



*Government of St. Lucia*

***Report  
of the  
Director of Audit  
for the  
Financial Year  
2015/2016***

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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.*

Therefore, I am pleased to present to the House of Assembly the Annual Report on the work of the Director of Audit for the financial year 2015/16.

In fulfilling 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.

During the conduct of our audits we engage 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 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](http://www.auditstlucia.com).



.....  
**Bernadette Fevriere-George**  
**DIRECTOR OF AUDIT**

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 as guided by 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

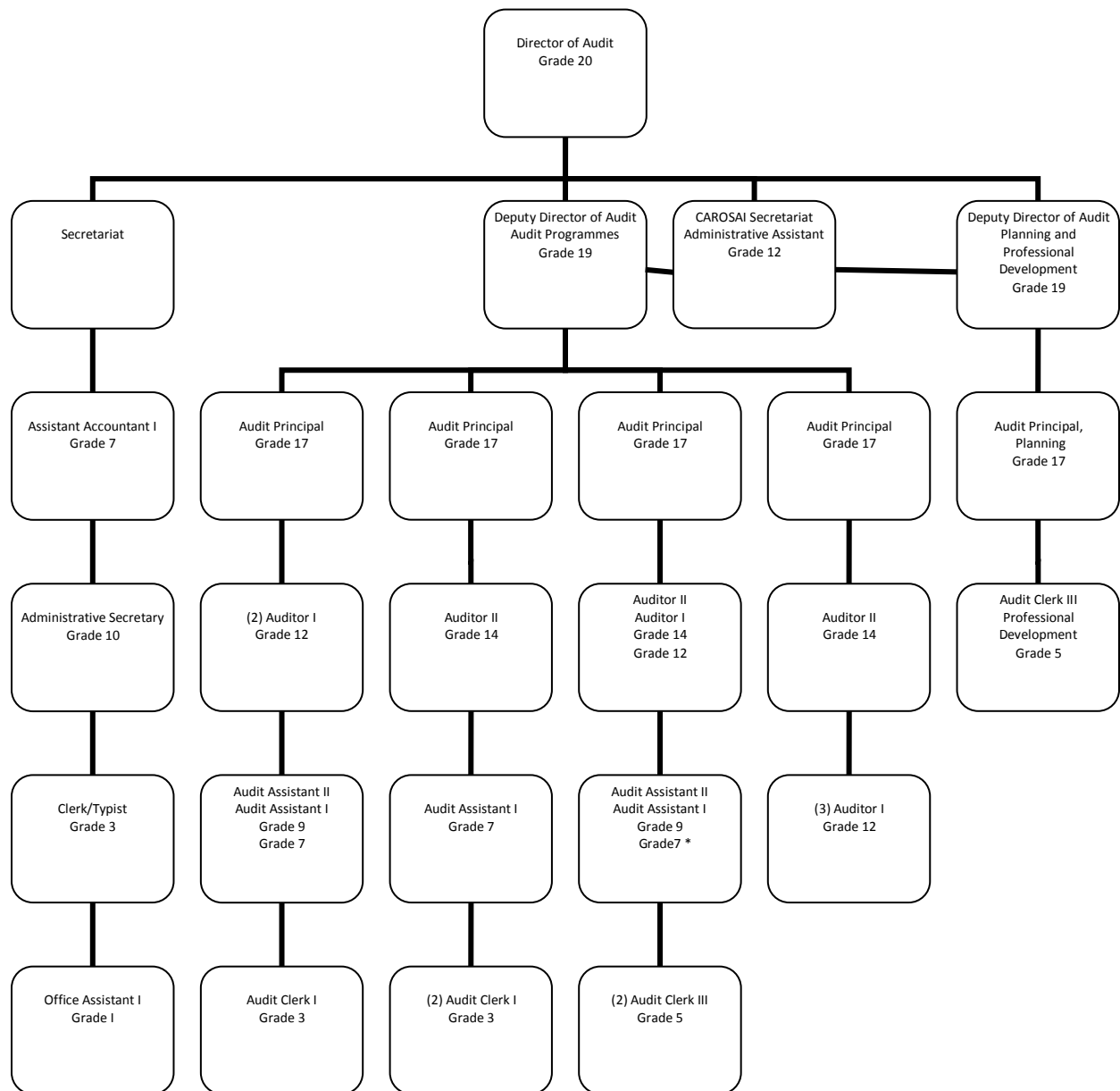
*Through innovation, we find better ways to conduct our work and to serve Parliament. We seek new audit approaches and methodologies to improve our quality, efficiency, and effectiveness. We value the ideas and creativity of our staff.*

### 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 STRUCTURE**

For the financial year the Office had thirty (30) staff members including five (5) support staff, although our approved structure calls for thirty-five (35). The organizational structure is made up as follows:



Establishment; Accounts;  
Supplies, Facilities

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

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

## PERFORMANCE PLAN / WORKPLAN

### AGENCY: OFFICE OF THE DIRECTOR OF AUDIT

#### Strategic Priority/POLICY OBJECTIVE:

**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 one performance audit report 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 Audit Report submitted to Parliament

**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 2016
Updated Audit Manual	Quality and content of Audit Manual	100% Increase in the documentation of audit standards, procedures and methodology. Audit manual completed by March 2016
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 March 2016  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.**

<b>OUTPUT</b>	<b>PERFORMANCE MEASURE</b>	<b>PERFORMANCE TARGET</b>
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 five (5) projects by March, 2016 Issue six (6) 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, 2009 and 2010 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 2008/2009 and 2009/2010 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 four (4) audit reports on the results of audits of programmes conducted for Ministries, Departments and Foreign Missions by March 31, 2016.
Annual report	Timeliness of Audit Report	Annual Report for 2014/15 submitted to Parliament before March 2016.
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 two (2) audit and issue report to the St. Lucia Bureau of Standards and SALCC within three months of receipt of the financial statements.

## BUDGET

The Government of Saint Lucia approved a budget of **\$1,979,000.00** for the Office of the Director of Audit for the financial year 2015/16. Of this budget **\$1,603,965** was allocated towards salaries.

The programme detail estimated and actual expenditure for the financial year 2015/16 comprised the following:

CODE	Details of Expenditure	REVISED ESTIMATES	ACTUAL 2015/16
<b>01</b>	<b>Audit Administration</b>		
101	Personal Emoluments	299,325.00	257,518.84
102	Wages	6,383.00	6,382.88
105	Travel and Subsistence	8,808.00	6,961.16
109	Office and General Expense	51,245.00	51,032.74
113	Utilities	101,003.00	91,617.33
115	Communication	9,918.00	7,931.17
116	Operating & Maintenance Services	26,000.00	24,759.00
118	Hire of Equipment & Transport	1,200.00	200.00
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>503,882.00</b>	<b>446,403.12</b>
<b>02</b>	<b>Audit Operations</b>		
101	Personal Emoluments	1,304,640.00	1,161,922.48
105	Travel and Subsistence	162,639.00	145,527.81
108	Training	5,643.00	5609.04
115	Communication	2,196.00	2,018.90
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>1,475,118.00</b>	<b>1,315,078.23</b>
	<b>TOTAL AGENCY EXPENDITURE</b>	<b>1,979,000.00</b>	<b>1,761,481.35</b>

## **STAFF MOVEMENT/TRAINING**

### **Promotions**

An Auditor I was promoted to the post of Accountant II with effect from April 1, 2015. An Assistant Accountant II was promoted to the post of Accountant I at the Office of the Governor General and an Assistant Accountant I from the Department of Finance, Economic Affairs and Social Security (Accountant General) was promoted to Assistant Accountant II with effect from June 2015. . An Assistant Accountant II was promoted to the post of Auditor I with effect from October 1, 2015.

The Deputy Director of Audit was promoted to the post of Director of Audit with effect from October 10, 2015. The Clerk Typist was promoted to the post of Secretary I and a Library Assistant 1 was transferred to the post of Clerk/Typist with effect from January 11, 2016.

### **Appointments**

An Office Assistant was appointed with effect from March 31, 2015.

### **Acting Appointments**

A number of acting appointments were made during the year. An Assistant Accountant II from the Department of Finance, Economic Affairs and Social Security (Customs and Excise) was appointed to act Auditor I from April 1, 2015 to September 30, 2015. An Assistant Accountant I from the Department of Finance, Economic Affairs and Social Security (Accountant General) was appointed to act Assistant Accountant II from April 1, 2015 to June 4, 2015. A Deputy Director of Audit was appointed to Act Director of Audit from April 1, 2015 to June 30, 2015 and July 8, 2015 to September 30, 2015. For the periods April 1, 2015 to September 30, 2015 and October 1, 2015 to March 31, 2016 an Auditor II was appointed to act Audit Principal, an Auditor I was appointed to Act Auditor II, an Audit Assistant II appointed to act Auditor I and an Audit Assistant I appointed to act Audit Assistant II. An Audit Principal was appointed to act Deputy Director of Audit for the periods April 1, 2015 to June 30, 2015 and July 8, 2015 to September 30, 2015.

An Accounts Clerk III from the Ministry of Education, Human Resource Development and Labour was appointed to act Audit Assistant I for the period June 8, 2015 to September 30, 2015 and October 1, 2015 to March 31, 2016. An Audit Clerk I was appointed to act Audit Clerk II for the period July 13, 2015 to August 31, 2016. An Accounts Clerk III from the Ministry of Education was appointed to act Audit Assistant I for the period February 15, 2016 to July 29, 2016.

### **Temporary Appointments**

In order to facilitate the continuation of the work programme of the Office of the Director of Audit, two temporary appointments were made during the financial year April 1, 2015 to March 31, 2016 as a result of an officer being on study leave. Temporary appointment of an Audit Clerk for the period August 10, 2015 to August 31, 2016 and for the period January 11, 2016 to August 31, 2016.

### **Study Leave**

An Audit Clerk II was granted study leave without pay for one year in the first instance commencing July 1, 2015 to August 31, 2015. An Audit Assistant I was granted study leave without pay for one year in the first instance commencing January 11, 2016 to December 31, 2016.

## TRAINING

Staff from the Office of the Director of Audit participated in the following workshops/seminars held during the period April 2015 to March 2016.

### Training organized by the Ministry of the Public Service:

#### - **Executive Coaching**

This was a five-month training programme. The objective of the programme was to provide the support that managers need to develop the competences required to improve personal and organizational performance.

The Director of Audit participated in this workshop which held during the period April 13 to September 2015.

#### - **Managing Conflict in the Work Place – Module 1**

This series of half-day training exercises conducted during June – July 2015 targeted mainly middle managers, who were currently engaged in some form of supervisory work in their department or division.

These series of workshops were attended by two (2) Audit Principals, and two (2) Auditors.

#### - **Skills for Secretaries**

This two-day training programme was held July 23 – 24, 2015, and was attended by the Administrative Assistant.

#### - **Strategic Planning Workshop**

This four-day workshop was conducted in collaboration with Arthur Lok Jack Graduate School of Business and the Ministry of the Public Service. The workshop targeted senior officer who would be required to champion the strategic planning process for their department.

The workshop was held July 27 – 30, 2015 and was attended by the Deputy Director – Planning and Professional Development.

#### - **Customer Service Training**

This was a one day workshop held September 28, 2015. This workshop targeted front line officers who are in direct contact with customers either face-to-face or on the telephone.

The Clerk/Typist attended this workshop.

