



Government of St. Lucia

*Report
of the
Director of Audit
for the Financial Year
2013/2014*

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INTRODUCTION

This Annual Report has been prepared in line with Section 6 (1) of the Audit Act which requires the Director of Audit to submit a report at least once a year to the Minister for transmission to the House of Assembly on

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

I am therefore pleased to present to the House of Assembly the Annual Report on the work of the Director of Audit for the financial year 2013/2014.

In order to effectively fulfill its mandate the Office of the Director of Audit continues to follow the mission, vision and roadmap for development established in its strategic plan.

In conducting our audits, our guiding principle has been to undertake them in an objective and professional manner. Consequently, the Office of the Director of Audit is guided by the International Organization of Supreme Audit Institutions (INTOSAI) standards. The Office also follows government accounting procedures and policies and may seek guidance from other professional bodies and audit related best practices around the world.

In the conduct of our audits we engage with government ministries and departments and where obtained we have included management's response in our reporting.

I would like to express my gratitude to the staff of the Office of the Director of Audit for all their hard work over the past year. I am also grateful to the management and staff in the various government ministries and departments for their time and cooperation in helping us fulfil our mandate.

Copies of this report, as well as all other past reports can be obtained on our website at www.auditstlucia.com

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Averil James-Bonnette
DIRECTOR OF AUDIT

As per its mandate, the Office of the Director of Audit is an independent constitutional office that exists to serve Parliament. Independence from Government is vital if the Audit Office is to perform its work effectively and make unbiased judgments. Through the *Constitution* and the *Audit Act*, Parliament has legislated the independence of the Director of Audit and confirmed the position as answerable and subservient only to Parliament. The *Audit Act* stipulates that the Director of Audit shall not be under the control or direction of any other person or authority in the exercise of her functions.

The Director of Audit is the auditor of the Public Accounts of St. Lucia, as well as all government ministries and departments, and is responsible for making enquiries necessary to report to Parliament on Government's finances and operations. She may conduct examinations as required by Parliament and provide advice to government officers and employees on matters identified during an audit.

Each report of the Director of Audit shall call attention to anything that she considers to be of significance and of a nature that should be brought to the attention of the House of Assembly, including any cases in which she has observed that:

- (i) accounts have not been faithfully and properly maintained or Public Monies have not been fully accounted for or paid, where so required by Law, into the Consolidated Fund;
- (ii) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditure have been made only as authorised;
- (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 or programmes (the achievement, to the best degree, of the objectives or other intended effects of a programme, an organisation or any activity), where such procedures could appropriately and reasonably be implemented.

The *Audit Act* allows the Director of Audit, upon request, to have free access to and make copies of all registers, reports, documents or data in whichever form, relevant to the work of the Director of Audit under the law and to furnish her, or a representative designated by her in writing, with any relevant information or explanation which she may require.

The Office of the Director of Audit conducts its work in accordance with the the International Standards of Supreme Audit Institutions. The Audit Office is a member of the International Organization of Supreme Audit Institutions (INTOSAI). The Office also seeks guidance from other professional bodies and audit-related best practices around the world.

Our Vision

Our vision for the office of the Director of Audit

An independent and innovative audit office recognized for excellence in serving Parliament and in promoting effective and accountable government.

Our Mission

The Office of the Director of Audit exists to assist Parliament in holding the Government to account for its management of the country's finances and Public Service. We do this by 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 operations.

Our Values

Independence

We report to Parliament and are fair, objective, and non-partisan in our approach. We adhere to our independence standards and professional codes of ethics, avoiding real and perceived conflicts in our relationships and the conduct of our work.

Integrity

We work together and with others in an open, honest, and trustworthy manner while respecting the confidentiality of the information we obtain. We strive every day to meet the highest standards of professional conduct.

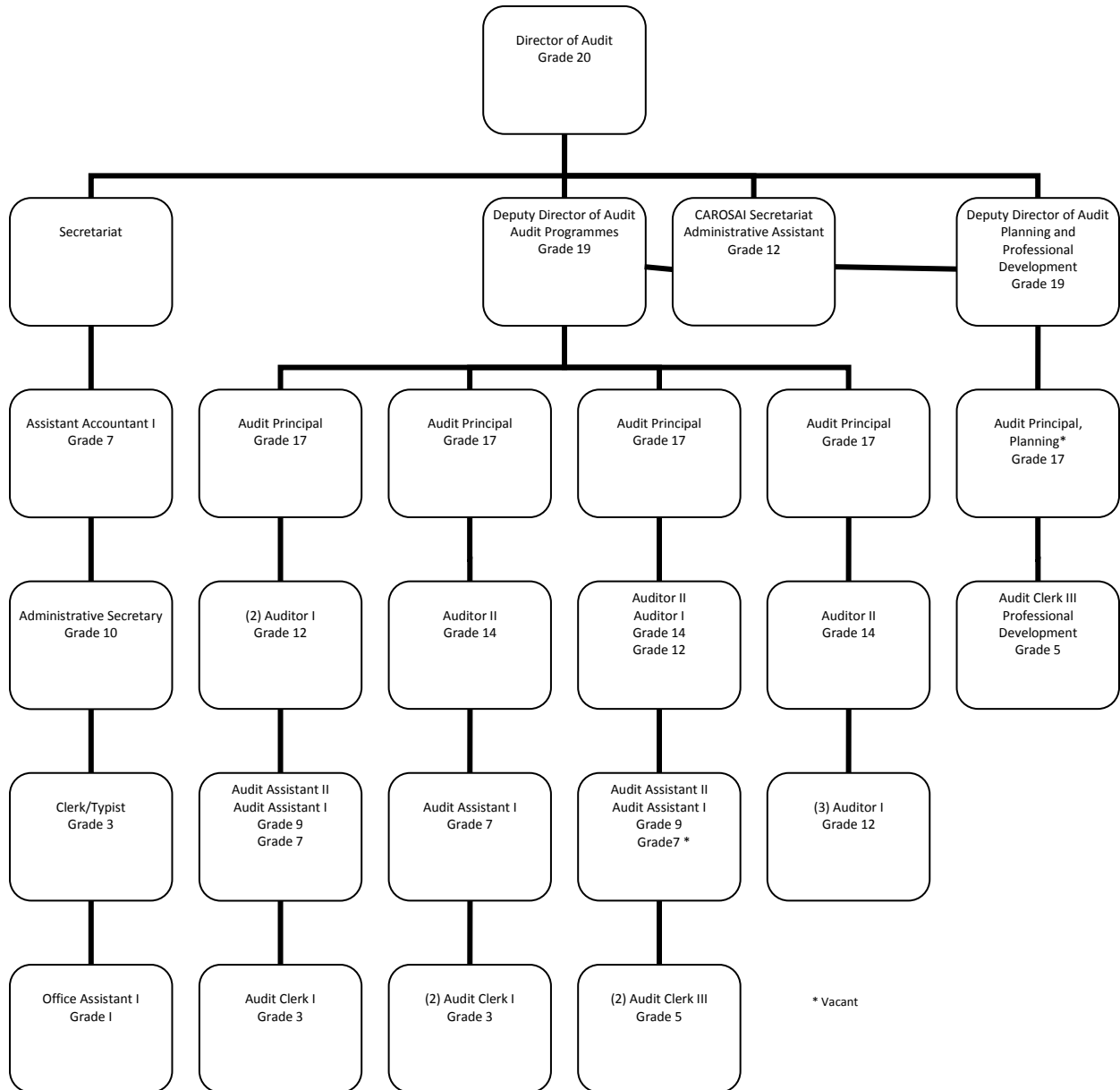
Innovation

Through innovation, we find better ways to conduct our work and to serve Parliament. We seek new audit approaches and methodologies to improve our quality, efficiency, and effectiveness. We value the ideas and creativity of our staff.

Excellence

We meet the highest standards of professionalism in our work with Parliament and those we audit. We are committed to continuously improving our processes and practices, and to consistently delivering products and services of the highest quality.

ORGANIZATIONAL CHART



* Vacant

Establishment; Accounts;
Supplies, Facilities

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

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

PERFORMANCE PLAN / WORKPLAN

AGENCY: OFFICE OF THE DIRECTOR OF AUDIT

Strategic Priority/POLICY OBJECTIVE: Stimulating Economic Growth

AGENCY OBJECTIVE: to assist Parliament in holding the government to account for its management of the country's finances and Public Service by 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 operations.

AGENCY OBJECTIVES:

- Audit and express an opinion as to whether the several financial statements required by section 14(2) of the Finance (Administration) Act present fairly information in accordance with stated accounting policies of the Government and on a basis consistent with that of the preceding year together with any reservations within a period of six months after the close of each financial year
- Submit a yearly report to the Minister for transmission to the House of Assembly—(a) on the work of the office; and(b) on whether, in carrying out such work whether all the information, reports and explanations were received.
- Submit reports to Parliament on whether (a) accounts have not been faithfully and properly maintained or public monies have not been fully accounted for or paid, where so required by law, into the Consolidated Fund; (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditure have been made only as authorized for 60% of the Government Agencies;
- Submit at least two performance audit reports to Parliament on whether money has been expended without due regard to economy or efficiency and satisfactory procedures have not been established to measure and report on the effectiveness of government programmes.

PROGRAMME – Value For Money

PROGRAMME OBJECTIVES - To conduct audits to determine whether money has been expended without due regard to economy or efficiency and satisfactory procedures have not been established to measure and report on the effectiveness of government programmes.

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Performance/Value For Money audit report	Number of Value for Money audits conducted and Reports submitted to Parliament	One (1) Value for Money Report submitted to Parliament on the Boys Training Center

PROGRAMME - Planning and Professional Development

PROGRAMME OBJECTIVES - To increase staff job competency and professional development by providing relevant skills training.

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Training workshops based on training needs	Training received by all staff	Increase in staff professional development by 25%. Staff to attend at least six (6) training workshops by March 2014
Updated Audit Manual	Quality and content of Audit Manual	100% Increase in the documentation of audit standards, procedures and methodology. Audit manual completed by February 2014
Implementation of the International Standards for Supreme Audit Institutions (ISSAI)	International Standards for Supreme Audit Institutions Compliance Assessment Report	Implementation of 50% of recommendations in report by December 2013 Increase in quality of audits conducted in accordance with the standards by 50%

PROGRAMME: AUDIT OPERATIONS

PROGRAMME OBJECTIVE - To conduct various audits and special reviews within Central Government agencies and Statutory Bodies, where specified, to report to Parliament on how agencies have accounted for resources entrusted to them.

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Audit reports on the donor funded projects	Number of audits completed for the donor funded projects. Number of reports that are submitted to the various implementing agencies within the deadlines given in the Terms of Reference	Complete audits for four (4) projects by September 30, 2013 Issue four (4) audit reports on financial statements of the donor funded projects within three months of the commencement of the audits.
Audit reports and management letters on the public accounts.	Audit report and Management letter on the public accounts for the year ended March 31, 2007 and 2008 submitted to the Accountant General's Department within six months (6) of receiving the financial statements	Issue two(2) audit reports and management letters on the public accounts for the financial year 2006/2007 and 2007/2008 within six (6) months of receiving the financial statements
Audit reports and management letters on weaknesses in the internal control systems and issues of non-compliance with government's laws and regulations.	Number of management letters and reports submitted to Heads of Ministries and Departments within deadlines	Issue at least seven (7) audit reports on the results of audits of programmes conducted for Ministries, Departments and Foreign Missions by March 31, 2013.
Annual report	Timeliness of Audit Report	Annual Report for 2012/13 submitted to Parliament by September 2013.
Audit report on the financial statements of Statutory bodies for which the Director of Audit is the Auditor	Number of audits completed and reports issued	Complete audit and issue report to the St. Lucia Bureau of Standards and others within three months of receipt of the financial statements

BUDGET

For the financial year 2013/14 the Government of Saint Lucia approved a budget of \$1,944,500.00 for the Office of the Director OF Audit. Of this amount \$1,613,606.00 was allocated for salaries.

The programme detail estimated and actual expenditure for the financial year 2013/14 comprised the following:

CODE	Details of Expenditure	ANNUAL ESTIMATES	ACTUAL 2013/14
01	Audit Administration		
101	Personal Emoluments	307,270	307,869
102	Wages	6,536	6,258
105	Travel and Subsistence	8,742	8,741
109	Office and General Expense	72,146	72,099
113	Utilities	132,000	123,693
115	Communication	9,929	8,817
116	Operating and Maintenance Services	51,735	32,154
118	Hire of Equipment and Transport	816	520
	TOTAL PROGRAMME EXPENDITURE	589,174	560,151
02	Audit Operations		
101	Personal Emoluments	1,231,101	1,145,948
105	Travel and Subsistence	119,429	111,582
108	Training	2,698	2,428
115	Communication	5,098	2,196
	TOTAL PROGRAMME EXPENDITURE	1,358,326	1,262,154
	TOTAL AGENCY EXPENDITURE	1,947,500	1,822,305

TRAINING/PROMOTIONS

STAFF MOVEMENT

Promotions

Two officers were transferred on promotion to the Office of the Director of Audit. An Administrative Secretary to the post of Administrative Assistant with effect from April 22, 2013 and a Tax Inspector Officer to the post of Auditor I with effective from May 13, 2014.

Acting Appointment

A number of acting appointments were made during the year. The Deputy Director – Administration was appointed to act Director of Audit with effect from July 15 to September 1, 2013. A Secretary IV from the Ministry of Education was appointed to act Administrative Secretary on July 8 to 31, 2013. During the period June 24 to November 30, 2014 and December 1, 2013 to May 31, 2014, an Audit Assistant II was appointed to act Auditor 1, an Audit Assistant I to act Audit Assistant II, and an Audit Clerk I to act in the post of Audit Clerk II.

Temporary Appointments

In order to facilitate the continuation of the work programme of the Office of the Director of Audit, five temporary appointments were made during the financial year April 1, 2013 to March 31, 2014 as a result of officers being on vacation, study leave and officers acting in higher positions. This included two temporary appointments of an Audit Clerk I for the periods June 24 to November 30, 2013 and December 1 2013 to May 31, 2014; and another Audit Clerk I for the period August 19, 2013 to February 28, 2014 and March 1, 2014 to September 3, 2014. A cleaner was temporarily appointed for the period July 17 to August 2, 2013. A Clerk/Typist was appointment for the period November 11, 2013 to April 3, 2014. During the period, an Office Assistant was also appointed with effect from September 2, 2013 to January 10, 2014, January 28, 2014 to February 28, 2014 and March 17, 2014 to April 25, 2014.

Transfers

A Financial Regulator I was transferred to the post of Auditor II with effect from June 24, 2013. An Audit Principal and an Auditor I were transferred out of the Department on promotion.

Study Leave without Pay

An Audit clerk II was granted study leave without pay for the period August 16, 2013 to September 3, 2014.

TRAINING

Introduction to Internal Auditing

This training was funded by CARTAC and facilitated by the internal audit directorate of the Ministry of Finance, Jamaica during the period July 1 to 5, 2013. One Auditor II and Audit Assistant II attended the training.

Report Writing

A series of training on report writing was conducted by the Ministry of the Public Service during the period. The training was attended by three Audit Assistants

E-Learning Course-Risk-Based Approach to Financial Audit

This training workshop was funded and conducted by the INTOSAI Development (IDI) in conjunction with the United Nations Institute of Training and Research (UNITAR). During the period September to October 2013, one Audit Principal, one Auditor II and an Audit Assistant participated in the training.

Internal Audit and Controls in the Budget Execution

This training was held in St Kitts and was sponsored by the World Bank under the auspices of the SEMCAR Project during the period April 24 – 26, 2013. It was attended by the Director of Audit.

QuickBooks Training

A three-day QuickBooks training funded by the World Bank under the Hurricane Tomas Project was conducted on October 8 to 10, 2013 by external trainers from “LightSparc”. The training was attended by twelve members of staff: the Director of Audit, Deputy Director of Audit – Administration, two Audit Principals, four Auditors, two Audit Assistants and two Audit Clerks.

Phase II – ISSAI Certification Programmes: E-Course on implementing ISSAIs

This training was the second phase of the certification programme. This E-learning training was funded and conducted by the INTOSAI Development Initiative (IDI) and was from July 29 to September 13, 2013. It was attended by the Deputy Director – Administration and an Audit Principal.

Preparing Submissions to Cabinet

This half-day training workshop was conducted by the Ministry of the Public Service and was facilitated by the Cabinet Secretary on January 22, 2014. The training was attended by the Deputy Director – Planning and Professional Development and two Audit Principals.

Oral and Written Communication Skills

An Auditor II and an Auditor I attended six-week training programme conducted and facilitated by the Ministry of the Public Service during the period November 5 to December 12, 2013.

Supervision and People Management Workshop

This workshop was funded and conducted by the Ministry of the Public Service on September 12, 2013. It was attended by three auditors.

SmartStream Training

This training was held on October 29, 2013 and was organized by the Ministry of the Public Service and was facilitated by personnel from CCL. It was attended by newly appointed officers: two Auditors and one Audit Clerk.

In-Housing Training – Introduction to ISSAI Implementation

During the period June 27 to 28, 2013, this workshop was conducted by three Audit Principals and was attended by all members with the exception of the Director and Deputy Director.

STATUS OF WORK COMPLETED FOR 2013/2014

Audits identified in the work plan	AUDIT CLIENTS	STATUS
Performance Audits		
Bio Medical Waste Management Practices	Ministry of Health Wellness, Human Services and Gender Relations,	Completed
Boys' Training Centre	Ministry of Social Transformation	Completed
Foreign Mission Audits		
New York Mission	Ministry of External Affairs	Completed
Consulate Fort de France	Ministry of External Affairs	Completed
Operational Audits		
Audit of the management of government vehicles in the public service	Ministry of Health Wellness, Human Services and Gender Relations Ministry of Agriculture, Food Production, Fisheries and Rural Development Ministry of Infrastructure Port Services and transport Ministry of Education Human Resource Development and Labour Office of the Prime Minister, Ministry of Home Affairs (St. Lucia Fire Service and the Police Department).	Completed
Audit of Supply of Office Equipment, Furniture and Office Supplies to Ministries and Departments by the Budget Office	Ministry of Finance, Economic Affairs and National Development	Completed
Parrot Project	Ministry of Agriculture Food Production, Fisheries and Rural Development,	Rescheduled

OECS Skills for Inclusive Growth Project	Ministry of Education, Human Resource Development and the Project Coordination Unit (PCU)	Completed
Saint Lucia Public Service Enhancing Project	Ministry of the Public Service, Information and Broadcasting and the Project Coordination Unit (PCU)	Completed
Hurricane Tomas Emergency Recovery Project	Ministry of Finance, Economic Affairs and national Development and the Project Coordination unit (PCU)	Completed
Caribbean Regional Communications Infrastructure Project (CARCIP)	Ministry of Finance, Economic Affairs and national Development and the Project Coordination unit (PCU)	Completed
Government of St Lucia Financial Statements 2007/2008 and 2008/2009	Accountant General's Department	Ongoing
Saint Lucia Bureau of Standards	SLBS	Completed
Audit of Financial Statements of the Stakeholders Committee for Carnival 2012/2013	Ministry of Tourism	Completed

1. OPERATIONAL AUDITS

Audit of Processing and Payment of Sick and Maternity Benefits for Government Employees under the National Insurance Corporation

INTRODUCTION

1.1 In May 2003, the Government took a decision to amend the Revised Laws of St. Lucia Cap 15.26 (Pensions Act 1967). Consequently, the Pensions (Amendment) Act No.19 of 2003 took effect. Circular No. MPS 24/2003, released by the Ministry of Labour Relations, Public Service and Co-operatives in August 2003 stated ***“Notwithstanding the provisions of subsection (1) the provisions of the Act shall not apply to officers first appointed to the public service of the Government of Saint Lucia on or after the 1st day of February 2003.”*** As a result, effective February 1st, 2003 all persons appointed to the Public Service were required to contribute to the National Insurance Corporation (NIC) and were subjected to the Revised Laws of St. Lucia, Cap. 16.01 National Insurance Corporation Act.

1.2 The Pensions Act was amended as a cost cutting measure since the GOSL's expenditure for pensions at March 2002 was \$31,929,000 and was projected to escalate significantly over the years.

1.3 The amendment to the Act presented some anomalies to the government because the requirements of the Pensions Act and the Staff Orders were different to that of the NIC Act. Additionally, there were implications for salary arrangements when those employees who contributed to the NIC proceeded on sick and maternity leave.

1.4 Pensionable officers appointed to the Government service from 2003 contribute 5% of their salaries to the NIC. Under the NIC Act, both employees and employers are required to contribute 5% each of the gross salary up to the established maximum of \$250.00 each. The NIC provides for short term benefits such as sickness, maternity and employment injury.

1.5 Employees receive 65% of their salaries from the NIC during a sick or maternity leave period. The Government would only pay these employees 35% of their salaries during such periods.

1.6 As a result of these changes one of the main requirements for the government is to have employee benefits data that is accurate and complete. This is necessary to ensure that sick and maternity benefits are paid to the right employee, at the right amount and at the right time. Therefore, all agencies involved in the administration and processing of sick and maternity benefits should collaborate to ensure that processes are efficient and properly administered.

1.7 In this regard, there are several agencies within government that play a major role in ensuring that contributions on behalf of employees are paid to the NIC on a monthly basis and that sick and maternity benefits due to employees are accurately processed before they are paid by the National Insurance Scheme (NIC). These agencies and their responsibilities are as follows:

Agency	Responsibility
Accountant General's Department	<ul style="list-style-type: none"> • Computing and making accounting entries for employer contributions • Paying employee and employer contribution to NIC • Deducting salary for period of sick/maternity leave • Recouping any overpayments • Implementing internal control systems over the accounting functions • Reconciling the NIC accounts
Ministry of the Public Service	<ul style="list-style-type: none"> • Implementing internal control systems over the human resource functions • Communicating information with regards to new and terminated employees to the line Ministries
Line Ministries	<ul style="list-style-type: none"> • Processing change forms for additions and deletions of employee contributions • Processing sick and maternity leave and apportioning monthly salaries accordingly • Remitting sick leave requests to the NIC and receiving benefit cheques for disbursement to employees

1.8 Due to the essential roles that each of these agencies play in the process and the importance of these benefits to employees and given our responsibility to report on any significant matter arising from the conduct of government operations, the Office of the Director of Audit conducted an audit of the processing and payment of sick and maternity benefits to employees who contributed to the National Insurance Corporation and were appointed to the Public Service after 2003.

2. Audit Objectives

2.1 The objectives of the audit were to determine whether:

- The government agencies had sufficient standardized policies and procedures to guide them in processing the various activities for sick and maternity benefits on behalf of employees;
- These policies and procedures were properly and effectively communicated;
- The systems of internal controls were sufficient to guide these operations and whether the data maintained was accurate and to;
- Highlight any weaknesses and report on any errors or losses uncovered during the course of the audit.

Scope and Methodology

2.2 Our audit covered the period April 1, 2010 to March 31, 2012.

2.3 Although employees who contribute to the NIC are eligible to receive a pension as well as short term benefits including sickness, maternity and employment injury, this audit focused only on sickness and maternity benefits. We did not examine the other benefits such as pensions.

2.4 In the conduct of the audit we were guided by the International Standards for Supreme Audit Institutions (ISSAIs) for audit engagements issued by the International Organization of Supreme Audit Institutions (INTOSAI) and accordingly included such tests of the records and procedures that we considered necessary.

2.5 Our audit universe consisted of eight ministries/departments which included:

- The Ministry of the Public Service, Information & Broadcasting
- Ministry of Legal Affairs
- Ministry of Infrastructure, Port Services & Transport
- Customs and Excise Department
- Ministry of Planning, Housing & Urban Renewal
- Ministry of Health, Wellness, Human Services and Gender Relations
- Ministry of Tourism
- Ministry of Education, Human Resource Development and Labour

2.6 To achieve our objectives we conducted documentation reviews of the Revised Laws of Saint Lucia namely the Pensions Act and its amendments and the National Insurance Corporation Act, related circulars, staff orders, union agreements, NIC information documents and other related materials.

2.7 We interviewed senior management within the Ministry of Public Service and the Accountant General's department, accounting and human resource officers at the sample line ministries and key personnel at the National Insurance Corporation.

2.8 We reviewed the automated accounts maintained by the Accountant General's department for employee and employer contributions in order to confirm payments made to the NIC. During our initial assessment of the system, we found that the lack of controls posed the greatest risk for fraud within the scope of our audit and thus we focused on that system.

2.9 We obtained a sample of employee personal files to confirm sick/maternity leave deductions and compared the data as per the Ministry's records to that of the NIC to determine any instances of overpayments.

2.10 A major part of the audit focused on the internal control systems within the various line ministries. We considered that there should be a robust internal control system over this important function.

2.11 An adequate system of internal controls would mitigate the risk of:

- Employees receiving double benefits by claiming 65% of their salaries from the NIC while receiving full salary from the government during periods of sick or maternity leave;
- incorrect payments made on behalf of employees;
- employer contributions not made to the NIC for eligible employees;
- the benefits which should be derived by the GOSL from utilizing the benefits scheme from the NIC are not being realized.

