDINGS**

- **Poor record keeping**

**2.247** According to the Revised Laws of St. Lucia 2008, Cap 15.01 (Procurement and Stores Regulation) No. 33 (1) and No. 36 (1), in maintaining an efficient internal control system accounting officers should ensure that:

- Stores ledgers are kept for unallocated stores.
- The storekeeper maintains bin cards and registers for each item of unallocated stores in which receipts, issues and balances on hand by quantities should be recorded.

**2.248** The Unit did not maintain proper records of stores of chemicals. We requested the stores register, but we were given a note book that was used to record general office supplies and materials such as toilet paper, gloves, disinfectant, etc... as well as chemicals for vector control.

**2.249** We examined the notebook and saw that items were recorded according to the date when they were received. It also contained the signatures of the persons who received the supplies, as well as the signature of the persons to whom supplies were given.

**2.250** The information contained in the notebook was insufficient and did not meet the requirements of a stores ledger given in the Procurement and Stores Regulations.

**2.251** As a result, we were unable to determine whether there was proper accountability for all chemical items.

**2.252** Given the possible hazards of these chemicals, it is important for the Unit to have the necessary controls and procedures that would assist in minimizing the risks of theft and vandalism of stores/chemicals, as well as to prevent unauthorized access to those stores/chemicals.

**2.253** The audit also found that some stores requisitions were not approved and signed.

**2.254** The stores requisition is designed to safeguard the Unit from persons making bogus requests by providing a reasonable level of accountability. Therefore, these requisitions should be approved and signed by a supervisor.

**2.255** From our examination, we found three out of six instances where chemicals were purchased and the stores requisitions were not approved and signed by a supervisor.

**2.256** These three instances were as follows:

Date	Description of Items	Amount \$
August 27, 2009	10 Klerat Blocks	2,650.00
February 1, 2010	Prelude, Klerat Blocks, Demand CS 802, Respirators, Chemical Splash Goggles	8,216.80
February 16, 2011	Malathion 96% 5 gallons	5,700.00

- **Lack of segregation of duties**

**2.257** According to the various documents that we examined, register (notebook), requisitions etc... we found that one officer was responsible for initiating, receiving, recording and issuing supplies including chemicals. It must be highlighted that an officer who is responsible for purchasing stores should not be responsible for distributing and having custody of the stores. This was of concern, in light of the fact that the contents of the register (notebook) used for recording and distributing supplies was not independently verified.

### **Recommendations**

**2.258** In light of the deficiencies noted during our audit, **we recommend the following:**

- **The Unit should maintain proper records for stores of chemicals such as ledgers and bin cards, in accordance with the Procurement and Stores Regulations.**



- **Stores requisition should be approved and signed by a supervisor every time chemicals are requested.**
- **There should be proper segregation of duties.**

## **DONOR FUNDED PROJECTS**

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

**2.260** We completed the audit of three projects for the financial year ended 2010/2011

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

**2.261** We also completed the audit of the Saint Lucia AIDS/HIV Project for the twenty month period from April 01, 2009 to December 31, 2010.

**2.262** 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.

**2.263** 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 Education and Culture
- Ministry of Health, Wellness, Family Affairs, Human Services and Gender Relations
- Ministry of Finance, Economic Affairs and National Development
- Ministry of the Public Service

**2.264** 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.

## **OECS SKILLS FOR INCLUSIVE GROWTH PROJECT**

**2.265** 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 4300 -SLU) which 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.

**2.266** 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

### ACCOUNTANT GENERAL'S ACCOUNTS

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

**2.267** We found differences between the expenditure recorded in the Project's accounts and the expenditure recorded in the Accountant General's accounts as shown below:

AGENCY PROGRAMME	FINANCER	EXPENDITURE AS PER		(OVER)/UNDER PROJECT
		PROJECT	ACCOUNTANT GENERAL ACCOUNTS	
		\$	\$	\$
5202214 0200000 1001 5202214 0200000 1004	GOSL	549,472.36	(25,651.14) 551,427.86 525,776.72	23,695.64
	IDA for GOSL	78,245.79	0.00	78,245.79
5202214 0200000 3063	IDA	713,004.60	592,206.39	120,798.21
5202214 0200000 1992	PS	30,000.00	0.00	30,000.00
	IDA for PS	2,742.33	0.00	2,742.33
	<b>Total</b>	<b>1,373,465.08</b>	<b>1,120,983.11</b>	<b>252,481.97</b>

**2.268** The Project recorded total expenditure financed by the Government of St. Lucia counterpart funds (GOSL) of EC\$549,472.36, with an additional \$78,245.79 funded by International Development Agency (IDA) to cover GOSL's expenditure. Therefore, total GOSL expenditure was \$627,718.15.

**2.269** For the financial year under audit, expenditure of EC\$525,776.72 was posted in the Accountant General's accounts. Therefore, the Accountant General's accounts did not show the complete expenditure for the GOSL. The amount was understated by EC\$101,941.43. This amount comprised a sum of \$78,245.79 representing GOSL's expenditure paid by the IDA.

**2.270** Also, expenditure of EC\$120,798.21 representing IDA's expenditure and as well as EC\$32,742.33 representing the Public Sector's expenditure were not posted to the Accountant General's accounts.

**2.271** Our audit showed that account 5202214-0200000-1001 (capital expenditure funded from local revenue) which was not approved in the Estimates of Expenditure for the financial year 2010/2011, showed a credit balance of EC\$25,651.14. Of this amount, EC\$16,503.72 represented a refund to the GOSL for salaries paid to a consultant on behalf of IDA, and the balance of EC\$9,147.42 represented erroneous journals to classify salaries which were charged to the account.

**2.272** It is our opinion that the accounting treatment for the refund was incorrect. The refund should have been credited to the expenditure account 5202214-0200-1004 (capital expenditure financed by bonds) from which the consultant's salary was originally paid.

- **Accounts were not reconciled monthly**

**2.273** 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, 2008 Cap 15.01 (Financial Regulation) No.10(4)(c).

**2.274** The responsibility to reconcile the project's expenditure with the Accountant General's accounts on a monthly basis rests with the Ministry of Education and Culture.

**2.275** Although the responsibility was that of the Ministry of Education and Culture, our audit revealed that the Ministry did not reconcile the accounts on a monthly basis. We found that it was the Project Co-ordination Unit (PCU) that reconciled the accounts, but this was done at the end of the year and not on a monthly basis. In addition to reconciling the accounts at year end, the PCU prepared and submitted monthly statements of expenditure to the Ministry of Education and Culture.

**2.276** The reconciliation statement prepared by the PCU highlighted some errors and other discrepancies which were not corrected in the accounts. As a result, the errors and discrepancies still exist between the Project's accounts and the Accountant General's accounts.

**2.277** We need to emphasize that it is crucial for the implementing agency to reconcile the accounts on a monthly basis. By reconciling the accounts, the errors and other discrepancies would be identified and the appropriate corrective action would be taken on a timely basis.

**2.278** In light of our finding, **we recommend that the Ministry should reconcile the accounts with the Accountant General's accounts on a monthly basis. Further, journals should be prepared to effect the necessary adjustments in the accounts.**

- **The corresponding entry to bond revenue was not made when GOSL's capital expenditure was recorded in the Accountant General's accounts**

**2.279** It is government's accounting policy that whenever capital expenditure is incurred, the accounting entry should show the capital expenditure as well as the corresponding entry to the capital revenue account, to cover the expenditure.

**2.280** The Accountant General's accounts showed only capital expenditure and the corresponding capital revenue to cover the capital expenditure was not shown in the accounts. Therefore, the accounts contained incomplete information.

**2.281 We recommend that the capital revenue to cover capital expenditure for the year should be posted to the capital revenue account.**

- **Capital revenue from loan funds was erroneously recorded as grant revenue**

**2.282** The chart of accounts maintained by the government requires that revenue should be recorded according to the source of funding.

**2.283** We noted that the corresponding entry for capital revenue from loan funds to cover IDA's expenditure of EC\$592,206.39 should have been made to account 5202214 0473000 3CA3. Instead the transaction was erroneously posted to account 5202214 0472000 3CA3 (revenue from grant funds).

**2.284 We recommend that the error should be corrected in the accounts.**

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

**2.285** According to the Estimates of Expenditure the approved budget for expenditure financed by the GOSL for the financial year 2010/2011 was EC\$443,525.00. Similarly, the revised budget for expenditure financed by the IDA was EC\$685,976.19.