#### - **Supervision and People Management Workshops- Module 1 and 11**

These one-day workshops targeted supervisors, the objective of the workshops was to increase participants' skills, efficiency and effectiveness as supervisors and to prepare them for undertaking greater responsibilities.

The workshops were held on May 26 and September 29, 2015 and were attended by two (2) Audit Principals and the Assistant Accountant.

### - **Becoming Your Professional Best**

This training session was attended by the Office Assistant and was held during the period on 03 – 04 December 2015. The main objective of the workshop was to enable participants to sharpen existing skills and learn new skills to become more effective and efficient at work.

### - **Basic Microsoft Access**

The Basic Ms Access training programme was facilitated by the Ministry of the Public Service (Training Division) during the mornings of March 02 -31, 2016.

The Administrative Secretary attended these training sessions.

### **In-house Training Workshops:**

- Two one-day training sessions on Materiality in Planning and Performing an Audit were conducted by the Audit Principal -Planning and Professional Development on July 15 and November 02, 2015. Ten (10) staff members attended these sessions.
- A one-day training session on SmartStream software was facilitated by the Deputy Director – Planning and Professional Development for eight (8) staff members on December 08, 2015.
- Four (4) staff members participated in a one-day training workshop on Audit Evidence and Analysis conducted by the Audit Principal -Planning and Professional Development on November 05, 2015.
- A training session on Audit Sampling and Documentation was conducted on November 06, 2015. The training was facilitated by the Audit Principal -Planning and Professional Development and was attended by two new (2) staff members.

### **Training in Parliamentary Oversight**

This workshop was funded by the World Bank under the project “Strengthening Supreme Audit Institutions” and was held November 24 – 25, 2015.

The objective of this workshop was to provide participants (Members of the Public Accounts Committee and staff of the Audit Office) with the tools and knowledge to better equip them to access, scrutinize and evaluate information pertaining to the budget execution process, and, as part of this process, to better communicate with each other.

The workshop was attended by the Audit Managers, Deputies Directors and the Director of Audit.

### **Training in Audit of Capital Projects**

This four-day workshop on the audit of capital projects, funded by the World Bank under the project “Strengthening Supreme Audit Institutions” was held January 2016.

The objective of the training was to familiarize Auditors to the manual and audit programme that was developed to audit capital projects. Following which, a team would be selected to conduct a pilot audit using the manual and audit programme.

All twenty-four (24) technical officers attended this workshop.

## STATUS OF WORK COMPLETED FOR 2015/16

<b>Audits Identified In The Work Plan</b>	<b>AUDIT CLIENTS</b>	<b>STATUS</b>
<b>Performance Audits</b>		
Hurricane Thomas	Department of Planning	In Progress
<b>Foreign Mission Audits</b>		
London High Commission	Ministry of External Affairs	Completed
Washington Mission	Ministry of External Affairs	Completed
<b>Operational Audits</b>		
Management of Traffic Tickets		Completed
Audit of Payroll	Accountant General	In progress
Procurement and Management of Pharmaceuticals drugs	Ministry of Health	In progress
<b>Financial Audits</b>		
OECS Skills for Inclusive Growth	Ministry of Finance, Economic Affairs and National Development Project Coordination unit (PCU) Ministry of Education	Completed
Disaster Vulnerability Reduction Project (DVRP)	Ministry of Finance, Economic Affairs and National Development Project Coordination unit (PCU)	Completed
Caribbean Regional Communications Infrastructure Project (CARCIP)	Ministry of Finance, Economic Affairs and National Development Project Coordination unit (PCU) Ministry of the Public Service	Completed
Hurricane Thomas Emergency Recovery Project	Ministry of the Public Service Ministry of Finance, Economic Affairs and National Development Project Coordination unit (PCU)	Completed
Saint Lucia Bureau of Standards	SLBS	Completed
Sir Arthur Lewis Community College SALCC	SALCC	Financials not submitted
Government of St Lucia Financial Statements 2009/20010 and 2010/2011	Accountant General's Department	Completed

## 1 AUDIT OF THE FINANCIAL STATEMENTS OF THE GOVERNMENT OF SAINT LUCIA

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

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

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

**1.4** The Public Accounts Committee re-commenced meetings during the last quarter of the financial year 2015/16. We need to stress that the PAC plays a very important role in the accountability process and therefore must carry out its functions in order to hold those entrusted with the responsibility to spend public monies accountable.

**1.5** The Finance (Administration) Act requires annual accounts to be prepared, certified and submitted to the Director of Audit within three months of the financial year-end. The Audit Act provides for the Director of Audit to submit the accounts to the Minister of Finance within three months who shall cause the statements to be laid before the House of Assembly. Therefore, the legislation provides for the time frame of no more than six months for the accounts to be laid before Parliament. The Minister may by direction in writing addressed to the Accountant General extend the period within which the accounts may be transmitted and any directions must be laid before Parliament at its next meeting.

**1.6** The Office of the Director of Audit completed the audit of the financial statements for the year 2009/10. This audit report will be issued to Parliament under separate cover.

**1.7** In that report the issue of the accounts being submitted late and the resulting impacts were identified. We also acknowledged that the Accountant General's Department is working to bring the accounts up to date.

## **2. OPERATIONAL AUDIT(S)**

### **Management of Traffic Tickets**

#### **Executive Summary**

**2.1** Traffic tickets are issued to persons who violate traffic regulations. These persons are liable to be fined or penalized as appropriate. Fines from traffic tickets form a significant source of revenue to the Department. With the current thrust to identify other revenue sources, the onus is on ministries and department to put measures in place to ensure that existing revenue collection activities are maximized.

**2.2** Our audit on the management of traffic tickets revealed that the Police Department did not have appropriate safeguards over traffic ticket books in their possession. Without these safeguards the potential for lost and misuse of traffic tickets increased.

**2.3** Some offenders of traffic regulations were not penalized or fined. For a sample of 781 issued traffic tickets, 561 or 72% were not lodged with the Courts. Therefore, the deterrent for committing traffic offenses was not effective. Also, the opportunity for potential increase in revenue was lost.

**2.4** Additionally, for those tickets that were unpaid and lodged with the Courts for which judgement was passed, prompt action was not taken to ensure that offenders were penalized or fined. Out of 123 cases which were heard ex-parte, for 106 or 86% of these cases the judgements were not recorded in the Criminal Record Book. This resulted in conviction notices and warrants where appropriate not being issued to offenders.

**2.5** We found that the integrity of the data in the electronic database maintained by the Police Department for traffic tickets is questionable. We found three hundred and ninety (390) traffic tickets that were not recorded. For twelve (12) records, the information did not agree with the actual tickets. We also found three hundred and ninety five (395) duplicate entries in the database.

**2.6** A potential risk exists for cancellation of traffic tickets for illegitimate causes as there are no specific provisions in the Act. Thus, cancellation of traffic tickets is left to the discretion of the Police Department.

**2.7** To improve the efficiency and effectiveness of the management of traffic tickets the Police Department and the District Court should consider the recommendations contained in this report.

#### **Background**

**2.8** The National Printing Corporation (NPC) supplies the Accountant General's Department with pre-numbered traffic ticket books containing 50 tickets per book. The Accountant General issues these books to the Police Department who in turn issues them to individual Police Officers. The Revised Laws of Saint Lucia Cap 15.01 Financial Regulations highlights the appropriate safeguards and controls over revenue receipt books.

**2.9** The Motor Vehicle and Road Safety Act Cap 8.01 of the Revised Laws of Saint Lucia is the authority for traffic operations in Saint Lucia. The Act provides a list of possible traffic offenses as well as the applicable fines on conviction of each particular offense.

**2.10** The Royal St. Lucia Police force is responsible for enforcing traffic regulations and the provisions of the Act. Part 8, of the Act prescribes enforcement measures for traffic officers to follow in dealing with situations of non-compliance to traffic and parking rules by motorists. The Police issues traffic tickets to offenders and unpaid tickets are forwarded to the District Court. The process leading to the Courts is depicted in the chart at Appendix 1.



**2.11** The District Court has jurisdiction over traffic violations where the offender has not paid the traffic ticket or has decided to contest the issuance of the ticket. Under the Act, the Court, through a section on the traffic ticket issued, will inform the offender of the hearing date of the case should the offender chooses to contest the traffic ticket. If the offender does not attend the hearing, the Court can pass judgment and double the prescribed fine. The law requires that the Court send a notice of the judgment to the offender at this point. Where the offender does not comply with the judgement, a warrant is issued for instant payment of the fine failing which is a prison term. The process from the Courts is captured in the flow chart as at Appendix 2.

**2.12** The Writ Department of the Police Force has the responsibility to execute warrants to such offenders. The Court informs the Writ Department when warrants are ready for execution.

### **Audit Objective**

**2.13** The objective of our audit was to assess the adequacy of the management of traffic tickets.

### **Methodology**

**2.14** The methodology involved:

- Documentation and review of systems, policies, procedures, guidelines and internal controls;
- Interviews with senior management and other staff of the Police Department and the District Court;
- Physical examination of traffic tickets and other associated records at the various Police Stations and the Courts; and
- Analysis of data generated by the Police and the Courts.

### **Audit Scope**

**2.15** We audited the management of traffic tickets in the Police Department and the First District Court; from issuance through final disposition at the District Court. The audit focused on the two financial years 2012/13 and 2013/14.

**2.16** This audit was guided by the International Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institution (INTOSAI). Those standards require that we plan and perform the audit to obtain sufficient appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believed that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objectives.

We present our findings and recommendations.

## **FINDINGS AND RECOMMENDATIONS**

### **Accounting, security and distribution of ticket books**

**2.17** Every traffic ticket is a potential source of revenue for the Government of St. Lucia. Therefore it is important that the Police Department provides appropriate safeguards and controls to ensure that all traffic ticket books are properly secured and accounted for from the point of receipt until completion. The Government of Saint Lucia by Revised Laws of Saint Lucia Cap 15.01, Financial Regulation instituted safeguards and controls for the handling of general revenue receipt books.

**2.18** According to the Revised Laws of Saint Lucia Financial Regulation No. 59 (4) *General revenue receipt includes all forms, licences, permits, tickets, discs, electronic devices approved by the Accountant General for use in the collection of revenue.* Every collector of revenue holding stocks of revenue receipt forms are required by Regulation 67 (2) to maintain a stock register as approved by the Accountant General.

**2.19** Further, Revised Laws of Saint Lucia Cap 15:01 Financial Regulation No. 68 (1) (a-c) requires every collector of revenue having custody of revenue receipt forms, to render on the prescribed form to the Accountant General at June 30 and December 31 each year, showing every receipt form of book of forms, as the case may be, recorded in the stock register.

**2.20** We examined the distribution register of the Accountant General's Department and verified that a total of 660 traffic ticket books were issued to the Police Department during the audited period. This represented a total of 33,000 individual traffic tickets.

- **The Police Department did not fully account for all traffic ticket books in their possession**

**2.21** The Traffic Department maintained a traffic ticket book register to record the ticket books received from the Accountant General's Department. We found that out of 660 books, 547 or 83 % of the books were recorded in the register. Therefore, one hundred and thirteen (113) books were not recorded in the register.

**2.22** Further investigation revealed that thirty (30) of the books not recorded in the register were issued directly to sub police stations in Marigot and Soufriere. Therefore, eighty-three (83) books or four thousand one hundred and fifty (4,150) individual tickets remain unaccounted.