RESULTS OF THE AUDIT

PROCESSES AND PROCEDURES FOR CLAIM FORMS

There were no procedures manuals to guide personnel when processing sickness and maternity claim forms

2.12 Before employee benefits are paid by the NIC, the line ministers are responsible for obtaining the appropriate information from the beneficiary employees. This would require that the appropriate forms are completed, data bases and personal files are updated and any other necessary procedural operations for the efficient processing of these benefits are executed.

2.13 In carrying out these processes and to ensure consistency across agencies it would be useful to have a step-by-step easy to understand guide or manual to assist with these processes. At the very least a circular from the appropriate agency outlining the processes relating to sick and maternity claims should be available to all line agencies.

2.14 Our audit found that the line ministries were not adequately aware of their responsibilities with regards to processing sick and maternity claim forms on behalf of the employees. There were no standards procedures manuals/guidelines/circulars to guide ministries when sick and maternity leave forms were submitted by employees who were contributors to the NIC. As a result, individual ministries and departments implemented different procedures for processing leave forms and submitting them to the NIC.

2.15 As a result of the inconsistencies and sometimes inaccurate procedures used by ministries and departments when processing sick/maternity forms on behalf of employees, instances of double payments, over/underpayments and payment of full salaries to employees, in instances where the NIC should have been making part payments were found.

2.16 In our sample of eight ministries only one consistently processed NIC claims for all contributing employees, maintained a database, and did not authorize employees to liaise with the NIC directly for claims. Two ministries did not submit sick leave claim forms to the NIC for any of its employees. Although the other five ministries, submitted claims to the NIC, however this was not consistently done for all of its contributing employees.

Recommendation

A circular or set of guidelines should be issued to line agencies on how to process claim forms for sick and maternity benefits on behalf of those persons who contribute to the NIC.

PAYMENT OF SALARIES DURING SICK OR MATERNITY LEAVE PERIODS

The Government paid full salary to employees who contributed to the NIC while they were on sick/maternity leave

2.17 According to the NIC Act, contributing persons are eligible to receive 65% of their salaries during sick and or maternity leave. The employer pays 35% of the salaries of those employees during such periods.

2.18 We found several instances where the Government of St. Lucia paid the entire salaries of employees who contributed to the NIC while they were on sick or maternity leave. The main reasons for these instances were as follows:

- Accounting officers of the line ministries were not aware that NIC contributing officers' salaries should be apportioned (NIC 65%, GOSL 35%) during a sick maternity leave period.
- In most ministries, there were no clear procedures on how claim forms for sick maternity leave should be dealt with once the officers submitted the forms.
- There were no stated guidelines to public officers who contributed to NIC on the procedures which they should follow when proceeding on sick/maternity leave.

2.19 As a result of these issues, we noted that:

- Officers who contributed to the NIC did not always use the correct sick leave forms.
- A request for the NIC to pay 65% of the officers' salaries was not made; therefore

these officers' entire salaries were paid by the government.

- In cases where sick leave/maternity forms were submitted to the human resource officers of the ministries, these were sometimes not forwarded to the accounting sections for processing. Consequently, the officers' salaries were not apportioned accordingly.
- In some instances, the employees and responsible officers within the ministries were unaware of the time stipulations and consequently, claims were submitted to the NIC subsequent to the deadline dates. This resulted in claims being disallowed by the NIC and the GOSL having to pay the full salaries.

The table below provides some examples:

Ministry	Number of employees	Number of sick days	Total paid by the GOSL which should have been paid by the NIC \$
Ministry of the Public Service	3	9	415.51
Ministry of Legal Affairs	14	174	7,490.64
Customs and Excise	4	44	1,917.85
Ministry of Health	6	29	1,759.45

2.20 With over 6,000 employees currently contributing to the NIC, there is significant potential for losses from monies not recouped for reimbursements from NIC due to sick/maternity leave.

2.21 The Government of Saint Lucia (GOSL) spent approximately 19.45 million dollars for employer contributions. Therefore, it should at least reap the benefit of paying only 35% of employee salaries during a sick or maternity leave period.

Recommendation

Line ministries should put suitable mechanisms in place to enable timely and accurate processing of sick and maternity claim forms on behalf of employees.

Officers whose salaries were adjusted for sick leave were sometimes over/under paid

2.23 Our audit found that deductions from employee's salaries during periods of sick leave were not the same as refunds received by those officers. Consequently, officers were either over or underpaid in most instances.

2.24 We noted numerous instances where employees' total salaries after they were reimbursed by the NIC were either in excess of or below the employees' monthly salaries. The responsible officers explained that in some instances these over/under payments occurred

because the NIC uses a six (6) day calculation of the work week while the government uses a seven (7) day work week for calculation of daily salary.

2.25 Some examples of the accumulated effect of the differences were as follows:

Ministry	Total number of employees	Total Surplus/ (shortfall) in salary \$
Ministry of Infrastructure	18	852.39
Ministry of Education	4	(4,944.12)
Ministry of Health	10	(7,389.78)

2.26 Reimbursements of salaries for sick and maternity leave should not profit or cause loss to employees. In the union agreement between the Government and the daily paid workers, it is stated that where NIC reimbursements do not compensate the employee to his/her full salary the employer shall cover the cost of the difference to pay the employee full salary. However, the collective agreement for monthly paid employees does not make mention of this issue.

Recommendation

The GOSL (employer) should engage the NIC on the issue of reimbursement of salaries to its employees and agree on the best possible formula that would cause employees to be equitably reimbursed.

Some employees received full salary from the Government as well as reimbursements from the NIC

2.27 We found instances where the Government of St. Lucia paid full salaries to some employees and these employees were also reimbursed by the NIC. Some of the amounts overpaid to employees were recovered, but to date some amounts remain uncollected as follows:

Ministry	Total number of employees affected	Amount overpaid by the NIC \$	Amount recouped by the GOSL \$	Amount still outstanding \$
Ministry of Legal Affairs	7	10,960.36	2,500.00	8,460.36
Ministry of Education	2	3,248.40	0.00	3,248.40
Ministry of Health	8	9,970.23	0.00	9,970.23

2.28 The information presented in the table shows that over a two month period seventeen (17) employees from three (3) ministries received full salary from the government. These same employees also received 65% of their salaries from the NIC. Consequently, a total of \$21,427.30 was overpaid to these employees.

2.29 In addition, over one year two hundred and thirteen (213) employees from four (4) ministries received full salary from the government in addition to receiving sixty five (65%) of their salaries from the NIC. This resulted in overpayments to employees of \$144,601.61 which were not recovered within four months as shown in the following table:

Ministry	Total number of employees affected	Total overpaid by the NIC \$
Ministry of Legal Affairs	19	18,927.45
Ministry of Education	145	98,019.37
Ministry of Health	36	25,302.34
Ministry of Finance	13	2,352.45

2.30 In discussions with the staff of the NIC and the Accountant General's department we learned that the NIC has taken steps to rectify the situation. The NIC has decided to liaise with the Accountant General's Department prior to making payments to employees to ensure that the employees do not receive full salaries from the government in addition to the payments from the NIC. It must also be highlighted that this new measure was put in place after fraud was discovered

2.31 While we acknowledge that this is a step in the right direction, the Accountant General's Department should not rely on the NIC, an outside party to mitigate its risk of fraud.

Recommendations

The Accountant General's Department should seek to develop an efficient internal control system which has the capacity for ensuring that employees do not get paid by the NIC in addition to receiving their salaries from the government.

An effective system to properly monitor payments should be established.

3. MANAGEMENT OF GOVERNMENT VEHICLES

EXECUTIVE SUMMARY

3.1 In order to support the operations of government agencies, ministries and departments use government owned vehicles to carry out a number of their core activities including dispatching of document, transporting mail, collecting stores and transporting officers for banking of cash. The vehicles are also used to transport overseas delegates and local officials to and from the airports, for state security and surveillance, fire rescue, and several other activities. As at March 2013, six (6) large agencies of government owned three hundred and eighteen (318) vehicles. They included (1) Ministry of Health Wellness, Human Services and Gender Relations, (2) Ministry of Agriculture, Food Production, Fisheries and Rural Development, (3) Ministry of Infrastructure Port services and transport, (4) Ministry of Education Human Resource Development and Labour, (5) Office of the Prime Minister, (6) Ministry of Home Affairs (St. Lucia Fire Service and the Police Department).

3.2 Ministries purchased new vehicles without consideration for service delivery and operating costs factors. The justifications given for the acquisition of new vehicles were devoid of any information on operations, maintenance cost, and impact on the existing fleet. Most ministries could not confirm the correct numbers of vehicles in their custody and the locations of some vehicles. Further, the Transport Division did not have updated information on vehicle insurance neither could it provide a master list of all government owned vehicles.

3.3 There were inadequate controls in place to prevent the misuse and abuse of government vehicles despite several circulars from the Prime Minister, the Cabinet Secretary and the Ministry of Finance. Ministries used government vehicles for a wide variety of purposes, including dropping children of officials to school, personal errands for officials and staff. All of those purposes were deemed official, as long as management authorized them. Both drivers and supervisors had varying roles and responsibilities across agencies. Not all transport officers controlled keys to the government vehicles.

3.4 The manner in which the ministries and departments maintained the expenditure records made it difficult to apportion the operating costs to the individual vehicles in their fleet. Vouchers used for the purchase of fuel were incomplete. Most agencies did not reconcile the vouchers issued with the receipts from the gas stations to determine whether the authorized vehicle received the correct amount of fuel.

3.5 These serious weaknesses have led to a very inefficient and ineffective vehicle management system across ministries and departments. Immediate corrective action must be taken to alleviate the problems highlighted in this report.

INTRODUCTION

3.6 The Office of the Director of Audit conducts its audits under the authority of the Revised Laws of Saint Lucia Chapter 15.19 (Audit Act). The International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) guided us in conducting the audit. A qualified team of auditors conducted this audit.

Background

3.7 The issue of the abuse and mismanagement of government vehicles has plagued the government service for many years now. In 1989, the Office of the Director of Audit conducted an audit on the use of government vehicles. Since then the situation has exacerbated and government employees, the public and media, have expressed growing concerns about the abuse, unauthorized use and overall mis-management of government vehicles. In this context, the Office of the Director of Audit decided to carry out an operational audit on the management of government vehicles in the public service.

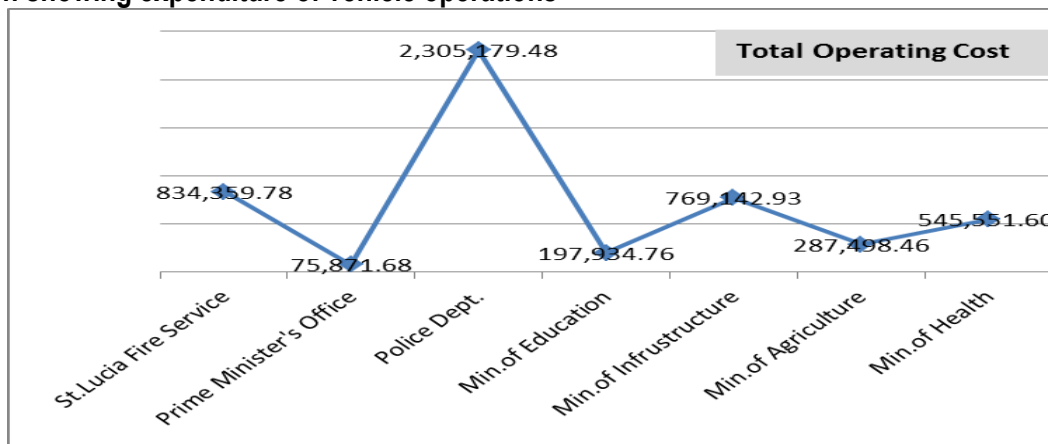
3.8 In order to support the operations of government agencies, ministries and departments use government owned vehicles to carry out a number of their core activities including dispatching documents, transporting mail, collecting stores and transporting officers for banking of cash. Vehicles were also used to transport overseas delegates and local officials to and from the airports, state security and surveillance, fire rescue, and several other activities. As at March 2013, six large agencies of government owned three hundred and eighteen (318) vehicles. The agencies included:

2012/2013

Agency	No. of Vehicles
Ministry of Health Wellness, Human Services and Gender Relations	30
Ministry of Agriculture Food Production, Fisheries and Rural Development	35
Ministry of Infrastructure Port Services and Transport	63
Ministry of Education Human Resource Development and Labour	13
Office of the Prime Minister	16
Ministry of Home Affairs (St. Lucia Fire Service)	41
Ministry of Home Affairs (Police Department)	120
Total number of vehicles	318

3.9 The Government of St Lucia spends large sums of money yearly on fuel, tyres, oil, repairs and servicing of its fleet of vehicles. The following graph represents expenditure of approximately 5 million dollars incurred by six (6) agencies for the financial year 2012/2013.

Graph showing expenditure of vehicle operations



History of the changes in the administration of government vehicles

3.10 According to our audit research, as far back as 1982 the Prime Minister expressed his concern about the abuse and unauthorized use of government vehicles in several memos to heads of ministries and departments. In September 1983, the Prime Minister issued another memorandum with subject **“Abuse of Government Vehicles”**. The memorandum outlined controls for the use of government vehicles after working hours, on weekends and holidays. The document highlighted parking areas, and authorization for vehicle use.

3.11 At the time there existed gross non-compliance with the instructions given in these memos and as a result, on January 31, 1984 another memorandum was issued by the Cabinet Secretary and this time the memo identified specific controls for the proper accountability of those vehicle. Some of the controls included:

- (a) A transport officer who shall be of level of Executive Officer and above shall be appointed for each ministry/department-such officer will be responsible for -monitoring the use of all the vehicles assigned to his ministry or department;
- (b)
 - (i) All vehicle keys shall be lodged with the Transport Officer on each afternoon before or shortly after 4:30p.m.
 - (ii) All keys tagged with the vehicle registration number.

- (c) Where vehicles are required for official use after normal hours, authorization in the prescribed form duly signed by the Permanent Secretary/Head of Department or an officer designated by him must be obtained and kept in the vehicle during the period of its use.
- (d) The permit (authorization) is to return to the Transport Officer on the first working day following the date of the assignment.

3.12 The prescribed form obtainable in booklet form at the Government Printery contains the following information:

- (1) Period for which vehicle's use is authorized;
 - (2) Name of officer authorized to use vehicle;
 - (3) District within which vehicle will be used;
 - (4) Purpose of assignment;
 - (5) Reading of the speedometer at time of authorization;
 - (6) Reading of speedometer at time key is deposited at Police Station.
- (e) On completion of assignment, the vehicle is to be lodged at the Port Police Station where the Police Constable will sign the authorization card and return it to the official;
 - (f) The Police station will be stocked with cards for recording the receipt and delivery of keys, which are deposited at the Station as at (e) above;
 - (g) Cards with entries shall be forwarded to the respective ministries addressed to the Permanent Secretary on a fort-nightly basis.

3.13 From since that time, abuse and unauthorized use of government vehicles have not changed significantly. Since 1984, several other memorandums and circulars on the same subject were issued to government employees. These included:

DATE	AUTHOR	Target Group	SUBJECT
April 6 th 1988	Secretary to the Cabinet	All Permanent Secretaries and Heads of Departments	Misuse and abuse of Government vehicles
January 31 st 1989	Secretary to the Cabinet	All Permanent Secretaries and Heads of Departments	Guidelines for the use of Government Vehicles
April 8 th 1991	Honourable Prime Minister	All Permanent Secretaries and Heads of Departments	General abuse of government vehicles
May 10 th 1993	Honourable Prime Minister	All Permanent Secretaries and Heads of Departments	Abuse of government vehicles
July 25 th 1995	Director of Finance	All Permanent Secretaries and Heads of Departments	Motor vehicle basic allowance
September 12 th 2003	Secretary to the Cabinet	All Permanent Secretaries and Heads of Departments	Use of government vehicles by Travelling Officers
May 23 rd 2008	Permanent Secretary Ministry of Finance	All Permanent Secretaries and Heads of Departments	Use of government vehicles by Travelling Officers
October 25 th 2010	Honourable Prime Minister	All Permanent Secretaries and Heads of Departments	Use of Government Vehicles
September 17 th 2012	Permanent Secretary Ministry of Infrastructure	All Permanent Secretaries and Heads of Departments	Registration of Government vehicles
February 12 th 2013	Director of Finance	All Permanent Secretaries and Heads of Departments	Vehicle procurement guidelines

Audit Objective

3.14 The objectives of our audit were:

- To determine whether there were policies and procedures in place for the safeguard and effective management of the government fleet of vehicles.
- To determine whether there were controls in place to prevent the misuse and abuse of the government vehicles.
- To determine whether the ministries and departments measured or recorded the operating costs of government vehicles.

Audit Scope

3.15 The scope of the audit focused on the following: acquiring and safeguarding of government vehicles; controlling the use of the vehicles; and cost and maintenance of vehicles.

3.16 The audit covered three hundred and eighteen (318) vehicles in the custody of the following ministries and departments:

- Ministry of Health Wellness, Human Services and Gender Relations
- Ministry of Agriculture, Food Production, Fisheries and Rural Development
- Ministry of Infrastructure Port Services and Transport
- Ministry of Education Human Resource Development and Labour
- Office of the Prime Minister
- Ministry of Home Affairs (St. Lucia Fire Service and the Police Department)

3.17 Data and evidence collected covered the three -year period, 2011- 2013.

Methodology

3.18 In achieving the objectives we gathered sufficient, competent and appropriate evidence, reported findings, concluded against the established audit objectives and where appropriate, made recommendations for improvement.

The methodology involved:

Sampling

3.19 The audit focused on three hundred and eighteen (318) vehicles in the custody of six ministries and departments. Those ministries and departments had the largest fleets and represented 32% of the total number of ministries and departments in the public service.

Document review and data analysis

3.20 This included log books, personal files for drivers, vehicles registers and logs, gas vouchers, Insurance lists, accident reports, and key registers. The analysis covered financial information from the treasury financial system (SMARTSTREAM).

Site Visits

3.21 Site visits were carried out at the parking areas of some ministries and departments to ascertain the existence and physical conditions of some of the vehicles.

Interviews

3.22 Semi-structured interviews were carried out with senior management, drivers and supervisors of the selected agencies to understand fleet management practices.

Good practices

3.23 Literature reviews were carried out to gain experience and learn good practices. Good practices were resourced from publications on line.

FINDINGS AND RECOMMENDATIONS

ACQUIRING AND SAFEGUARDING OF GOVERNMENT VEHICLES

Ministries did not consider service delivery and operating costs factors when purchasing new vehicles.

3.24 Government ministries and departments request the purchase of vehicles every financial year. Some of these vehicles were purchased under donor-funded projects while others were purchased from allocated budgetary funds. The Ministry of Finance processed the requests. These vehicles were procured according to the procedures set out in the Revised Laws of St. Lucia Cap 15.01 (Financial and Procurement Regulations).

3.25 Based on our audit research, ministries did not consider service delivery and operating costs factors when purchasing new vehicles. The justifications given for the acquisition of new vehicles were devoid of any information on operations, maintenance cost, and impact on the existing fleet.

3.26 In February 2013, recognizing that the fleet operations were based exclusively on non-measured output at the ministerial and departmental levels and did not give due consideration for service delivery and operating costs when vehicles were purchased, the Ministry of Finance issued Circular No. DOF 003/2013. The objective was to standardize the acquisition of motor

vehicles by ensuring that ministries and departments disclosed pertinent information that would help with service delivery and operating costs when purchasing a vehicle.

3.27 The circular recommended that the vehicle submissions must include the following criteria and factors:

- Required usage Impact of new vehicle on existing fleet impact of maintenance cost
- Expected useful life
- Functionality (Fuel type and consumption, transmission, emission rating, engine capacity)

3.28 In order to justify the need to acquire a new vehicle, the guidelines also require that ministries and departments identify the vehicle-operating costs.

Size of government fleet was not known

3.29 Accounting for government vehicles is decentralized. Currently, government does not have a central oversight on fleet management functions carried out across ministries and departments. Therefore, management in each ministry or department should ensure that their agencies have a comprehensive list of all government owned vehicles that includes particulars of the vehicle, (make, model colour, registration number engine & chassis number) location and condition (working order, under repairs, written off sold etc.).

3.30 We requested a list of the vehicles from the selected ministries and departments. Unfortunately, we did not get a list of total vehicles but we received the list of insured vehicles for the year.

3.31 Since we were not able to obtain a comprehensive list of the total fleet of vehicles operated by the ministries and departments, we contacted the Transport Division of the Ministry of Infrastructure for this information. The Transport Division is charged with the responsibility of maintaining information on all vehicles registered to drive on St Lucia's roads including government owned vehicles.

3.32 The Transport Division was not able to provide us with a master list of all government owned vehicles. Consequently, we were not able to determine the true inventory of the government vehicle fleet.

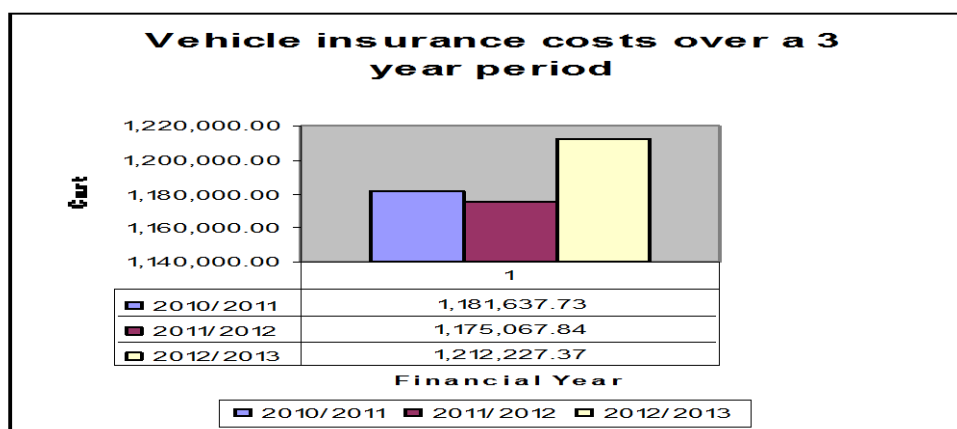
Vehicle insurance was not communicated to the Transport Division

3.33 Officers who are entrusted with the responsibility of maintaining government vehicles should ensure that all vehicles are registered, roadworthy and insured. Our audit revealed that

ministries and departments insured their fleet on a yearly basis. We saw evidence of the tendering process, insurance documents accompanied by the list of vehicles insured.

3.34 We also noted the insurance list did not include vehicles which were not road worthy, broken down, under repair, changed agency, sold or written off. However, if during the year those vehicles became road-worthy, the ministry would insure them separately and include on the list.

3.35 As we stated previously, we did not get a comprehensive list of the government vehicle fleet; notwithstanding, we found that the cost of insurance for all government vehicles increased during the last financial year. Our analysis showed that there was a slight increase of 2.59% from 2010/2011 compared with 2012/2013.



3.36 This situation is rather disturbing because the ministries and departments, which are the custodians of the fleet of vehicles, failed to maintain complete listings of their vehicles. Even more disturbing is that the Transport Division, which has the overall responsibility for the database, could not produce a master listing. This situation can pose a number of risks, which can cause the government to lose track of their vital assets including unauthorized sales, changes in engine and chassis numbers, and changes in ownership etc...

3.37 We found that some agencies failed to provide the Transport Division with the renewed insurance information on the fleet of vehicles in their custody. Therefore, insured vehicles would appear in the transport database as uninsured.

3.38 The Permanent Secretary of the Ministry of Infrastructure recognized this weakness and expressed concern in a circular to all Permanent Secretaries dated September 17, 2012. The circular indicated that the Transport Division motor vehicle database did not capture the annual registrations of a significant number of government vehicles.

3.39 Some agencies were still not complying with the circular at the time of this audit. Our interviews with the Transport/Executive Officers of some of the ministries/departments revealed that most of those officers were not aware that they should communicate the yearly update of the insured information to the Transport Division.

3.40 The law requires motorists to display the annual registration stickers obtained from the Ministry of Infrastructure on the windshields of vehicles. We noted that some vehicles did not display stickers on their windshields.

Recommendations

Ministries should show adequate evidence of usage, impact of new vehicle on existing fleet, expected useful life and functionality when submitting proposals for acquiring a new vehicle as required by Circular No. DOF003/2013.

Ministries and departments should have a comprehensive list of the fleet of vehicles in their custody separate from the list that is prepared for insurance purposes.

Ministries and departments should communicate insurance information for government vehicles to the Transport Division.

CONTROLLING OF THE GOVERNMENT FLEET OF VEHICLES

Drivers were not given directives for operating the government vehicles

3.41 It is the responsibility of management to give all drivers of government vehicles directives for the safe operation of the vehicles.

3.42 We determined that only two out of seven sampled agencies actually gave the drivers written guidelines or procedures for operating the government vehicles.