**2.286** Our audit revealed that for the financial year actual expenditure incurred by the GOSL was EC\$627,718.15. Actual expenditure incurred by the IDA was EC\$713,004.60. Consequently, actual expenditure exceeded the budget for the GOSL by EC\$184,193.15 and EC\$27,028.41 for the IDA.

**2.287** 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 supplementary funds were obtained to cover the excess expenditure.

**2.288 We recommend that the Ministry should obtain additional funding to cover the expenditure in excess of the budget of EC\$27,028.41 for the IDA and EC\$184,193.15 for the GOSL.**

## **PROJECT BACKGROUND - SAINT LUCIA AIDS/HIV PREVENTION AND CONTROL PROJECT**

**2.289** The Government of Saint Lucia (GOSL) signed a Loan Agreement (Loan -7252-SLU) with the International Bank for Reconstruction and Development (IBRD), a Credit Agreement (3947-SLU) and a Grant Agreement (H112-SLU) with the International Development Association (IDA). The loan provides US\$3.2 million, the Credit provides for US\$1.60 million and the Grant provides for US\$1.60 million. The total project cost is estimated at US\$8 million of which GOSL is financing US\$1.6 million.

**2.290** The HIV/AIDS Prevention and Control Project was created and established under the National HIV/AIDS Coordinating Council (NACC) under the chairmanship of the Honourable Prime Minister. The project aims at assisting the Caribbean countries in:-

- Preventing the spread of HIV/AIDS in the general population and reducing transmission among the high-risk groups;
- Improving the access of people living with HIV/AIDS (PLWHA) to care that is effective, affordable and equitable within the context of the government health policy;
- Reducing the degree of stigma and discrimination associated with HIV/AIDS; and
- Strengthening their institutional capacity to respond to HIV/AIDS in a sustainable way.

### AUDIT FINDINGS

- **The Project's accounts and the Accountant General's accounts were not reconciled monthly and therefore showed different expenditure balances**

**2.291** We observed differences between the expenditure recorded in the Project's accounts and the expenditure recorded in the Accountant General's accounts as shown below:

Agency Programme	Financer	EXPENDITURE AS PER		(OVER)/UNDER PROJECT ACCOUNTS
		PROJECT ACCOUNTS	ACCOUNTANT GENERAL ACCOUNTS	
		\$	\$	\$
<b>2009/2010</b>				
5316206-02000-3063	IDA/IBRD	2,915,882.54	2,558,954.05	356,928.49
5316206-02000-1004	GOSL	974,373.18	782,276.79	192,096.39
<b>2010/2011</b>				
5316206-02000-3063 5316206-02000-3AB3	IDA/IBRD	3,022,560.16	33,288.48 1,861,673.00 <hr/> 1,894,961.48	1,127,598.68
5316206-02000-1004	GOSL	1,161,572.81	817,687.71	343,885.10
<b>Total</b>		<b>8,074,388.69</b>	<b>6,053,880.03</b>	<b>2,020,508.66</b>

**2.292** The Revised Laws of St. Lucia, 2008 Cap 15.01 (Financial Regulation) No.10 (4) (c) requires that the Project's accounts should be reconciled monthly with the Accountant General's accounts.

**2.293** The Ministry of Health, the implementing agency with the responsibility to ensure that the expenditure under this project is accurately reported in the government's accounting system, did not reconcile the accounts on a monthly basis.

**2.294** We noted, however, that the Project Coordinating Unit (PCU) reconciled the accounts at the end of the year. Therefore, only one reconciliation statement was prepared for the entire audited period.

**2.295** In light of our finding, we recommend that the Ministry of Health reconciles the accounts and prepares journals to accurately reflect the project's expenditure in the Accountant General's accounts.

- **Corresponding entry to the capital revenue account was not made when capital expenditure was recorded in the Accountant General's accounts**

**2.296** It is government's accounting policy that capital revenue should be recorded in the Accountant General's accounts at the same time capital expenditure is recorded. According to the Estimates of Expenditure the project was to be financed from Local Funds (Bonds) and Loan Funds from the International Development Agency (IDA) and the International Bank for Reconstruction and Development (IBRD).

**2.297** At the time of the report (May 2011) the Accountant General's capital accounts for revenue and expenditure reflected the following:

Agency Programme	Capital Expenditure as per Accountant General's Accounts \$	Capital Revenue as per Accountant General's Accounts \$	(Over)/ Under Expenditure Account \$
<b>2009/2010</b>			
5316206-3063 (IDA/IBRD)	2,558,954.05	2,340,522.23	218,431.82
5316206-1004 (GOSL)	974,373.18	0.00	974,373.18
<b>2010/2011</b>			
5316206-3063 (IDA/IBRD)	33,288.45	0.00	33,288.45
5316206-3BA3 (IDA/IBRD)	1,861,673.00	1,733,143.14	128,529.86
5316206-1004 (GOSL)	1,161,572.81	0.00	1,161,572.81

**2.298** Our audit revealed that the accounting entries were incomplete because the corresponding entries to the capital revenue accounts were not made.

**2.299** We recommend that the accounts should be adjusted to show the corresponding capital revenue in the accounts.

**MANAGEMENT'S COMMENTS**

**2.300** *The reconciliations of the projects accounts is prepared and submitted to the Accounts section of the Ministry of Health.*

- **Revenue and expenditure from the sale of tender documents were not reflected in the Accountant General's accounts**

**2.301** During the period, revenue collected from the sale of tender documents was EC\$3,000.00 and expenditure incurred was EC\$2,704.00. While the amounts were properly reported in the project's financial statements, we noted that these amounts were not reflected in the Accountant General's accounts.

**2.302** The expenditure and revenue from the St. Lucia HIV/AIDS Prevention and Control Project forms part of the accounts of the Government of St. Lucia. As a result, all revenue collected and expenditure incurred under the project should be recorded in the Accountant General's accounts.

**2.303** We recommend that the revenue collected and expenditure incurred from the sale of tender documents should be reflected in the Accountant General's accounts.

#### **MANAGEMENT'S COMMENTS**

**2.304** *The PCU has written to the Accountant General requesting that the Revenue and Expenditure from the sale of tender documents could be post to the Accountant General's account.*

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

**2.305** According to the Estimates of Expenditure government's budgeted expenditure for the financial year 2009/2010 was \$927,386 and for 2010/2011 was \$1,114,605.

**2.306** Our audit revealed that the actual expenditure financed by the Government of Saint Lucia (GOSL) for the financial year 2009/2010 was \$974,383.18 and for 2010/2011 was \$1,161,572.81. Consequently, actual expenditure was in excess of the estimated expenditure by \$46,997.00 and \$46,968.00 respectively.

**2.307** In December 2010, the PCU requested supplementary estimates through the Ministry of Health to cover the excess expenditure. To date, this increase in estimates has not yet been approved.

#### **MANAGEMENT'S COMMENTS**

**2.308** *The PCU will continue to liaise with the Ministry of Health and the office of Budget to ensure that the necessary action is taken with regards to the increase in supplementary estimates.*

**2.309** We recommend that the Ministry of Health should follow up with the Office of the Budget to ensure that the request for an increase in estimates is approved as soon as possible.



- **Imprests were not retired in accordance with the stipulated terms**

**2.310** The Revised Laws of St. Lucia Cap 15.01 (Financial Regulations) No. 111 (1) indicates that imprests should be retired according to the terms stipulated on the warrant.

**2.311** We noted that imprest warrant No. 55 of 2010/2011 stated that the imprest amount which was EC\$824,561.00 should have been retired at July 31, 2010. However, we found that the imprest was retired partially on August 4, 2010 in the amount of EC\$280,916.77 and the balance of EC\$543,644.23 was retired on September 20, 2010.

**2.312** We also noted that imprest No.97 of 2010/2011 for EC\$207,480.00 should have been retired at the end of the financial year. Our audit showed that the imprest was not retired and is still outstanding at the time of completing this report (May 2011).

**2.313** We recommend that all imprests should be retired according to the terms given on the warrants. Therefore, imprest No. 97 of 2010/2011 which is still outstanding should be retired at the earliest in order to maintain accurate accounts.

#### **MANAGEMENT'S COMMENTS**

**2.314** *The Accountant of the Ministry of Health has posted the expenditure to retire the imprest.*

#### **INTERNAL CONTROL**

- **Authorization for extension of temporary employment was not seen for one employee**

**2.315** The Revised Laws of St. Lucia Cap. 15.01 (Financial Regulation) No. 84 requires that prior to the payment of wages or salaries there must be written authority from the person or authority who is empowered by law to authorize the payment.