**2.23** We found that the traffic ticket book register at the Traffic Department was not maintained in accordance with requirements. It was not formatted to provide information on the stations to which books were issued; as a result, we had difficulty identifying the location of books. We noted that the register made provision for recording of information on the date the completed traffic ticket book was returned. However, this information was not always recorded. The total number of books recorded in the register was five hundred and forty-seven (547); however the date returned was recorded in only ninety-nine (99) instances. Also, we found twenty-six (26) traffic ticket books that were duplicated in the register. For three (3) books that were issued, there were no signatures as evidence of receipt.

**2.24** Thirteen out of fourteen sub police stations did not account for the traffic ticket books issued to them in that a traffic ticket book register was not maintained. The officers in charge of the stations informed that since the books were coming from headquarters where a register is maintained; then they saw no need for them to maintain one also.

**2.25** The Police Department did not reconcile the books received from the Accountant General's Department with the books on hand and those recorded in the register. Semi-annual reports on the status of all books in their possession were also not prepared.

**2.26** In addition, we were informed that a number of books were destroyed and discarded due to water damage during the Christmas Eve Trough in 2014 and Hurricane Tomas. These books were discarded without details of specific books reported to the relevant authorities and third party verification. Therefore, these sub stations have no evidence to substantiate claim of loss.

**Implications and Risks**

**2.27** The lack of proper accounting for and reconciling of the ticket books with issued tickets has exposed the Police Department to the potential risk of misuse of traffic tickets and which could result in the misappropriation of funds.

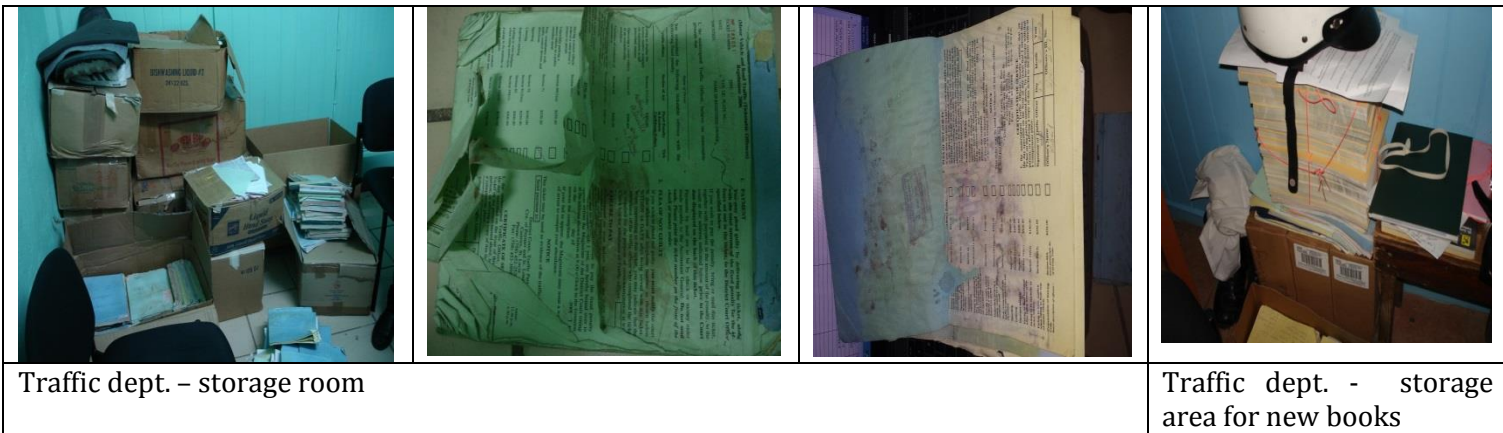
- **Poor storage of books and weak controls over access to new ticket books**

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

**2.29** Accounting officers entrusted with stocks of receipts of any kind should ensure that these stocks are adequately secured and protected from unauthorized access. The Police Department is required to secure receipt forms in a strong room or safe and these forms should not be removed except on requisition by an authorized officer in accordance with the Revised Laws of Saint Lucia Cap 15.1, Financial Regulation No. 130.

**2.30** In some police stations we observed that traffic ticket books were kept in locked cabinets. However, in others the books were poorly stored and not secured. Some books were kept in cardboard boxes on the floor and some could be accessed by any officer in the station.

**2.31** Partly used books were stored together with completed ones in some instances. As a result of the haphazard manner in which these books were stored, a considerable amount of time was spent trying to locate and identify traffic ticket books from our sample. We were informed that adequate space was a constraint. Below are some photographs of the storage and condition of ticket books at police stations. (Appendix 3)



**Implications and risk**

**2.32** Poor storage and inadequate security of books increase the risks of damage, lost and misappropriation of traffic books. Moreover, books which were acquired without proper authority may be used illegally to defraud the citizenry and the state.

## Recommendations

The Police Department should:

- **Record all books issued by the Accountant General's Department in the Register. The register should make provision for recording the name of the station or individual to whom books were issued.**
- **Require all stations to request traffic ticket books from head office.**
- **Require all stations in receipt of stocks of books to maintain a register in the required format.**
- **Provide proper security and storage facilities for all traffic ticket books at all locations.**
- **Account for damaged books in accordance with the regulations.**

### 2.33 **MANAGEMENT'S RESPONSE**

- *The Traffic Department will be responsible for proper storage of all ticket books from all stations.*
- *New ticket books will not be issued to a station unless all previous books are accounted for.*
- *Station must enter all issued books in a register at that station.*
- *All tickets for lodging must be entered in a register at the various stations and must be signed for by the data entry clerk at the Traffic Department.*
- *Every officer must be accountable for his/her personal ticket book.*

## ACCOUNTING FOR INDIVIDUAL TICKETS

**2.34** Traffic tickets are used as evidence of a traffic offence in the Court, therefore, traffic officers should ensure that tickets are properly written and include all pertinent information. It is expected that there would be policies and procedures for the cancellation of any traffic ticket issued by a Traffic Officer.

**2.35** We expected that the Police Department would have measures in place to ensure that Traffic Officers account for all tickets in books issued to them and that information on the status of each ticket would be documented. Further, we expect that the Police Department would lodge all unpaid tickets at the Courts within the legislated timeframe.

**2.36** From the 660 books issued to the Police Department, we selected a representative sample of 781 tickets (391 for 2012/2013 and 390 for 2013/2014) to determine whether the Police adequately accounted for all tickets.

- **The Police Department failed to keep track of and account for every traffic ticket**

**2.37** An issued traffic ticket can fall into three categories, (1) those paid by offenders within 14 days of issue without a Court hearing, (2) those forwarded to the District Court for hearing, and (3) those that are deemed spoilt or cancelled.

**2.38** During our audit we found that Traffic Officers and police stations did not adequately account for each ticket issued.

**2.39** The officer in charge of the Traffic Department informed that Traffic Officers and stations were not required to report on the status of the ticket book(s) in their possession. The norm is that Traffic Officers submit unpaid

tickets once a week to the Traffic Ticketing Officer who was responsible for recording and processing these issued tickets. When the book is completed the Traffic Officer returns it to the Traffic Ticket Officer and is issued a new one.

**2.40** With the exception of the Castries Traffic Department, no other police station kept details of traffic tickets such as tickets cancelled/spoilt and those paid in advance.

**2.41** We found that 216 tickets or 28% of our sample were not produced for audit scrutiny. We also found four instances where the book copies of those tickets were ripped out leaving no evidence of details of those tickets. These tickets were: Nos. 139771, 149686, 143165 and 143702.

**2.42** We examined 448 tickets that were issued by Traffic Officers and qualified to be lodged to verify whether they had been entered in the police lodgement book. We found that 218 or 49% of these tickets with a total value of \$30,450 in 2012/2013 and \$29,950.00 in 2013/2014 were not entered in the police ticket book register for lodging with the Court.

**2.43** The officer purported that these tickets may have been paid in advance and could be among those kept in a box in the storage room. However, we were unable to substantiate his claim due to the deplorable condition and harphazard manner in which those books were stored.

### **Implications and Risks**

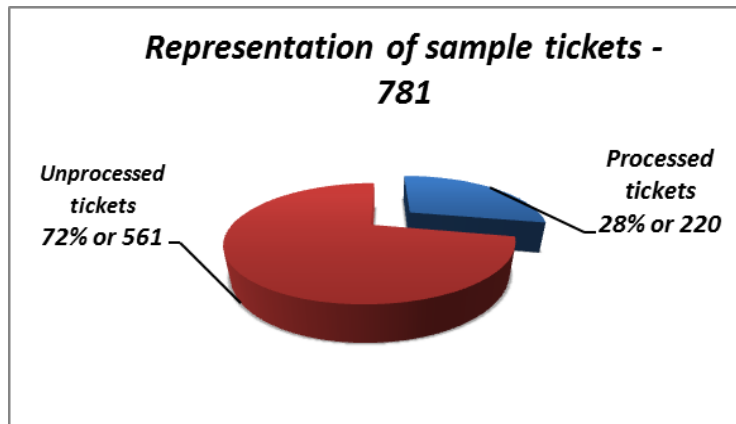
**2.44** Without an accurate and robust system of oversight individual tickets could be lost or be removed without detection, increasing the risks of abuse or fraud. These risks could result in losses of revenue to government.

- **Unpaid traffic tickets were not lodged in Court**

**2.45** Section 96 (1) of the Revised Laws of Saint Lucia Cap. 8:01 Motor Vehicle Road and Traffic Act states "A traffic officer shall cause a ticket to be filed in the office of the District Court as soon as practicable, but in any event, within 14 days, after the ticket is served."

**2.46** A traffic ticket has three copies. When tickets are not paid in advance of the Court date, the duplicate copy of the ticket should be detached from the ticket book and lodged in the District Court for hearing.

**2.47** We found that a total of five hundred and sixty-one (561) or 72% tickets from the sample of 781 did not receive case numbers. This indicates that those tickets were withdrawn and were not lodged. We were unable to determine whether they were withdrawn for legitimate reasons because the reason was not documented nor were we able to scrutinize copies of the actual ticket because of the harphazard manner in which tickets were stored at the Traffic Department.



**2.48** Tickets filed by the Traffic Officer are duplicate copies. Therefore, any duplicate copy remaining in the traffic ticket books should be those of tickets that have been cancelled, spoiled or payment that was made in advance.

**2.49** We also found eleven (11) cases where the duplicate copy of the traffic tickets that did not contain any visible error, was still attached to their respective traffic ticket books. We followed up at the District Court to verify whether they had been paid, however, we found evidence of only one payment. We did not see evidence of payment for the other ten (10) unlodged tickets totalling \$3,400.00.

### **Implications and Risks**

**2.50** Unlodged tickets for legitimate ticketable offences would not result in offenders being penalized or fined. Also, this results in the loss of potential revenue for government.

- **The Traffic Department ticket database was inaccurate and incomplete**

**2.51** The Police uses an electronic data base to record information on the status of all tickets. The system is updated by the Traffic Ticketing Officer as issued tickets come into the department for lodgement. Only issued tickets are captured in the database. Unused tickets are not accounted for in the database.

**2.52** We examined that database to determine the status of tickets in our sample. For the financial year 2012/13 we found 71 tickets of 391 tickets that were not recorded in the database. For the financial year 2013/14 95 tickets or 24% of our sample were not recorded in the database. Further, the particulars for 12 tickets recorded in the database for 2012/2013 were different to the particulars documented on the actual ticket we verified. In 2013/14 we found 5 such discrepancies recorded.