Log books were not properly maintained

3.43 Section 54 No. 45 of the *(Procurement and Stores Regulations Chapter 15:01 of the Revised Laws of Saint Lucia* states, ***“An accounting officer shall ensure that log books are kept in respect of each vehicle or other equipment assigned to his or her Department. Logbooks shall be in such form as the Accountant General may approve and shall be used to record—***

- (a) Details of travelling done or works performed;***
- (b) Details of oils, fuels and spares used;***
- (c) Details of servicing or repairs;***
- (d) Authorisation for travel or other operation;***

- (e) **Accounting officers shall designate authorized officers who shall be responsible for checking log books and reporting on any misuse of or damage to vehicles or equipment assigned to their Departments.**
- (f) **Accounting officers shall ensure that log books are checked at least once every month and that reports of misuse of or damage to vehicles or equipment are submitted to the Director of Finance and Planning.**
- (g) **If it is proved to the satisfaction of the Director that an officer should be held responsible for any misuse of or damage to any vehicle or equipment assigned to him or her or to his or her control, such officer may be liable under PART 10 of the Act.**

3.44 The Regulations only addressed issues regarding logbooks and liability in case of misuse. According to widely accepted best practices, management should consider the issues listed below in any regulation or policy on managing a fleet of vehicles.

- *Motor Vehicle Safety*
- *Organization and Responsibilities*
- *Vehicle Use (official/unofficial)*
- *Chain of Command*
- *Driver Selection*
- *Vehicle Selection, Inspection and Maintenance*
- *Transport Officer and Driver Training*
- *Driver Safety*

3.45 Although the Prime Minister's Office and Ministry of Finance issued circulars and memos on the subject – **"Use of Government Vehicles"**, however the circulars still failed to address the aforementioned issues. Those issues are critically important in setting the tone and control parameters for the efficient operation of a government fleet.

3.46 We interviewed drivers and supervisors and asked key questions concerning the maintenance of the logbooks. The following is an analysis of the responses received

3.47 Twenty-five (25) drivers said that they were aware of the regulation about the maintenance of logbooks while two (2) were not aware. They all said that they maintained a logbook for each vehicle and that they entered the relevant information every time they used the vehicles.

3.48 We interviewed eleven (11) supervisors and they responded as follows:

- All supervisors indicated that they were aware of the rules regarding the use of government vehicles and there was someone responsible for checking fleet logbooks.
- All supervisors indicated that it was quite possible for the drivers to use the vehicles for unofficial purposes while on official journeys. In most cases, this was very difficult to prove and all the supervisors had to go on was the time taken to complete the official journey.
- Three (3) supervisors did not periodically check the vehicle logbooks for completeness.

3.49 In order to corroborate the responses from the interviews, we took a sample of logbooks from each agency and examined them for completeness and compliance with the regulations.

3.50 Our audit revealed that the drivers poorly maintained the logbooks. We found that logbooks lacked information such as:

- Evidence of checks by supervisors on a monthly basis
- Time of journeys
- Authorization of journeys
- Total mileage of journey
- Authorization of trips outside of normal working hours
- Speedometer reading
- Oils, fuels and spares used
- Servicing or repairs
- Breakdowns
- Accidents and defects

3.51 The present system of manual data capture in the logbooks and recording makes it difficult to obtain information for proper management of the vehicles.

No clear policies on the specific purposes for which ministries and departments should use government vehicles

3.52 Agencies used government vehicles for a wide range of routine and non-specialized tasks such as dispatching documents, transporting mail, collecting stores, transporting officers for banking of cash collected, transporting overseas delegates and local officials to and from the airport; however, there were no clear policy guidelines on the specific purposes for the use of government vehicles.

3.53 In the absence of clear policy guidelines on the specific purposes and uses of government vehicles, we found that agencies used government vehicles for a wide variety of questionable purposes. These included dropping the children of senior public servants and ministers to school and attending to personal errands for officials and staff. Management deemed those journeys as official as long as they were authorized. This situation made it somewhat difficult to apply sanctions or disciplinary action for misuse of government vehicles.

No one officer had custody of keys and issued authorization passes

3.54 The transport officers did not control the custody of keys to government vehicles. In some cases, building security officers were responsible for issuing and receiving keys, however they did not have an authorized list of persons to whom they should issue the vehicle keys.

3.55 We found that the registers kept at the building security officers' station lacked information such as signature of officer issuing keys, date driver returned, time driver returned, vehicle number returned, name of returning driver and signature of officer receiving keys.

3.56 We interviewed several transport officers from the sampled agencies who indicated that any senior level manager could give authorization for trips without their knowledge or permission. In those instances, it was difficult to track the whereabouts of the vehicles.

3.57 We noted that Permanent Secretaries also collected keys for government vehicles. In most instances, they did not disclose the reasons for use of the vehicles. This provides an opportunity for senior officers to override controls by exercising authority and applying pressure to the transport officers who are lower level workers.

3.58 The weaknesses identified with respect to authorization of vehicles are serious breakdowns in controls and as a result have left government vehicles open to misuse and abuse.

Noncompliance with authorization for use of vehicles after working hours

3.59 All agencies except for the Police Garage and The Office of the Prime Minister, granted written and signed authorization for the use of vehicles after normal working hours. We learned that management at the Police Garage and The Office of the Prime Minister gave verbal authorization for journeys after normal hours. We were informed that the drivers would record these journeys in the vehicle logbooks. We examined the vehicle logbooks of those two agencies and saw no evidence of journeys authorized or recorded after normal working hours.

3.60 This non-compliance represented an absence of adequate control over the authorization of vehicles after working hours.

3.61 Most drivers indicated that management did not allow them to use the vehicles outside of regular working hours without authorization.

Some vehicles were parked in the designated areas

3.62 A memo from the Prime Minister dated Oct 25th 2010 directed that all government vehicles should be parked at specific times and at locations designated by the Permanent Secretaries after working hours.

3.63 We conducted a physical check at some of designated locations and noted that some vehicles were parked there after the stipulated time.

Recruitment and responsibilities of drivers for the government vehicles

Supervisors did not verify drivers' licences for validity

3.64 All drivers entrusted to operate government vehicles should possess a valid driver's licence. Drivers are personally responsible if they violate state traffic laws. In the event that the drivers, while performing their official duties commit offences and are fined or penalized they are personally responsible for paying the fines or penalties.

3.65 Transport officers also have a responsibility to ensure that drivers possess valid licences. We interviewed transport officers who all indicated that they always ensure that drivers' licences are up to date.

3.66 We saw no evidence to indicate that the transport officers indeed verified the validity of the drivers' licences. On the contrary, we found one driver operating the vehicle with an expired licence.

Drivers assigned for one specific purpose

3.67 We noted where some drivers were assigned to drive only the Minister. The permanent attachment of the driver using the vehicle solely for transportation of the Minister leads to the underutilization of the vehicles and driving personnel as it restricts sharing of the vehicles.

Most drivers did not do annual medical check ups

3.68 Driving is a complex task that requires having adequate operational and cognitive functions that work together. ***It is an international requirement that all drivers undertake an annual medical examination to ensure their driving fitness. This best practice was taken from the medical guidelines for professionals issued by the UK government.***

3.69 We found that out of the sample selected only drivers at the Ministry of Health did annual medical check-ups to ensure that they were fit for performing their duties.

Responsibilities and duties of Transport and Executive Officers with respect to the management of government vehicles were not clearly defined

3.70 In 1984, the Cabinet Secretary issued a memorandum listing a number of controls to all ministries and departments except those specifically exempted by the Prime Minister's Office.

3.71 One of these controls was that a transport officer who shall be of level of Executive Officer and above shall be appointed for each ministry/department. Such officer will be responsible for monitoring the use of all the vehicles assigned to his ministry or department;

3.72 Although, the Cabinet Secretary gave this directive, we noted that the post of Transport Officer was not an established one in the classification of posts in the Estimates of Expenditure. The term was the nomenclature used to refer to executive officers and other senior officers who performed fleet management functions. Additionally, not all ministries and departments had an officer with the overall responsibility of managing the government vehicles. In some cases, the executive officer shared the responsibility with the human resource officers or other senior officers.

3.73 The ministries and departments did not give these officers specific guidelines on their responsibilities and requirements of the position. They received no formal orientation, or manuals to help them with their duties. Consequently, this posed a challenge to most in the execution of their duties.

Reluctance on part of supervisors to reprimand drivers for abuse of vehicles

3.74 Despite supervisors indicating that there was suspicion of abuse and misuse of vehicles we believe that there was a general reluctance on the part of the supervisors to issue letters of reprimand to drivers.

3.75 One supervisor indicated that if the drivers were given letters of reprimand, copies of those letters had to place on the drivers' files and this action may damage the chances of the drivers obtaining transfers to other agencies or even promoted to higher positions. This type of attitude on the part of the supervisors only serves to perpetuate the inefficiencies in the management of the vehicles.

3.76 During our audit, we noted only two reports from the supervisors concerning the misuse of the vehicles. These reports included an incident where a driver drove a vehicle with a child in his lap while he was controlling the vehicle.

Use of the government vehicles by travelling officers

3.77 Government provides traveling allowances to employees for discharge of their duties. In spite of employees having benefitted from the receipt of travelling allowances, five (5) supervisors acknowledged that some traveling officers used government vehicles to carry out their duties. Reasons put forward by these travelling officers for using the government vehicles included:

- To traverse places where their personal vehicles would not permit ;
- If their vehicles were not in working condition ;
- If the number of people to be transported could not fit in their vehicle;
- If the officer reached their mileage limit for the month;

3.78 The audit team was unable to identify which traveling officers were users of government vehicles because the ministries and departments did not submit many of the logbooks. Those logbooks, which they submitted, were void of vital information such as officers' names, signatures and details of journeys.

Recommendations

The Ministry of Finance should clearly identify the specific purposes for which ministries and departments should use the government vehicles.

Transport officers or other responsible officers should verify the validity of all drivers' licenses. Further, all drivers should undergo a yearly medical fitness checkup which should be documented.

Ministries and departments must ensure that the information in the logbooks is complete.

All individuals/officers who manage the fleet of vehicles should possess the knowledge, skills and training necessary to execute their duties. The job descriptions should clearly define the duties of the officer responsible for the fleet.

OPERATING COST AND MAINTENANCE OF VEHICLES

Operating and maintenance costs were not known for each vehicle

3.79 The cost of running and maintaining a vehicle fleet goes beyond the initial purchase price, insurance and registration expenses. Operational or 'life-cycle' costs include fuel, maintenance, tyres, accident repair, and refurbishment before disposal. Management must clearly identify and track these costs. Inappropriate or unnecessary use can create excessive costs for the agency, for example, misusing an agency fuel voucher system for unauthorized or private use.

3.80 The Ministry of Finance issued Finance Circular DOF 003 dated 12/2/13 was not only to

address the acquisition of new vehicles but also to bring about some level of standardization that would help with service delivery and operating costs.

3.81 We found that most agencies did not record the operational cost of their fleet to allow for an effective assessment of performance. Accounting officers at the ministerial and departmental levels did not know whether fleet expenditures and service delivery were of a reasonable level to support operations. The absence of adequate information precluded management from obtaining information on whether the operating cost of the fleet was minimized.

3.82 Although, ministries and departments were able to record vehicle operating cost on an individual basis in the treasury accounting system (SMARTSTREAM) most did not post the expenditure information in a way that allowed them to retrieve the cost of repairs and maintenance undertaken on each vehicle. We found that the accounting officers did not identify the vehicles on the invoices.

3.83 The Police Department and the Ministry of Education were the only two agencies in the sample selected that acknowledged maintaining operating costs records per vehicle. However, we found that the costs records at the Police Department showed budgeted and not actual costs while the Ministry of Education could not produce evidence of these costs.

3.84 We performed an analysis of the total vehicle maintenance cost from the treasury accounting system (SMARTSTREAM) for each sampled agency for the last three years.

Agency	Expenditure 2012/2013	Expenditure 2011/2012	Expenditure 2010/2011	Total Expenditure
Ministry of Education	197,934.76	135,530.69	146,399.84	479,865.29
Police Department	2,305,179.48	2,480,105.10	2,799,954.62	7,585,239.20
Ministry of Health	545,551.60	494,753.97	433,512.96	1,473,818.53
Fire Service Department	834,359.78	756,147.29	811,825.88	2,402,332.95
Prime Minister Office	75,871.68	67,195.73	66,309.70	209,377.11
Ministry of Agriculture	287,498.46	345,084.27	316,885.73	949,468.46
Ministry of Infrastructure	769,142.93	724,100.87	735,788.14	2,229,031.94
TOTAL	5,015,538.69	5,002,917.92	5,310,676.87	15,329,133.48

3.85 Due to the manner in which the ministries and departments maintained the expenditure records we found it was difficult to apportion the operating costs to the individual vehicles in the fleet.

Ministries and Departments used several systems to purchase fuel

3.86 Government agencies utilized different purchasing systems to acquire fuel for their fleet of vehicles. We are of the opinion that there should be clear policies for purchasing fuel to minimize the occurrence of agencies making varying purchasing arrangements with suppliers for fuel.

3.87 We reviewed some of the fuel purchasing arrangements and found that the controls were very weak or nonexistent. Further, there was little evidence to prove that some of these arrangements enhanced efficiency or were cost effective.

Fuel vouchers lacked pertinent information

3.88 Ministries and departments purchased voucher books of various denominations from fuel stations particularly Jn Marie Service Station. Agencies, which utilized this system, were pre paying for fuel.

3.89 Each fuel voucher book contained the following information:

- Dollar value of the voucher
- Voucher number
- Date
- Fuel Station
- Vehicle number
- Name of driver
- Mileage

3.90 We took a sample of the voucher books to determine the completeness and accuracy and whether the information matched the receipts issued by the gas stations.

3.91 We found that the stubs in the fuel voucher books which gave details of the transactions, (similar to the cheque stub) did not always have the drivers' names, the mileage of the vehicles at the time of issue, or the fuel station receipts attached.

3.92 Most agencies did not reconcile the vouchers issued with the receipts from the gas stations to determine whether the authorized vehicle received the correct amount of fuel.

3.93 The Fisheries Department authorized two fuel vouchers # 300396454 and 300396455 dated 3/3/13 totaling \$100.00 to SLG 650. However, the fuel station's receipt indicated that a private vehicle, number PE 8524 received the fuel. We contacted the Transport Division of the Ministry of Infrastructure to identify the ownership of the vehicle in question, but the Transport Officer informed that it was not a registered number. Interestingly, this registration number (PE 8524) was not on the listing of government owned vehicles for the Fisheries Department.

3.94 We noted that some agencies used fuel vouchers books prepared by the Government Printery for use at the Fishermen's Fuel Station. These voucher books were not serially numbered.

Drivers used personal funds to purchase gas

3.95 We found that ministries and departments did not always have pre-paid fuel voucher books on hand. As a result, drivers e.g. at the Ministry of Health, purchased fuel with their personal funds when the vouchers were not available and they were reimbursed.

3.96 We are of the view that it is not a good practice for public officers to utilize their personal funds to pay for transactions relating to government business because the Government of St. Lucia makes provision for a petty cash system to purchase small and miscellaneous goods and services.

Recommendations

Ministries and Departments should maintain records of vehicle operating costs as prescribed by Finance Circular DOF 003/2013.

Ministries and departments should implement proper control measures for the purchase of fuel. Those control measures should include:

- ***Reconciliation of vouchers against receipts***
- ***The serial numbering of all voucher books***

The Ministry of Finance should evaluate the various fuel-purchasing arrangements used by ministries and departments to ensure proper controls and to determine their cost effectiveness.

Ministries and departments should cease the practice of allowing drivers to pay for fuel from their personal funds. Instead, they should utilize the petty cash system.

AUDIT OF SUPPLY OF OFFICE EQUIPMENT, FURNITURE AND OFFICE SUPPLIES/STATIONERY TO GOVERNMENT MINISTRIES AND DEPARTMENT BY THE PROCUREMENT UNIT

4. INTRODUCTION

4.1 Based on our audit research it was the intention of the government to set up a central procurement unit within the Ministry of Finance to buy supplies and materials for distribution to ministries and departments. The objective was to obtain economies of scale when purchasing and save the government money by making bulk purchases. Every year the Central Procurement Unit spends in excess of two million dollars on supplies, office equipment and furniture for ministries and departments.

4.2 Within the current economic environment, it is pertinent that Government enforce good business practices in order to; (1) protect its resources against waste, fraud, and inefficiency; (2) ensure the accuracy and reliability of accounting and operating data; (3) secure compliance with the prevailing Laws, Regulations and policies; and (4) evaluate its level of performance.

4.3 In this context the Office of the Director of Audit decided to conduct an audit on the purchase of office equipment, furniture and office supplies by the Central Procurement Unit for distribution to the ministries and departments.

4.4 The Office of the Director of Audit conducts its audits under the authority of the Revised Laws of Saint Lucia Chapter 15.19 (Audit Act). In conducting the audit we were guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).The audit was conducted by a qualified team of auditors who established audit objectives and criteria.

BACKGROUND

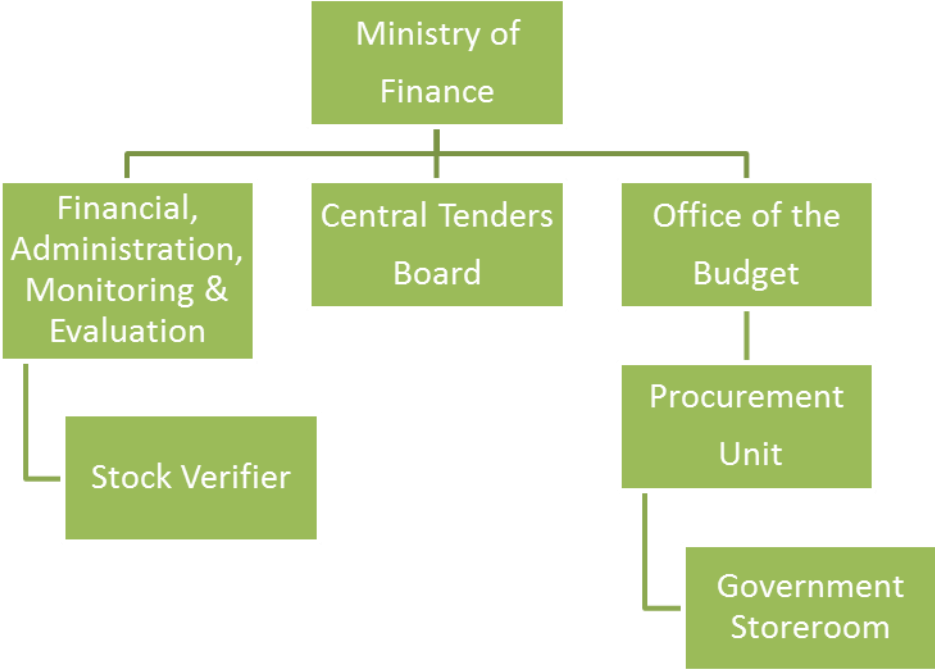
4.5 The Office of the Budget is the agency responsible for the efficient procurement and distribution of office supplies, furniture, equipment and computers to ministries and departments.

4.6 The Procurement Unit was set up to coordinate the procurement of goods through competitive tendering and engage in the efficient procurement and distribution of goods government wide while ensuring value for money on those acquisitions.

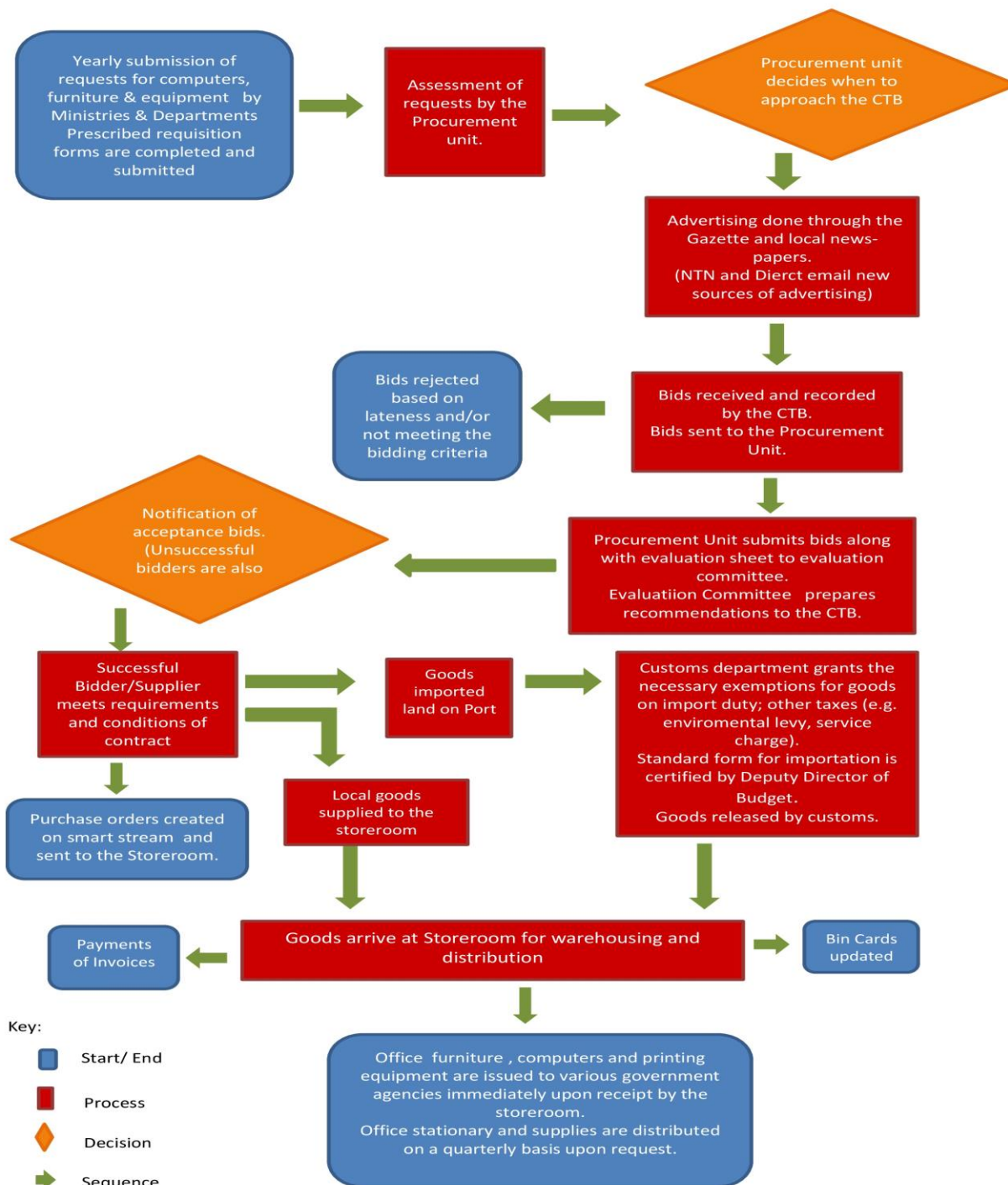
4.7 The Financial Administration Evaluation & Monitoring programme (FAEM) oversees the procurement process in order to ensure greater transparency and economy in the use of government resources. The FAEM programme is also responsible for the establishment of a public procurement manual and guidelines.

4.8 The central storage point prior to distribution of all goods is the government storeroom located in Massade, Gros Islet.

Relationship between key stakeholders in the Procurement Process



Flow Chart of Procurement and Distribution Activities of Office Equipment, Furniture & Office Supplies to Government Ministries by the Budget Office



AUDIT OBJECTIVES

4.9 The objectives of the audit were to determine whether:

- The procuring, distributing and recording of office equipment, furniture and office supplies were done in accordance with The Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulation) and in accordance with procurement best practices where necessary;
- The procuring of goods was done through competitive tendering; and
- The distribution and recording of office equipment and furniture were done efficiently.

AUDIT SCOPE AND METHODOLOGY

Audit Scope

4.10 The scope of the audit focused on procuring, distributing and recording of office equipment, furniture and office supplies and stationery.

4.11 The audit sample included seven ministries and departments that represented 32% of the total number of ministries and departments in the public service. These were the:

- Ministry of Agriculture, Food Production, Fisheries and Rural Development
- Ministry of Infrastructure, Port Services and Transport
- Ministry of Education, Human Resource Development and Labour
- Ministry of Physical Development, Housing and Urban Renewal
- Ministry of Finance , Economic Affairs, Planning & Social Security
- Ministry of Health, Wellness, Human Services and Gender Relations
- Ministry of Home Affairs & National Security

4.12 Data and evidence collected covered the three year period April 1, 2010 to March 31, 2013. During the financial years 2010/2011 and 2011/2012 a sum of \$6,325,000 was set aside for the procurement of office equipment, furniture and office supplies/stationery. This amount increased by 1.2% in 2012/2013. The budget was subsequently revised to \$8,532,246.40 and total expenditure over the three years was \$8,223,562.48.

Assessment Criteria

4.13 The Revised Laws of Saint Lucia Cap. 15.01 (Financial and Procurement Regulations), circulars (policy documents) and best practices for the effective procurement of office supplies/stationery, furniture and equipment were used to assess the procurement process.

Methodology

4.14 In achieving the objectives we gathered sufficient, competent and appropriate evidence, reported findings, concluded against the established audit objectives and where appropriate, made recommendations for improvement.

The methodology involved:

Document review and data analysis

4.15 This included the Estimates of Expenditure Volume 1 and 11, systems documentation, information from the treasury financial system (SMARTSTREAM), purchase orders, invoices, tender documents, receipts of goods, bin cards, correspondence between budget office and ministries and departments, budget submissions, awards of contracts, and minutes from the Central Tenders Board meetings.