**2.316** According to the letter of appointment given to one officer the period of the employment was from August 10, 2009 to September 30, 2009 at a rate of \$2,098.06 monthly. However, the officer continued employment and received salary until October 31, 2009.

**2.317** We did not see an approval for extension of employment and payment of salary beyond September 2009.

**2.318** We recommend that in all instances persons or authorities who are empowered by law to authorize payment should issue letters of employment to employees. These letters should clearly state the period of employment including all extensions and salary to be paid.

## **MANAGEMENT'S COMMENTS**

**2.319** *Letter of authorization was issued for the extension of the employment of the temporary staff.*

### **EQUIPMENT REGISTER**

- **Losses of equipment were not reported to the relevant authorities**

**2.320** The Revised Laws of St. Lucia Cap. 15.01 (Procurement and Stores Regulation) No. 92 (1) states:

***“An accounting officer shall submit a written report immediately to the Director of Finance, the Accountant General and the Director of Audit on any loss of stores which occur in the Department for which he or she is responsible.”***

**2.321** During the audit, we found that the following items were stolen:

- Two Dell Vostro 1220 laptop computers (serial Nos. 5N2S8M1 and 4S2M8N1) stolen from NAPS.
- One Magnum 21” Television 21A5U (serial No. 0266) stolen from the STI clinic (Victoria Hospital).

**2.322** We were informed that officers at the National AIDS Programme Secretariat (NAPS) and the Sexually Transmitted Infections (STI) clinic at Victoria Hospital informed the police of the theft and reports were prepared. However, these reports were not forwarded to the Director of Finance, the Accountant General or the Director of Audit. As a result these authorities had no knowledge of the loss of government’s property.

**2.323** We were also informed that although NAPS did not forward a written report to the PCU, the Unit was aware of the theft and should have advised NAPS to prepare a written report to the relevant agencies. The PCU was not aware of the loss at the STI Clinic.

**2.324** Failure to report these losses to the appropriate authority is not only a violation of the Regulation, but also contributes to the non-disclosure of these losses in the government’s accounts and records.

**2.325** We recommend that the stolen items should be reported to the relevant authorities in accordance with the Regulation.

## **MANAGEMENT'S COMMENTS**

**2.326** *The PCU agrees with the recommendations made and in the future will ensure that the relevant authorities are informed of any losses of government’s property.*

- **Two items recorded in the equipment register could not be verified**

**2.327** We were unable to verify the existence of two items which were purchased and recorded in the equipment register. The details are listed below:

Description	Date Purchased	Location recorded in Equipment Register	Purchase Price
			\$
HP Compaq Pro Micro Tower PC (serial No. 3CQ121VKK)	June 22, 2010	Project Co-ordination Unit	3,795.00
HP Compaq 6005 Pro Micro Tower CPU (serial No. 2UA02304L9)	June 30, 2010	VCT (Min. of Health)	3,795.00

**2.328** The responsible officers at the PCU and the Voluntary Counselling and Testing (VCT), Ministry of Health were not certain whether these items were on the premises even though the equipment register indicated that they were there. There was no other documentary evidence to support whether the items were delivered and received at those locations.

**2.329** We recommend that the locations of items of equipment should be accurately recorded in the register at all times. In addition, the PCU should liaise with the Ministry of Health to ascertain the whereabouts of the CPU (serial No. 2UA02304L9).

**MANAGEMENT’S COMMENTS**

**2.330** *The fixed asset register has been revised accordingly as per location of the items:*

- *The HP Compaq Pro Micro PC (serial #.3CQ121V1VKK) is located at the PCU.*
- *Item PH Compaq Pro Micro Tower CPU (serial No. 2UA02304L9) is located at the VCT (Ministry of Health).*

**STATEMENT OF SOURCES AND USES OF FUNDS AND STATEMENT OF USES OF FUNDS BY PROJECT ACTIVITY**

- **Actual cumulative to date expenditure for three expenditure categories exceeded the revised budgets**

**2.331** The actual cumulative to date expenditure for the Works, Goods and Training categories exceeded the revised budgets on the Statement of Sources and Uses of Funds. However, we also noted that the total actual cumulative to date expenditure of EC\$22,543,633.05 for the entire project was well below the total revised cost of EC\$23,456,499.44.

**2.332** We were informed that the original budget was revised from EC\$21,505,600.00 to EC\$23,456,499.44 because of a favourable change in the exchange rate of the SDR which resulted in an increase in the total funds available to the project. As a result, funds were reapportioned among some expenditure categories and project activities to take advantage of the increase in funds.

**2.333** Despite the additional funds and reallocations, the Statement of Sources and Uses of Funds showed that the actual cumulative expenditure to date for these three expenditure categories were over the revised costs:

<b>Expenditure Category</b>	<b>Actual cumulative expenditure to date</b> <b>\$</b>	<b>Revised cost over the life of the project</b> <b>\$</b>	<b>Over Budget</b> <b>\$</b>
Works	1,582,219.10	1,283,785.33	298,433.77
Goods (except covered under Categories (3), (6) and (7) below)	5,060,630.29	4,995,648.13	64,982.16
Training	1,722,274.06	1,696,098.11	26,175.95

**2.334** We recommend that expenditure should not exceed the amounts allocated for the various categories.

**MANAGEMENT’S COMMENTS**

**2.335** *The PCU has reviewed the cumulative expenditure. In addition, the World Bank has approved the reallocations of the activities.*

- **Actual and planned figures could not be verified**

**2.336** The cumulative actual expenditure and planned figures could not be verified based on the previous year’s figures. Adjustments were made to reflect revisions to project activities so that expenses would be accurately reflected. However, we were unable to verify these adjustments as well as the cumulative to date figures stated on the Statement of Uses of Funds by Project Activity.

## ST. LUCIA ENHANCING PUBLIC SERVICE PERFORMANCE PROJECT

### **PROJECT BACKGROUND**

**2.337** 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.

**2.338** 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.

**2.339** 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.

**2.340** 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**

#### **ACCOUNTANT GENERAL ACCOUNTS**

- ***Capital revenue derived from bonds to cover capital expenditure was not posted in the Accountant General’s accounts***

**2.341** According to the Estimates of Expenditure for 2010/2011 the source of financing for counterpart funds (Government of St. Lucia (GOSL)) would be from bonds.

**2.342** Also, it is government's accounting policy that capital revenue should be recorded in the Accountant General's accounts at the same time capital expenditure is recorded.

**2.343** According to the project's financial statements, total expenditure incurred by GOSL during the period was \$6,572.00.

**2.344** We noted that capital expenditure of \$6,572.00 was posted in the Accountant General's accounts; however, the corresponding capital revenue (bonds) was not posted to account 5316206-0473000-1004.

**2.345** We recommend that the Ministry should post the corresponding capital revenue to cover capital expenditure in the Accountant General's accounts to ensure that the accounts are complete and accurate.

**NOTE**

**2.346** *We note that the Project Co-ordination Unit (PCU) did not report the approved budget in compliance with the Estimates of Expenditure. According to the Estimates of Expenditure, the budget for the financial year 2010/2011 was \$884,032.00 for IDA expenditure.*

*However, the PCU revised the budget downwards to \$447,016.00 during the year because some of the project activities were moved to the following financial year 2011/2012. The PCU's revised budget was approved by the World Bank.*

**MANAGEMENT'S COMMENTS**

**2.347** *The Accountant of the Ministry of the Public Service is unable to post the bond revenue. In this regard, in an effort to address the situation, the staff of the PCU is liaising with the Accountant General's Department to ensure that the capital revenue derived from Bonds and related to the expenditure, is posted to the Central Government's Account #531606-0473000-1004.*

**SECOND DISASTER MANAGEMENT PROJECT**

**Background to the Project**

**2.348** 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.

**2.349** 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.

**2.350** 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

### INTERNAL CONTROL

- **'A' receipts were issued for refunds made to the project**

**2.351** Government 'A' receipts should be issued for revenue collected solely for deposit into the consolidated fund under an approved revenue account.