**2.53** Further analysis of the database for 2012/2013 revealed that out of 11,638 records 49 were duplicated. Out of 9,365 records in the database for 2013/2014, we found 346 duplicated entries.

**2.54** Personnel from the Traffic Department informed that these duplicate entries were as a result of several officers being responsible for data entry and that the system used was not configured to flag such discrepancies.

## Implications and Risks

**2.55** This raises serious questions about the integrity of the data in the electronic data base. As a result, the Police reporting on traffic tickets via this electronic database would not be accurate. Therefore, a third party cannot place reliance on the information generated.

- **No authority was seen for the cancellation of some traffic tickets and some tickets were not properly cancelled**

**2.56** The Revised Laws of Saint Lucia Cap. 8:01, Motor Vehicle Road and Traffic Act makes no provision for the cancellation of a traffic ticket. However, the Police Department has developed documented procedures to be followed if it becomes necessary to cancel a traffic ticket. Where it becomes necessary to cancel tickets, all copies of the ticket should be endorsed "cancelled" and signed by the officer in charge of the Traffic Department.

**2.57** From our sample of seven hundred and eighty-one (781) traffic tickets, we found sixty-six (66) instances where tickets were not properly cancelled. Some were not endorsed 'cancelled' nor signed by the officer in charge. In some cases, all three copies of the ticket were not attached in the ticket book.

**2.58** We saw evidence of notices placed in some stations highlighting the procedure for cancelling traffic tickets. However, it appears that procedures are not always followed.

## Implications and Risks

**2.59** Authorized procedures for cancelling traffic tickets were not always followed which increases the risk of traffic officers acting beyond their scope of authority by cancelling tickets.

## Recommendations

### *The Traffic Department should:*

- **Develop or acquire a suitable electronic database that has the capability to do the following:**
- **Document in sequential form every ticket from every book received.**
- **Give the status of every ticket. (Issued, spoiled, cancelled etc.)**
- **Provide explanation/ audit trail for the treatment given to every ticket.**
- **Develop a monitoring system to ensure the accuracy and completeness of data entry.**
- **Ensure that all duplicate copies of tickets (except those to be cancelled) are submitted for processing, bundled according to court date and labelled accordingly e.g. to be lodged, paid, spoilt.**
- **Ensure all copies of tickets to be cancelled remain in the ticket book and are returned to the officer in charge.**

### **2.60 MANAGEMENT'S RESPONSE**

*After conducting an assesment of tickets for the period under review it was realised that most of the tickets which failed to reach our Court system is due to the inefficiencies of the individuals issuing those tickets. A number of the tickets were deemed faulty for a number of reasons as follows:*

- *Failing to enter a Court date.*

- *Certificate of service box unchecked.*
- *Missing issued date.*
- *Missing time.*
- *Missing location.*
- *Missing registration number.*
- *Offence box not unchecked.*
- *Missing issuing officer's information.*
- *Handwriting not legible.*

**2.61** *In an effort to address some of those inefficiencies workshops were conducted with various stations. The layout of the ticket book was revised to assist the data entry clerk to extract all relevant information from the ticket.*

**2.62** *At present, the department's database system is limited. The database does not allow for multiple data entries meaning only one user can access the database at any one given time. Traffic officers are unable to check for unpaid ticket, warrants while on mobile patrol. In an effort to become more effective great emphasis must be placed in ensuring that a comprehensive database system for ticketing be established.*

### **Accounting for unpaid tickets, warrants and cash from executed warrants**

**2.63** We expect that the District Court would have adequate recording, monitoring and reporting mechanisms, to ensure efficient and effective traffic ticket case management.

**2.64** We used a sample of tickets from the Police Department and traced them to the Courts. Our objective was to assess the adequacy of the controls and the status of those tickets/ cases through the Court system.

- **Inadequate accounting for issued traffic tickets by the Courts**

**2.65** Our analysis of a sample of seven hundred and eighty-one (781) tickets that were recorded in the Police Department's Lodging Register revealed that out of two hundred and twenty (220) tickets that were recorded as being forwarded to the Courts sixteen (16) of them were not recorded in the Court's lodgement records. We could not determine the reason for this information not being recorded because these tickets could not be found for physical verification due to the haphazard way ticket books were stored.

### **Implication and Risks**

**2.66** The weaknesses identified could result in significant loss of revenue to the Government. Also, this would render the database maintained by the Courts unreliable as information is not being accurately reported.

- **The Court's Criminal Records book for traffic cases was not updated**

**2.67** The traffic ticket makes provision for recording the court date. When a ticket is issued to an offender, the individual can either pay the fine or challenge the charge/fine in the Court. On the date of hearing, the Magistrate passes judgment on all traffic cases; whether ex parte (individual absent) or in cases where the offender is present. The Clerk of Court records the Magistrate's judgment on each ticket and the judgment information in the Criminal Records Book (CRB).

**2.68** The Court maintains a Criminal Record Book to record, tickets pending judgment, the case numbers assigned to those tickets and the judgment given after the traffic ticket case was heard. The information in the CRB



is used to prepare notices of convictions to individuals convicted of traffic offenses and to determine the warrant to be issued if judgment sums have not been paid after one month of the notice of the conviction.

**2.69** We found that the Criminal Records Book was not updated. The only column in which information was recorded was the column for case numbers. We found one hundred and twenty-seven (127) cases where judgment had been issued; however, this information was recorded in fifteen (15) or 12% instances in the CRB. This means that information was not recorded for 112 or 88% of the cases in our sample.

**2.70** The Court Administrator informed that the CRB was not well maintained due to staff shortage and deficiencies of personnel.

**2.71** We also found that conviction notices were not issued for any of the fifteen (15) cases where judgment had been issued. However, warrants were prepared for six (6) of the cases.

### **Implication and Risks**

**2.72** When the Criminal Record Book is not updated, notices of conviction and warrants would not be prepared on a timely basis which could result in offenders not being penalized or fined.

- **Accounting officers did not take prompt action to collect potential revenue**

**2.73** The Revised Laws of Saint Lucia, Cap 8.01, Motor Vehicle and Road Traffic Act, Schedule 1, Section 12 requires a notice of conviction to be sent to an offender who is absent and convicted of a traffic offence, as soon as it is practicable to do so. The purpose of these convictions is to notify citizens of traffic offenses committed and the associated fines.

**2.74** The Court expects to collect payment of the judgment fee within one month of delivering the notice of conviction. The Revised Laws of Saint Lucia Cap 15.01 Financial Regulations Section 38 places responsibility on accounting officers to notify persons indebted to government of debts about to become due and to take prompt action to collect debts in a Court of competent jurisdiction or by any other legal process. Thus conviction notices are expected to be issued as soon after judgment was given to facilitate quick payments by individuals.

**2.75** We found no evidence that conviction notices were sent to persons convicted of traffic offenses from our sample. During the period of 2012 to 2014, one hundred and fourteen (114) ex parte judgments were returned by the Court but the records showed no letters of conviction issued by the Court. However, six (6) warrants were written for individuals convicted from those 114 cases.

**2.76** The Administrator of the Court indicated that the work load was heavy and there was not sufficient staff to complete all necessary tasks.

### **Implications and Risks**

**2.77** The time taken to serve notices was ineffective in minimizing outstanding fines from traffic offenders. Consequently, the risk of the Government of Saint Lucia not collecting these outstanding payments was increased. In addition, offenders were not being penalized for offences committed which may not act as a deterrent to committing traffic offences.

- **Inefficiencies in issuing and managing warrants**

**2.78** Following the issuing of the notice of conviction, if after one month of the notice of conviction, the offender still has not paid the judgment sum, warrants are to be issued to detain the offender. As previously indicated six (6)

warrants were issued for the sample examined. A return of 5% (6 out of 114) preparation rate for warrants from the Court means that the majority of warrants take more than a year to be written.

**2.79** We were informed that one of the problems encountered by the Court after preparing the warrants was getting a Magistrate to sign them. For the sample examined six (6) warrants were issued. To date, these warrant have not been forwarded to the Writ Department. Our analysis revealed that it took the Court on average five (5) months to prepare a warrant for any offender after conviction and twelve months before a magistrate signed it.

**2.80** We noted that by memorandum to staff dated October 10, 2007, the Senior Magistrate advocated for quicker issuance of warrants from the Courts after ex parte trials in a bid to reduce on the backlog of warrants at the Court. The memorandum called for the preparation of the warrant as soon as the trial ended and immediate release of the warrant to the Police. Other warrants which were in the system at that point and waiting to be typed should be dealt with over a period of six (6) months.

**2.81** This directive resulted in illegal warrants being issued since it is required that after ex parte trials a notice of conviction be issued to the individual and then if the ticket remains unpaid for one month a warrant be issued. These warrants that were issued had to be recalled in 2013.

**2.82** This recall resulted in the exertion of more pressure on the Court, already struggling to issue warrants. Thus, in 2014 a project was approved whereby warrants issued prior and up to 2012 would be dealt with. Two Bailiffs and a Financial Analyst were hired to undertake this task. The Project was budgeted to cost \$75,528 however, we note that \$81,013 had been expended and a further \$74,000 was planned for the financial year 2015/2016. As at June 2015, over \$40,000 had been collected under this project. This amount represents almost half the costs of operating this Project.

**2.83** However, the backlog of unexecuted warrants caused the system to become less effective and efficient. As at 2014, there were over fifteen thousand (15,280) unexecuted warrants on hand at the Court. The majority of these cases occurred between the years 2012 and 2013. We note that eight thousand, three hundred thirty-three (8,333) or 55 % of the unissued warrants pertained to the audited periods.

**2.84** The overwhelming workload and staff shortages were the Court's explanation for the situation.

**2.85** Due to the length of time that these warrants have remained outstanding the likelihood of collection of fines has been greatly reduced. In support of this assertion, we were informed that the majority of individuals with convictions cannot be located and some have since migrated or moved residence.

**2.86** We note that no performance targets are set for the project officers nor are work reports required from officers. Therefore, it was difficult to measure their contribution to the reduction in backlog. Such work reports would provide evidence and information to determine whether these employees were performing up to standard or underperforming; and would help guide any remedial action to be taken.

**2.87** The Administrator explained that these administrative tools were being developed for the Court to be implemented in the future.

## **Implications and Risks**

**2.88** This situation can severely weaken the traffic ticket process and end in legal challenges for government. Additional costs may arise for government in situations where those warrants have to be re-issued by the Court or a loss of revenue may occur in other situations where those warrants may have to be discarded altogether. Meanwhile, convicted offenders will not be served in a prompt manner.

- **No communication between the Courts and the Bordelais Correctional Facility for offenders incarcerated on traffic ticket offences**

**2.89** The judgement on a traffic ticket warrant states the fine, and if the offender is in default of payment, the period of imprisonment. We expect that if an offender is served with a warrant that he/ she cannot pay then the offender will be transported to the Bordelais Correctional Facility (BCF) to serve out his/her sentence in accordance with the Court judgement shown on the warrant.

**2.90** We found that individuals who were detained at the BCF were able to serve part of their time and pay off the rest of their time. The facility prorated the warrant amount and removed the time served portion allowing the individual to pay for time not yet served.

**2.91** We enquired on the authority that allowed the BCF to change the terms of the judgement. We were informed that the Writ Section of the Police Department had no jurisdiction over individuals who were arrested and transferred to the BCF for refusal or inability to pay a traffic ticket warrant. The Court Administrator informed that the BCF determined the formula for calculating time served in order to accept part payment. The Court Administrator explained that they do receive revenue from the BCF but confirmed that the Court does not have information on how the BCF prorates the warrant amount for time served and time not yet served. The Court simply accepts the amounts sent by the BCF and issues a receipt for payments received.