Site Visits

4.16 We visited the storeroom and inspected the quantum and condition of stores/supplies.

Interviews

4.17 Semi-structured interviews were carried out with the human resource officers, accountants, senior executive officers, administrative assistants, accounts clerks and senior management at the selected ministries and departments who prepared the budget, requested and received office equipment, furniture stationery and supplies. We also interviewed the Deputy Budget Director, Senior Procurement Officer, Procurement Officer I, Assistant Store Keeper, Financial Analyst – Financial Administration, Evaluation a& Monitoring Unit and Secretary of the Central Tenders Board.

SUMMARY OF THE AUDIT FINDINGS

4.18 Our audit determined that there were weaknesses in the internal control system governing the procurement of office furniture, equipment and supplies/stationery.

4.19 While the Procurement Unit's objective was to ensure that goods were tendered through a competitive process, there was insufficient information to determine whether the outcome of the tendering process generated substantial savings to the Government of Saint Lucia.

4.20 We noted that the Unit failed to prepare an operational manual that detailed specific procedures and processes for each stage of the procurement process. While, in some instances ministries and departments carried out similar processes, however these processes did not come from the Procurement Unit or the Ministry of Finance.

4.21 There was not an efficient system for recording and distributing of stores. As a result, the unit was unable to effectively assess whether the supplies purchased were equitably distributed and whether within the constraints of the budget, purchases were optimal. In addition, records pertaining to procurement, storage and distribution of goods were poorly filed. A master control register was not kept by the Ministry of Finance.

4.22 Management had not undertaken a risk assessment. In conducting our internal control assessment, we noted the following risks existed but the Unit did not have adequate mitigation measures in place to address those risks:

- The risk that information generated through the system for budget purposes was accurate,
- The risk that there was collusion between suppliers and employees,
- The risk that there was insufficient supervision over the different stages of the procurement and distribution cycle,
- The risk that key players in the cycle were not independent,
- The risk of losses, theft and fraud, and
- The risk that there was insufficient communication between key personnel.

4.23 As a result, the system which currently exists is at risk of fraud, misappropriation, theft and losses.

4.24 There was very little reconciling of stores purchased, delivered and distributed. The store room operated in isolation with little supervision and monitoring by the Procurement Unit. The storeroom did not periodically report on its activities to the Procurement Unit. This situation made it difficult to assess the stores levels, the necessary reorder levels, and to determine whether the needs of the ministries and departments were met. Hence, management did not have proper information to make sound decisions.

4.25 There was poor communication and collaboration between the Financial Evaluation and Monitoring Unit (FAEM) and the Procurement Unit. Consequently, vital information was not properly shared between the two units.

4.26 There were instances of non-compliance with the requirements of the Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations, in that the required records were not kept in the prescribed formats.

4.27 Most ministries complained about the poor quality of office equipment, furniture and stationery supplied by the Procurement Unit.

4.28 Based on the findings of this audit, management must implement the necessary controls for an efficient stores system.

DETAILED AUDIT FINDINGS

Deficiencies in the internal control system

4.29 Effective controls provide reasonable assurance regarding the accomplishment of established objectives. Determining whether a particular internal control system is effective is a judgment resulting from an assessment of whether the five components - Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring - are present and functioning.

Choosing the right internal controls and ensuring that they are consistently applied will help ensure that public assets are efficiently protected against loss, waste and abuse.

4.30 It is in this context that we examined the system of internal control in order to report on whether a proper risk management assessment was done, whether there was proper monitoring by relevant authorities throughout the entire procurement and distribution process, whether proper segregation of duties existed, whether proper and well documented policies and procedures were effectively communicated to all stakeholders and whether there was an effective records/information management system. All of these elements are integral to the functioning of an effective internal control system.

4.31 In conducting this audit, we noted the following deficiencies in internal control:

The Procurement Unit did not have an operations manual

4.32 It is important for every entity to have an operations manual to guide all users in implementing specific tasks in order to encourage efficiency, uniformity and standardization. Given the vast number of ministries and departments and the constant change in personnel, it is imperative for the procurement activities to be well documented so that tasks are uniformly implemented across ministries and departments.

4.33 We noted that the Procurement Unit failed to prepare an operations manual detailing the procedures that ministries and departments should follow when requesting office supplies, furniture and equipment as well as the procedures the Unit should follow from the time it procures the items to distribution.

4.34 Although the Revised Laws of Saint Lucia Cap. 15.01 (Procurement and Stores Regulation) provides a set of guidelines; however the Regulations did not specify activities at an operational level. Given the nature of the procurement activities it would be advantageous for the Procurement Unit to have an operations manual to ensure that specific tasks are carried out thoroughly and consistently.

4.35 For example, the Procurement Unit required and expected that requests for stores would be directed to its main office. However, we found that some ministries and departments made requests directly to the store room. Consequently, stores were issued by storeroom staff unknowingly to the Procurement Unit.

4.36 We also noted that while ministries and departments were required to use a standard forms for budget submissions, 91% of the persons interviewed stated that they were unaware of the forms and did not know the requirements of the Procurement Unit.

Recommendation

The Procurement Unit should develop an operations manual to guide its operations.

Only Staff of the Procurement Unit formed the evaluation committee for office equipment, furniture and supplies/stationery

4.37 Each year, the Procurement Unit invites suppliers to submit competitive bids for the supply of office equipment, furniture and office supplies. The tender request attracts small, medium and large businesses across a wide range of sectors. An evaluation committee evaluates the bids using established criteria. The committee prepares the evaluation sheets and recommendations and submits those to the Central Tenders Board.

4.38 We found that except for the procurement of computers only the staff of the Procurement Unit formed the evaluation committee. At times, the composition of the evaluation committee included the Procurement Officer 111 and two employees of the store room.

4.39 We are of the view that the evaluation committee should include persons with the right mix of knowledge and skills to enable thorough consideration of all offers and the identification and assessment of the associated risks. Therefore, the evaluation committee should not comprise only the staff of the Procurement Unit.

4.40 We found that in every instance within our sample, the Central Tenders Board always awarded the contracts to the suppliers that were recommended by the evaluation committee. Given the level of influence and credence that is placed on the work of the evaluation committee it is even more important for there to be a balance of internal and external persons forming the evaluation committee for all purchases.

Recommendation

The Ministry of Finance should reconsider the composition of the evaluation committee for furniture and office stationery to assure the integrity of the process.

A risk assessment was not done

4.41 An efficient internal control system requires that the risk assessment be done every 3 to 5 years to assess any potential risks and identify measures necessary to mitigate against such risks.

4.42 We found that a risk assessment of the Procurement Unit's activities was never done. As a result, the Unit was unaware whether the current internal control system mitigated against any risks.

4.43 In performing our audit, we conducted an internal control evaluation of the system, and found that the control systems were weak and that there were inadequate measures in place to manage the following:

- The risk that information generated through the system for budget purposes was accurate,
- The risk that there was collusion between suppliers and employees,
- The risk that there was insufficient supervision over the different stages of the procurement and distribution cycle,
- The risk that key players in the cycle were not independent,
- The risk of losses, theft and fraud,
- The risk that there was insufficient communication between key personnel.

4.44 Considering the amount of monies spent on purchasing office supplies, equipment and furniture it would be prudent for management to conduct a risk assessment to ensure that the internal control system governing procurement and distribution activities are efficient.

Recommendation

The Office of the Budget should perform a risk assessment of the internal control system governing the procurement, storage and distribution of office furniture, equipment and supplies with a view to minimizing any identified risks.

Lack of oversight and little or no communication and collaboration between the FAEM Unit and the Procurement Unit

4.45 The FAEM Unit monitoring role is a key aspect of ensuring accountability in respect of the procurement process.

4.46 The monitoring role of the FAEM unit involves the collection of data which enables the Unit to identify evolving problems and therefore determine and implement timely measures to ensure that resources are utilized appropriately, efficiently and effectively.

4.47 The Objective of the FAEM Unit as stated in the Estimates of Expenditure 2011/12, volume 1, is ***to oversee the Financial (Administration) Act and attendant regulations as well as the procurement process to ensure greater transparency and economy in the use of government resources.***

4.48 The Procurement Officers at the Budget Office and the Financial Analyst at the FAEM unit, expressed that there was very little or no communication and collaboration between the FAEM and the Procurement Unit. As a result, the two agencies were often working independent of each other. For instance, the FAEM Unit had no knowledge of the goods to be procured before the submissions reached the Tenders Board. In addition, the tenders were published before the documents were sent to the FAEM Unit. We were informed that The FAEM unit is currently trying to engage the Budget Office in devising a strategy to resolve those issues.

4.49 A key recommendation that the FAEM is proposing is that the Budget Office sends the invitations to tenders directly to FAEM Unit before they are published. By doing so it would reduce the incidence of advertising the wrong specifications which were often identified by the FAEM Unit after the invitations to tender were published.

4.50 Collaboration and information sharing are very critical for the effective functioning of the FAEM Unit and the Procurement Unit, given their responsibilities and organizational structures.

4.51 The stock verifier plays an integral role in the procurement process, in that the officer is responsible for monitoring the storeroom and checking the inventory listings throughout the various ministries and departments. This officer is housed at the FAEM Unit.

4.52 Given the role of the stock verifier and the fact that the Procurement Officers at the Procurement Unit do not have the mandate to inspect and monitor stores at the Ministries and Departments there is need for the Procurement Unit to be advised on the disposal of office furniture and equipment. This information would assist the Procurement Unit in determining whether the requests from the ministries for replacements of office furniture and equipment are necessary and justified.

Recommendation

There should be greater collaboration and communication between the Budget Office (Procurement Unit) and the FAEM Unit on procurement related activities.

There was inadequate reporting and monitoring of the store room activities.

4.53 In order for the Procurement Unit to make critical purchasing decisions information on current stock levels at the store room should be readily available.

4.54 As per the job description, the storekeeper and also the assistant storekeeper are responsible for preparing and submitting to the Procurement Unit monthly reports of stock balances.

4.55 We found that reports from the store room were very sporadic. Since the recent resignation of the storekeeper, the assistant storekeeper is of the view that it is not his responsibility to prepare reports. The Procurement Unit did not request these reports from the assistant store keeper.

4.56 Since the Procurement Unit rarely received monthly reports of stock balances from the store room the correct stock balances were not always determined when purchasing decisions were made. This also made it difficult to assess the stores levels, the necessary reorder levels, and whether the needs of the ministries and departments were met. Hence, management did not have the proper information to make sound decisions.

4.57 Further, we found that the Procurement Unit failed to reconcile its records of stores purchased, delivered and distributed with the records of the store room. The store room operated almost in isolation with very little supervision and guidance from the Procurement Unit. During our audit, we found that in cases when the storeroom received excess goods the Procurement Unit was not informed, neither was the excess stock recorded. We were informed that the storeroom returned the excess goods to suppliers; however we found no evidence to substantiate this information.

4.58 Bin cards, purchase orders and issue vouchers were kept, however we were unable to trace the quantities from the purchase orders to the bin cards because the bin cards were

randomly stored. In some cases multiple bin cards were used for one item and kept in an extremely haphazard manner. Generally, the record keeping at the store room was very poor.

4.59 We saw no evidence that the bin cards and ledgers were checked or verified by a supervisor during the last five years.

Recommendations

The Procurement Unit should receive from the store room monthly reports of stock balances, goods received and distributed.

There should be greater monitoring and of the store room operations by the Budget Office.

Poor communication between the Procurement Unit and the ministries and departments

4.60 There was poor communication between the Procurement Unit and the ministries and departments with respect to feedback on requests made for office supplies, furniture and equipment and collection of stores from the store room.

4.61 The Procurement Unit compiled a master list of items requested from each ministry. As part of our audit procedures we planned to verify whether ministries received the furniture and equipment that they requested. We were unable to carry out this audit procedure because the Procurement Unit did not have a system to track requests against items purchased and delivered. As a result, we concluded that it was quite possible for ministries to receive furniture and equipment that they did not request. Our audit revealed that only 28% of the ministries verified that the office furniture and equipment they received were included in the budget submissions.

4.62 Most ministries and departments lamented over the extremely long period of time taken to receive the office equipment and furniture. In addition, there was little or no communication between the Budget Office and the ministries about the items requested. The audit showed that it took as long as 153 days for a ministry to receive the items that it requested.

4.63 All the ministries/departments in our audit sample never received all the items requested mostly due to financial constraints on the part of the Procurement Unit. In some instances, the ministries and departments were made aware of the quantities that were available to them by the storeroom attendants at the point of collection.

4.64 We also found that in some instances ministries and departments made separate special requests for furniture and equipment in addition to the yearly budget submissions. In most instances, the same items of furniture and equipment were requested. This resulted in duplicated requests unknown to the Procurement Unit because the Unit did not track the status of the requests made by ministries and departments in their budget submissions. Consequently, in some cases the ministries received double the items that were requested.

4.65 Ministries and departments also lamented over the fact that when stores were not picked up at the storeroom after a certain period of time, the store room would re-distribute the stores to another entity. The assistant store keeper confirmed that ministries and department were

aware of the redistribution policy when stores were not collected within one month; therefore, the onus was on them to collect the stores within the timeframe.

Recommendations

The Procurement Unit should implement a proper records management system.

The Procurement Unit should develop a sound communication strategy and feedback mechanism that would enable timely communication between the unit and ministries and departments.

Ministries and departments and the Procurement Unit all purchased stationery, office equipment and furniture

4.66 The Procurement Unit relies on the information provided by ministries and departments to prepare its annual budget. Therefore, it is important for ministries and departments to provide the Unit with complete and accurate information.

4.67 Personnel from the Procurement Unit indicated that procurement of office supplies and stationery was based on the annual trend of quarterly requisitions made by ministries and departments to estimate the amount of stores needed, unlike office equipment and furniture which are included in the budget submissions.

4.68 During our interviews we were informed that most ministries requested only the items typically kept in stock at the storeroom and did not necessarily communicate to the Procurement Unit the items of stationery that they needed in order for the Unit to order and stock those items.

4.69 The Procurement Unit did not have a system to inform ministries and departments of the availability of supplies, rather the onus was on the ministries to inquire of the storeroom the items that were available before they placed the requisitions. If the items needed were not available at the storeroom then the ministries and departments would purchase these items from their budgetary allocations under Office and General Expenses

4.70 The aim of having a Procurement Unit is to benefit from economies of scale, however, due to the purchasing practices of the ministries and departments the benefits and cost savings that should have been derived from central purchasing was not realized.

4.71 We determined that the selected ministries spent approximately \$738,555.54 in the financial year 2010/2011 for office supplies/stationery compared to the Procurement Unit which spent \$577,288.17 for office supplies/stationery for the same period. Ministries and departments incurred, on average, 29% higher per unit costs than the Procurement Unit on similar items such as pencils, ink, envelopes, pens, electrical pencil sharpeners, sticky notes, calculators staple machines, garbage bins, toner, desk organizers and paper purchased from the same suppliers.

4.72 We also found that ministries purchased office desks, computer desks, microwaves, calculators, printers and scanners. We were told that these ministries did not inform the Procurement Unit that these items were needed. The Procurement Officer was of the view that the Treasury Department should not have authorized the payments for these items since the requests were not made through the Procurement Unit. In addition, ministries were able to

purchase those items under recurrent expenditure account – Office and General Expenses which should only be used to purchase stationery.

Recommendations

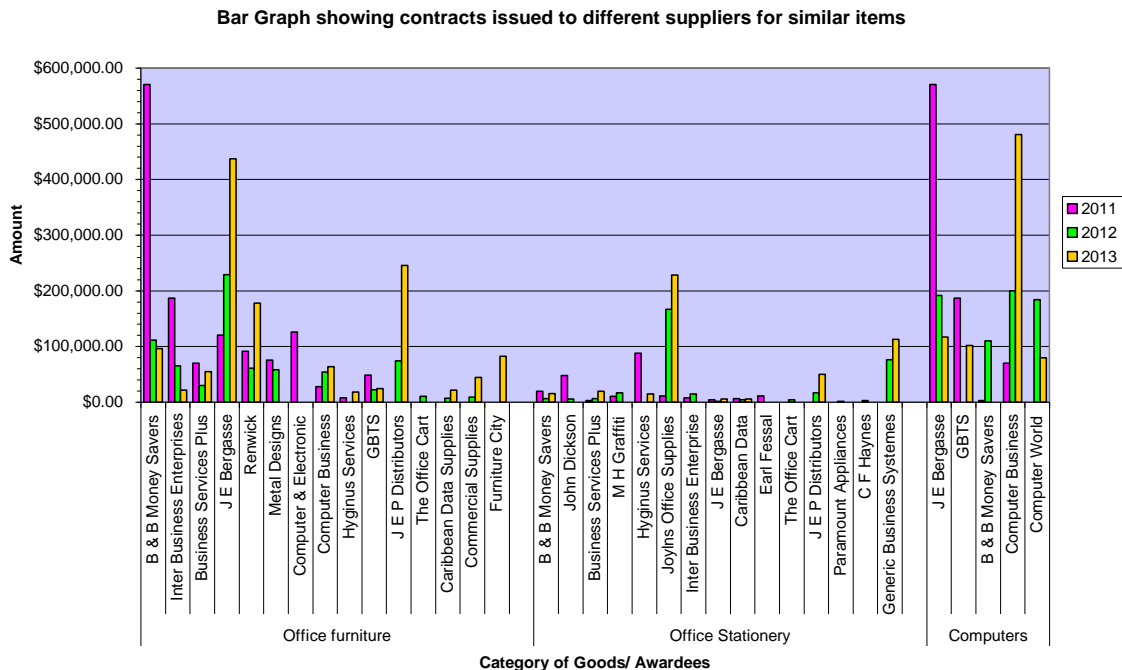
The Procurement Unit should have a system in place that accurately determines the stationary and office supplies needs of ministries and departments in order to have a sufficient supply of on hand.

Accounting staff at the ministerial and departmental levels as well as the Treasury approvers should be more diligent when performing their roles and recognize that office furniture should not be approved and purchased under head 109: Office and General Expenses.

Formal contract documents were not prepared and signed for the supply of office furniture, equipment and stationery

4.73 The Government of St. Lucia spends approximately two (2) million dollars yearly on computers, office equipment, furniture and supplies. For the audited period the government purchased office equipment, furniture and office supplies from twenty three (23) companies. The value of business ranged from \$700,000.00 to \$1,000.00 per supplier.

The graph depicts the volume of business between the government and the various suppliers.



4.74 Given this volume of business and the substantial amount of money that was spent on a yearly basis we expected to find written contracts between the Government of St. Lucia and the suppliers.

4.75 Our audit revealed that there were no written and signed contract agreements for the acceptance of the offer and the specific terms and deliverables between the supplier and the Government of St. Lucia.

4.76 The current practice is that the Central Tenders Board informs the Budget Office of the approved awards of contracts to successful bidders. The memorandum from the Central Tenders Board states the category of items to be procured such as furniture and equipment, stationery/office supplies and computers and the cost. In turn, the Procurement Unit informs the successful bidders of the Central Tenders Board decision by way of a letter which is twofold in its purpose. The letter seeks to inform of the award of the contract and to confirm the acceptance of the terms and conditions which are stated.

4.77 The Procurement Officer explained that the letters sufficiently represented the contracts. Since there was offer and acceptance, then in his view formal contract documents were not needed.

4.78 Notwithstanding the sentiments expressed by the Procurement Officer, we are of the opinion that formal contract documents should be prepared and signed by both parties.

4.79 We saw instances where modifications to the cost and quantities were made to the tenders awarded by the Central Tenders Board. There was also a re-assignment of award of tender. In this instance, a company was selected to provide 50 cases of folding chairs at a unit cost of \$161.00 per chair. However, subsequent to accepting the offer the company supplied only 13 cases containing 4 chairs each. The company claimed that it was contracted to supply 50 chairs and not 50 cases and was not willing to supply any more chairs. As a result, the Procurement Unit recommended a local firm which originally submitted a bid of \$295.00 per case to supply the remaining chairs at a cost of \$350.00 per case even though the next best price as per the tenders received was \$163.01 submitted by a foreign company. The Procurement Unit in justifying its decision citing reasons such as:

- Time constraints with respect to year end,
- Limited transaction processing time,
- History of relative reliability of the supplier,
- Price comparatively the best among the more reliable local suppliers.

4.80 We must reiterate that formal contracts are necessary and important for the procurement of goods considering the substantial sum of money, modifications and re-assignments that occur. These contract should describe in detail the rights and responsibilities of the supplier and the Government of St. Lucia. . A contract will provide the parties with a joint understanding of the terms and conditions, making sure that each party's expectations will be met. A written contract can be helpful in case of a dispute especially when the dispute has to go to court.

Recommendations

Contract documents should be prepared, processed and signed by the supplier (s) and the Government of St. Lucia for office furniture, equipment computers and supplies.

Copies of the contract documents should be sent to the Accountant General and the Director of Audit.

A master control register was not maintained

4.81 The Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No 38 (1) and (2) require that the all purchases and issues of furniture and equipment should be recorded in a master control register.

4.82 A master control register which tracked all purchases and the ministries to which they were delivered was not kept. As a result, the Procurement Unit was unable to effectively assess whether the supplies purchased were equitably distributed and whether within the constraints of the budget, purchases were optimal.

4.83 The purpose of this register is to maintain a record and the location of the furniture and equipment purchased and distributed to ministries and departments. This master control register can be used as a data gathering tool for budgetary information analyzing trends and decision making.

4.84 It is also important that the Government has a main database of all office equipment and furniture. This information is important not only for safeguarding and monitoring assets but also important for accounting purposes.

Recommendation

The Procurement Unit should have a master control register of all furniture and equipment distributed to the various ministries and departments.

Furniture, equipment and office supplies purchased by the Procurement Unit were very poor quality

4.85 Generally staff at the selected ministries and departments were dissatisfied with the quality of furniture and equipment supplied by the store room. These included the executive desks, work stations and filing cabinets. Staff mentioned that although the furniture looked attractive, most were not durable.

4.86 Some of the complaints registered by staff were that the executive desks were mounted with plastic screws which were not durable; the filing cabinets although they were new the locks did not work and that the calculators came with the wrong voltage and were immediately damaged when plugged.

4.87 71% of ministries were dissatisfied with the quality of the paper. Due to the poor quality of the paper the printers and photo copying machines jammed constantly. When this occurred it often resulted in the ministries paying for costly repairs. Oftentimes the storeroom did not carry the specific paper recommended by the supplier for the smooth operation of the equipment. For

instance, one Ministry reported that a supplier advised that Xerox paper should be used in the Xerox machines to enhance durability and reduce costs of maintenance. Most times the store room did not carry Xerox paper although the equipment was supplied by the storeroom.

4.88 Pens, pencils, staple machines and paper punches were also considered to be of very poor quality. For example, the pens dried up quickly; the pencils were very weak and needed constant sharpening and the staple machines and paper punchers broke easily.

4.89 Ministries stated that an avenue to provide feedback to the Unit on the quality of the stores/supplies did not exist. Consequently, the Unit continued to purchase the poor quality items that often resulted in wastage because the stores were quickly damaged and had to be replaced.

Recommendation

The Procurement Unit should establish a feedback system in order to obtain critical information about the stores that are supplied to ministries and departments in order to make better quality purchases.

Large quantities of obsolete stock at the storeroom

4.90 We found a very large quantity of ink in stock at the store room. The ink was in storage for about seven years because the Procurement Unit discontinued purchasing the printers which used that type of ink. Due to the poor filing system, we were unable to retrieve the invoices to determine the value of the ink.

4.91 Large quantities of diskettes and typewriter ribbons were found at the store room. These items became obsolete because of new technology.

Recommendation

A board of condemnation should be requested for the disposal of the obsolete stock at the store room.

5. DONOR FUNDED PROJECTS AUDIT RESULTS

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

5.2 We completed the audit of four projects for the financial year ended 2012/2013 namely:

- Saint Lucia Enhancing Public Service Project
- OECS Skills for Inclusive Growth Project
- Hurricane Tomas Emergency Recovery Project
- Caribbean Regional Communications Infrastructure Programme (CARCIP)

Specific objectives of the four projects

5.3 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.
- Conduct a 100% review and audit of the expenditure and related documentation submitted along with the withdrawal application to claim expenditures as Retroactive Financing to be paid under Category 1.
- To determine that all project funds are used in accordance with the conditions of the Grant Agreement, with due attention to economy and efficiency, and only for the purposes for which the financing were provided.

- That goods and services financed were procured in accordance with Grant Agreement.
- The implementing entities have keep all necessary supporting documents, records and accounts in respect of all project ventures including expenditures reported via SOEs or designated accounts. Clear linkages should exist between the books of accounts and reports presented to the Bank.

Auditor's certificate

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

- Ministry of Finance, Economic Affairs and National Development – Hurricane Tomas Recovery Project
- Ministry of the Public Service, Sustainable Development, Energy, Science & Technology - St Lucia Enhancing Public Service Performance Project
- Ministry of Education, Human Resource Development and Labour – OECS Skills for Inclusive Growth Project

Saint Lucia Enhancing Public Project

5.5 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 Saint 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.

5.6 The grant is in response to a request made by the GOSL for technical assistance to review the public service pay and classification plan and to strengthen the Ministry of the Public Service.

5.7 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 aggregated 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.

5.8 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

Differences were found between the expenditure by category reported in the FMRs, World Bank records and the Statement of Sources and Uses of Funds

5.9 We verified expenditure reported under the expenditure categories on the Financial Monitoring Report (FMR), the World Bank's record (Client Connection) and the Statement of Sources and Uses of Funds, and found differences in two categories.