**2.352** Receipt book number 1778101-1778200 was given to the Project Coordination Unit (PCU) for the collection of fees from the sale of tender documents. However, we observed that seven (7) of these receipts were issued to individuals who refunded the SDMP Project for monies advanced. Details of these receipts are given in the table below:

Receipt No.	Date of receipt	Amount (EC\$)	Transaction detail on receipt
1778114	22/07/2010	3,227.68	Refund – study tour to Colombia
1778115	30/07/2010	3,227.68	Refund – study tour to Colombia
1778117	06/08/2010	3,227.68	Refund – study tour to Colombia

Receipt No.	Date of receipt	Amount (EC\$)	Transaction detail on receipt
1778120	17/08/2010	3,000.00	Refund – study tour to Colombia
1778124	14/09/2010	14,000.00	CPNN conference held on May 17-19 2010
1778131	17/02/2011	227.67	Refund – travel tour
1778132	28/02/2011	1,400.00	Refund – payment for taxi boat from Castries to Soufriere and back (post hurricane Tomas)

**2.353** We recommend that in future the Project Coordination Unit uses revenue receipts only for the purpose intended.

### **MANAGEMENT'S COMMENTS**

**2.354** *The PCU note the recommendation made and as such will ensure that receipt books are used only for the purpose intended; that is for collection of revenue.*

### **ACCOUNTANT GENERAL'S ACCOUNTS**

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

**2.355** In keeping with the requirements of the Revised Laws of Saint Lucia, 2008, Cap 15.01 (Financial Regulation) No. 10(4) (c), the Ministry is required to reconcile the Project's accounts with the Accountant General's accounts at the end of every month.

**2.356** Although the responsibility to reconcile the accounts was that of the Ministry of Finance, Economic Affairs & National Development, we found it was the Project Coordination Unit (PCU) that reconciled the accounts, but this was not done on a monthly basis as required.

**2.357** The reconciliation statements which highlighted errors, discrepancies and omissions in the Accountant General's accounts were submitted to the Ministry, so that corrective journals could be prepared to effect changes to the respective accounts. However, this was not done.

**2.358** Therefore, we found that the expenditure reported in the Project's accounts was different to the expenditure reflected in the Accountant General's accounts at year-end. The differences are given in the table following:

Agency Programme	Expenditure as per		(Over)/Under Project Accounts EC\$
	Project 's Accounts EC\$	Accountant General's Accounts EC\$	
IBRD 4418208-0200000-3BA3	450,875.98	354,100.98	96,775.00
IDA 4418208-0200000-3CA3	3,176,972.63	1,865,883.96	1,311,088.67



Agency Programme	Expenditure as per		(Over)/Under Project Accounts EC\$
	Project's Accounts EC\$	Accountant General's Accounts EC\$	
GOSL 4418208-0200000-1004	1,135,524.24	1,201,280.06	(65,755.82)
IDA for GOSL	18,618.09	-	18,618.09
<b>TOTAL</b>	<b>4,781,990.94</b>	<b>3,421,265.00</b>	<b>1,360,725.94</b>

**2.359** For account 4418208-0200000-1004 we observed that the expenditure of \$1,201,280.06 recorded in the Accountant General's accounts for the audited period included \$70,564.82 that was a reimbursement to the IDA for expenditure paid on GOSL's behalf in the prior year. Therefore, actual expenditure recorded in the Accountant General's accounts for GOSL for this financial year is EC\$1,130,715.24 which is \$4,809.00 less than the Project's expenditure.

**2.360** Our audit also revealed that salaries totaling \$9,248.07 paid to an employee for the months of May, June and August 2010 were charged to the expenditure account 5008202-0200000-1004, instead of the accounts that were approved for this financial year, 4418208-0200000-1004 (GOSL) and 4418208-02000-3CA3 (IDA). Further, the salaries should have been apportioned between GOSL (52%) and IDA (48%) in the amounts of \$4,809.00 and \$4,439.07 respectively.

**2.361** Expenditure of \$4,350.00 relating to the sale of tender documents was also not recorded in the Accountant General's accounts.

**2.362** Capital expenditure recorded for IDA in the Accountant General's accounts was EC\$1,865,883.96 however, capital revenue of EC\$1,872,985.75 was reflected in the accounts.

**2.363** We must stress that it is absolutely necessary for the Ministry to reconcile the project's accounts on a monthly basis because the reconciliation process would identify any differences that may exist between the two sets of accounts and the appropriate corrective action would be taken on a timely basis.

**2.364** In light of our finding, **we recommend that the Ministry prepares corrective journals so that the project's expenditure can be accurately reflected in the Accountant General's accounts. Additionally, the Ministry should reconcile the Project's accounts with the Accountant General's accounts at the end of every month.**

### **MANAGEMENT'S COMMENTS**

**2.365** *The Accountant of the Ministry has made the necessary corrective journals to make the necessary changes to the respective accounts in the Accountant General account.*

*In this regard, the project expenditures are accurately reflected in the Accountant General's accounts. In addition the Capital Revenue for IBRD and IDA funds are accurately reflected. Kindly refer to the attached Journals Details Report.*

*Discussions are ongoing with the Accountant General Department with regards to the posting of revenue collected from sales of tender document and the related expenses. It is expected that the revenues and expenditures from sale of tender documents will be accurately reflected by March 2012.*

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

**2.366** It is government's accounting policy that whenever capital expenditure is incurred, the accounting entry should show the capital expenditure as well as the corresponding capital revenue to cover the expenditure.

**2.367** The Accountant General's accounts showed capital expenditure of EC\$1,201,280.06 financed by the GOSL through bonds funds; however bond revenue to cover this expenditure was not recorded in the accounts. Consequently, the transactions in the Accountant General's accounts are incomplete.

**2.368** We recommend that the corresponding charge for EC\$1,201,280.06 be made to the capital revenue account 4418208-0474000-1004.

#### **MANAGEMENT'S COMMENTS**

**2.369** The Accountant General's Department is the agency that post capital Revenue realized from Bonds. Consequently, a request has been made to the Accountant General to post the bond revenue of \$1,206,089.06 related to the expenditure.

#### **SPECIAL ACCOUNT**

- **Outstanding amounts due to the special account at year-end**

**2.370** At March 31, 2011, US\$38,080.89 equivalent to EC\$102,369.05 was due to the IDA. This was as a result of the following:

**2.371** The GOSL owed the IDA US\$37,502.86 (EC\$100,815.19) for expenditure paid by the IDA on their behalf during the financial year. We observed that US\$30,577.00 (EC\$82,197.09) was deposited in the special account on April 14, 2011 and the balance of US\$6,925.86 (EC\$18,618.10) was deposited in June 3, 2011.

**2.372** The Caribbean Development Bank (CDB) owed the IDA US\$83.70 (EC\$225.00). This amount was refunded by the CDB in April 2011.

**2.373** An amount of US\$494.33 (EC\$1,328.86) was erroneously deposited to the GOSL counterpart account instead of the special account. This error was corrected in May and June 2011.

**2.374** The above resulted in the special account being understated by US\$38,080.89 (EC\$102,369.05) at year-end.

**2.375** The details of the understatement were disclosed in the notes to the Financial Statements.

## **STATEMENT OF SOURCES AND USES OF FUNDS**

- **Cumulative planned figures could not be verified**

**2.376** We were unable to verify the cumulative planned figures reported in the statement of sources and uses of funds based on the previous year's audited figures. We were informed that the previous years' cumulative planned figures were adjusted because they exceeded the total cost of the project. Therefore, the cumulative planned figures were reported same as the actual cumulative expenditure.

## **AUDIT OF WASHINGTON EMBASSY**

### **BACKGROUND**

**2.377** The Washington Embassy was established to represent and safeguard St. Lucia's interest in the United States of America and to look after the welfare of Saint Lucian nationals in that country.

**2.378** The Embassy is responsible for:

- Representing St. Lucia's interest overseas;
- Identifying opportunities for expansion of diplomatic relations and of participation in international organizations;
- Promoting Saint Lucia as a location for foreign investment and provide relevant information to Headquarters to permit strategic targeting of potential investors;
- Communicating with the Ministry of Foreign Affairs on a continuous basis;
- Providing advice and support to national delegations in meetings and negotiations as required;
- Identifying markets for St. Lucia's exports;
- Delivering statements in St. Lucia's interest;
- Securing the welfare of nationals abroad.

### **AUDIT OBJECTIVE AND SCOPE**

**2.379** The objective of our audit was to:

- Assess the systems of internal control and accounting procedures at the Washington Embassy to determine the extent to which the entity complied with government's regulations, policies and procedures.