**2.92** Further, there is no communication between the Courts and the BCF regarding offenders incarcerated for traffic ticket offences.

### **Implications and Risks**

**2.93** The Court could reissue a warrant for an individual who has already served time for the offence. Moreover, the Court records would not reflect the closing of the case.

### **Recommendations**

#### ***The District Court should:***

- **Put mechanisms in place to ensure that tickets received from the Police are properly accounted for;**
- **Prepare reports on tickets received, tickets pulled i.e. paid, spoilt etc., and tickets lodged;**
- **Update the Criminal Records Book on a timely basis;**
- **Ensure that conviction notices are issued to offenders on a timely basis;**
- **Ensure that warrants for traffic ticket offences are prepared on a timely basis;**
- **Develop a strategy to deal with the backlog of traffic ticket warrants;**
- **Strengthen the link and relationship between the Courts and the BCF to resolve cases recorded in the Court; and**
- **Review and strengthen the revenue system to ensure that all monies collected on behalf of the Courts by the BCF are correct and properly accounted for.**

### **Conclusion**

**2.94** We conclude that the Police Department and the District Court were not efficient and effective in the management of traffic tickets. We base our conclusion on the following:

### **Accounting, security and distribution of traffic tickets books**

- The Police Department did not fully account for all traffic ticket books in their possession.
- Poor storage of books and weak controls over access to new ticket books.

### **Accounting for Individual Tickets**

- The Police Department failed to keep track of and account for every traffic ticket;
- Unpaid tickets were not lodged in Court;
- The Traffic Department ticket database was inaccurate and incomplete; and
- No authority was seen for the cancellation of some traffic tickets and some tickets were not properly cancelled.

### **Accounting for unpaid tickets, warrants and cash from executed warrants**

- Inadequate accounting for issued tickets by the Courts;
- The Court's Criminal Records Book for traffic cases was not updated;
- Accounting officers did not take prompt action to collect potential revenue;
- Inefficiencies in issuing and managing of warrants; and
- No communication between the Courts and BCF for offenders incarcerated on traffic ticket offense.

### **3. DONOR FUNDED PROJECTS AUDIT RESULT**

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

**3.2** We completed the audit of four projects for the financial year ended 2015/16 namely:

- OECS Skills for Inclusive Growth
- Disaster Vulnerability Reduction Project (DVRP)
- Caribbean Regional Communications Infrastructure Programme (CARCIP)
- Hurricane Tomas Emergency Recovery Project (HTRP)

**3.3** The backgrounds of these projects are as follows:

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

**3.4** 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.

The broad objectives of the Project are to increase the employability and career mobility of unemployed youth and to strengthen the policy framework for the delivery of training by:

- 1) Increasing quality and market value of training through the introduction of occupational standards, competency based training and certification.
- 2) 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.
- 3) 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.

#### **DISASTER VULNERABILITY REDUCTION PROJECT (DVRP)**

**3.5** The Government of Saint Lucia (GOSL) signed three financing agreements on July 16, 2014 with the World Bank for the Disaster Vulnerability Reduction Project, totally USD \$68,000,000.00.

**3.6** The Project aims to support the country's ongoing efforts to move forward towards a more climate resilient future. In the last two (2) decades, disasters have had devastating social and economic impacts, which are driving the Government's interest to build resilience to climate-related risks.

**3.7** As global climate change continues to increase the frequency and intensity of climate-related events, many of Saint Lucians' most vulnerable – particularly the rural poor and agriculturalists – are expected to be impacted disproportionately.

**3.8** Tropical Storm Debbie in 1994 and the Tropical Wave in 1996, for example, resulted in cumulative damages of US\$93.1 million to property and infrastructure across the island. Hurricane Tomas in 2010 affected major sectors of the economy and diminished growth, with the total impact estimated at US\$336 million or roughly 34 percent of Saint Lucia's GDP.

**3.9** Most recently, the passage of a low-level trough in December 2013 resulted in combined damage and losses of US\$99.8 million, equivalent to 8.3 percent of the island's GDP. In addition to devastating large-scale disasters, small-scale flooding is endemic in low-lying areas and coastal villages already suffering from socio-economic vulnerabilities.

**3.10** Generally, the proposed project would benefit the country's 174,000 inhabitants by reducing the risk of failure of key infrastructure, improving the overall national understanding of risk for informed decision-making, and increasing national capacity, to quickly rehabilitate damaged public infrastructure following an adverse natural event.

### **CARIBBEAN REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAMME (CARCIP)**

**3.11** The Government of Saint Lucia (GOSL) signed a financing agreement with the World Bank for the Caribbean Regional Communication Infrastructure Program (CARCIP). The funds of the World Bank are from the resources of the International Development Association (IDA). The IDA will provide Standard Drawing Right (SDR) 3,900,000 which is approximately USD \$6,000,000. A Project Preparation Advance (PPA) No. Q7840-001 for USD \$600,000 was approved on August 18, 2011 and ended on December 12, 2012. The IDA Credit Number 5117-LC was approved on May 22, 2012 and became effective on December 11, 2012.

**3.12** The expected closing date of the Project is February 01, 2017.

**3.13** The objective of CARCIP is to increase access to regional broadband networks and to advance the development of an ICT-enabled services industry in Saint Lucia and in the Caribbean region.

**3.14** This objective will be achieved through (a) targeted investments in ICT infrastructure that fill the gaps at the regional and domestic levels, in partnership with the private sector and other development partners, where applicable; (b) creating an enabling environment that fosters competitive access to infrastructure and an IT/ITES and other knowledge industries; (c) enabling and supporting the creation of e-services, including government services; (d) integrating rural areas in knowledge and information society thereby increasing their participation in the regional economy; (e) strengthening of institutional arrangements to ensure effective program implementation and outcomes; and (f) improving procurement and safeguards processes to ensure sustainable investments in ICT.

### **HURRICANE THOMAS EMERGENCY RECOVERY PROJECT (HTRP)**

**3.15** The Government of Saint Lucia (GOSL) signed a financing agreement on June 3, 2011 with the World Bank for the financing of the Hurricane Tomas Emergency Recovery Project. The funds of the World Bank are from the resources of the International Development Association (IDA). The IDA provides SDR 9.7 million which is approximately US\$15.0 million (equivalent to EC\$40,323,000). The effective date of the project is August 30, 2011 and the expected closing date is March 31, 2014. A six month extension was granted so that the revised closing date was September 30, 2014.

**3.16** The development objective of the project is to provide support to the Government in the recovery and reconstruction of Saint Lucia in the aftermath of Hurricane Tomas.

**3.17** We issued unqualified opinions at the end of the audits. The Auditor's opinions and reports were issued separately to the World Bank, Project Co- ordination Unit and to the following implementing agencies:

- Ministry of Finance, Economic Affairs and National Development
- Ministry of the Public Service, Sustainable Development, Energy, Science & Technology
- Ministry of Education, Human Resource Development and Labour

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

### **OECS Skills for Inclusive Growth (OEDP)**

- **Accounts were not reconciled on a monthly basis**

**3.19** The Revised Laws of Saint Lucia Chap. 15:01 Financial Regulations 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.”**

**3.20** The implementing agency did not reconcile the project's accounts on a monthly basis as required. At the end of the financial period the PCU reconciled these accounts once for the entire year. As a result, this was the only reconciliation statement submitted for audit.

**3.21** We verified total project expenditure of EC\$3,904,117.97. However, the total expenditure recorded in the Accountant General's accounts was EC\$3,952,624.73.

**3.22** We noted that correcting journals to reconcile the accounts, though entered in the system were not yet approved or posted, hence the discrepancy between the two records.

### **Implications and Risk**

**3.23** When accounts are not reconciled on a monthly basis it becomes very difficult to detect errors in the accounts and to take corrective action on a timely basis.

### **Recommendation**

**The implementing agency should reconcile the projects accounts on a monthly basis as required by the regulations.**

**3.24 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Transactions were incorrectly posted in the Central Government's accounts**

**3.25** It is expected that transactions should be accurately posted in the Central Government's accounts.

**3.26** During previous financial periods expenditure for the project was approved and recorded under the capital expenditure account “5202-214”. However, for this financial year funds were approved for the project under the new capital expenditure account “5219-210”.

**3.27** We noted that during this period some payroll transactions were posted under the previous capital account “5202214” for the project. We observed some journals posted to cancel such transactions; however, in April 2013 a credit entry was posted to reverse payroll transactions that were never posted to that account. Also, all payroll postings were not cancelled in the account.

**3.28** For the account “5202214-0200000-3CA3” a reimbursement of \$108,927.59 for salaries and NIC contributions paid for the period April 2013 to September 2013 was also credited to the account in error. These errors resulted in the accounts reflecting credit balances as shown below:

Account	Balance as per Accountant General's account
<b>GOSL</b>	
5202214-0200000-1004	(\$75,077.66)
<b>IDA</b>	
5202214-0200000-3CA3	(\$85,219.84)

**3.29** These errors in the accounts could have been detected and corrected if the accounts were reconciled as required.

**Implication and Risks**

**3.30** Inaccurate information is recorded in the Central Government’s accounts which can be misleading to users.

**Recommendation**

**Adjusting journals should be prepared to correct these errors in the Central Government’s accounts.**

**3.31 Significance: Important** -This is a control weakness or operational issue that should be resolved by management within a reasonable period of time.

- **Capital revenue was not accurately recorded in the Central Government’s accounts**

**3.32** To ensure completeness of information in the Central Government’s accounts, both capital expenditure and capital revenue incurred by the project should be recorded.

**3.33** Also, it is government’s accounting policy that whenever capital expenditure is incurred, the accounting entry should show the capital expenditure as well as the corresponding capital revenue to cover the expenditure.

**3.34** The Central Government’s accounts showed capital expenditure of EC\$1,214,274.97 financed by the GOSL through bonds funds; however bond revenue to cover this expenditure was not recorded in the accounts.

**3.35** The expenditure recorded in the Central Government’s accounts for IDA was EC\$2,736,194.82. However, the capital revenue posted in the Central Government’s accounts was EC\$2,543,007.68. Thus the revenue reflected in the Central Government’s accounts for IDA was understated by EC\$193,187.14.



## Implications and Risk

**3.36** Transactions in the Central Government's accounts are incomplete and inaccurate. There is the risk that the financial statements of the GOSL will be inaccurate because these statements would be prepared using this information.

## Recommendation

**The necessary adjustments should be made to the capital revenue accounts to show true capital revenue for the period.**

**3.37 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Difference between the audited revised estimates and the revised estimates figure reported on the Statement of Sources and Uses and Funds**

**3.38** According to the Estimates of Expenditure for the 2013/14 financial year, the amount budgeted for the project from GOSL's funds was EC\$600,000. During the year the figure was revised to \$820,000, supported by reallocation warrants Nos. 55 & 80 of 2013/14 for \$140,000 and \$80,000 respectively.

**3.39** Upon reviewing the Statement of Sources and Uses of Funds we noted that the budget was disclosed as EC\$1,254,148.00. The PCU explained that during the year an additional EC\$434,148.00 was allocated to the Project but without the authority of a warrant. The amount of EC\$434,148.00 was recorded by the Budget Office in Funds Control but was not recorded by the Accountant General under the account 5219210-0200000-1004. Hence the difference between the revised estimates obtained from the audit, the Accountant General and the Statement of Sources and Uses of Funds prepared by the PCU.