Category	Actual Expenditure as per Sources and Uses Statement EC\$	Actual Expenditure as per FMR EC\$	(Over)/under FMR EC\$	Actual Expenditure as per World Bank EC\$	(Over)/under FMR EC\$
Consultants	259,783.81	88,008.68	(171,775.13)	186,892.43	(98,883.75)
Travel/Per Diem	31,636.51	202,955.85	171,319.34	104,319.34	98,314.84
Training/Work shops					

OECS Skills for Inclusive Growth Project

5.10 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) with is approximately US\$3.5 million. The total project cost is estimated at US\$5.320 million of which GOSL is financing the equivalent of US\$.873 million. The Private Sector will provide the remaining US\$.948.

5.11 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

5.12 OECS SKILLS FOR INCLUSIVE GROWTH PROJECT

Differences in expenditure reported on the project's financial statement and the Accountant General's accounts

5.13 There was a difference of \$11,343.88 between the audit figure and the Accountant General's figure for total expenditure incurred by the Government of St. Lucia (GOSL) (funded by bonds).

5.14 We found a difference of \$1,161,570.92 between total expenditure incurred from loan funds (IDA Credit) and the reported expenditure by the Accountant General.

Recommendations

All outstanding journals should be posted to effect the necessary changes, adjustments or corrections in the Accountant General's accounts.

The reconciliation statements should be reviewed and corrections made where necessary.

Revenue was not completely recorded in the Accountant General's accounts.

5.15 Capital revenue recorded by the Accountant General for the year was as \$2,088,494.91. As we reported earlier the expenditure for loan funds (IDA credit) was EC\$3,273,913.65. Therefore, the capital revenue reported by the Accountant General was not complete.

Recommendation

The Accountant General's accounts should be adjusted to reflect true capital revenue for the financial year.

MANAGEMENT'S RESPONSE

The Reconciliation Statement attached has been revised and the journals have been prepared to reflect the changes on the Central Governments account. The PCU will continue to liaise with the Accountant General's Department to ensure that the journals are posted.

The PCU will work along with the Accountant of the Ministry of Education and the Accountant General's Department to ensure that the Capital Revenue is reflected on the accounts

The PCU will work along with the Accountant of the Ministry of Education to ensure that the accounts are reconciled.

The Project Coordination Unit concurs with the recommendation made; the revised statements attached have been issued to the Accountant of the Ministry for reconciliation with the Accountant General's records.

Hurricane Tomas Emergency Recovery Project

5.16 The credit proposal for this project was in response to a request made by the Government of Saint Lucia (GOSL) for technical assistance to review the public service pay and classification plan and to strengthen the Ministry of the Public Service.

5.17 The objective of the project is to support the recovery and reconstruction of the Recipient in the aftermath of Hurricane Tomas

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

Audit Findings

Financial Reporting Framework was not fully acceptable

5.18 Annual Financial Reporting and Auditing for World Bank-Financed Activities Section 2A Accounting Standards states that annual financial statements are required to be prepared in accordance with accounting standards acceptable to the Bank. Acceptable accounting standards are International Financial Reporting Standards and International Accounting Standards (IFRS/IAS) issued by the International Accounting Standards Boards (IASB) or International Public Sector Accounting Standards (IPSAS) issued by the Public Sector Committee of the International Federation of Accountants (IFAC-PSC).

5.19 In addition, the Bank may accept national accounting standards where they do not significantly depart from international standards and the effect of any such departures are adequately disclosed and explained in the financial statements.

5.20 An international standard was not used by the Project to prepare its accounts. As described in note 2 of the notes to the financial statements, the Project uses the modified cash basis of accounting consistent with that of Government of Saint Lucia. The current financial practices of the Government are guided by the Finance (Administration) Act and its attendant financial regulations.

5.21 The Finance (Administration) Act and its attendant financial regulations have no requirement or disclosure of a specific date for the financial statements, transactions made by third parties on behalf of Government treatment of errors and on consistency of presentation of the financial statements.

5.22 The financial practices in our opinion significantly departed from international standards. We noted that the Government of Saint Lucia is in the process of migrating to the Cash Basis International Public Sector Accounting Standards (IPSAS) by the financial year 2014/2015. The project is undertaken by the International Monetary Fund (IMF) under the project for Strengthening the Economic Management in the Caribbean (SEMCAR) which is a three-year joint World Bank – IMF Technical Assistance Program funded by Canadian International development Agency (CIDA).

5.23 The adoption of this standard will result in significant changes to recognition, measurement and reporting of financial transactions.

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

5.24 We noted that the capital expenditure posted to the account 4418217-0200000-3CA3 in the Central Government's accounts was \$3,530,056.93. However, the total charge to the capital revenue account 4418217-0473000-3CA3 was EC\$3,555,157.32, or \$25,100.39 in excess of capital expenditure.

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

Internal Control Findings

Some cheques were not properly cancelled

5.24 According to The Revised Laws of Saint Lucia Cap. 15.01 Financial Regulations No. 120 (1) and (2) spoilt cheques should be retained and clipped to the matching counterfoils and each spoilt cheque should be marked or stamped across its face "cancelled" and initialed by a designated officer.

5.26 For the sample of cancelled cheques selected, we found five instances where the cheques were not properly cancelled. These cheques were crossed and marked cancelled; however, they were not initialed by a designated officer.

5.27 In addition, two cancelled cheques were not attached to the matching counterfoil.

Recommendation

All cancelled cheques should be initialed by a designated officer and should be clipped to the matching counterfoil.

MANAGEMENT'S RESPONSE

The Project Coordination Unit concurs with the recommendation made. The Accountant will ensure that all cancelled cheques are crossed, signed by the authorized officers as per the revised Laws of Saint Lucia Cap.15.01 Financial Regulations No 120(1) and (2).

Evidence of receipt of goods was not seen in all instances

5.28 According to the Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulation No. 59 (1) and (2) any officer who receives goods shall ensure that the goods received are in accordance with goods invoiced and no payment of goods shall be made except on a certificate by the receiving officer that such goods have been correctly delivered and received into store.

5.29 In addition, the requisition order forms used by the PCU make provision for an officer to sign upon delivery and receipt of goods purchased.

5.26 We noted a few instances where the requisition order forms were not signed to acknowledge delivery and receipt of some items that were paid for during the year.

5.27 We wish to emphasize that it is important that all requisition order forms are signed upon delivery and receipt of goods purchased since this serves as proof that goods purchased were actually received in a satisfactory condition and correctly invoiced.

Recommendation

Requisition order forms should be signed to indicate receipts of goods.

MANAGEMENT'S RESPONSE

The staff of the PCU adhered to the recommendation made and will ensure that all requisition order forms are signed to indicate receipt of goods.

5.29 We noted that expenditure funded by the IDA/World Bank was overstated by \$64,428.58 in the Accountant General's account.

5.30 We also noted that expenditure of \$3,021.82 financed from the proceeds of sale of tender documents was not recorded in the Central Government accounts.

We recommend that the adjustments be made to the Accountant General's accounts to reflect the true project expenditure.

Caribbean Regional Communication Infrastructure Programme (CARCIP)

5.31 The objective of the project is to increase access to regional broadband networks and to advance the development of an ICT-enable service industry in Saint Lucian and in the Caribbean region.

Part A Regional Connectivity infrastructure

1. Carrying out a program of activities for technical assistance and capacity building of the relevant Recipient's institutions for : (a) the design and implementation of public private partnership (PPP) arrangements, including transactional advice and validation of designs and costs for broadband infrastructure; and (b) strengthening the legal and regulatory environment to harmonize the same at the regional level, and to provide effective regulation for the benefit of end-users, including infrastructure sharing and open and non-discriminatory access to the IXP and network infrastructure.
2. Developing the Recipient's national and cross border infrastructure, under PP arrangements, required to roll-out submarine and terrestrial broadband backbone networks to reduce communications infrastructure gaps and cost,. Including the establishment of a high speed broadband backbone network to connect major populated areas to existing regional broadband networks, and increase cross-border connectivity.
3. Establish a virtual private network to facilitate connectivity for the Recipient's public agencies.
4. Facilitating regional and local interconnection of internet traffic, including structuring of ownership and management of IXP to reduce the cost of connectivity and increase the quality of service.

Part B ICT-Lead Innovation

1. Carrying out of a program of activities: (a) for skills development and certification (Training Plan) for eligible public and private training institutions and private entities (Beneficiaries), through the provision of Training Grants; and (b) for capacity building and business incubation to support development of local ICT small and medium enterprises (SME's) (Business Plans) to promote the creation of New ICT-enable industry, through the provision of Business Incubation Grants to eligible local ICT SMEs (Beneficiaries).
2. Carrying out training and certification programs on IT and ITES related skills with regional harmonized curricula, specifically focusing on developing the skill among the youth for the job market.
3. Strengthening the Recipient's IT industry entrepreneurial base and public service delivery through piloting the development of e-applications and mobile-based applications to improve public service delivery.

Audit Findings

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

5.32 The Ministry of the Public Service, the implementing agency, is responsible for reconciling the project's accounts with the Accountant General's accounts on a monthly basis.

5.33 We noted that although the PCU prepared and submitted monthly statements of expenditure to the Ministry of the Public Service, the Ministry did not reconcile the accounts on a monthly basis as required.

6. AUDIT OF THE NEW YORK MISSION AND CONSULATE IN FORT DE FRANCE

BACKGROUND

6.1 The New York Mission to the United Nations was established to represent and safeguard St. Lucia's interest in New York and to look after the welfare of Saint Lucian nationals in that state.

6.2 Cabinet Conclusion No.845 of 1997 based on a memorandum dated November 3, 1997 approved the establishment of the St. Lucia Consulate in Fort de France, Martinique.

6.3 The key responsibilities of the New York Mission and the Consulate in Fort de France include

- 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 providing relevant information to Headquarters to permit strategic targeting of potential investors;
- Communicating with the Ministry of External 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

6.4 The objective of the audit was to:

- Assess the systems of internal control and accounting procedures at the New York Mission to the United Nations and the Consulate in Fort de France to determine the extent to which the entities complied with government's regulations, policies and procedures.

6.5 The audit for the New York Mission focused on the five financial years ending March 31, 2009, 2010, 2011, 2012 and 2013. The audit of the Consulate in Fort de France was for the years 2011 to 2013. In order to meet the audit objective the records and operations of the Mission and Consulate 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

6.6 We audited the operations of the Mission and the Consulate which included:

- Expenditure
- Personnel Matters
- Fixed Assets - Property
- Passport Revenue
- Cash on Hand
- Cash at Bank
- Inventory & Equipment Register
- Receipt Book Register
- Follow Up - Helenites Building Affair (New York)

SUMMARY FINDINGS – NEW YORK MISSION

Expenditure

6.7 Our audit of the New York Mission revealed that entity maintained inadequate and incomplete expenditure records. We found instances where expenditure was incorrectly classified and was charged to accounts which were not approved for the Mission. The Mission did not maintain control over expenditure to ensure that the amounts provided in the Estimates were not exceeded. Consequently, the entity incurred over-expenditure. The imprest accounts were not fully retired at year-end. Also, management failed to monitor and reconcile the Mission's expenditure accounts. Untimely requests for reimbursements resulted in financial difficulty for the Mission.

Personnel Matters

6.8 We found issues of non-compliance which included:

- Persons were appointed in positions which were not funded in the Estimates of Expenditure
- Appointment letters were not seen for two officers
- Leave was not taken in accordance with the leave policies
- The authority for the payment of household allowance to an officer was not seen
- Oath of secrecy was not seen on file for officers
- Hotel expenses in excess of eligibility was paid without authority
- The nature of the professional and consultancy services provided by an employee was not clearly defined

Fixed Assets - Helenites Building

6.9 The Mission did not commission a valuation of the Helenites building to determine its true market value.

Passports

6.10 Our audit revealed that passport revenue at the end of the financial year was not remitted to the Ministry of External Affairs for three financial years. Consequently, the funds

were not paid into the consolidated fund. There was poor internal control over the collection of revenue and consequently not all passport revenue was accounted for. There was fraudulent activity at the Mission involving the collection of passport revenue.

Bank Accounts

6.11 The Mission did not provide the necessary documentation in support of the transfers from the bank accounts. Proceeds from the sale of the official residence were used without the approval from the appropriate authority.

Inventory and Equipment Register

6.12 Not all items of inventory were entered on the inventory list. The equipment register lacked pertinent information about the equipment. The Ambassador vehemently denied us access to carry out our audit procedures that would enable us to physically verify furniture, equipment and household supplies valued at US\$30,865.29 and purchased for the Ambassador's apartment. Items of furniture and equipment were disposed without proper authority.

Receipt Book Register

6.13 The receipt book register was not properly maintained. Not all the receipt books were recorded in the register and were properly secured. Two receipts books were missing.

Follow Up - Helenites Building Affairs

6.14 The lawsuit against the government was settled at a cost of US\$475,000, which was US\$25,000 more than what was approved by Cabinet.

DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

EXPENDITURE

6.15 We focused on the following key aspects of expenditure such as:

- Recording budgetary information
- Certifying transactions and paying invoices
- Recording, classifying and reconciling expenditure
- Retiring imprests

Expenditure records were not maintained as required

6.16 The Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No.10 (3) (a, b, d, e & i) requires ministries and departments to show in their expenditure records:

- (a) the original amount approved by Parliament for the year
- (b) supplementary amounts approved by Parliament
- (d) reallocations made by the Minister under section 23 of the Act
- (e) virement warrants approved by the Director of Finance under Section 24 of the Act ;
- (i) expenditure to date;"

6.17 For the 5-year period the only expenditure records available were the monthly summaries that the Mission prepared to request replenishments. These monthly summaries did not contain the information specified in the regulations.

6.18 The Mission customarily used Quickbooks accounting package, however, the software was not used during the audited period. The current accounting officer who assumed duty in February 2011 was not familiar with the software.

6.19 When expenditure records are not maintained in the prescribed format it is difficult for the Mission to adequately monitor and maintain control over expenditure so as to keep within the amounts appropriated by Parliament.

The Mission's accounts were not reconciled

6.20 According to the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (4) (C) **“vote accounts shall be maintained in the following manner: at the end of every month the vote account shall be reconciled item by item with the Accountant General's accounts”**.

6.21 We found that the Ministry of External Affairs failed to reconcile the Mission's accounts. Consequently, there were a number of unexplained differences between the Mission's accounts and the Accountant General's accounts.

6.22 Of concern to us, is that although total expenditure was not recorded in the accounts, however, the expenditure recorded in the Accountant General's accounts exceeded the expenditure recorded in the Mission's accounts in some instances.

Expenditure was charged to accounts for which funds were not approved in the Estimates of Expenditure

6.23 The expenditure accounts to which a ministry/department can charge expenditure are contained in the Estimates of Expenditure.

6.24 In addition, the Revised Laws of Saint Lucia Cap 15.01 Finance (Administration) Act Sections 23 and 24 outline the procedure for varying the sum assigned to any purpose within a supply vote or to make provisions for a new purpose within that vote for any financial year.

6.25 For the audited period we found instances in the entity's statements for replenishments where expenditure was classified and charged to accounts that were not approved in the Estimates

6.26 Expenditure charged to vote accounts that were not approved is a violation of government's financial policies and therefore unauthorized expenditure has been incurred. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the financial regulations.

Expenditure was incorrectly classified

6.25 Expenditure was incorrectly classified according to the standard object classification during the financial year 2008/09. The Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No.10 (1) states that expenditure should be classified in strict compliance with the approved Estimates.

6.26 We found instances of expenditure that was incorrectly classified

Imprests were not retired in accordance with the terms of repayment

6.27 Imprests should be retired in accordance with the terms of repayment, that is by the date indicated on the warrant or before the end of the financial year whichever is earlier.

6.28 The imprests were not retired at the end of the financial year of issue. Consequently, the actual expenditure was not recorded in the expenditure accounts. At the end of the financial year expenditure which was not recorded in the accounts was as follows:

Imprest No.	Imprest Amount \$	Imprest Account	Opening Balance \$	Balance at Year-end \$	Expenditure for the year \$
60/ 2008/09	726,370	4501001 0534650	1,839,013.36	2,189,324.57	350,311.21
17/2009/10	848,828	4503001 0534823 1001		520,577.24	520,577.24
23/2010/11	900,000	4503001 0534823 1001	520,577.24	2,853,912.62	2,333,335.38
32/2011/12	900,000	4503001 0534823 1001	2,853,912.62	6,421,133.20	3,567,220.58
28/2012/13	900,000	4503001 0534823 1001	6,421,133.20	9,058,083.51	2,636,950.31

6.29 It is important for the imprests to be retired in order to ensure that expenditure is accurately recorded in the accounts.

Untimely requests for reimbursements resulted in financial difficulty for the Mission

6.30 In order for the Mission to operate efficiently, it is important for the imprests to be replenished and received on a timely basis in order to allow the Mission to operate smoothly.

6.31 During the year under audit the Mission experienced severe cash flow problems stemming from the untimely receipt of the replenishments of the imprests.

6.32 The audit determined that the time lag between receipts of the replenishments ranged from one to four months. In addition, the requests for replenishments were submitted late to the Ministry of External Affairs for processing. The request for replenishment for November 2012 was made on January 07, 2013 and the request for January 2013 was made on March 05, 2013.

6.33 Other dates when the Mission received replenishments late were as follows:

Date of Smart- Stream Invoice	Month Replenished	Amount Replenished US\$	Date received in Mission's Bank Account
09.11.11	August 2011	85,062.66	05.03.12
07.02.12	September 2011	171,764.50	28.02.12
26.03.12	November 2011	90,789.89	20.04.12
29.03.12	January 2012	79,805.98	19.04.12

6.34 The untimely receipt of the replenishment of the imprests coupled with penalties for late payment impacted negatively on the operations of the Mission.

6.35 For example in September 2008, the Mission paid US\$13,986.28 (EC\$37,999.32) in late fees for late payment of the rent. We observed that the rent cheque was returned as a result of insufficient funds.

6.36 Cheques for the payment of rent for the ambassador's residence were also returned as a result of insufficient funds. As a result of the Mission's bad credit record, the landlord demanded that the rent be paid by credit card only. To avoid further embarrassment for the Mission the Ambassador sometimes paid the rent from his personal funds and was later refunded. He also used his personal funds to finance the expenses of the Mission such as staff salaries and allowances.

6.37 The Mission even had to borrow US\$12,000 from The Saint Lucia Association Inc. on August 26, 2008 to finance its operations.

6.38 The Mission also found it necessary to use the monies from the passport account to pay for operating expenses when the replenishments were received late.

Significant increase in medical insurance premiums for staff

6.39 Our audit revealed that the cost of medical insurance for staff at the Mission increased significantly over the five year period. At March 31, 2009 the medical insurance premiums were US\$8,494.30 monthly. At March 31, 2013, four years later, the monthly premiums were US\$21,550.13 an increase of 154%.

Capital Projects Expenditure

Helenites Building

6.40 During the financial year 2008/09, Cabinet by Conclusion # 710 of 2008 approved the allocation of US\$ 86,700 (EC\$235,555.23) to the Mission to facilitate basic repairs to the Helenites building and to pay for insurance. During the financial years 2008/09 to 2012/13 a total of US\$224,941.71 was spent. This figure comprised US\$129,717.02 for repairs to building and US\$95,224.74 for grounds improvement.

Renovation Works to Office

6.41 In the 2011/12 Estimates of Expenditure there was a provision of EC\$124,000 or US\$45,640.25 to facilitate renovation works as a result of relocating the Office. The amount was later revised to EC\$70,000 (US\$25,764.66) by Virement Warrant #148 of 2011/12.

6.42 The expenditure was incurred during the financial year 2012/13. The capital allocation was utilized as follows:

	US
Furniture & Household Supplies for Ambassador's Residence	- \$30,865.29
Renovation to Ambassador's Office & Conference Room	- \$11,300.00
Office Furniture & Equipment	- <u>\$27,604.83</u>
Total	\$69,770.12

6.43 We found over-expenditure for both capital projects and the total expenditure under each project was not posted in the Accountant General's accounts.

6.44 In light of the findings of our audit we recommend that the Ministry and the Mission where appropriate should:

- **Maintain records of expenditure in the format required by the Revised Laws of Saint Lucia, 2005 Cap 15.01 (Financial Regulation) No.10 (3) (a, b d, e & i).**
- **Exercise a greater level of control over expenditure by complying with the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation No. 10 (2)).**
- **Obtain the supplementary provisions to cover the over-expenditure in the accounts for the financial years 2009 to 2013.**
- **Reconcile the Mission's accounts with the Accountant General's accounts for the years 2009 to 2013 and prepare the necessary journals to correct errors or make adjustments.**
- **Classify expenditure in accordance with the Estimates of Expenditure.**
- **Retire the imprests for the financial years 2009 to 2013.**
- **Devise strategies to ensure timely replenishments of imprest.**
- **Explore more cost effective medical coverage options for staff.**

PERSONNEL MATTERS

6.45 The Staff Orders and The Foreign Service Orders give policy guidance on personnel issues. The Ministry of the Public Service also issues policy directives to ministries and departments. Our audit of personnel revealed several infractions of some of these policies.

Persons were appointed in positions which were not funded in the Estimates

6.46 It is Government's policy to appoint persons only in positions that are funded in a particular financial year. If it becomes necessary to appoint an officer to a position that was not funded then the Ministry/Department must identify the funds and seek the approval before the appointment is made.

6.47 We found instances where officers were appointed to positions that were not funded in the Estimates without approval to activate and fund the positions:

First Secretary

6.48 For the financial years 2008/2009 and 2009/2010 only one (1) position of First Secretary was funded. However, we noted that two (2) First Secretaries were appointed and paid. One officer was appointed from June 2007 to May 31, 2010 and paid basic salary and allowances of US\$4,708.04 monthly. The other officer was appointed for the period September 1, 2007 to August 31, 2011 and was paid allowances of US\$6,224.17 monthly.

Consul General

6.49 For the financial year 2012/13 the position of Consul General was not funded. However, an officer was appointed to the position in September 2012. The appointment letter from the Governor General dated August 15, 2012 stated that the officer was appointed Consul General effective September 1, 2012 for a period of two years on contract.

6.50 To date, the officer has not been given a contract of employment. The Officer received a basic salary of EC\$45,917.97 from the National Emergency Management Office (NEMO) and allowances from the Mission totaling US\$73,850 or EC\$200,643.07 during the financial year 2012/13.

6.51 In previous audits, we have highlighted to the Ministry that the time taken to agree terms and conditions of employment 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. However, the Ministry still has not taken action to address this issue.

6.52 Appointments to positions that were not funded create an additional financial burden on the government's coffers.

Appointment letters were not seen for two officers

6.53 A receptionist was appointed for the period January 29, 2007 to July 31, 2007. We did not find an appointment letter on the officer's file extending the period of employment.

6.54 However, the officer was paid a monthly salary of US\$1,925.00 from April 2008 to July 2009, salary of US\$2,139.16 from August 2009 to May 2010, and US\$2,204.12 in June 2010. The total salary was US\$98,477.92.

6.55 Similarly, we did not see an appointment letter for the Consular Agent. The officer was paid a monthly salary of US\$2,860 from April 2008 – March 2009, US\$3,178.17 from August 2009 and US\$3,274.70 from June 2010. The officer's employment was terminated on March 4, 2011.

Leave was not taken in accordance with the leave policies

“Any departmental leave due and not taken in a particular year will lapse unless the officer is precluded by the exigencies of the Service from taking such leave. The approval of the Permanent Secretary, Personnel must be obtained for departmental leave to be converted into vacation leave”. This is according to the Staff Order section 6.10.

6.56 Departmental leave is calculated as $\frac{3}{4}$ of an officer’s annual leave entitlement, and should be taken in the period in which it becomes due.

6.57 When it is not possible to adhere to the preceding, then we expect that in accordance with Personnel Circular No. 36 of 1990 that “any departmental leave due and not taken in the year in which it is earned will be forfeited unless it is deferred by the Permanent Secretary”. Also, leave can be accumulated for up to a period of four years but should at no time exceed the officer’s annual leave entitlement.”

6.58 Our audit revealed that some officers did not take their departmental leave and the leave balances for some others were in excess of their annual leave entitlements.

6.59 When officers do not take departmental leave, it results in an accumulation of leave in excess of annual entitlement. Also, they may have to forfeit their leave if they do not officially request that their leave be deferred. If leave records are not monitored and independently reconciled, it can result in officers taking more or less than their entitlement.

6.60 We note that at the time of the audit some of these employees were no longer employed at the Mission.

The authority for the payment of household allowance to an officer was not seen

6.61 The Minister Counsellor was paid a household allowance of US\$900 during the contract period of October 1, 2008 to September 30, 2011, and from January 2009. However, we did not see the authority for the payment of the household allowance to the officer.

Oath of secrecy was not seen on file for some officers

6.62 According to the Saint Lucia Foreign Service Order No. 2.10 (1) and (2) every officer who has not previously done so shall signed the prescribed declaration of secrecy at the time he assumes duty. A copy of the declaration and receipt shall be kept in safe custody at the Headquarters Division.

6.63 We examined the personnel files of the Vice Consul who was appointed in August 2009, the Administrative Aide who was appointed in February 2011 and the Consular Agent who was appointed in October 2010 and did not find an oath of secrecy in their files.