**2.380** The audit covered four financial years ending March 31, 2007, 2008, 2009 and 2010. In order to meet the audit objective the records and operations of the Embassy 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 Financial (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
- Contract documents

**2.381** Records and operations examined included:

- Expenditure
- Personnel Matters
- Fixed Assets - Property
- Passport Register
- Cash on Hand
- Cash at Bank
- Plant and Equipment Register
- Inventory
- Receipt Book Register

## **SUMMARY**

**2.382** We found significant issues regarding expenditure, including lack of monitoring and reconciling the Embassy's expenditure accounts. Failure to sufficiently monitor expenditure resulted in the Embassy incurring over and unauthorized expenditure. Inaccurate expenditure information was recorded in the Accountant General's accounts because the Embassy's accounts were not reconciled with the Accountant General's accounts. In addition, imprest accounts were not fully retired at year-end.

**2.383** The audit looked at the extent to which there was compliance with government's policies relating to the terms and conditions of the staff. We found the following issues of non-compliance which included:

- Staff without contracts of employment
- Deduction of salary in lieu of notice of resignation was not applied
- Declaration of secrecy was not signed
- Permission was not given for leave taken outside of country of posting

**2.384** Facilitating the business of passports between foreign nationals overseas and the passport office in St. Lucia is one of the core operations of the Washington Embassy. As a result of carrying out this core function the Embassy is responsible for collecting, recording and reporting revenue generated from the sale of passports. The Embassy also has a responsibility to safeguard and use those revenues for the purposes intended.

**2.385** Our audit of the revenue from the sale of passports revealed that revenue from the sale of passports was used to fund the recurrent operating expenditure of the Embassy. As a result, all passport revenue was not paid into the consolidated fund.

**2.386** Another area of concern was the apparent lack of segregation of duties. We found that the Administrative Attaché performed most functions in the payment cycle. This made the Embassy vulnerable to financial reporting errors and possible fraudulent employee behaviour.

**2.387** We present for your consideration, a detailed report of our findings and recommendations that would help to:

- safeguard the Embassy's assets
- prevent and detect fraud and error
- ensure proper discharge of statutory responsibilities
- ensure reliability of accounting information
- improve the overall efficiency of operations

## **DETAILED FINDINGS AND RECOMMENDATIONS**

### **EXPENDITURE**

**2.388** Our audit looked at the expenditure cycle of the Embassy for the financial years 2006 to 2010 which included:

- Certifying transactions
- Recording, classifying and reconciling budgetary and expenditure transactions
- Retirement of imprests

- **Some invoices were not certified**

**2.389** One of the requirements of the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No. 74(1) is that every payment instrument must be certified by an officer duly authorized to do so. This control was put in place so that transactions would be verified and properly authorized by the appropriate personnel before payment is made.

**2.390** Our audit revealed instances where payments were made, but the invoices were not certified.

- **Budgetary information was not recorded**

**2.391** The accounting software (quick books) used by the Embassy was not configured to record the original amount approved by Parliament and the supplementary amounts. All central government agencies are required to record this information in their accounts in accordance with Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (3) (a + b). This is the control that was designed to allow agencies to monitor expenditure against their budgets.

- **Lack of maintaining control over expenditure**

**2.392** Our audit of expenditure showed that the Embassy did not maintain control over its expenditure. Expenditure was in excess of the budget under ten expenditure accounts as follows:

Agency Programme by year	Revised Estimates EC\$	Actual Expenditure as per Embassy EC\$	Over-Expenditure EC\$
<b>2006/07</b>			
4503002-0117-000	25,888.00	39,682.93	13,794.93
<b>2007/08</b>			
4503002-0116-000	65,206.00	69,898.96	4,692.96
4503002-0139-000	6,385.00	14,477.06	8,092.06
<b>2008/09</b>			
4503002-0113-000	12,483.00	13,445.99	962.99
<b>2009/10</b>			
4503002-0102-000	153,773.00	200,120.44	46,347.44
4503002-0106-000	10,000.00	15,774.16	5,774.16
4503002-0109-000	8,514.84	10,155.42	1,640.58
4503002-0113-000	10,000.00	17,208.11	7,208.11
4503002-0116-000	49,500.00	83,646.99	34,146.99
4503002-0118-000	3,200.00	6,331.74	3,131.74

**2.393** Based on our finding, the Embassy was in contravention of the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10(2) ) which states that ***“an accounting officer shall maintain control over expenditure of his or her Department to ensure that the amounts provided in the Estimates are not exceeded.”***

**2.394** In addition to the Embassy incurring expenditure in excess of the budget, we also found that its revised estimates were different from the revised estimates shown in the Accountant General’s accounts for six expenditure accounts: These are shown in the following table:

Account/Year	Revised Estimates obtained from the audit (\$)	Revised Estimates as per Accountant General's accounts (\$)	(over)/under Accountant General's Accounts (\$)
<b>2006/07</b>			
0101	907,342.00	893,536.40	(13,805.60)
0115	63,131.00	63,433.60	(302.60)
0117	25,888.00	39,693.60	(13,805.60)
0118	3,292.90	3,213.90	79.00
0137	128,660.00	128,738.93	(78.93)
<b>2007/08</b>			
0109	10,377.00	10,797.00	(420.00)

**2.395** For the year 2006/07, we noted four instances where the approved estimates were adjusted without the necessary authority. Also, in the year 2007/08, virement warrant No.45 for \$420.00 was not recorded in the accounts.

#### **Expenditure was not correctly classified**

**2.396** According to the Revised Laws of Saint Lucia, 2008 Cap 15.01 (Financial Regulation) No.10(1) expenditure should be classified in strict compliance with the Estimates of Expenditure.

**2.397** We found instances where expenditure was incorrectly classified according to the Estimates of Expenditure. These included:

Date	Item Purchased/ Service	Cost US\$	Cost EC\$	Account where classified	Correct Classification
<b>2006/07</b>					
14.07.06	Washing Machine	725.08	1,969.97	116-Operating & Maintenance	Capital Expenditure
14.11.06	Furnace	3,970.00	10,786.09	116- Operating & Maintenance	Capital Expenditure
<b>2007/08</b>					
11.03.08	Toilet	167.94	456.28	116-Operating & Maintenance	Capital Expenditure
30.05.07	Ink Cartridge	147.92	401.88	112 – Stationery	109- Office & General Expenses
<b>2008/09</b>					
09.06.08	Stove and Mirror Panel	712.39	1,935.49	116- Operating & Maintenance	Capital Expenditure
<b>2009/10</b>					
25.02.10	Car Rental	825.00	2,241.44	116- Operating & Maintenance	117-Rental of Property
26.03.10	Car Rental	825.00	2,241.11	116- Operating & Maintenance	117-Rental of Property

**2.398** We need to stress to the Ministry, that the Embassy should be advised that if funds are not available under a particular expenditure account, then the required funds must be transferred to that account by way of a virement warrant before expenditure is charged under the account.

**2.399** As shown in the table above appliances and household fixtures are capital expenditures for maintenance of the official residence and should not have been treated as recurrent expenditure.

- **Accounts were not reconciled**

**2.400** All central government agencies are required to reconcile the accounts at the end of every month item by item with the Accountant General's accounts. Our audit found that the Ministry of External Affairs failed to reconcile the Embassy's accounts according to the Financial Regulation. As a result, several of the differences found between the Embassy's accounts and the Accountant General's accounts remained unexplained.

**2.401** Total actual expenditure reported by the Embassy was not posted in the Accountant General's accounts, rendering the information in the Accountant's accounts incomplete. Of concern to us, is that although total expenditure was not recorded in the accounts, in some instances the expenditure recorded in the Accountant General's accounts exceeded the expenditure recorded in the Embassy's accounts. This definitely brought into question the integrity and accuracy of the expenditure figures.

- **Imprests were not retired**

**2.402** The Washington Embassy receives an imprest to facilitate its monthly operating expenditure.

**2.403** Therefore, in order for the expenditure to be completely recorded in the Accountant General's accounts at year end it is absolutely important for the accounting officer to retire the imprest by the date indicated on the warrant, or before the end of the financial year whichever is the earlier.