## Implications and Risks

**3.40** Incorrect representation of financial information could be misleading to the users of financial statements.

## Recommendation

**Management should liaise with the Accountant General's Department so that the necessary adjustment is made to the accounts to reflect the effect of the warrant.**

**3.41 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Errors found on financial statements**

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

**3.43** During the course of the audit we found some errors on the financial statements that affected the integrity and reliability of the financial information presented. These errors resulted from incorrect computations, omissions of

figures and inaccuracies reported on the financial statements. The Accountant was informed of these errors, and the statements were subsequently revised.

### Implications and Risks

**3.44** Incorrect representation of financial information could be misleading to the users of financial statements. Also, when financial statements contain numerous errors it increases the time spent auditing and finalizing them thereby causing delays in reporting.

### Recommendation

**The review function for the preparation of the financial statements should be strengthened. The financial statements should be thoroughly verified before submission for auditing.**

**3.45 Significance: Critical** -This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Financial Statements do not reflect the total closing project cost**

**3.46** At the time the audit was conducted the project was officially closed. The financial statement that was submitted for audit was for the period ending 31<sup>st</sup> March 2014.

**3.47** However, we noted that subsequent to March 31<sup>st</sup> 2014 cheques were still issued against the OECS project counterpart account. This expenditure incurred subsequent to the project closure was not disclosed. Details of these cheques are as follows:

Date on cheque	Cheque Number	Supplier	Description	Amount	Date Cleared
19/10/2014	1833	N.I.C	Underpayment of NIC for Sept. and Oct.13 for N. Charles	\$551.02	
19/11/2014	1835	G.B.T.S	Payment to training provider	\$450.00	12/01/14
19/11/2014	1836	Super J	Supplies	\$1,453.97	12/16/14
19/11/2014	1838	J.E. Bergasse	Toner for TVET	\$610.65	12/18/14
29/09/2014	1839	BOSL	Payment to advisory committee	\$1,000.00	2/13/15
29/09/2014	1840	BOSL	Payment to advisory committee	\$1,000.00	2/13/15
29/09/2014	1841	FCIB	Payment to advisory committee	\$1,500.00	2/13/15
29/09/2014	1842	First National Bank	Payment to advisory committee	\$1,000.00	2/13/15
29/09/2014	1843	RBTT	Payment to advisory committee	\$500.00	2/16/15
29/09/2014	1844	Royal Bank Of Canada	Payment to advisory committee	\$500.00	2/16/15
14/11/2014	1845	Federal Express	Courier services	\$184.79	12/05/14
20/02/2015	1846	A. Thomas	Payment to advisory committee	\$500.00	
				<b>\$9,250.43</b>	

## Implications and Risks

**3.48** All expenditure incurred for the project has not been disclosed. This has resulted in an understatement of the true cost of the project. Such occurrences can be misleading to users of the financial statements.

**Recommendation:** All cost attributable to the project should be included in the final set of Financial Statements submitted for auditing.

**3.49 Significance: Critical:-** This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Variance analysis was not conducted and disclosed in the IFR's**

*Variance analysis facilitates 'management by exception' by highlighting deviations from standards which are affecting the financial performance of a project.*

**3.50** Significant differences were noted between planned budgeted amounts and actual amounts on the Statement of Sources and Uses of Funds. Considering this is the close of the project, it is expected that variance analysis would be carried out and reported, highlighting the reasons for these variances and the impact if any on the project.

**3.51** This would also allow for lessons learnt to be documented and used as a control tool to take appropriate remedial actions to achieve the desired objectives. Through regular variance analysis, 'weak spots' can be ascertained and remedial actions can be taken to aid framing of more accurate budgets in the future.

## Implications and Risk

**3.52** *When variance analysis is not performed on a regular basis, exceptions may go un-noticed, causing delays in management action necessary in the situation* or necessary remedial action not taken. The possibility of an unsuccessful project also exists.

## Recommendation

**Variance analysis should be carried out on a quarterly basis, upon completion of an Interim Financial Report (IFR)**

**3.53 Significance: Important** -This is a control weakness or operational issue that should be resolved by management within a reasonable period of time

## 4. DISASTER VULNERABILITY REDUCTION PROJECT (DVRP)

- **Revenue was not adequately recorded in the Central Government's accounts**

4.1 To ensure completeness of information in the central government's accounts, both capital expenditure and capital revenue associated with the project should be recorded.

4.2 Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) funds for the period under audit was EC\$1,860,389.83. However, the capital revenue posted in the central government's accounts was EC\$1,408,832.90, an understatement of EC\$451, 557.03.

4.3 Also, revenue of EC\$3,001.75 derived from the sale of tender documents was not posted in Central Government's accounts.

### Implications and Risks

4.4 The Project's actual revenue figures for the financial year will not be accurately reflected in the central government's accounts and possibly the financial statements if corrective action is not taken.

### Recommendation

**The necessary adjustments should be made so that capital revenue is accurately reflected in the Central Government's accounts.**

4.5 **Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Differences between the expenditure recorded by the Project and the expenditure recorded in the Accountant General's accounts.**

4.6 The Revised Laws of St. Lucia Chap 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.**' Our comparison of the expenditure incurred by the project and the expenditure recorded in the Accountant General's accounts revealed that expenditure of \$216,128.32 incurred for the financial year 2013/2014 was **not** recorded in Central Government's accounts.

4.7 For the financial year 2014/15, the expenditure recorded in the central government accounts under the account 4418228-0200000-3CA3 was \$208,989.78 less than that recorded on the project's Statement and Uses of Funds. Details of these differences are shown in the table below:

Financial Year	Expenditure recorded in the Project's Accounts \$	Expenditure recorded in the Accountant General's Accounts \$	Difference \$
2013/14 (July 2013 - March 2014)	216,128.32	0.00	216,128.32
2014/15	1,644,261.51	1,435,271.73	208,989.78
<b>Total</b>	<b>1,860,389.83</b>	<b>1,435,271.73</b>	<b>425,118.10</b>

4.8 We noted that the adjustments to reflect the Statement of Expenditure for January and February, 2015 were not posted to the Central Government's accounts. Further, our audit revealed that the Project's accounts were not reconciled monthly during the financial period.

**4.9** Again, we stress the need for the implementing agency to reconcile the Project's accounts. By reconciling the accounts the agency would be able to identify differences between the expenditure reported by the PCU and the expenditure reflected in the Accountant General's accounts. This would enable prompt corrective action such as preparing and posting journals to effect adjustments and correct errors.

### **Implications and Risks**

**4.10** The Project's expenditure figures for the financial years are not accurately reflected in the Central Government's accounts. These errors if not corrected in a timely manner increase the risk of misstatements in the Central Government's accounts that can be misleading to users of the financial statements.

### **Recommendation**

**The accounts should be reconciled and the necessary adjustments should be made so that the Project's capital expenditure is fully reflected in the Central Government's accounts.**

**4.11 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Bidding documents were shipped in the absence of payment confirmation**

**4.12** Bidding documents should only be shipped upon confirmation of receipt of fees.

**4.13** We noted that on January 9<sup>th</sup> 2015, Ven-Rez Products requested bidding documents for the procurement of furniture. Attached to the request was a supposedly online banking document showing a wire transfer for two hundred dollar (EC\$200.00) to the Project's bank account as an indication of payment of the bid document fee.

**4.14** The Financial Management Officer informed that initially she contacted the bank to verify whether they had received the funds, but the bank informed that they had not received the funds. However, the customer kept insisting that he had paid the fee so she then proceeded to instruct the Procurement Officer to forward the bidding documents to Ven-Rez products.

**4.15** However, to date the bank has not confirmed receipt of this payment.

### **Implications and Risks**

**4.16** Bidding documents submitted before payment confirmation decrease the incentive to make subsequent payment. This practice increases the risk of loss of revenue and the risk that the cost of preparing the documents may not be recovered.

### **Recommendation**

- **The PCU should take necessary steps to recover the outstanding payment and resolve this long outstanding issue.**
- **Confirmation of payment of fees should be obtained prior to the release of bidding documents.**

**4.17 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Delays in implementing Project's activities**

**4.18** Project procurement management is a critical element of project management, and forms an integral part of the Project Management Plan. The Procurement Plan is expected to be executed on schedule.

**4.19** During the period we noted several contracting activities that were not implemented in accordance with the Procurement Plan scheduled dates.

**4.20** We were informed by the Project Coordinator that these delays occurred because of weak technical capacity of persons involved in the procurement process at the ministries. Also, these delays were due to the time taken to approve the Terms of Reference (TORs), and responses to issues by the World Bank.

**4.21** We were also informed that the PCU held training sessions with staff of the Ministry of Infrastructure, Port Services and Transport to assist with capacity building.

### **Implications and Risks**

**4.22** Delays in the implementation of project activities can have an adverse effect on the cost and the ultimate successful completion of the project.

### **Recommendation**

**Efforts should be made to identify and address capacity development issues during the development of the human resource management plan, preferably prior to the execution of the project.**

**Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Interim Financial Reports (IFR's) were not in accordance with signed Agreement**

**4.23** The financing agreements signed between World Bank and the Government of Saint Lucia requires Interim Financial Reports (IFR's) to be prepared in accordance with a stipulated format attached to the Agreements. The format required the disclosure of eligible Project's expenditure by financier.

**4.24** We noted that specific apportionment of expenditure between financiers was not presented on the IFRs submitted to the World Bank. Instead, one block figure was shown as Project's expenditure.

**4.25** However, subsequent to March 2015 the necessary adjustments were made and the IFR's are now being submitted in accordance with the stipulated format of the said agreements.

### **Implications and Risks**

**4.26** Prior to March 15 the IFR's submitted were not in accordance with the requirements. Consequently, the information represented in the World Bank's records (Client Connection) may not be fully reflective of the sources of finance.

## **5. CARCIP**

### **CENTRAL GOVERNMENT'S ACCOUNTS**

- Capital revenue was not accurately recorded in the central government's accounts

5.1 To ensure the completeness of information in the central government's accounts, both capital expenditure and capital revenue associated with the project should be recorded.

5.2 Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) funds for the financial year was EC\$1,850,395.62. However, the capital revenue posted in the central government's accounts was EC\$94,678.66, an understatement of EC\$1,755,716.96.

5.3 This difference was due in part to direct payments totalling US\$452,436.00 or EC\$1,216,238.46 that were not journalized in the central government's accounts.

5.4 Also, the country system was used for the project during the period which meant that the project's expenditure was paid from the Consolidated Fund pending reimbursement from IDA funds. Therefore, upon reimbursement the revenue should have been classified and recorded in the projects accounts.

5.5 However, we noted that the Project reimbursed the GOSL for expenditure totalling US\$200,683.91 or EC\$539,478.50 that was not correctly classified and journalized in the central government's accounts.

5.6 Further we determined that expenditure incurred by GOSL from bond funds for the financial year was EC\$116,996.46. However bond revenue to cover that expenditure was not recorded in the accounts.

5.7 Also, revenue of EC\$1,170.00 derived from the sale of tender documents was not posted in central government's accounts.

### **Implications and Risks**

5.8 The Project's revenue figures for the financial year would not be accurately reflected in the central government's accounts and possibly in the financial statements if not corrected.