6.64 In past management letters we have always reminded the Ministry of the importance of ensuring that all staff signed an oath of secrecy due to the sensitive nature of the work. Despite our recommendations, we still continue to find instances where staff members work at the Missions without signing the oath of secrecy.

6.65 When officers do not sign an oath of secrecy, it is difficult to hold them liable if confidential information gained by reason of employment is disclosed to unauthorized sources.

Hotel expenses in excess of eligibility was paid without authority

6.66 Orders for the Saint Lucia Foreign Services – Housing Accommodation 8.6 states that an officer who is unable to move into suitable permanent accommodation immediately on assumption of duty at a Mission or Consular post shall be eligible for payment of hotel expenses for himself and his family up to a maximum amount per day as the Minister may determine. The period of such eligibility shall not exceed 28 days or such longer period as the Minister may determine commencing not earlier than 7 days before the date of assumption of duty. During the period deductions of such proportion of the officer's basic salary may be determined under paragraph (10) of Order 8.5 will be made.

6.67 Hotel accommodation was paid for the Consul General and family for a total of 38 days at a total cost of USD16, 682.19 or EC45, 323.84 from September 30, 2012 to October 14, 2012 at the Lexington New York City Hotel and from October 14, 2012 to November 6, 2012 at the Fairfield Inn in Long Island City and Bedford Hotel in New York. This resulted in the payment of expenses in excess of the threshold of 28 days without the Minister's approval.

The nature of the professional and consultancy services provided was not clearly defined

6.68 According to the chart of accounts of the Government of Saint Lucia professional and consultancy services includes expenditure for services obtained by the Government by nature of a contract from third party not otherwise covered by an object of expenditure. This object includes professional services such as legal, management consulting, data processing and research and development.

6.69 The First Secretary to the New York Mission was appointed for the period June 1, 2007 to May 30, 2010 on a contractual basis. The contract was not renewed at the end of the contract period. From June 2012 the officer billed the Mission for providing professional services at a monthly rate of US\$5,200. The officer was paid under professional and consultancy services. Since there was not a contract between the officer and the Government of St. Lucia, we were not able to determine the nature of the consultancy services that were provided.

6.70 In light of our audit findings of personnel matters we recommend that the Ministry and or the Mission where appropriate should:

- **Seek to regularize the position of Consul General.**
- **Issue a letter of appointment or a contract to all new staff prior to the commencement of tour of service.**
- **Take steps to ensure that staff takes leave in accordance with the leave policies.**
- **Reconcile (Ministry of External Affairs/Public Service/Mission) leave records and the excess leave given to officers should be deducted against any future leave entitlements.**

- **Seek approval from the Minister for accommodation in excess of 28 days.**
- **Have all staff sign the oath of secrecy upon employment. A copy should also be placed on their personal file.**
- **Look into the nature of the services that are provided by Ms. Michelle Joseph and examine the authority for payment of services.**

6.71 FIXED ASSET REGISTER

Helenites Building needs to be revalued to reflect current market price.

6.72 In 2009 the St Lucia Foundation House was valued at US\$760,000. Subsequent to the valuation, repairs to the building and grounds were done at a cost of US\$224,941.71. These additions to the building no doubt impacted the market value of the property. Given the foregoing we think that it would be prudent for the Ministry to commission another appraisal of the building to ascertain its true current market value.

6.73 The current insurance on the building at March 31, 2013 had a limit of insurance of US\$420,000. We believe that by obtaining a current appraisal of the building it would enable the Mission to provide the right amount of coverage, eliminating wasted premium from over-insuring and claims problems from under-insuring. Also, the Ministry would be in a better position to develop and implement a suitable maintenance plan for the building in the future.

The Ambassador denied the auditors access to verify furniture and equipment purchased for the apartment

The Saint Lucia Constitution Order No. 12 of 1978 Section 84 sub-section (2) (a) states “***the Director of Audit shall satisfy himself that all monies that have been appropriated by Parliament and disbursed have been applied to the purpose to which they were so appropriated and that the expenditure conforms to the authority that governs it.***”

Subsection (7) states “***in the exercise of his function under sub-sections (2), (3), (4), and (5) of this section, the Director of Audit shall not be subject to the direction or control of any person or authority.***” Revised Laws of Saint Lucia Cap. 15:19 (Audit Act) No. 5 (1) states “***The Director of Audit is the Auditor of the Public Accounts of Saint Lucia and as such shall make such examinations and enquiries as he considers necessary to enable him to report as required by this act.***”

6.74 As part of our audit procedures we are required to physically verify furniture, equipment and other items purchased to determine whether they existed; because physical verification of assets provides highly reliable evidence of existence. This is a universal audit procedure that is supported by the international auditing standards.

6.75 We were not able to carry out our audit procedures because the Ambassador vehemently denied us access to the apartment citing possible leaks to the media about her personal affairs. She also lamented over the fact that her apartment was very small and we would be intruding on her personal space if she granted the auditors access to verify the furniture and equipment that were bought from the tax payers funds. All we were given was the asset register and records of items purchased during the period. Unfortunately these records served no useful purpose.

6.76 Equipment and house hold supplies purchased for the Ambassadors' residence totaled US\$30,865.29.

6.77 The Government of Saint Lucia pays a monthly rental of \$US\$6,700 for this apartment occupied by the Ambassador.

6.78 The Office of the Director of Audit is a Constitutional Office. The Director of Audit therefore has certain rights under the Constitution and the Audit Act, one of them being the right to access of information. Consequently, the Ambassador has obstructed the Office's right to undertake its responsibility under the Constitution and the Act.

Government's furniture and equipment were disposed of without proper authority

6.79 The Government policies and procedures require that a board of condemnation inspect each item of stores to be condemned and determine whether or not the items identified are unserviceable or obsolete – Procurement and Store Regulation No. 84 (1) and (2). Also, accounting officers shall ensure that condemned stores authorized to be written off and destroyed are disposed of in the manner directed by the Director of Finance – Procurement and Stores Regulation No. 86 (2).

6.80 Consequent upon the former Ambassador and the Minister/Counsellor demitting office, the furniture and equipment used by them were placed in storage since the lease on their rental premises had expired. The Mission by memorandum dated May 8, 2012 requested approval from the Ministry of External Affairs for the disposal of these items.

6.81 The Permanent Secretary by memorandum dated May 10, 2012 requested that the Permanent Secretary, Ministry of Finance and Economic Affairs dispose of the worn and overused furniture.

6.82 By memorandum dated August 21, 2012 the Director of Finance informed the Permanent Secretary of the Ministry of External Affairs and the Ministry of Finance and Economic Affairs; that two officers were appointed to serve on the Board of Survey. The Financial Analyst of the Ministry of Finance and the Driver of the St. Lucia Embassy in Washington DC – were appointed as the members. The exercise was scheduled for August 29, 2012 at 1:00pm. Unfortunately just hours before the commencement of the exercise an officer from the New York office called to inform that the exercise would not take place as planned for reasons that would be discussed with the Ministry. This last minute cancellation resulted in a loss to the government because airline tickets, accommodation and per diems were paid to officers to undertake an exercise which was cancelled for unexplained reasons.

6.83 The Director of Finance wrote to the Permanent Secretary Ministry of External Affairs requesting an explanation for the cancellation of the exercise. To date we are not aware that the Ministry of External Affairs provided an explanation to the Director of Finance.

6.84 During our audit we raised this issue with the Ambassador and were informed that the furniture got water soiled due to a leak in the storage container. Consequently, the furniture was mildewed and unfit for use. In light of these circumstances, approval was given to the storage company to dump the items before they were checked by a Board of Condemnation. Consequently, the furniture and equipment were disposed of without consent because there was no approval from the board of condemnation.

6.85 We were informed that the Ministry of External Affairs was given a more detailed explanation. Regrettably, we were not given a copy of the correspondence that was sent to Head Office.

6.86 Disposing of items of furniture and equipment without the authority of the board of condemnation is a violation of government's procurement policies. The board's procedures ensure that only unusable items are disposed.

Recommendations

The Ministry of External Affairs and the Mission should where appropriate:

- **Commission an appraisal of the building to determine its current market value and replacement cost.**
- **Inform heads of foreign missions on the powers, rights and access granted to the Director of Audit under the Constitution and the Audit Act, and to advise them of their responsibility to uphold the requirements of the Constitution and the Audit Act.**
- **Inform the Ministry of Finance in extenuating circumstances where items of furniture and equipment must be disposed of before a board of survey can convene.**

REVENUE FROM THE SALE OF PASSPORTS

Passport revenue was not adequately accounted for in the books or record of accounts

6.89 Revised Laws of Saint Lucia Chapter 15:01, Financial Regulation No.43 requires all receipts of public monies to be properly accounted for in such books or records of accounts as may be prescribed.

6.90 Also, Regulation No. 55 requires collectors of revenue to maintain a manual or electronic cash account in the form prescribed by the Accountant General.

6.91 In addition, Regulation No. 56 requires every revenue receipt issued for money received to be entered in serial order number in the cash account.

6.92 For the financial years 2008/09, 2009/10, and 2010/11, the entity did not maintain cashbooks. For the year 2010/11 daily cash sheets of revenue collected were prepared. We reviewed the daily cash sheets and found gaps in the sequencing of receipt numbers. We found some cases where the receipt written for the first transaction of the day did not follow the chronological order of the receipt that was written for the last transaction on the previous day.

6.93 The responsible officer at the time of the audit explained that she was new and was unable to provide an explanation for the discrepancies.

Missing passport funds

6.94 Our audit of receipts revealed significant differences between revenue collected as per receipts and revenue deposited in the passport account for the years 2008/09 and 2011/12. Examples are given in the table:

Financial Year	Revenue as per Receipts Issued US\$	Revenue deposited to Passport Account US\$	Over/(Under) Receipts US\$	Remarks
2008/09	72,847.00	37,632.40	(35,214.60)	
2009/10	77,465.25	76,875.80	(589.45)	
2010/11*	44,091.00	43,794.32	(296.68)	Receipt books missing
2011/12	64,880.70	54,109.00	(10,771.70)	
2012/13	93,150.63	93,628.40	477.77	
Total	352,434.58	306,039.92	(46,394.66)	
* Incomplete records				

6.95 For the financial year 2010/2011 two receipt books, No. 1108701 – 1108800 and No. 1231401 – 1231500 were missing. We were informed that the receipts books went missing during the time that the Accountant from head office was carrying out a pre-audit of receipts.

6.96 During the first quarter of the financial year 2011/12, it was reported that the sum of US\$10,152 was collected but it was not available for deposit into the passport account.

6.97 The Ministry of External Affairs reported the loss of revenue for the financial year 2011/12.

Fraudulent activity involving passport revenue

6.98 Revised Laws of Saint Lucia Chapter 15:01, Financial Regulation No.5 (1) (g) requires an accounting officer to be responsible for ensuring that an efficient system of internal control with respect to all financial transactions is maintained.

6.99 During the period we noted that the Ministry's Accountant conducted an investigation into the alleged misuse of revenue from the sale of passports for the five-month period January to May 2012 and the eight-month period January to August 2011. The investigation report revealed that the sum of US\$14,421.00 was missing. The receptionist who was responsible for revenue collection at the time was held liable for the shortage because she did not turn in all monies collected and falsified the revenue collection sheets by omitting the receipts for which cash had been stolen. To make matters worse, the persons to whom the cash was given for deposit had no accounting background and only verified the cash with the revenue sheet and not the receipts.

6.100 The investigation revealed the following deficiencies at the Mission:

- Cashbooks were not maintained
- Missing revenue records
- Daily revenue received from the cashier was not verified against receipts issued on a daily basis
- Cash was not deposited on a daily basis
- Poor supervision of cashier
- Receipt books were not adequately secured against unauthorized access
- Lack of accounting personnel

6.101 In previous audit reports we highlighted those very same deficiencies in the internal controls over cash and made recommendations for improvement. It is quite clear that none of our recommendations were implemented because the fraudulent activities that took place were as a result of a lapse in the internal control system.

6.102 Since this incident, the Mission has taken steps to address the deficiencies and control measures such as maintaining a cash book for revenue collection, reconciling the cash with receipts by the supervisor on a daily basis, depositing cash daily, and securing of all receipt books.

Monies owing to the passport account

6.103 Passport funds should be used solely for passport related activities

6.104 We found that funds were frequently transferred from the passport account to the operating account to cover operating expenditure. In May 2008, the sum of \$6,000 was transferred from the passport account to the operating account, but was never replaced. Similarly, in 2009/10, periodic transfers of funds totaling \$170,000 were made, however, only \$160,000 was replaced.

6.105 In October 2011, an invoice for providing refreshment for a health fair was paid from the passport account. This was a non-passport related expenditure that should have not been paid from the passport account.

6.106 For the audited period \$17,200 was owing to the passport account.

6.107 The use of passport revenue to fund operating expenditure is a violation of the Finance Act because these funds were not approved by Parliament for that purpose. Therefore, the expenditure was unauthorized. When passport revenue is used for an unauthorized purpose there will always be a disparity between the revenue collected and revenue paid into the consolidated fund.

Passport revenue for three years was not paid into the consolidated fund

6.108 Revenue collected from the sale of passports should be paid in to the Accountant General for credit to the appropriate revenue account. Also, under the government's modified cash basis of accounting revenue should be recorded in the year it is received.

6.109 Passport revenue for the three financial years 2008/09 to 2010/11 was not remitted to Head Office. The revenue collected from the sale of passports and rental of office space for the two financial years 2011/12 and 2012/13 was remitted to Head Office albeit after the close of the financial year.

6.110 At the end of March 2013, the balance in the passport account was US\$152,149.33 whereas we verified revenue of US\$206,496.95, a shortfall of US\$54,347.62.

6.111 Funding for expenditure approved in the estimates of expenditure is based on the premise that revenue collected will be paid in to the Consolidated Fund. Therefore, unpaid revenue creates budgetary constraints to the Government and impacts negatively on the availability of funding for activities identified in the budget.

Some receipts were not properly cancelled among other discrepancies

6.112 Revised Laws of Saint Lucia Chapter 15:01, Financial Regulation No.51 (1) states that when it becomes necessary to cancel a receipt all copies bearing the same serial number shall be endorsed "Cancelled" and signed by a responsible officer and securely attached to the relevant receipt book.

6.113 We found that not all cancelled receipts were endorsed cancelled or initialed by the responsible officer.

6.114 We also found many instances where the book copies of some receipts were written in ink, in one case a receipt was written in red ink. In the absence of a carbonized book copy there is no assurance that the receipt was a duplicate copy. We also found two blank book copies of receipts.

6.115 It is important to cancel receipts in accordance with the regulations in order to validate the cancellations. Also, all copies of a receipt apart from the original should be a carbon copy as attestation to the authenticity of the transaction.

Rental revenue was collected without authority

6.116 All revenue collected on behalf of the government should be done under the appropriate authority. Any revenue collected without the authority of a statutory instrument is unauthorized.

6.117 The Mission collected monthly rental revenue of US \$700 from the Saint Lucia Tourist Board for office accommodation. We were informed that there was an informal arrangement between the two entities.

6.118 Rental revenue of US\$4,200 and US\$5,600 collected during the two-year period 2011/12 and 2012/13 respectively was sent to Head Office and paid as passport revenue. Consequently, passport revenue reflected in the Accountant General's accounts is overstated by EC\$11, 290.44 (US\$4,200 x 2.6882) and EC\$15,053.92 (US\$5,600 x 2.6882) respectively.

6.119 During the period 2008/09 to 2010/11 the rental revenue was not paid into the consolidated fund but instead used to fund the operating expenditure of the Mission.

6.120 In light of our findings we recommend that the Ministry of External Affairs and the Mission should:

- **Post or hire staff with adequate accounting background to carry out accounting functions at the Mission.**
- **Reimburse all outstanding funds to the passport account and pay in revenue for credit into the consolidated fund.**
- **Provide guidance to the Mission staff on writing and cancelling receipts.**
- **Obtain the appropriate authority for the collection of rental income. Further, this income should be reflected in the Ministry's budget and remitted to the Accountant General under the appropriate revenue account.**

6.121 CASH IN BANK

6.122 Not all documents were submitted for auditing

6.123 According to the Revised Laws of Saint Lucia Cap 15:01 Financial Regulations No. 5 (1) (g) an accounting officer shall be responsible for ensuring that his or her financial and accounting records are produced for audit on demand by the Director of Audit.

6.124 We were not given the transfer request documents for transfers totaling US\$78,000 made from the passport account to the chequing account for March 2010.

6.125 The supporting documents for a deposit dated March 12, 2010 for an amount of \$700.00 were also not given to us. Reconciliation statements for the passport account for the financial years 2009, 2010 and 2011 and supporting documents for seven (7) payments made using the Mission's debit card were not submitted for auditing.

6.126 We were informed that payments to Air NZ, TT Services and Skycity Grandh, were made on behalf of the Permanent Mission of New Zealand. The Mission requested reimbursement of the amounts spent, however, to date, the amounts have not been reimbursed.

6.127 It is important that the Mission maintains and secures all accounting records so that they can be produced for audit in accordance with the regulations. In addition, these documents will serve to validate expenditure incurred and transactions conducted.

Unauthorized use of proceeds from sale of residence

6.128 The Ambassador's residence was sold in the year 2008 for US \$1,086,585.55. The money received from the sale was placed in a separate bank account at the Chase Bank. For the period April 1, 2008 to March 31, 2011, three years later, the account earned interest of US\$8,664.08.

6.129 On March 31, 2011, all the Mission's bank accounts held with Chase bank were closed and new accounts were opened at the Bank of America in April 2011. The money received from the sale of the Ambassador's residence was deposited into the non-interest bearing chequing account which was also used for paying the day to day operating expenses.

6.130 Since the money from the sale of the residence was commingled with the replenishments of the imprests in the chequing account, the Mission also used this money for the operating activities. We analyzed the account balance and found that in several cases the balance fell below the amount of the proceeds from the sale.

6.131 The Ambassador informed that the funds were used because the imprest was replenished late.

6.132 In our previous management letter we recommended that the Ministry of External Affairs close the account and transfer the balance of US\$1,077,921.47 to the Consolidated Fund. This recommendation was not implemented.

Recommendations

All supporting documents should be properly filed and secured so that they can be produced for future use especially for external auditing purposes.

The proceeds of the sale of the residence in the sum of US\$1,086,585.55 should be replaced and transferred to the consolidated fund.

INVENTORY & EQUIPMENT REGISTER

Inventory of furniture and equipment were not maintained for residences

6.133 The Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations No. 37 (2) states that ***“the occupants of government quarters or other residences assigned to them shall be personally responsible for any furniture, furnishings or equipment provided for their use.”***

6.134 The Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulations No. 39 (1) states that ***“accounting officers shall ensure that inventories of furniture and equipment are maintained in all offices, institutions and establishments under their control.”***

6.135 The Ambassador, the Consul General and the Second Secretary did not maintain inventory of furniture, furnishings and equipment provided for their use. It is important that officers keep an inventory of furniture and equipment provided for use, in order to properly account for those items entrusted to them.

Equipment register was not updated

6.136 The equipment register should be updated when new items of equipment are received, disposed or transferred to another location to adequately account for all equipment.

6.137 The serial numbers of some replacement equipment and the location of some items of equipment that had been transferred were not recorded in register.

Recommendations:

Additions and disposals of inventory items should be recorded as soon as they occur.

Occupants of residences should keep an inventory of all items of furniture and equipment provided for their use.

The equipment register should include all the information required by the Financial Regulations.

RECEIPT BOOK REGISTER

Poor controls over receipt books

6.138 Collectors of revenue are responsible for ensuring that receipt books in their possession are adequately safeguarded and are duly accounted for. The regulations require collectors of revenue holding stocks of revenue receipts forms to maintain a stock register as approved by the Accountant General. The Accountant Generals Department requires that registers include information relating to the date the books were received from the Accountant General's Department; date and requisition number, quantity of books, number of books, to whom books were issued, the date the books were issued, the date they were returned and the memo number and date when the books were sent for custody.

6.139 We found that although a Receipt Book Register was maintained, only the receipt book number was recorded in the register. The regulations require that the date received from Head Office, date and requisition number, quantity of books, to whom the book was issued, date issued, date returned and memo number and date when books were sent for custody be recorded in the register.

6.140 Receipt books were not adequately secured. We were informed that un-used receipt books were kept in an un-locked filing cabinet. This is in contravention of the Revised Laws of Saint Lucia Cap 15.01 No. (1) and (2) which requires receipt books to be kept secured in a strong room, safe or other suitable receptacle and that these devices should be secured by a combination lock or by 2 or more different locks.

6.141 We noticed that the Mission used both 'A' and 'B' receipt books. However, these books were not recorded on a separate page as required by the Revised Laws of Saint Lucia Cap 15.01 No. 67 (3).

6.142 We observed that two used receipt books numbers 1108701-1108800 and 1231401-1231500.were not entered in the Mission's Receipt Book Register.

6.143 Additionally, not all books sent to the Mission were recorded in the Ministry of External Affairs Receipt Book Register.

6.144 The Mission's staff was not aware of the requirements of the financial regulations with regards to the maintenance of a receipt book register.

Recommendations

The receipt book register should be updated to include all the information required by the Accountant General's circulars and the Revised Laws of St Lucia Cap 15.01 Financial Regulation No 67 (3).

Provide staff with the necessary guidance on maintaining the receipt book register.

FOLLOW UP FROM LAST AUDIT – HELENITES CENTRE DISPUTE

Settlement of Lawsuit against the Government of Saint Lucia

6.145 On February 15, 2007 a Saint Lucia national sued the Government of Saint Lucia citing “specific performance and breach of contract” in the amount of not less than US\$1 million. The suit stated that the Government has not made any effort to conclude its part of the agreement, considering that since October 12, 2006, the Court ruled that the title to the Helenites property be returned to the Government.

6.146 Consequently, the Government of Saint Lucia sought legal advice. Upon analysis of relevant documents and the agreement, the firm concluded that the Government would most likely lose the suit if it decided to contest it. Therefore, it was advise that it would be in the best interest of the Government, to proceed with satisfying the terms and conditions of the agreement.

6.147 The Saint Lucian national was willing to forego his contractual rights if the following conditions were met:

- Full refund of the down-payment of US\$174,323.85
- Interest payment at a rate of 9%
- Reimbursement of expenses including legal fees
- Thirty five percent (35%) of the appreciation of the contract price of the property

6.148 We observed that Cabinet, by Conclusion No. 148 dated March 7, 2011 approved the settlement of the case through payment of US\$450,000. Cabinet also approved the payment of US\$100,000 to cover sums due to legal counsel retained and other cost.

6.159 On March 31, 2011, the plaintiff and legal counsel signed the agreement. On April 15, 2011 the Mission submitted the settlement cheque for US \$475,000, payable to attorneys for the plaintiff, to the government's legal counsel. The Ambassador, the Attorney General and Legal Counsel signed the agreement on May 11, 2011.

CONSULATE IN FORT DE FRANCE

SUMMARY OF FINDINGS

6.149 In September 2010, we issued a management letter to the Ministry of External Affairs on the findings for the audit for the financial years ended March 31, 2007, 2008, 2009 and 2010. In the management letter we highlighted a number of critical control deficiencies and other issues that in our opinion needed immediate corrective action.

6.150 We completed the audit for the financial years ended March 31, 2011 to March 31, 2013. This audit showed that none of the issues which were raised during the previous audits were addressed. In fact, the situation at the Consulate has evolved into a severely chronic one. The incidence of non-compliance with the government's operating policies and regulations exacerbated and resulted in an almost nonexistent system of internal control.

6.151 Once again, we found a very poor filing system and as a result some of the documents needed could not be found or were not available. There were significant issues regarding expenditure including lack of monitoring and reconciling of the consulate's expenditure accounts. The lack of monitoring of expenditure resulted in the Consulate incurring over and unauthorized expenditure. There were some serious concerns about cash handling, recording and reconciling of revenue collected from the sale of passports. The records management system was very poor and did not assist the Consulate in managing organizational information that was timely, accurate, complete, cost-effective, accessible and useable. Records were filed very haphazardly and did not provide any useful trail or record of the transactions and the documentation requirements did not exist throughout the cash collections process. The poor filing system further exacerbated the Consulate's inability to safeguard government's assets and properly account for their purchase, location and condition. The management of personnel matters was not done in conformity with government's policies and procedures.

6.152 As we have pointed out in the past, there is an urgent need for the staff at the Consulate to be trained in order for them to perform their duties effectively. It is our opinion the staff is in dire need of the requisite guidance, training and orientation on the execution of government's policies, procedures and financial regulations, in order to minimize some of the more pervasive non-compliance issues that we found during our audit.

6.153 The Administrative Secretary who performed the accounting function was constantly inundated with consular duties. As a result, the performance of the accounting function was often postponed for significantly long periods of time. This resulted in poor record keeping, inaccurate and incomplete accounting information.

DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

PETTY CASH

Poor maintenance of the petty cash imprest

6.154 As we have reported in the past the Consulate did not maintain a proper petty cash system. Again during this audit the situation was the same.

6.155 Like previous years we found that the Administrative Secretary withdrew cash ranging from €300 to €460 from the bank and kept it on hand to pay for expenses. The entire amount was replenished irrespective of the remaining balance. Also, there was no limit on how much could be spent from the petty cash as well as no guidance on the type of expenses that were allowable from the petty cash.