**2.404** Our audit found that imprests given to the Embassy in 2006/07, 2007/08, 2008/09 and 2009/2010 were not retired fully at the end of the financial year of issue. The year end balances of these imprests were:

Imprest No.	Imprest Amount \$	Imprest Account	Opening Balance \$	Balance at Year-end \$
40 of 2006/07	254,419.75	4501001- 0534649	(718,127.10)	(265,104.41)
81 of 2007/08	258,598.51	4501001-0534649	(265,104.41)	448,248.30
59 of 2008/09	382,090.00	4501001-0534649	448,248.30	663,413.47
19 of 2009/10	383,176.00	4503002-0534824	0.00	196,217.23

**2.405** The audit noted that for the financial year 2006/07 the imprest account had an opening credit balance of \$718,127.10 which was not in keeping with government's accounting policies.



According to government's policies imprest accounts should have debit balances.

**2.406** In light of the findings of our audit we recommend as follows:

- **All invoices should be duly certified by the appropriate personnel prior to payment.**
  
- **The Embassy should seek to customize the accounting software to capture the budgetary information that is required by Revised Laws of Saint Lucia (Financial Regulation No. 10 (3) (a & b) by March 2012.**
  
- **The Embassy should exercise a greater level of control over expenditure by complying with the financial policies governing expenditure that are given in the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation No. 10 (2)).**
  
- **The Ministry of External Affairs should obtain supplementary provisions to cover the over-expenditure in the accounts for the prior years by the end of this current financial year (2011/2012).**
  
- **The Ministry of External Affairs should seek to reconcile the Embassy's accounts with the Accountant General's accounts for the years 2006 to 2010. Further, the necessary journals to correct errors or make adjustments in the Accountant General's accounts should be prepared by March 2012.**
  
- **The imprests for the financial years 2006 to 2010 should be retired immediately and action should be taken to correct the credit balance in the imprest account for the year 2006/07.**

## **PERSONNEL MATTERS**

- **Staff worked without contracts of employment**

**2.407** Our audit found that the Administrative Attaché worked without a contract of employment for the period September 03 to September 02, 2008. The officer received contract gratuity at the end of the term of service.

**2.408** During our documentation review, we noted that on October 24, 2007 the Public Service Commission approved the appointment of the officer to the post of Administrative Attaché on contract effective October 2, 2007 subject to terms and conditions as may be agreed upon with the Government of Saint Lucia. At the time a contract of employment was not issued to the officer. In November 2009, the Permanent Secretary informed the officer that actions were being taken to regularize her contract of employment.

**2.409** We found that a year later this was not done. In March 2010 the officer was informed that that she would receive contract gratuity for the period she worked without a formal contract.

**2.410** Our audit also found that the Driver/Administrative Aide was offered the position in November 2008. The officer was instructed to sign and date the letter of acceptance if he agreed to accept the position subject to the terms and conditions.

**2.411** The officer did not sign the letter after almost three years. The officer informed us that he did not sign the letter because he requested a contract of employment which was not given to him. We noted that the Ambassador wrote to the Ministry in 2008 requesting that the officer's employment be regularized. The officer continues to receive salary and allowances based on the terms and conditions of his previous contract of employment.

**2.412** In previous audits of not only the Washington Embassy, but all other foreign Missions we found similar circumstances surrounding contracts of employment for personnel.

We have highlighted to the Ministry that the time taken to agree terms and conditions and complete contractual arrangements with staff is too long and may cause serious legal implications for the government if these issues are not resolved in a timely manner. Subsequent audits have shown that the Ministry has not taken action to address this issue.

- **Salary in lieu of notice was not deducted from officer's gratuity**

**2.413** The Receptionist's contract of employment Clause 5 (2) stated that in the event of resignation the officer was to give three months' notice or pay one month's salary for noncompliance.

**2.414** The officer's letter of resignation dated September 4, 2007 stating that her resignation would take effect from September 7, 2007. In response, the Ministry of the Public Service instructed that one month salary should be deducted from the officer's contract gratuity in keeping with Clause 5 of the contract of employment.

**2.415** We verified the contract gratuity that was paid to the officer and found that one month salary of EC\$4,914.25 was not deducted. Therefore, the officer received full gratuity despite the fact that the terms of the contract of employment were violated.

- **Two officers did not sign the declaration of secrecy**

**2.416** Upon assuming duties at the Embassy every officer should comply with the Orders for the Saint Lucia Foreign Service Chapter II No. 2.10(1) by signing the prescribed declaration of secrecy.

**2.417** Documentation review of the Ambassador's and the Administrative Aide's personnel files revealed that they did not sign the prescribed declaration of secrecy upon

assuming duties in April 2008 and January 2009 respectively.

**2.418** Considering the nature of the business of the Embassy and the need for staff to uphold certain important ethical and integrity standards during the execution of their duties, we believe that the Ministry failed to carry out its due diligence checks by allowing staff especially those in charge, to carry out their duties without having them sign the declaration of secrecy.

- **Permission was not requested for leave taken outside the country of posting**

**2.419** One of the government's policies applicable to the Foreign Service is that leave may not be spent outside of the country of posting except with the permission of the Minister in the case of Heads of Missions and the Permanent Secretary in the case of other pensionable officers.

**2.420** Our audit revealed that some employees who were required to seek permission to spend leave outside of the country of posting did not do so. Our review of the personal files showed that the files did not contain letters requesting permission or letters granting permission to spend leave outside of the country of posting. In some instances, the section of the leave form where leave is to be spent was left blank.

**2.421** In light of our audit findings of personnel matters we recommend the following:

- **Contracts of employment should be agreed, signed and submitted to the relevant parties prior to the commencement of employment, or in situations of continuation of employment within one month of the expiration of the existing contract.**
- **The driver's contract of employment should be settled by the end of this current financial year 2011/2012.**
- **The Ministry should seek to report the overpayment of gratuity of EC\$4,914.25 to the relevant authorities.**
- **All employees of the Embassy should sign the declaration of secrecy upon assuming office.**
- **Leave forms should be completely filled out and the Ministry should advise all officers that leave forms should be supported by a request for permission to be outside the country of posting.**

## **INVENTORY & FIXED ASSET REGISTER**

- **Inventory lists were not updated**

**2.422** During the period of the audit 2006 to 2010, the inventory of items at the Ambassador's residence was counted and the list was updated only once during that four year period. In August 2008, the Accountant of the Ministry of External Affairs updated the inventory listing at the Ambassador's residence. As a result of the failure of the Ministry to carry out its responsibility in accordance with the Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations No. 39 (3), some items purchased for the residence remained unrecorded on the inventory lists.

**2.423** On August 18, 2011 the Administrative Attaché conducted a count of the inventory at the Embassy Offices at the request of the auditors.

**2.424** The auditors were unable to verify all items on the listings. The computers which were listed were not the ones in use. Those recorded on the lists had been replaced and stored, but not disclosed on the lists.

**2.425** The auditors were shown the storage place, but it was impossible to verify the existence of the computers because of the haphazard way in which the equipment was stored.

- **Fixed asset register was not updated**

**2.426** Our review of the Embassy's fixed asset register revealed that the information was not updated. The insurable value of the official residence was recorded as US\$1,433,250.00. We noted that this was the original entry when the property was purchased on June 15, 1998.

Further review of the current insurance records showed that the insurable value for the period July 16, 2011 to July 16, 2012, was US\$1,847,431.00.

**2.427** Therefore, the subsidiary record of the Embassy was incomplete and did not show accurate information pertinent to the insurable value of the official residence.

**2.428** We recommend the following:

- **Inventory should be checked annually.**
- **In year additions and disposals of inventory items should be recorded as soon as they occur.**
- **Inventory items that are no longer functional or damaged should be listed and a request for condemnation should be made to the Ministry of Finance.**
- **The fixed asset register should be updated to reflect the book and insurable values of the official residence.**

## REVENUE FROM THE SALE OF PASSPORTS

- **Passport revenue was used to fund the Embassy's operating expenditure**

**2.429** At the start of each financial year government appropriates funds to all central agencies to undertake recurrent and capital expenditures. All agencies should spend within the limits set forth by the appropriations. Supplementary funds needed throughout the year should be requested in accordance with the provisions of the Finance Act.

**2.430** Except for exclusions made for using revenue generated from a particular activity for a specified purpose, all revenue collected from the sale of passports should be remitted to the government and paid into the consolidated fund. In this case, the Embassy was authorized to use the funds generated from the sale of passports specifically for the administrative activities of sale of passports such as postage, stationary etc..

**2.431** We found that passport revenue of US\$10,000 and US\$8,000 was used to fund the recurrent operations of the Embassy in addition to the approved budgetary allocations for the months of December 2007 and January 2008.