### **Recommendation**

**The necessary adjustments should be made so that capital revenue is fully reflected in the central government's accounts.**

5.9 **Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Expenditure was incorrectly classified in the central government's account**

5.10 We were informed that the Project was required to continue the use of the country system during this financial year as was done in the previous financial year, when it was used as a pilot project. Under the country system the project's expenditure was classified under three components using the new capital coding structure approved in the 2013/14 Estimates of Expenditure.

5.11 However, we noted that not all expenditure was classified or accounted for as per the various approved component in the central government's accounts as was done in the previous financial year when the country system was used.

5.12 We were informed by the Financial Management Officer and the Accountant that the inconsistencies resulted from the Office of the Budget initially objecting to the request to create these accounts since they were not approved in the 2014/15 Estimates of Expenditure. When the appropriate accounts were later created, a number of warrants were approved to facilitate recording of the transactions. However, though some journals were posted to correctly classify the expenditure, to date, all journals have not been posted or approved.

**5.13** We noted that IDA expenditure of EC\$398,443.51 or USD\$148,219.44 and GOSL expenditure of EC\$78,526.52 or US\$29,211.56 were still classified under the accounts 2211206-0200000-3CA3 and 2211206-0200000-1004 respectively, which were the accounts used to record IDA and GOSL expenditure before the use of the country system new coding structure.

**5.14** Also, the temporary advance account 2211001-0533E31-3CAE was not cleared at year-end. Therefore, expenditure of EC\$299,144.60 or US\$111,280.63 was not captured in the expenditure accounts. Expenditure incurred but not yet posted in the Accountant General's accounts totalled EC\$1, 257,333.45 or US\$467,723.18.

**5.15** Consequently, the following differences were noted between the expenditure classified as per components in the Project's Statement and Uses of Funds and the expenditure recorded in the central governments accounts:

Component	Expenditure as per		Difference
	Statement of Sources & Uses of Funds	Central Government Accounts	
	US\$	US\$	
1 - Regional Connectivity Infrastructure	\$306,190.46	\$0.00	\$306,190.46
2 – ICT Led Innovations	\$340,382.73	\$0.00	\$340,382.73
3 - Implementation Support	\$120,509.14	\$10,647.49	\$109,861.65
<b>Total</b>	<b>\$767,082.33</b>	<b>\$10,647.49</b>	<b>\$756,434.84</b>

### Implications and risks

**5.16** Expenditure is incorrectly classified in the central government's accounts, which can be misleading to users of the financial statements.

### Recommendation

**The necessary journals should be prepared so that expenditure could be accurately reflected and classified in the central government's accounts.**

**5.17 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Accounts were not reconciled**

**5.18** In accordance with the Revised Laws of Saint Lucia Chap. 15:01 Financial Regulations No. 10(4) (c), at the end of every month the vote accounts should be reconciled item by item with the Accountant General's accounts.

**5.19** Our audit revealed that the Project's accounts were not reconciled monthly during the financial period. It is absolutely necessary for the implementing agency to do so. By reconciling the accounts the entity would be able to identify the differences between the expenditure reported by the PCU and the expenditure in the Accountant General's accounts. This would enable prompt corrective action such as preparing and posting journals to effect adjustments and correct errors.



**5.20** During the audit we discovered errors which impacted the accuracy of the expenditure reported in the Accountant General's accounts. These errors included:

- Expenditure of EC\$37,870.85 financed by GOSL bonds was posted under the capital expenditure account for IDA 2211206-0200000-3CA3.
- Salaries of EC\$6,925.53 was omitted from the entity's general ledger.

### Implications and Risks

**5.21** When accounts are not reconciled monthly it becomes difficult to detect errors in the accounts. These errors if not detected or corrected in a timely manner increases the risk of misstatement in the central governments accounts that can be misleading to users of the financial statements.

### Recommendation

**Once again we are urging management to reconcile the Project's accounts with the Accountant General's accounts on a monthly basis. Such action would ensure the accuracy of the expenditure that is disclosed in the financial statements of the Government of St. Lucia.**

**5.22 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

### INTERNAL CONTROLS

- **Evidence of receipt of goods was not seen in some instances**

**5.23** Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No. 59 (1) states that any officer who receives goods shall ensure that the goods received are in accordance with goods invoiced. Further, Financial Regulation No. 59 (2) states that payments for goods shall not be made except on a certificate by the receiving officer that such goods have been correctly delivered and received into store.

**5.24** In addition, the PCU's requisition order makes provision for designated officers to sign for receipt of goods.

**5.25** We noted requisition orders that were not signed for the following goods purchased:

Vendor	Description	Amount \$
Document Centre	Purchase of banner	965.71
Made in paradise	Purchase of t-shirts	999.06
J E Bergasse & Co	Office supplies	6,976.36

### Implications and Risks

**5.26** In the absence of signatures on the requisition orders, there is no evidence that goods ordered were actually received and correctly invoiced. Therefore, the entity could pay for goods that were never received.

### Recommendation

**The requisition order should be signed by designated officers whenever goods are received.**

**5.27 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **Advance account was not cleared at year-end**

**5.28** In accordance with the Revised Laws of St. Lucia Chap 15:01 Financial Regulations No. 18 (2) the Accountant General may authorize temporary advance accounts incidental to the business of Government if such account is cleared by the end of the financial year.

**5.29** During the financial period the project was allocated an advance account to facilitate posting of expenditure pending the creation of more appropriate accounts to correctly classify expenditure using the country system. Therefore, the account 2211001-0533E31-3CA3 was intended to be used for the short-term; and any expenditure posted subsequently journalized to clear the account.

**5.30** However, we noted that at year-end the advance account balance was \$299,164.60. The Project Coordinator of the PCU by email dated November 21, 2014 to the Accountant of the Ministry of the Public Service requested that the advance be retired. However, to date the advance has not been cleared.

**5.31** We further noted that a journal dated March 31, 2015 was prepared to clear the advance. To date it remains un-posted in the central government's accounts. However, we note that the details of the journal are incorrect as it shows a further debit to the advance account and credits to expenditure accounts. This journal if posted as submitted will not result in the advance account being cleared.

### **Implications and Risks**

**5.32** Expenditure of \$299,164.60 is not reflected in the Accountant General's accounts because it is only upon clearing of the advance that the associated expenditure will be captured in the Accountant General's accounts. Therefore, expenditure in the Financial Statements of the Government of Saint Lucia may be understated.

### **Recommendations**

**The outstanding journal should be reviewed and the necessary corrections made before resubmitting for approval and posting.**

**5.33 Significance: Critical**-This is a fundamental control weakness or significant operational issue and breach to the financial regulations which should be resolved by management as a priority.

- **Insufficient project management tools**

**5.34** Prior to the commencement of execution or implementation of project activities, a project management plan together with appropriate sub plans should be approved and made available to the necessary stakeholders to facilitate proper execution and efficient monitoring and control of the project.

**5.35** However, we noted that there was no documented project management plan or any of the other required sub plans except for the procurement plan. Further, we noted that changes were made to the procurement plan, as evidenced by the six-month delay in the decision analysis activity. This activity had to be completed prior to the commencement of the subsequent activity, Broadband Network Design. Consequently, this delay would impact on the schedule and cost management plan.

**5.36** We also noted that a documented critical path was not adequately maintained. The Project Manager informed that he had initially started using the tool, however due to numerous setbacks he abandoned the tool. The absence of this tool used in conjunction with the earned value methodology makes it difficult to establish the project's current Schedule Performance Index and Cost Performance Index, two critical indicators required during project implementation for establishing how the project is doing in terms of schedule and in terms of cost at any point in time.

### **Implications and Risks**

**3.37** The absence of an approved project management plan or work plan and its associated sub plans is not reflective of project management best practice. As such, there is a risk of mismanagement and poor monitoring and control of the project, which may give rise to project delays or setbacks, and cost overruns.

### **Recommendation**

**A Project Management Plan along with the associated sub plans should be prepared, signed off, and made available to the Project Coordination Unit to facilitate proper monitoring and control.**

**3.38 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

- **A risk management plan was not prepared**

**3.39** At the planning phase of the project all identified risk should be assessed qualitatively and quantitatively, prioritized and documented in the risk register and should form part of the risk management plan. This plan should be updated to reflect any subsequent changes during the implementation, at an activity level.

**3.40** During the audit we noted that a risk management plan was not available for review. We were informed by the Project Manager that due to the nature of the project being IXP based it is sometimes impossible to pre-empt possible risk. We noted delays in the project schedule which requires risk reassessment to be carried out to determine the full impact of this delay on the project. We further noted from our review of progress reports, that there is a risk of tardiness by associate countries in reviewing the deliverables from the decision analysis consultant. This is due to the fact that the procurement of Broadband Infrastructure is dependent on the completion of the assessment. However, we note that no documented risk mitigation strategy has been developed.

**3.41** We were further informed that the project is currently in an underfunded position, in light of the devaluation of the SDR which is the currency in which the project loan was negotiated. Therefore, we believe that this risk should have been quantifiably estimated during the planning phase of the project and appropriate strategies implemented to mitigate the possible impact of this risk.

### **Implications and Risks**

**3.42** The absence of an adequately maintained risk management plan is not reflective of project management best practice. As such there is a risk that the GOSL would have to find additional funding to ensure completion of the project.

### **Recommendation**

**A Risk Management Plan should be prepared, approved and adequately maintained throughout the life of the project.**

**3.43 Significance: Critical** - This is a fundamental control weakness or significant operational issue that should be resolved by management as a priority.

#### **4. HURRICANE THOMAS EMERGENCY RECOVERY PROJECT (HTRP)**

▪ **Revenue was not accurately recorded in the Central Government's Accounts**

**4.1** Capital revenue is recorded in the Central Government's accounts at the same time that capital expenditure is recorded. Therefore, capital revenue and expenditure should be the same.

#### **2014**

**4.2** We observed that the capital revenue recorded in the Central Government's accounts for the IDA did not equal the capital expenditure recorded for the financier. While EC\$14,076,757.05 was recorded for capital expenditure, EC\$13,991,181.09 was recorded for capital revenue. Consequently, capital revenue was understated by EC\$85,575.96 in the Central Government's accounts.

**4.3** The Central Government's accounts showed capital expenditure of EC\$474,848.94 financed by the GOSL through bond funds; however, bond revenue to cover this expenditure was not recorded in accounts.

**4.4** We also observed that revenue of EC\$11,563.84 from the sale of tender documents was not recorded in the Central Government's accounts.

#### **2015**

**4.5** The expenditure recorded in the Central Government's accounts for IDA account '4418218 0200000 3CA3' was EC\$4,651,595.73. However, the capital revenue posted in the Central Government's account "4418218 0473000 3CA3" was EC\$4,663,099.86. Thus the revenue reflected in the Central Government's accounts for IDA did not match the expenditure posted.

**4.6** Also, the source of funds for the GOSL's share of expenditure was through a bond issue. We noted capital expenditure of EC\$245,643.50 recorded in the accounts. However, the corresponding charge to the capital revenue account (4418218 0474000-1004) to cover the expenditure financed by a bond issue was not made.

#### **Implication and risk**

**4.7** Revenue recorded in the Central Governments accounts is inaccurate, giving rise to incorrect balances in the revenue accounts. Consequently, the risk of compiling incorrect financial statements on behalf of the government as a whole is increased.

#### **Recommendation**

**We recommend that the necessary adjustments be made so that the Central Government's accounts reflect accurate information.**

▪ **Accounts were not reconciled on a monthly basis**

**4.8** The Revised Laws of Saint Lucia Chap. 15:01 Financial Regulations No. 10(4) (c) requires that at the end of every month the vote account be reconciled item by item with the Accountant General's accounts.