6.156 A petty cash register was maintained but it was not in the proper format. Although there were receipts for items purchased, however, there were no petty cash vouchers.

6.157 At the time of the audit there was no cash on hand.

6.158 We must stress that petty cash is easily misappropriated if business processes and internal controls are not established and enforced. Based on the findings of our audit we concluded that there were no controls to ensure that the petty cash account was appropriately used and safeguarded.

Recommendations

Petty cash vouchers should be used to record payments from the petty cash fund. When money is spent out of petty cash it should be replaced with this petty cash voucher or receipt. These should be kept until the float needs to be replenished. Petty cash receipts should be attached to each check request for replenishment. The receipts plus cash on hand should add up to the imprest amount.

The petty cash should be maintained in a manner that is consistent with the principals governing the petty cash imprest system, in that, a fixed amount should be set for the original cash float, based on the needs of the Consulate. If there is need to increase the float, then a formal request should be made to increase the petty cash float to the desired amount.

Petty cash should not be used to pay items such as salaries and per diems or any other major operating expense that should be charged directly to the vote.

There should be supervisory review and approval of the replenishment request, at which time receipts should be included and should be appropriate.

CASH AT BANK

Bank accounts were not reconciled

6.159 According to the Revised Laws of St. Lucia, Cap 15.01 (Financial Regulation) No. 116 (1) (2):

(1) The balance of the bank account as shown in the bank statement shall be verified with the balance shown in the cash register at least monthly.

(2) A reconciliation statement shall be prepared in respect of each such verification by the accounting officer authorized to operate the account and copied to the Accountant General.

Passport Account

6.160 The passport account was not reconciled every month. Consequently, we encountered a scope limitation because the correct or reconciled cash balance at the end of the government's financial year could not be determined. The balances at the end of the financial years according to the bank statements were as follows:

- March 31, 2013 - €58,130.12
- March 30, 2012 - €41,348.56
- March 31, 2011 - €58,696.02

Operating account

6.162 We note that the operating bank account was also not reconciled. The bank statements for the operating account from the BNP Paraibas Bank were from the 5th of one month to the 5th of another. This posed a problem for the Consulate because it was difficult to reconcile the bank account at the end of the government's financial year of March 31. The operating bank account balances at the end of the financial years according to the bank statements were as follows:

- April 05, 2011 - €45,275.91
- April 05, 2012 - €41,611.31
- April 05, 2013 - €5,506.82

Recommendations:

The bank accounts should be reconciled every month in order for the Consulate to deal with any differences between the balances of the bank accounts in the cash book and the closing balances of the bank accounts shown by the bank statements for the same period.

The Consulate should request from its bank, statements for the operating account beginning on the first day and ending on the last day of every month to coincide with the end of the government's financial year.

GOVERNMENT LOGBOOKS

Log books were not used

6.163 Laws of Saint Lucia Cap. 15.01 Procurement and Stores Regulation. No. 45 (2) states:

“Log books shall be in such form as the Accountant General may approve and shall be used to record –

- (a) details of traveling done or works performed;***
- (b) details of oils, fuels and spares used;***
- (c) details of servicing or repairs;***
- (d) authorization for travel or other operation.”***

6.164 The Consulate owned a Mitsubishi Pajero License No 06.C69.972. We noted that the only entries in the logbook were as follows:

14/11/2012	Time In 9:10, Time Out 11:25
23/11/2012	Purchase of car parts, Time In 10:35, Time Out 11:40
26/11/2012	Drop car at garage, Time In 7:35, Time Out 3:00
28/11/2012	Took car to the garage, Time In 8:00, Time Out 2:00
30/11/2012	To purchase parts, Time In 10:45, Time Out 1:30
04/12/2012	Took car to the garage, 8:45 to 4:00

6.165 Management should always ensure that information on all journeys made and other required details are recorded in the logbooks, as this would help to prevent the misuse of Government vehicles.

Recommendation

All required information should be recorded in the log books in accordance with the Procurement and Stores Regulation No. 45 (2).

PASSPORT ACCOUNT

Completeness of passport revenues could not be determined

6.166 The Consulate undertakes a cash function when persons requesting passports pay for the passports. Consequently, the Consulate needs to ensure that collections for passports are sufficiently safeguarded, recorded and sufficiently reconciled.

6.167 During the audit we had some serious concerns about the cash handling, recording and reconciliation of revenue collected from the sale of passports. The record keeping was done haphazardly and did not provide any useful trail or record of the transactions. The cash collections requirements did not exist throughout the process. A cash book was not maintained,

6.168 A passport register in which the applicants signed when they collected the passports was maintained.

6.169 We found a file containing correspondence and other miscellaneous banking information. Based on the information available from the banking correspondence, receipt books and summaries of revenue collected on a monthly basis, we were able to ascertain total revenue.

6.170 Total revenue deposited into the bank during the financial years 2010 – 2013 according to the bank statements was €40,512.20. Revenues for the months of August, October and November 2010 and February 2011 were not reflected on the bank statements although the Consulate prepared a list of the revenue collected for those months.

6.172 According to the statements the revenue collected for those months were as follows: €1, 210.00, €1,195.00, €630.00 and €1,355.00. We were not able to ascertain if the monies were subsequently deposited because the deposits did not detail the receipts neither were the receipts identified on the deposit slips.

6.173 We found the same situation for the months of July, September, October and November 2011 and February 2012. Revenues collected during those months were as follows: €955.00, €705.00, €595.00, €755.00 and €1,090.00 respectively.

6.174 From the receipt books we were able to ascertain that the total revenue collected per financial year was as €39,840.00.

6.175 Consequently, there was a difference of €672.20 between the amount collected as per the receipts and the deposits shown on the bank statements for the audited period.

6.176 We were not able to trace the deposits from the receipts to the bank statements because the deposit slips did not indicate the receipt numbers pertaining to a particular receipt. Cash collections were not reconciled to any cash documentation (cash book) on a daily basis to ensure the completeness of receipts. The records of deposits though they were maintained did not assist in the performance of reconciliations.

6.177 Whenever cash is collected at any entity there must be segregation of cash handling duties which are usually divided as receiving, depositing, recording, and reconciling.

Ideally, all four stages would be performed by different individuals. The purpose of segregating those duties is to minimize the opportunity for an employee to misappropriate funds and avoid detection.

6.178 We did not find the appropriate level of segregation of the cash handling duties, in that it was common practice for one officer to receive, deposit, and record cash.

Recommendations

A cash book should be maintained for recording the receipts and payments of cash from the sale of passports.

The receipts that correspond to a particular deposit should be recorded in the deposit book.

In a smaller department such as the Consulate with very few employees, it may not be feasible to fully segregate all of the cash-related duties. Therefore, the Consulate must have compensating controls to mitigate the risk that cash is misappropriated (e.g., increased monitoring and supervision).

Unauthorized expenditure from the passport account

6.179 Revenue from the passport account is supposed to be used solely for passport related expenditure.

6.180 We found that passport revenue was used to pay salaries, rent and for petty cash. At March 31, 2013 a total of €30,780.45 was owing to the passport account.

6.181 We were informed that the Consulate was forced to use the monies in the passport account for operating expenses, because cash to finance operating expenses was frequently received beyond the time period when the expenses were due to be paid. We are of the view that the Ministry of External Affairs, the Budget Office and the Accountant General's Department

should step up their efforts at improving the time taken to process the requests to replenish the imprests, in order for the Consulate to maintain efficient normal business operations without having to borrow monies from the passport account.

Recommendations

The revenue from the sale of passports should be used only for the business of passports and not to finance the operating expenses of the Consulate.

The amount of €30,780.45 which was owing to the passport account at March 31, 2013 should be paid back into the passport account.

Passport revenues were not paid into the Consolidated Fund

6.182 Applicants pay for passports in Martinique and the applications, documents and receipts for cash collected are forwarded to Saint Lucia for processing. We found that the revenue from the sale of passports was not remitted to Saint Lucia for credit into the consolidated fund. At March 31, 2013 there was €58,310.12 in the passport account.

Recommendation

Passport revenues should be remitted to Saint Lucia for payment into the consolidated fund.

EXPENDITURE

Vote account was not maintained

6.183 The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 10 (3) requires accounting officers to keep a vote account in the approved form which clearly shows approved estimates, supplementary provisions, reallocations, expenses and balances.

6.184 Our audit revealed that the Consulate did not maintain a vote account.

6.185 The Consulate prepared monthly statements of expenditure which contained a summary of each account and its balance.

6.186 A review of these monthly statements showed that the total expenditure according to some of the monthly summaries was different to the total expenditure reported by the Ministry and recorded in the Accountant General's accounts.

6.189 We examined the monthly statements of expenditure and noted a number of deficiencies. We noted instances where budgetary or supplementary provisions were not made for certain expenditure, yet the expenditure was incurred by the Consulate.

Expenditure according to invoices not same as expenditure reported on the annual summary statement

6.190 We compared the actual expenditure according to the invoices with the expenditure that was reported on the monthly summaries and found differences.

9.191 For example, for the financial year 2011/2012 total expenditure as per the annual summary statement was €212,849.86 while total invoices on hand were €149,949.55 a difference of €62,900.31 or EC\$231,421.18. Similarly, for the financial year 2012/2013, total expenditure as per the annual summary statement was €262,663.68 while total invoices on hand were €255,428.09, a difference of €7,235.59 or EC\$27,495.24. As previously mentioned the records management system was poor and as a result it was quite possible that we did not receive all of the invoices.

6.192 We traced four expenditure items which were not recorded on the monthly expenditure statement for December 2010 and March 2011. These included a security alarm system, standing fan, LCD 32 inch television and external drives totaling €4,133.00 or EC\$15,705.40.

Expenditure paid by debit card could not be verified

6.193 For the three years under audit cash of €9,780.00 or EC\$37,164.00 was withdrawn from the bank using the debit card (ATM). We were unable to verify the expenditure for which the cash was used.

6.194 Some of the ATM withdrawal slips indicated that the withdrawals were for petty cash replenishments and per diems. However, because of poor record keeping, we were unable to ascertain whether these amounts were indeed withdrawn for the purposes stated and were duly authorized.

6.195 In past audit reports we recommended that the Consulate acquires an accounting package to better maintain accurate and up to date accounting records and accounting information. Unfortunately, this recommendation was not implemented. Of concern to us, is that the level of oversight was clearly inadequate because the Consulate continued to function year after year without a proper system to account for the taxpayers' fund that was allocated for operations.

Recommendations

As a matter of priority the Ministry of External Affairs along with the Consulate, should implement a proper accounting system that would assist in providing the necessary records and documentation.

The Consulate accounts should be supported with full and detailed records of all expenditure, such as receipts, invoices and all payments made by debit cards or otherwise.

Personnel at the Consulate who have been authorized to use the debit card should be guided as to its use. Proper accountability procedures should be established for the expenditure incurred from funds withdrawn with the debit card.

Accounts were not reconciled and accurate information for estimates, supplementary provision and expenditure was not reflected in the Accountant General’s accounts.

The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (4) (c) states **“at the end of every month the vote account shall be reconciled item by item with the Accountant General’s accounts;”**

6.196 The accounts were not reconciled monthly. As a result, there were uncorrected differences between the total expenditure reported in the Accountant General’s accounts and the expenditure reported by the Consulate. The following table highlights the total differences for each audited year.

Period	Expenditure as per the Consulate’s Records EC\$ (1)	Expenditure reported in the Accountant General’s accounts EC\$ (2)	Difference EC\$ (1-2)
2010/2011	998,249.99	340,427.07	657,822.92
2011/2012	968,378.73	315,057.83	653,320.90
2012/2013	1,118,639.58	451,007.30	667,632.28

6.197 Over the audited period, the differences between the expenditure reported by the Consulate and the expenditure recorded by the Accountant General always exceeded EC\$600,000. In every case, less than 50% of total expenditure was recorded in the Accountant General’s accounts.

6.198 In verifying the Accountant General’s accounts we noted that some journals remained un-posted in the accounts. For the three financial years the total of the un-posted journals were as follows: 2010/11 \$626,789.78, 2011/2012 \$499,795.85 and 2012/2013 \$594,501.70.

6.199 Also, some supplementary provisions were not recorded in the Accountant General’s accounts. As a result, the budgeted allocations exceeded the revised estimates reported.

Expenditure was in excess of revised estimates and budget allocations

6.200 The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 10 (2) requires accounting officers to maintain control over expenditure by ensuring that the amount provided in the Estimates are not exceeded. In addition, accounting officers must also ensure that the approved budget allocations are not exceeded.

6.201 During our audit, we found several instances where actual expenditure reported by the Consulate exceeded the revised estimates and budgeted allocations.

6.202 During the financial year 2010/2011 capital expenditure of EC\$16,227.25 was recorded under account 4501 203 and EC\$7,874.09 was recorded under account 4503214. The audit determined that funds were not budgeted under those two accounts in the 2010/2011 financial year.

6.203 The risk of the consulate continuing to operate without having reconciled accounts is that its expenditure will always be inaccurate and will contain significant errors and omissions that will remain unresolved and undetected.

Imprest account were not retired at the end of year

6.204 The imprests should have been retired at the end of the financial year in which they were issued. However, this was not done and the unretired amounts were carried forward to the following financial year.

6.205 We note that at December 2013 the imprests were still not retired.

6.206 When imprests are not retired then expenditure will not be accurately recorded in the accounts.

Recommendations

The Consulate's accounts should be immediately reconciled and all adjustments posted to the accounts.

All outstanding imprests should be immediately retired and the related expenditure be brought to account.

PERSONNEL MATTERS

Records of uncertified absences were not maintained

6.207 According to Section 6.19 of the Staff Orders (uncertified absences in excess of 10 working days a year (12 for officers working a 6 day work week) should be recorded and deducted from the officer's annual leave entitlement. In order to achieve this, the Ministry of the Public Service has instructed ministries and departments to keep records of uncertified absences and forward these records to the Ministry monthly.

6.208 We noted that records of uncertified leave during most of the audit period were not maintained. Therefore, we were unable to determine whether officers exceeded the threshold allowed.

6.209 In the absence of these records it was very likely that officers may have exceeded the uncertified leave threshold and the excess leave was not deducted from their annual leave entitlement.

Recommendation

Records of uncertified absences should be compiled monthly and submitted to the Ministry of the Public Service.

Officers appointed without approval from the Ministry of the Public Service

6.210 When officers are appointed to non-established posts, the Permanent Secretary of the Ministry of the Public Service is required to approve the appointment. Further, before such appointments are made the Consul General must inform the Permanent Secretary of the Ministry of External Affairs of the intended appointments.

6.211 We noted that the Consul General appointed and gave contracts to a driver/office assistant, a nanny and a janitor during the period 2012/2013. However, we saw no evidence that permission was sought from or given by the Permanent Secretary of the Ministry of the Public Service. The contracts of employment were drawn up by the Consul General and were not vetted by the Ministry of the Public Service. We found that the contract signed by the Office Assistant did not state the officer's annual leave. Interestingly, we saw that the contract signed by the nanny stated an end of contract gratuity of 25%.

6.212 A personal file was not maintained for the temporary janitor and as a result, we were unable to examine her appointment letter and related terms of employment.

Recommendations

All appointments of non-established personnel to the Consulate should be appropriately approved before such appointments are made.

The contracts of employment should be sent to the Ministry of the Public Service for vetting and approval before they are signed by all parties.

Unauthorized payment of education allowance

6.213 In the contract signed between the Consul General and the Ministry of the Public Service, it states **"...is eligible for an education allowance for her daughter, however, the relevant arrangements are being negotiated. The Ministry will convey the necessary information to the Ministry of the Public Service as an addendum ..."**

6.214 We noted that from September 2012 to March 2013, the Consul General received an education allowance for her daughter of approximately €215.15 monthly. This totaled €1,374.06 or EC\$5,221.43 over the period.

6.215 While the contract states that the Consul General is eligible for an education allowance, however, the agreed amount was not stated at the time of signing. We did not see an addendum modifying the terms of the existing contract to include an agreed amount for education allowance.

6.216 In absence of such an addendum the Consul General should not have received an education allowance of €215.15 monthly.

Recommendation

Arrangements should be made to recover the sums paid as education allowance to the Consul General in the absence of an addendum to the contract.

Officers did not sign an oath of secrecy

6.217 The Orders for the Saint Lucia Foreign Service requires all officers to sign a declaration of secrecy at the time of assumption of duties.

6.218 We found that employees at the Consulate did not sign an oath of secrecy. We found this deficiency in our last audit and recommended that the officers sign the oath of secrecy. Unfortunately, our recommendation was not implemented.

6.219 It is important for officers to sign this declaration since it provides the authority for nondisclosure of any sensitive and confidential information. Additionally, it affords the Ministry disciplinary recourse if the oath is breached.

Recommendation

All employees at the Consulate should sign the oath of secrecy and copies placed on their personnel files.

No social security deductions made for officers paid under wages

Within the Public Service of St. Lucia, persons paid under wages are required to contribute to the National Insurance Corporation (NIC) for future benefits.

6.220 NIC deductions were made on behalf of the Administrative Secretary, the Cultural Attaché and the Consul General. However, deductions were not made for the employees paid under wages. These persons are St. Lucian citizens and employees of the Government of Saint Lucia. Therefore, NIC deductions should be made on their behalf.

Recommendation

NIC deductions should be made for the employees paid under wages.

Rent payments from the Administrative Aide remained outstanding

6.221 The Consulate sub leased the ground floor apartment to the Administrative Aide for €250.00 monthly. The officer made a few payments totaling €2,125.00 before he resigned on November 4, 2010. At the time of his resignation, he was owing the Consulate €1,625.00 equivalent to EC\$6,175.00 in outstanding rent which to date has not been recovered.

Recommendations

In future, charges of this nature (sub-lease between employee/employer), should be deducted directly from the employee's salary to minimize the risk of non-payment.

Monies owing by an employee to an employer should be deducted from the employee's remuneration at the time of resignation.

If possible, the Consulate should seek to recover the outstanding rent.

Insufficient documentation for subsistence paid for overseas travel

6.223 Finance memo dated November 30 2007 refers to Cabinet Conclusion No 1025 of 2007 which states the approved revised rates for subsistence and meal allowance for overseas travel.

6.224 During the audit we found instances where per diems were paid in cash from funds withdrawn directly from the ATM. The amounts ranged from €200.00 to €360. We found no supporting documentation giving the period of travel, to whom paid, the destination or the nature of the trip to support the amounts described as per diems.

Therefore, we were unable to determine whether the correct overseas subsistence rates were used or whether these per diems were duly approved.

Recommendation

There should be proper documentation for per diems paid by cash withdrawn from the ATM

EQUIPMENT AND FURNITURE

6.225 The efficient management of equipment and furniture involves a systematic accounting process that seeks to track assets especially for preventive maintenance, and theft deterrence. The system should safeguard vehicles, furniture and equipment of significant value and/or has a useful life of more than one year.

6.226 It is important that the Consulate track not only the location of furniture and equipment, but also their condition, maintenance and if necessary replacement status.

The consulate did not keep a proper record of all inventory

6.227 The Revised Laws of St. Lucia Cap 15.01 (Procurement and Stores Regulations) No. 39 requires accounting officers to maintain inventories of furniture and equipment for all offices and residences under their control.

6.228 The Consulate did not maintain an inventory of items for the downstairs apartment of the Consulate's office. We conducted a physical count of items on the premises, but since we did not have a previous list we were not able to note any additions or disposals of items of inventory. In addition, the Administrative Aide resided there but an inventory count was not done before he vacated the premises.

6.229 An updated inventory of all items located at the Consular General's residence was not maintained. We noted that since the original lease was signed there were changes to the items at the residence.

Listing of insured equipment was not updated

6.230 Under French law all tenants must pay insurance on the contents in the leased premises. It is therefore prudent for the tenants to update the list of the contents of the premises.

6.231 The Consulate's insurance coverage was up to date; however, the list showing the contents for which the insurance was paid was last updated in February 2003. Subsequent to that date there were several items which were purchased, damaged or rendered obsolete. In light of this finding, it is quite evident that the Consulate paid for content insurance supported by a very out dated list of insurable items.

6.232 The Consulate has exposed itself to a situation where in the event of a theft, loss or damage to property, losses would not be sufficiently recovered because an updated list of items on the premises was not maintained,

Recommendation

The Consulate should conduct a physical count and document all items of inventory including those which were added, removed or disposed of. The updated list should be submitted to the insurance company to support the insurance premiums paid.

Inventories were not checked when the former Consular General demitted office.

6.233 The government's regulations require that inventory of furniture and equipment be physically checked whenever there is a change in the officer in charge or the occupant of a government assigned residence.

6.234 In March 2012, the Consular General's contract term ended and the new Consular General was appointed in June 2012. At this time, an inventory of all furniture and equipment should have been done to ensure that all government assets were appropriately handed over.

6.235 We saw no evidence that a handing over exercise was done. We were given an inventory count sheet which was prepared by the former Consular General. This list was not very useful since it only contained 5 items which included 3 sets of keys.

6.236 In the absence of a handing over exercise, the Consulate was not in a position to determine whether all items of inventory which were entrusted to the former Consul General were accurately handing over and in good condition.

Recommendation

A handing over exercise should be done whenever there is a change in officer or occupant of a government assigned residence.

Theft of government property was not reported

6.237 Whenever there is a loss or theft of furniture, equipment or stores, written reports should be sent to the Director of Finance, the Accountant General and the Director of Audit. These reports should comprise an initial report of the incident and a final report after an investigation is carried out by the appropriate authorities.

6.238 According to insurance reports, a theft occurred at the residence in December 2010. A report was made to the insurance company and the Consulate was paid €1,082.27. We were unable to trace the deposit into the consulate's bank account.

6.239 Apart from the insurance investigation and claim report we did not see any evidence that the theft was reported as required by government's regulations.

Recommendation

Any loss of government property should be reported in accordance with the requirements of the Revised Laws of Saint Lucia Cap. 15.01 (Finance Act), (Financial Regulations) and (Procurement and Stores Regulations).

7 COMPLIANCE AUDITS

7.1 During the financial year we conducted spot check audits of the out district operations comprising of the Sub Accountants, Day Care Centres, Customs and Excise and Wellness Centres.

PURPOSE

7.2 The purpose of the spot check audits was to review sample transactions for accuracy and to assess the extent of compliance with the requirements of the Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations, specially the internal controls governing cash operations, to enable the Director of Audit to report in accordance with Sections 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

DENNERY AND ANSE LA RAYE SUB ACCOUNTANTS

Cash shortage

7.3 We verified that public assistance funds that remained uncollected at the Dennerly Sub Accountant's office on January 28, 2014 was \$9,225.00. We conducted a cash count to verify that the cash on hand was equivalent to the cash balance of \$9,225.00 shown in the records. The cash count revealed a sum of \$8,795.00 resulting in a shortage of \$430.00. The Sub Accountant explained that in one instance an individual had inadvertently forgotten to sign the listing for receiving \$215.00. However, she was unable to account for the remaining balance of \$215.00

Failure to pay back uncollected public assistance to expenditure

7.4 Any uncollected public assistance should be paid back into the expenditure accounts after two months have elapsed. The Sub-accountants are required to inform the Department of Human Services of persons who had not collected their stipends for the month.

7.5 There was uncollected public assistance of \$430 for October 2013, \$430 for November 2013, \$645 for December 2013 and \$7,720 for January 2014. On December 31, 2013, the Dennerly Sub-Accountant prepared the list to be submitted to the Department of Human Services for the uncollected public assistance for the months of October and November 2013. However, in January 2014 despite the Sub Accountant preparing the list, the funds were still on hand at the Sub Accountant's Office. As a result, the Sub-Accountant failed to pay in the uncollected funds in accordance with the requirements of the Department of Human Services.

7.6 Failure to pay-in uncollected funds can result in needy persons not being able to get the assistance because these much needed funds remain unutilized instead of being redistributed.

Some general revenue receipt books issued to the Dennery and Anse La Raye Sub Accountants were not found

7.7 According to the Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No 62 (1) all revenue receipt forms of whatever description is to be secured in the custody of the collectors of revenue or an officer authorized by him.

7.8 In addition, Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No.63 states that used receipt forms shall be retained by the collector of revenue until they have been checked by an officer from the Audit Department, and audited forms shall be returned immediately after audit to the Accountant General.

7.9 A number of general receipt books which were recorded in the Treasury Department Distribution and receipt book registers as issued to the Dennery and Anse La Raye Sub-Accountants were not found at these locations.

7.10 The Sub Accountants were unable to provide an explanation for the missing revenue receipt books. We note that the receipt books in question at the Dennery Sub Accountant's Office were declared during the Board of Survey for 2013. However, the receipt books which we were unable to find at the Anse La Raye Sub Accountant's Office were not declared during the 2013 Board of Survey, which suggests that they were not on hand at the time of the survey.

7.11 We noted that most of the books were completed and should have been retained by the collector of revenue until they were checked by an officer from the Audit Department.

Recommendations

The Accountant General's Department should require that the Dennery Sub-Accountant account for the difference of \$215.00.

There should be appropriate procedures in place such as reconciliation of the master sheet to the subsidiary records to help the sub accountants identify at the earliest any discrepancies such as cash shortages etc...