**2.432** We note that this has been a customary practice for many years. The Embassy has always lamented over the fact that the imprests were reimbursed very late and funds were needed in the interim to continue the operations of the Embassy. The practice has always been justified against the promise that the passport account would be reimbursed upon receiving the reimbursements.

**2.433** At the time of the audit (August 2011) four years after the funds were used, the monies had not been returned to the passport account.

This is not surprising because during previous audits we found the very same issue and despite continued recommendations that the practice was in breach of the government's financial regulations and must be discontinued, it never did.

### **All passport revenue was not paid into the Consolidated Fund**

**2.434** As we reported previously, all revenue and other monies raised or received for the purposes of the Government, shall be paid into and form part of the consolidated fund in keeping with the Revised Laws of Saint Lucia Cap 15.01 Finance (Administration) Act No 7 (1).

**2.435** Our audit found no evidence that the Embassy remitted revenue from the sale of passports to the Ministry of External Affairs for the financial years 2006/07, 2007/2008 and for the period July 2009 to March 2010 for payment into the consolidated fund. As a result, revenue reported in the Accountant General's accounts was incomplete.

**2.436** In light of our findings **we recommend the following:**

- **There should be greater monitoring of the Embassy's monthly expenditure.**

**Also, the Ministry of External Affairs, the Budget Office and the Accountant General's Department should work closely to ensure that the reimbursements are processed and replenished within a reasonable time period with a view to minimizing disruption of the Embassy's operations, as a result of the late receipt of reimbursements.**

- **Cash of US 18,000 should be reimbursed to the passport account by the end of the financial year 2011/2012.**
- **There should be greater monitoring and oversight of the Embassy's passport operations. The Ministry of External Affairs should issue consistent periodic requests to the Embassy for reports and remittance of revenue from the sale of passports for payment into the consolidated fund.**

#### **INTERNAL CONTROL**

- **Lack of segregation of duties**

**2.437** We noted that the officer in charge of the accounting function at the Embassy retired in September 2006. Consequently, except for certifying invoices the Administrative Attaché carried out most of the functions in the payment cycle.

**2.438** We are aware that it is difficult to attain the optimal level of segregation of duties within a small office. However, in these circumstances it is important for management to implement controls that compensate for the increased risk. For instance, another officer can be assigned the responsibility to initiate, certify and present transactions for processing. The Administrative Attaché can then approve and make payments.

**2.439** We must stress that especially in a small office like the Embassy; lack of segregation of duties without compensating controls increases the risk of errors or irregularity that may remain undetected, thus, making the Embassy more vulnerable to financial reporting errors and possible fraudulent employee behavior.

**2.440** We recommend that in light of the fact that an efficient system of internal control requires that no single person should be responsible for all aspects of a transaction in the payment cycle; the current responsibilities of the Administrative Attaché should be reviewed.

#### **RETIRING BENEFITS 2010/2011**

**2.441** During the financial year 2010/2011 the Government of Saint Lucia paid \$17,768,348.70 for retiring benefits. The Audit Office verified all payments which comprised:

Benefit	Amount	No. of payments made
Contract Gratuities	2,990,798.97	111
Pensions and Gratuities	14,764,510.52	133
Ex Gratia Award	13,039.21	1
<b>TOTAL</b>	<b>17,768,348.70</b>	<b>245</b>

**2.442** Our audit revealed a few anomalies.

**2.443** Fifteen (15) officers were overpaid during the period under review resulting in a total overpayment of \$72,575.54. It was noted that ninety-four and a half percent (94.5%) of this amount was in respect of pension and gratuity payments, and the remaining five and a half percent (5.5%) was for contract and gratuity.

**2.444** The overpayment for Contract and Gratuity occurred because the incorrect salary used to calculate one (1) officer's benefits, was higher than the salary that was quoted on the contract. In another instance the incorrect period of service was used in the computation of one (1) officer's benefits.

**2.445** For pension and gratuity, the incorrect salaries were used to calculate the benefits for two (2) officers. In another instance the period of service before the age of eighteen was included in the computation of one (1) officer's benefits and a period of non-service was included in the computation of another officer's benefits.

**2.446** We also noted that the incorrect period of service was used in the computation of one (1) officer's benefits. In seven instances the aggregate salaries of officers who were not in the post for three years should have been used in the computation of their benefits. However their last salaries prior to retirement were used in the computation.

**2.447** Six (6) officers were also underpaid during the period under review, resulting in a total underpayment of \$9,639.60. It was noted that twenty-seven percent (27%) of this amount was for Contract and Gratuity payments whilst the remaining seventy-three percent (83%) was in respect of Pension and Gratuity payments.

**2.448** The underpayment of contract gratuity to one officer occurred because the incorrect number of months of service was used in the computation.

**2.449** The underpayments for Pensions and Gratuities occurred as a result of:

- The acting allowance was not included in the computation of one officer's benefits.
- the incorrect period of service was used in the computation of three (3) officers' benefits.
- the period of paid medical leave was not included in the computation of benefits for one officer.

**2.450** We noted that there was a decrease in the monthly salaries during the period March 01, 2010 to June 11, 2010 for one officer and during the months of September and October 2010 for another. Supporting documentation to substantiate the decreases was not provided.

**2.451** We recommend that management takes the necessary steps which will ensure that:

1. **The amounts overpaid by the Government are refunded**
2. **The amounts underpaid are made good to the officers**
3. **Computations are independently verified by an officer other than the officer who processes them**

### **PERFORMANCE AUDIT ON THE PUBLIC ASSISTANCE PROGRAMME**

**2.452** 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.*

**2.453** The Office of the Director of Audit in fulfilling this mandate conducts 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.

**2.454** During the year we 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.

**2.455** The audit covered the period April 1, 2006 to March 31, 2009. The final report was issued under separate cover to Parliament.

**2.456** Here is the Executive Summary of the Report:



## Executive Summary

**2.457** The purpose of this audit is to inform Parliament on the administration of the Government's public assistance programme. The Ministry of Health, Wellness, Family Affairs, National Mobilization, Human Services and Gender Relations is the lead agency through which the Government of St. Lucia provides financial assistance to needy individuals. The Ministry's Division of Human Services and Family Affairs (the Division) is responsible for administration of the public assistance programme. The legislative authority for delivery of public assistance benefits is the *Public Assistance Act*.

**2.458** According to the St. Lucia Country Poverty Assessment 2005/06 the number of St. Lucians considered to be indigent fell from 7.1 percent to 1.6 percent between 1995 and 2005. However, the number of individuals considered poor increased from 25.1 percent to 28.8 percent over that period. In the country's population of roughly 175,000, this means that 50,000, or almost 30 percent, of St. Lucians are poor.

**2.459** Our audit examined four significant areas of the public assistance programme: eligibility determination, cash management, information management, and programme oversight. There were 16 audit criteria associated with our 9 audit objectives. Management agreed to the suitability of our audit criteria as reasonable standards for programme performance. Our audit covered programme operations from April 2006 to March 2010.

**2.460** We tested a selection of 106 applicants who became eligible for benefits between 2006-07 and 2008-09. During these three years, the Government expended \$10 million in financial support to roughly 2,500 recipients each month. These monthly payments reached many more beneficiaries in the families supported.

**2.461** With respect to eligibility determination, we found that financial benefits were paid to individuals who did not qualify under the *Public Assistance Act's* definition of needy. The Division did not have clear and explicit criteria for determining eligibility, and decisions to approve or reject an applicant for benefits were not made consistently. Further, the Division did not reassess eligibility twice yearly, as required, to determine whether benefits should be extended or terminated.

**2.462** We also found that applicants have no recourse mechanism available to them should they feel they have been treated unfairly.

**2.463** Concerning cash management practices, we found that monthly cash payments to recipients were recorded and accounted for. However, we found the handling and safeguarding of cash were not well controlled. For example, In the four regions outside Castries where payments are made by regional sub-accountants, there was no segregation of duties between, and limited supervision of, the cash handling, distribution, and recording functions. As well, we found that individuals receiving payments on behalf of recipients did not present a letter of authorization from the recipient and, as a result, the rightful recipient may not have received the payment to which he/she was entitled.

**2.464** We found that the recording and reporting of monthly and annual expenditures by the Ministry and Accountant General's Department was neither accurate nor complete. We were not able to verify the amount of public assistance paid in the period tested.

**2.465** Practices for the collection, storage, retrieval, and protection of the public assistance programme's personal, financial, and performance information did not comply with the requirements of the Division's Policy and Operations Manual. We found that individual case files were not maintained.

**2.466** The recipient records available were incomplete, and the validity and reliability of the information they contained was uncertain. Without complete records for all applicants, the accuracy and consistency of eligibility and entitlement decisions cannot be established.

**2.467** We also found that security over recipients' personal information was poor. We found these records stored in unlocked filing cabinets and on open shelves. As a result, this sensitive information may be easily lost, accessed by unauthorized employees, or stolen.

**2.468** We found that monthly and quarterly programme reports that were prepared by welfare officers were incomplete, unreliable, and, in many cases, unavailable. We also found there were no performance indicators for the public assistance programme, and that complete and reliable programme data was not collected. No programme monitoring and evaluation function had been established.

**2.469** We concluded that the performance and effectiveness of the public assistance programme were not being measured and reported. As a result, it is not possible for Ministry officials and Parliament to hold Division managers accountable for their administration of the public assistance programme.

**2.470** The report contained 14 recommendations for improvement.

## **CONDUCT OF BOARD OF SURVEY**

In accordance with Section 145(1) and (2) which states that: ***“(1) A Board of Survey shall sit after the close of business on the last business day of each year or before the commencement of business on the first day of the new year, to count the stock of cash and stamps held by the Accountant General, the Postmaster General and sub-accountants.***

***(2) Boards of Survey shall sit at least once each year on the main stock of postage stamps held by the Accountant General and the Post Master General to determine obsolescence and to make recommendations for the destruction of obsolete stamps.”***

The Office of the Director of Audit observes the work of Boards of Survey and reports its findings to the Ministry of Finance:

**2.471** This memorandum highlights some of the reportable issues found during the Board of Survey at the General Post Office.

- **Some board members were not equipped and were not fully aware of their responsibilities**

**2.472** We observed that some board members did not have the necessary tools such as pens, pencils, calculators or note pads to carry out their functions.

**2.473** The board is required to verify the quantities, the total cost for each stamp value and as well as the grand totals on the declaration forms. We noted that in some instances the total cost for each stamp value and the grand totals were not verified on the declaration forms.

**2.474** The figures obtained from this exercise are used by the Accountant General's Department in the preparation of the financial statements of the Government of St. Lucia. Therefore, members of the Board must exercise due diligence by understanding the responsibility that have been conferred upon them and must have the necessary tools in order to conduct this exercise accurately.

**2.475** We are aware that the Ministry of Finance conducts a training exercise before the survey takes place. However we are still concerned that persons appointed are not fully aware of the requirements.

**2.476** Therefore we are appealing to the Ministry of Finance to:

- **Increase its efforts at ensuring that persons who are appointed to conduct the survey attend the training exercise and that they fully understand the requirements Persons are given stationary and materials that they need to conduct the survey.**
- **The necessary procedure for the conduct of the survey beyond a day was not followed**

**2.477** The Board of Survey did not complete the count of all stamps and stamped stationery at the end of the day which was Friday, April 01, 2011.

**2.478** Therefore, it was necessary to continue the survey on the next working day which was on Monday, April 04, 2011.

**2.479** Under this circumstance, the Board should have been guided by the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No. 148 which required the Board to lock the stamps and stamped stationery in a strong room and seal the room. This seal should only be broken in the presence of the members of the Board.

**2.480** We observed that all stamps and stamped stationery were locked in the vault; however the vault was not sealed.

**2.481** Bearing in mind that the next two days were not working days, we are of the view that the lack of a seal compromised the integrity of the count as there was no way of verifying whether persons accessed the vault in the absence of the board members or during the weekend.

**2.482** We recommend that if it becomes necessary for the Board to continue its function beyond one day that the procedures given in the Revised Laws of St. Lucia, 2005 Cap 15.01 (Financial Regulation) No. 148 should be strictly followed.

- **Inefficiencies found during the survey**

**2.483** The General Post Office carries the largest volume of stamps and stamped stationery, therefore, there is need to ensure that the count of stamps and stamped stationery is conducted with the highest level of efficiency. In addition, it is paramount that the Board maintains the integrity of the count throughout the survey.

**2.484** We made the following observations which negatively affected the level of efficiency with which the count was conducted:

- The calculations made by some board members were sometimes incorrect and they were unaware that they had to recalculate all totals on the declaration forms.
- Packets containing sets of stamps were taken at face value and not counted in order to verify the amount declared.
- Many board members were unassigned for periods exceeding twenty (20) minutes because they were waiting for the chairperson to assign work to them. They also had to wait for the chairperson to be present before the cash tills were opened.
- On the second day of the count there was uncertainty as to which stamps were already counted because all stamps including those that were already counted were locked in the vault without being identified as counted. Consequently, Board members had to recheck those stamps.
- Two board members were absent on the second day of the count.
- Throughout the exercise it was quite evident that some members had absolutely no knowledge of the requirements or did not have any experience working with cash or stocks of stamps.

**2.485** In light of the above findings we recommend the following:

- **Persons selected to conduct this exercise should have experience in accounting or cashiering functions.**

- **Persons selected should be thoroughly briefed on the requirements and their responsibilities.**
- **The volume of work at the General Post Office is great, therefore, the Chairperson should develop an appropriate task assignment strategy geared towards completing this assignment in one day.**
- **Persons holding cash or stamp were not always present when the survey was held on cash or stamp in their charge.**

**2.486** We noted that in some instances, the postal clerks who were responsible for holding stocks of stamps and cash were not always present while the survey was done on the stock in their charge. As a result board members had to wait to report discrepancies to them.

**2.487** This practice is not in keeping with the Revised Laws of Saint Lucia 2005 Cap 15.01 (Financial Regulation) No. 146 which states that a person given the responsibility of holding cash or stamp should be present while a survey is being held on cash or stamps in his or her charge.

**2.488** We strongly recommend that officers responsible for keeping cash and stamp should be present while a survey is being held on cash or stamps in his or her charge.

## SECTION III

### CAROSAI SECRETARIAT

**3.1** The Caribbean Organization of Supreme Audit Institutions (CAROSAI) was established in 1988 in Port of Spain, capital of Trinidad and Tobago according to its Charter which was accepted in the first Congress.

**3.2** The aims of the Organization are to:

- Increase the exchange of knowledge and experiences between member Supreme Audit Institutions ( SAIs) of organization;
- Expand of training and continuing education possibilities between SAIs;
- Increase the importance of internal audit function in public sector;
- Render technical assistance and support to the member SAIs;
- Strengthen cooperation between member SAIs and etc.

**3.3** Presently there are twenty two (22) member Supreme Audit Institutions (SAIs) of CAROSAI - Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands (BVI), Dominica, Haiti, Cayman Islands, Guyana, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Saint Maarten, Suriname, Turks and Caicos Islands, Trinidad and Tobago and Jamaica.

**3.4** The CAROSAI Secretariat is located in Saint Lucia since 2005 and the Director of Audit of Saint Lucia is the Secretary General.

**3.5** The Functions of the Secretariat are:

- To execute the decisions and tasks of Congress and the Executive Council of CAROSAI;
- To conduct organizational issues related with meetings of Congress and Executive Council;
- To prepare projects of activity and financial reports of the organization;
- To prepare and execute annual budget project of the organization;
- To carry out Secretariat functions given by the organization etc...

**3.6** The Caribbean Organization of Supreme Audit Institutions (CAROSAI) has secured financing toward the cost of the technical assistance to improve the quality and timeliness of Fiduciary oversight conducted by Supreme Audit Institutions (SAI's) in the Caribbean.

The grant will be implemented at the regional level by the Caribbean Organization of Supreme Audit Institutions (CAROSAI) with the view toward creating large potential spill over learning effects in a region where countries are characterized by their small size and limited human and institutional capacity.

**3.7** The Office of Director of Audit is responsible for the financial management of the project in its capacity of Executive Secretary of CAROSAI. It is also responsible for collecting and controlling invoices, managing the designated account, keeping the books of accounts, preparing and producing the interim unaudited financial statements and making the necessary arrangements for the financial audit.

**3.8** During the financial year the Office of the Director of audit undertook a number of project activities which included:

- Procurement of the Consultants for the Project
- Procurement of the Consultants for the CAROSAI website
- Processed withdrawal applications
- Disseminated information
- Hosted several project consultations