The Sub-Accountant at the Dennery Sub Office should as required, pay-in all uncollected public assistance funds outstanding beyond the stipulated time frame into the appropriate expenditure accounts.

The Sub Accountants should make every effort to account for the receipt books that were missing at the time of the spot check.

The Sub-Accountants should retain all revenue receipt books until they have been checked by an officer from the Audit Department.

7.12 DAY CARE CENTERS

We visited the following day care centres:

- L'Abbayee
- Vanard/Millet
- Ciceron
- Cul-de-Sac
- Coolietown
- Marigot
- La Ressource (Dennerly)
- Gadette
- Dennerly
- La Caye
- Babonneau
- Fond Assau
- Ti Rocher (Castries)
- La Guerre
- Entrepot

Persons who collected cash were not designated collectors of revenue

7.13 According to the Revised Laws of Saint Lucia, Cap 15.01, Finance (Administration) Act, No. 6 (3) an accounting officer can designate an officer under his or her control to be the collector of revenue for the collection of any item of revenue for which he or she is accountable.

7.14 Also, the Accountant General by Circular No.TD 9/2008 advised Permanent Secretaries and Heads of Departments to appoint collectors of revenue where applicable in keeping with the requirements of the Revised Laws of Saint Lucia, Cap 15.01, Finance (Administration) Act, No. 6 (3).

7.15 We found that supervisors of the day care centres although they were given the responsibility to collect cash on behalf of the Ministry of Education, however they were not designated collectors of revenue.

7.16 The implication of not specifically designating an officer as a collector of revenue is that he/she cannot be held legally responsible in the event of loss or misappropriation of cash. Therefore, it would be prudent for Ministries and Departments to adhere to the Accountant General's circular by appointing collectors of revenue in order to have legal recourse in the event that cash is misappropriated.

Recommendation

The Ministry of Education should, in accordance with the Revised Laws of Saint Lucia Cap 15.01, Finance (Administration) Act No. 6(3), appoint supervisors of the day care centres as collectors of revenue.

Day care fees were not standardized

7.17 The Ministry of Education provided a list of fees ranging from \$105 to \$180.00 for day care services. We note however that these fees were not supported by a statutory instrument.

7.18 In a previous audit report to the Permanent Secretary, we highlighted that there were several inconsistencies with the fees charged at the various day care centers.

7.19 In response to our report, the Permanent Secretary stated that commencing September 2010 a policy would be enforced whereby a fee of \$140 per term would be charged across the board for day care services. Our audit found that to date this policy has not been implemented.

7.20 Our audit revealed that the parents of children who attended the Dennery day care center were charged \$14 per term, in addition to the fee of \$140 per term to assist with purchasing toilet paper, stationery and other miscellaneous items; although the Ministry gave the centre a cash imprest of \$1,450 per month to assist with these operating expenses.

7.21 We found that the fees for day care services provided by the Entrepot facility was \$60 per month. Parents paid only \$30.00 during the months of December and April of 2013. This generous concessionary discount was not extended to the parents of children who attended other day care centres.

Recommendations

The Ministry of Education should:

- **seek to standardize the fees for day care services to ensure consistency and equity across the board.**
- **review the adequacy of the imprest given to the Dennery Day Care Centre to establish whether the additional fees paid by parents are warranted and should therefore, be adopted as an official policy of the Ministry.**
- **obtain a statutory instrument to support fees charged for government provided day care services.**

Unauthorized discounted day care fees were extended to parents

7.22 As previously mentioned the fees for day care services were approved by the Ministry of Education. We reviewed the fees and nowhere did we find that parents who had more than one child enrolled at the same day care centre were entitled to pay a discounted price.

7.23 The supervisors at the Fond Assau, Babboneau and Ti Rocher (Castries), granted discounts of \$5.00 to parents. The supervisors informed that the discount was given because the parents had more than one child enrolled at the centre.

7.24 We are of the view that discounts should not be given simply at the discretion of the supervisors. Such matters should be dictated by policy to ensure transparency and equity in the services provided by the government.

Recommendation

If found necessary, the Ministry should seek to establish a policy that speaks to granting discounted fees to parents with more than one child enrolled at the same day care centre.

Cash was not properly secured

7.25 The Revised Laws of Saint Lucia, Cap 15.01, Financial Regulation No. 133 (1) requires accounting officers and receivers of revenue to ensure that a strong room, safe or other suitable receptacle is provided for securing cash, stamps and receipt books in their possession or in the possession of officers in their departments.

7.26 Our spot check audits at the fifteen day care centres revealed that they all had inadequate facilities to secure cash. Most of the day care centers did not have cash tills or filing cabinets. The day care supervisors informed that cash was stored on their person during the day. At the end of the day a few supervisors took the cash to their homes for safeguarding until it was paid in to the Ministry of Education. Some explained that the centres had been burglarized in the past so they did not feel comfortable securing the cash at the centres.

7.27 During our survey we were unable to verify cash of \$1,187.05 (\$167.05 at the Millet Day Care and \$1,020 at the Entrepot Day Care) because supervisors informed that the cash was at their homes. In a previous spot check audit we found the very same issue and highlighted this to management of the Ministry of Education. In response to our report, the then Permanent Secretary of the Ministry of Education indicated that filing cabinets and cash receptacles would be made available to each day care center. Regrettably, this was not done.

7.28 During the first week of the school term some centers had cash in excess of \$5,000.00 on hand. Given this volume of cash, proper and secure facilities must be provided to day care supervisors.

7.29 Clearly the cash handling and safeguarding practices at the day care centres did not minimize the risk of misappropriation, financial loss and harm to the supervisors who took the government's cash to their homes.

Recommendation

The Ministry of Education as a matter of priority; should assess the cash collecting and safeguarding procedures at the various day care centres and implement appropriate measures for proper safeguarding of the government's cash.

Cash books for imprest accounts were not properly maintained

7.30 The day care administrators are required to keep an imprest cash account to record all sums received on the issue of the imprest and every payment made out of the sums received as required by Revised Laws of Saint Lucia Chapter 15.01 Financial Regulation # 109.

7.31 At fourteen (14) of the fifteen (15) day care centres, we found differences between the cash on hand and the imprest account balance. These differences occurred because the imprest holders failed to record some payments from the imprest at the time the payments were made.

7.32 All payments made from the imprests should be entered in the imprest cash account as soon as the transactions take place in order to minimize the risk of omissions resulting in incorrect balances.

Recommendation

The day care supervisors should record expenditure from the imprests as soon as the payments are made.

Receipts were not always promptly issued for cash received

7.33 According to the Revised Laws of Saint Lucia, Cap 15.01 Financial Regulations No. 45 (2) a collector of revenue should issue an official receipt for each sum received by him or her.

7.34 On January 28, 2014 we found cash of \$715.00 on hand at the L'Abbayee Day Care but there were no supporting receipts. Consequently, in the absence of the receipts we were not able to verify whether the cash on hand was accurate. We were informed that the receipts for the cash collected would have been issued later that day. It is important for receipts to be written as soon as cash is received to properly account for all monies collected for services rendered.

Recommendation

The Supervisor should issue receipts upon receiving cash for services rendered.

Cash was not paid in on a timely basis

7.35 According to the Revised Laws of St. Lucia, Chapter 15:01, Financial Regulation No. 45 (1) s a collector of revenue other than a sub-accountant who receives any duties, taxes, licences, fees, levies, rents or other public monies, whether or not forming part of the revenue of the Government of Saint Lucia shall pay the whole of the amounts received daily either into a bank to the credit of the Consolidated Fund Services Account or to the Accountant General or to a sub-accountant and to obtain a receipt for the amounts paid in.

7.36 We observed that the Entrepot, Dennery and Babonneau centres did not pay in revenue to the Ministry of Education on a timely basis. In some cases revenue was deposited in excess of two weeks from the date it was collected.

7.37 We reported earlier that cash at these centres was not sufficiently secured. Therefore, given the inherent risks of cash it is important for cash to be deposited regularly in order to safeguard against misappropriation and theft.

Recommendation

Supervisors should pay-in cash to the Ministry of Education at least on a weekly basis.

Items of inventory were discarded without proper authority

7.38 A board of condemnation should inspect each item of stores to be condemned and determine whether or not the items identified are unserviceable or obsolete – Procurement and Store Regulation No. 84 (1) and (2). Also, accounting officers shall ensure that condemned stores authorized to be written off and destroyed are disposed of in the manner directed by the Director of Finance – Procurement and Stores Regulation No. 86 (2).

7.39 At the La Ressource Day Care Center, the supervisor informed that 2 adult cots and a tape recorder were damaged and were discarded. In addition, a refrigerator was disposed of at the Millet day care centre. We saw no evidence that these items were inspected by a board of condemnation before they were disposed. Disposing of items of furniture and equipment without the authority of the board of condemnation is a violation of government's procurement policies.

7.40 At La Caye, Gadette, Millet, Ciceron, Cul de Sac and Coolie Town day care centres there were a number of damaged items which were stored at the centers despite limited storage space.

Recommendations

Furniture and equipment should only be disposed of on the recommendation of a Board of Condemnation.

A board of condemnation should be requested to inspect the condemned stores at day care centres to ensure proper disposal.

Poor physical conditions existed at some day care centres

7.41 Daycare facilities should offer a safe and healthy environment to children.

7.42 We inspected the premises of the day care centres and found unsatisfactory conditions at the following centres:

Marigot Day Care

7.43 The centre was in need of maintenance work. The fence was broken in several places. The school's roof showed signs of decay and mold. Some of the floor tiles were missing while some were chipped or broken which caused the flooring to be uneven.

7.44 The Supervisor informed that the school's water tank which was metal had never been cleaned, and as a result there were brown particles in the water. The pillar on which the tank stood was cracked.

Coolie Town Day Care

7.45 The roof of the day care centre was leaking. The toilet door did not have a lock. The cage which secured the cooking gas tanks and the waste pipes were rusted.

Millet Day Care

7.46 We saw evidence of termite infestation in the supporting wooden beams of the roof and mold on the ceiling material.

Recommendation

The Ministry of Education should inspect the day care centers periodically and seek to address any structural and environmental issues or unsafe conditions that pose a risk to the safety and health of the children.

8. RODNEY BAY AND MARIGOT BAY CUSTOMS & EXCISE SUB OFFICES

Cash was not deposited daily

8.1 Revised Laws of St. Lucia, Chapter 15:01, Financial Regulation No. 45 (1) requires a collector of revenue other than a sub-accountant who receives any duties, taxes, licences, fees, levies, rents or other public monies, whether or not forming part of the revenue of the Government of Saint Lucia shall pay the whole of the amounts received daily either into a bank to the credit of the Consolidated Fund Services Account or to the Accountant General or to a sub-accountant and to obtain a receipt for the amounts paid in.

8.2 On January 27, 2014 we verified total cash on hand of \$1,806.39 at the Rodney Bay Office. The supporting receipts were from January 18 to January 26, 2014. Therefore cash was not deposited on a daily basis.

8.3 Given the inherent risks of cash it is important for cash to be deposited daily in order to safeguard against misappropriation and theft.

Inventory lists were not maintained

8.4 The Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No. 67 (2) requires accounting officers to ensure that inventories of furniture and equipment are maintained in all offices, institutions and establishments under their control.

8.5 Inventory listings of furniture and equipment were not maintained at the Rodney Bay and Marigot Bay Sub-Offices. Consequently, we were unable to determine whether all items of furniture and equipment were duly accounted for at these locations.

Recommendations

Collectors of revenue at the Customs and Excise sub-offices should deposit revenue on a daily basis and make provisions for same.

Inventories of all furniture and equipment should be maintained at the sub offices.

9. WELLNESS CENTRES

We visited the following wellness centres:

- Gros Islet Polyclinic
- Babonneau Wellness Centre
- Fond Assau Wellness Centre
- Monchy Wellness Centre
- Bexon Wellness Centre
- Ciceron Wellness Centre
- Millet Wellness Centre
- Entrepot Wellness Centre
- Ti Rocher (Castries) Wellness Centre
- Grande Riviere (Gros Islet) Wellness Centre
- La Croix Wellness Centre
- Anse La Raye Wellness Centre
- Jacmel Wellness Centre

Officers who collected cash were not designated collectors of revenue

9.1 The Revised Laws of Saint Lucia, Cap 15.01, Finance (Administration) Act, No. 6 (3) requires an accounting officer to designate officers under his or her control to be the collector of revenues for the collection of any item of revenue for which he or she is accountable.

9.2 Also, the Accountant General by Circular No.TD 9/2008 advised Permanent Secretaries and Heads of Departments to appoint collectors of revenue where applicable in keeping with the requirements of the Revised Laws of Saint Lucia, Cap 15.01, Finance (Administration) Act, No. 6 (3).

9.3 We found that officers at the Gros Islet Polyclinic and the various Wellness Centres who were responsible for collecting cash were not designated collectors of revenue.

9.4 When officers who are given the responsibility to collect cash are not designated collectors of revenue then in the event of loss or misappropriation of cash they cannot be held legally responsible. Therefore, designating these officers as collectors of revenue enables the Government of St. Lucia to hold the officers legally responsible in the event that they are liable for the loss or misappropriation of cash.

Recommendation

The Ministry of Health should in accordance with the Revised Laws of Saint Lucia Cap 15.01, Finance (Administration) Act No. 6(3) and the Accountant General's Circular No. TD 9/2008, designate officers as collectors of revenue for the collection of any item of revenue for which they are accountable.

Receipts were not issued for cash

9.5 According to the Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No 45 (2) an official receipt should be issued for each sum of money received.

9.6 Of the thirteen (13) health facilities that we visited, we found that only at four (4) of these facilities namely (Gros Islet Polyclinic, Bexon, Ciceron, and Ti Rocher (Castries) Wellness Centres) were receipts issued for each sum received.

9.7 At the other Wellness Centres where contraceptives were sold and vaccines given, the head nurse entered the individual's name, the product(s) purchased and the amount paid in a register, but did not issue receipts to the customers. The cash was later paid to a representative from the accounts section of the Ministry of Health, or in some cases the Pharmacist who issued a "B" receipt to the Head Nurse.

9.8 We learned that the aforementioned process was used because the Ministry of Health did not provide these centers with receipt books.

9.9 In the absence of receipts, we were unable to determine whether the cash on hand was indeed accurate because we were only able to reconcile the cash to the information that was recorded in the register, which in our view may have been incomplete.

9.10 It is important that official receipts be issued for cash in order to assist the officers when reconciling the cash collected and for supervisors to determine that all transactions were complete and accurately recorded in the cash books. Receipts serve as audit trails and provide supporting documentation for revenue transactions.

Recommendation

All Wellness Centres where cash is collected should be supplied with official receipt books.

Cash collected as well as personal funds were used as petty cash and as float

9.11 According to the Revised Laws of St. Lucia, Chapter 15:01, Financial Regulation No. 45 (1) collectors of revenue other than a sub-accountant who receives any duties, taxes, licences, fees, levies, rents or other public monies, whether or not forming part of the revenue of the Government of Saint Lucia shall pay the whole of the amounts received daily either into a bank to the credit of the Consolidated Fund Services Account or to the Accountant General or to a sub-accountant and to obtain a receipt for the amounts paid in.

9.12 In addition, the Revised Laws of Saint Lucia, Chapter 15:01 Financial Regulation No. 138 (2) states that any private monies found in any safe provided for Government use is liable to confiscation and deposited to general revenue.

9.13 At the Grande Riviere (Castries) Wellness Centre the Officer- in-Charge used the cash collected from the sale of family planning contraceptives and vaccines to purchase items and services for the Centre. Similarly, at the Fond Assau Wellness Centre the Officer-in-Charge did not pay to the Pharmacist the full amount of revenue collected but withheld a portion. For instance, on January 16, 2014 the officer paid the Pharmacist \$130.00 whereas the revenue on

hand was \$152.00. The balance of \$22.00 was brought forward as 'withheld'. We sought an explanation and were informed that some cash was withheld to purchase toilet paper and give change to the patients.

9.14 She explained further that on occasions when the cash was insufficient she used her personal funds to purchase the necessary supplies for the Centre.

9.15 Also, the nurse in charge at the Entrepot Wellness Centre used her personal funds as float to give change to patients. We counted \$100.00 cash on hand but the amount as per the receipts was \$93.00. There was surplus cash of \$7.00. The nurse informed that she used her money to give change to a patient and therefore, the extra \$7.00 belonged to her.

9.16 We are very concerned about the cash operations at the wellness centers because the procedures and processes that currently exist could easily lead to the misappropriation of cash without possible detection.

Most of these wellness centers did not follow the government's regulations with regards to establishing petty cash floats for purchasing small expenditure items, approving floats to facilitate giving change to customers, and depositing cash in full. There is also an apparent lack of supervision and monitoring.

Recommendations

The Ministry of Health should establish petty cash imprests and approve floats to facilitate giving change to customers at the wellness centres.

Discourage officers from using their personal funds as float.

Cash was not paid-in on a timely basis

9.17 According to the Revised Laws of Saint Lucia, Chapter 15.01, Financial Regulations No.48 whenever an officer other than the Accountant General, a Sub-Accountant or a Collector of Revenue receives public money he or she shall as soon as possible pay it to the Accountant General or a Sub-Accountant or a Collector of Revenue and obtain a receipt for it.

9.18 Our audit revealed that four (4) of the thirteen (13) centres kept revenue ranging from two weeks to one month before it was paid in or deposited.

9.19 At the Grand Riviere Wellness Centre revenue was paid in once a month. We verified that revenue of \$100.00 was last paid in to the pharmacist on December 21, 2013. Prior to this, it was done on November 19, 2013 in the sum of \$70.00. The pharmacist visits the wellness centre every Tuesday. Therefore, it is quite possible for the nurse to pay in the revenue to the pharmacist every Tuesday rather than holding the cash and paying it in once a month.

9.20 On January 27, 2014 the Pharmacist at the Monchy Wellness Centre had \$685.00 on hand. The supporting receipts were dated January 13, 2014 to January 27, 2014. This included cash from the sale of drugs as well as cash paid in by the nurse. On January 27 none of this cash had been paid in to the Ministry of Health.

Recommendation

The pharmacist should pay-in cash collected to the Ministry of Health at the end of every week.

Cash was not sufficiently secured

9.21 According to the Revised Laws of Saint Lucia, Cap 15.01, Financial Regulation No. 133 (1) accounting officers and receivers of revenue are to ensure that a strong room, safe or other suitable receptacle is provided for securing cash, stamps and receipt books in their possession or in the possession of officers in their departments.

9.22 Over 50% of the thirteen (13) health facilities lacked appropriate receptacles such as cash tills or filing cabinets to secure cash. In some instances, the locks on the desks and filing cabinets were defective.

9.23 Some of the facilities where cash security was inadequate are detailed below:

9.24 Monchy Wellness Centre

The nurse in charge secured the cash in a cash tin which did not lock and the tin was kept in an unlockable filing cabinet.

9.25 The pharmacist at the Monchy Wellness Centre kept the cash and the receipt book with her on Mondays. On the other week days she kept the cash and receipt books at her home. On the day of the spot check she had the cash in a paper bag.

9.26 Fond Assau Wellness Centre

The nurse in charge kept the cash in a cash box with a broken lock. The box is locked away in a cabinet at the end of the day.

9.27 Ti Rocher (Castries) Wellness Centre

The administrator kept the cash on her person.

9.28 Grand Riviere Wellness Centre

The nurse in charge kept the cash in a cash box which did not lock; the cash box was placed in a desk drawer with no lock.

9.29 Bexon Wellness Centre

Cash was stored inside a medicine bottle which was placed in a filing cabinet.

9.30 Millet Wellness Centre

Cash was stored in a medicine bottle kept on a shelf

9.31 Anse La Raye Wellness Centre

Cash was stored in a plastic container in a desk drawer.

9.32 In a previous spot check audit we found the very same issue and highlighted this to management of the Ministry of Health. In response to our report, the Permanent Secretary (Ag.) indicated that cash tills would be procured for all revenue collection points and that the security

of furniture would be assessed with the intention of installing security locks. To date the expressed actions have not been taken.

Recommendation

The Ministry of Health should as a matter of priority, procure cash tills for all revenue collection points and assess that the security of furniture (desks, filing cabinets) with the intention of installing security locks for ensuring the security of cash.

Arrears of revenue from sale of contraceptives

9.33 At ten (10) of the thirteen (13) centres customers were provided with contraceptives on credit.

9.34 At the La Croix Wellness Centre we found surplus cash of \$65.00. The Head Nurse explained that \$62.00 of the amount represented cash paid by customers who were given the contraceptives on credit. The remaining \$3.00 was her personal funds which she used for change.

9.35 At the Babonneau Wellness Centre an amount of \$14.00 was inadvertently recorded in the cash book as cash paid for contraceptives. This amount should have been recorded on the patient's card since it was a credit sale and cash was not collected at the time of the transaction. We verified that the transaction was recorded on the patient's card.

9.36 At the Monchy Wellness Centre we noted that when patients did not have the money to purchase the contraceptives, they are given the drugs and the transactions were recorded as receivables in the cash book and on the patients' cards.

9.37 At the Grand Riviere Wellness Centre four patients owed the centre for the sale of contraceptives. In one instance it was expressly stated that the patient did not have the money and would be unable to pay. The nurse in charge informed us that the patients were given the contraceptives irrespective of the fact they are not able to pay at the time of the transaction or in the future. Under these circumstances the amounts remained outstanding in the cash book.

9.38 The head nurses at the Bexon and Millet Wellness Centres informed that they were verbally authorized by the Ministry of Health to provide the contraceptives on credit to persons who were unable to make immediate payments. The nurse at the Bexon Wellness Centre further explained that to deny an individual who may not be able to afford the contraceptive, may be exposing them and the community to a bigger social problem for example, unwanted pregnancy.

9.39 At the Anse La Raye Wellness Centre we were informed that persons were given exemptions from paying for contraceptives. The decision was made at the discretion of the head nurse.

9.40 We also noted one instance where the nurse at the Fond Assau Wellness Centre issued the drug at a reduced price. Upon enquiry, we were informed that the patients did not have the money to pay the full price.

9.41 Given the circumstances we are of the view that extending credit for the sale of contraceptives to customers and discounting the prices of contraceptives should not be done at

the discretion of the head nurses. Such matters should be officially adopted as government's policy to ensure transparency and equity in the services provided.

Recommendations

The Ministry of Health should assess the needs of the communities that are served by the government operated wellness centres and officially implement the necessary policies to provide family planning assistance in a transparent and equitable manner to those persons who are not able to pay for the contraceptive.

At the end of the month the wellness centres should report the arrears of revenue from the sale of contraceptives to the Ministry of Health.

Public notice informing customers to obtain official receipts was not displayed

9.42 The Revised Laws of Saint Lucia, Cap 15.01, Financial Regulation No. 53, states that each office where money is collected must display a notice stating that a printed official receipt must be obtained by every person paying money into the account of the Government.

9.43 We noted that this notice was not displayed at any of the wellness centres.

9.44 It is important for the centres to display this government notice because it encourages customers to request a receipt if one is not provided.

Recommendation

Notices informing customers to obtain printed official receipts for monies paid to the government should be displayed at all the wellness centres.

10. PERFORMANCE AUDITS

10.1 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:

- i. 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***
- ii. 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.***

10.2 The Office of the Director of Audit in fulfilling this mandate carries out performance audits. A performance audit is defined as an outcome of the movement towards a public service

that is more responsive to public needs and is more accountable. It summarizes three separate but inter-related values: economy, efficiency and effectiveness.

10.3 During the year we completed work on a performance audit of Boys Training Center under the Ministry of Social Transformation. The report was issued to Parliament under separate cover. It can be obtained on our website at www.auditstlucia.com

ABSTRACT OF THE REPORT

10.4 The purpose of this audit is to inform Parliament and management on the operations of the Boys Training Centre (BTC). This report includes our findings as well as specific recommendations aimed at improving operations at the Centre.

10.5 Our audit examined five areas of the BTC's operations namely admittance, human, physical and financial resources, security, vocational & remedial education and programme effectiveness. There were nine (9) audit criteria associated with our audit objectives. We also used the United Nations Convention on the Rights of the Child and the Rules for the Protection of Juveniles Deprived of their Liberty. Management agreed to the suitability of our audit criteria as reasonable standards for assessment of the Boys Training Centre. Our audit covered operations from April 2011 to August 2013.

10.6 We found that there was no oversight during the audit period. The BTC had antiquated laws which were not in line with signed conventions regarding the treatment of juveniles in detention. Further, there was an absence of policy and procedures to help drive operations.

10.7 We found that the current organizational structure lacked key positions to function efficiently and effectively. Many of the staff did not possess the required training and competencies to effectively deliver the Centre's programmes.

10.8 The physical security at the Centre was deplorable. There was a high rate of security breaches and abscondments by wards. Further, the level of discipline among wards and staff was poor which led to constant conflicts.

10.9 Many of the vocational and remedial activities were not structured and the BTC's education programme did not meet national standards. The in-house educational programmes were not equivalent to those offered within the national school system.

10.10 We found that the Centre did not have an aftercare programme that supported the wards after their release. In addition, the Centre did not measure the impact of its activities.

10.11 The BTC is severely hampered by the lack of resources including the lack of input from key stakeholders such as the Ministry of Education, Ministry of Health and the Courts of Law.