**4.9** Although the responsibility to reconcile the Project's accounts was that of the Ministry of Finance, Economic Affairs and Social Security, we found that it was the Project Coordination Unit that reconciled the Project's account albeit once for the year and not on a monthly basis as was required.

**4.10** The reconciliation statement which highlighted errors, discrepancies and omissions in the Central Government's accounts were submitted to the Ministry so that the corrective journals could be prepared to effect changes to the respective accounts; however, this was not done.

## **2014**

**4.11** We found that IDA expenditure of \$13,864,000.10 incurred by the Project was overstated in the Central Government's accounts by \$212,756.95 when compared to the total expenditure of \$14,076,757.05 recorded in the Central Government's accounts.

**4.12** This overstatement was due in part to salaries of \$110,014.77 recorded twice in the Central Government's accounts. Our examination of the Project's statement of expenditure for March 2014 showed that included in the expenditure of \$884,709.06 that was posted in the account 4418217-0200000-3CA3 was salaries of \$110,014.77 that had already been paid and recorded through Government's payroll. This resulted in the expenditure account 4418217-0200000-3CA3 being debited twice with the said amount.

## **2015**

**4.13** We verified Project expenditure of \$13,228,973.35. However, the total expenditure recorded in the Central Government's accounts was \$4,897,239.22, an understatement of \$8,238,184.16.

**4.14** We noted that the total expenditure recorded in the Central Government's accounts for salaries was \$367,896.85. However, the total salaries as per the Project's account was \$336,270.63; a difference of \$31,626.63. This difference is as a result of the following errors and omissions:

- Expenditure of \$102,972.31 for salaries paid for the Disaster Vulnerability Recovery Project (DVRP) was incorrectly classified under the account 4418217-0200000-3CA3.
- Gratuity paid of \$59,358.12, employer's NIC contribution of \$9,613.27, refund of salary of \$9,241.04 from NIC and salaries paid by cheque of \$11,615.73 were not recorded in the Central Government's accounts.

### **Implication and risk**

**4.15** When accounts are not reconciled on a monthly basis it becomes very difficult to detect discrepancies and errors in the accounts. Also, any adjustments or corrective action that might have to be made may not be done in a timely manner thus increasing the risk of inaccurate reporting.

### **Recommendation**

**The necessary adjustments should be effected to correct errors and omissions in the accounts.**

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

**4.16** Our audit revealed that at March 31<sup>st</sup>, 2014 US\$73,954.91 or \$EC198,805.59 was due to the special account. The outstanding amount comprised the following:

GOSL owed the IDA US\$65,068.73 or EC\$174,917.76 for Value Added Tax (VAT) paid on its behalf.

Refund of overpayment of US\$7,960.40 or EC\$21,399.16 in respect of salaries paid to PCU staff.

Expenditure of USD\$925.78 or ECD\$2,488.68 paid on behalf of the Disaster Vulnerability Recovery Project (DVRP).

**4.17** Consequently, as at March 31<sup>st</sup>, 2014, the special account was understated by US\$73,954.91 or XCD\$198,805.99. The details of the understatement were disclosed in the notes to the financial statements.

**4.18** We noted that the amount owing to the special account (US\$73,954.91) was reimbursed in the following financial year. On January 31, 2015 the GOSL reimbursed IDA US\$65,068.73 or EC\$174,917.76. Salaries overpaid of US\$7,960.40 or EC\$21,399.16 was refunded on June 24, 2015. Expenditure of US\$925.78 or EC\$2,488.68 incurred on behalf of DVRP was refunded on October 27, 2014.

### Recommendation

**In light of the fact that the project is closed, the PCU should seek guidance from the Bank with regards to the funds recovered.**

- **Receipts were not deposited on a daily basis**

**4.19** All collectors of revenue should in accordance with the Revised Laws of Saint Lucia Chap. 15:01 Financial Regulations No. 45(1) 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 shall obtain a receipt for the amounts paid.

**4.20** We noted six (6) instances where cash received from the sale of tender documents were not deposited into the bank on a daily basis. Details are as follows:

Date as per receipts	Receipt Number's)	Receipt Total	Date as per deposit slip	Number of days late
30/10/2013	1778369	\$500.00	07/11/2013	6 Days
04/09/2013	1778362	\$200.00	11/09/2013	5 Days
15/05/2013	1778356 to 1778358	\$1,500	17/05/2013	2 Days
07/05/2013	1778355	\$500.00	17/05/2013	8 Days
03/05/2013	1778354	\$500.00	13/05/2013	7 Days
02/05/2013	1778351 to 1778352	\$1,000	07/05/2013	4 Days

### Implication and risk

**4.21** Given the inherent risk of cash, the practice of not depositing cash on a daily basis did not minimize the risk of misappropriation and theft.

### Recommendation

**Cash should be deposited on a daily basis.**

- **Overtime allowances were incorrectly calculated**

**4.22** The Collective Agreement between the Government of Saint Lucia and the Saint Lucia Civil Service Association – Article 13 (13.5) states that overtime shall be paid at the rate of time and a half for every hour in excess of normal time on a working day and double time on Sundays, Public and designated holidays before the midnight hour.

**4.23** Also in accordance with the Revised Laws of Saint Lucia Chap. 15:01 Financial Regulations No. 88, whenever overtime is to be paid, the time records shall clearly distinguish between ordinary time and overtime.

**4.24** The Office Assistant and Administrative Assistant submitted overtime claims during the period however we noted that they were underpaid overtime allowance due. We found seven (7) occasions where duties were performed between the hours of 4:30 p.m. and 12:00 a.m. on workdays but the hourly rate was used to compute overtime instead of time and a half as mandated.

#### **Implication and risk**

**4.25** Not applying the prescribed overtime rate is in breach of the said article of the Collective Agreement and resulted in underpayment of overtime allowances to these officers.

#### **Recommendations**

**Overtime allowances paid to these officers should be recomputed using the prescribed rate and differences in allowances should be paid to them.**

**Due care should be exercised when processing overtime claims to ensure that allowances paid to officers are accurate.**

- **NIC was not deducted from all salaries and allowances paid**

**4.26** Revised Laws of Saint Lucia National Insurance Regulations Cap. 16:01 Part 3 Section 11 (2) (a) states that in the case of payments, the amount of payments so received shall, if they are not paid with the wages for the period in which they are due; be included in the wages for the period in which they are paid.

**4.27** Further the National Insurance Regulations state that for the purpose of determining the wages of an employed person under this regulation, there shall be included all gross earning received by or on behalf of the insured person including overtime payments.

**4.28** We observed that NIC was not deducted from retroactive salaries paid to the PCU staff for the period January 2011 to December 2013. Further, NIC deductions were not made when overtime allowances were paid to staff.

#### **Implication and risk**

**4.29** Employees were overpaid salaries and wages as they did not pay the quantum of NIC due, which can in certain circumstances impact on their future benefits/entitlement claims.

#### **Recommendation**

**Persons responsible for effecting payroll changes should exercise due diligence in ensuring that the prescribed rate of NIC is applied to all gross earnings and overtime payments.**

- **Leave entitlement was not taken during tour of duty**

**4.30** The contract agreements between the staff of the PCU and the Government of Saint Lucia stipulated that leave entitlement must be taken during tour of duty.

**4.31** We found four (4) officers who did not take their leave entitlement during their tour of duty. These officers had leave balances ranging from 3 days to 42 days at the end of their contract period. However, we noted that the officer's outstanding balance was added to their total leave eligibility for the next contract period.

#### **Implication and risk**

**4.32** Vacation leave not taken during tour of duty will result in that leave being forfeited.

#### **Recommendation**

**It is important that leave balances are monitored and managed to ensure that contracted officers take their leave entitlement during their tour of service.**

- **Bank reconciliations were not prepared on a timely basis and some were not reviewed**

**4.33** Monthly bank reconciliation is a control used to detect any discrepancy between accounting records and the bank's. We note that the PCU has access to online banking services. Therefore, it is expected that the bank accounts would be reconciled on a timely basis following the end of the month.

**4.34** We found that for the entire year bank reconciliations were not done on a timely basis. For the EC dollar account No. 901319742, the timeframe between the dates the bank reconciliations were prepared subsequent to month end ranged from five (5) days to as much as sixty six (66) days. The most significant delays were noted for the months of June 2014, February and March 2015. The number of days delay was thirty-nine (39), sixty-six (66) and thirty five (35) respectively.

**4.35** For the US dollar account 901320094 for the months of June and September 2014 the bank reconciliation statements were prepared one hundred and seventy-three (173) days and eighty-one (81) days respectively after the ending of the month. June and September's reconciliation statements were prepared after those for July to November 2014.

**4.36** We observed that in February 2015 the Bank of Saint Lucia (BOSL) erroneously cleared cheque No. 000879 for \$12,059.64 twice. This resulted in the account being overdrawn and interest charges applied. This error was not discovered until the account was reconciled some sixty-six (66) days later.

**4.37** Also, we note that the PCU's bank reconciliation statement template makes provision for the signature of the Project Coordinator or representative who is required to certify the statement. Certification in that instance means that the bank reconciliation has been reviewed for errors and discrepancies.

**4.38** We observed that two of the twelve monthly reconciliation statements prepared were not certified, which indicates that they were not reviewed. Statements not reviewed were noted for the months of May and July 2014.

#### **Implication and risk**

Delays in reconciling bank accounts and reviewing same can result in errors and discrepancies not being identified and addressed on a timely basis. Moreover, there is the risk of reporting inaccurate monthly bank balances and overdrawn accounts.



## Recommendations

**Bank accounts should be reconciled on a timely basis.**

**To assure the accuracy of bank balances, all reconciliation statements should be reviewed and the reviewer should sign and date as having done so.**

- **Bank account was overdrawn**

**4.39** Revised Laws of Saint Lucia Cap 15:01 Part 17 Section 114 states that an accounting officer shall not overdraw a bank account operated by him or her.

**4.40** On December 31, 2014, the EC dollar bank account was overdrawn by XCD\$76,278.46. This occurred because the PCU issued cheques when the bank account had insufficient funds to cover them.

### Implication and risk

**4.41** The bank balance was not adequately monitored before issuing cheques. Overdrawn accounts are charged interest on the overdraft as well as NSF charges.

### Recommendation

**It is incumbent upon the PCU to carefully monitor bank balances to ensure that there are sufficient funds to cover cheques issued.**

- **Persons receiving goods did not always sign as having done so**

**4.42** Procurement and Stores Regulation No. 59 (1) and (2) states that any officer who receives goods shall ensure that the goods received are in accordance with goods invoices and that no payment for goods shall be made except on a certificate by the receiving officer that such goods have been correctly delivered and received into stores.

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

**4.44** We found that persons responsible for receiving goods did not always sign as having done so. The requisition order forms for goods costing US\$4,645.85 or EC\$12,489.00 did not contain signatures as evidence of receipt of goods. Notwithstanding, payment vouchers were prepared and the suppliers were paid. Details are shown below:

<b>Date on Invoice</b>	<b>Supplier</b>	<b>Description</b>	<b>Amount</b>
06/12/2013	Computer World	3 HP Scanjet	\$1,185.00
24/04/2013	CES	2 Computers	\$11,304.00
<b>Total</b>			<b>\$12,489.00</b>

### Implication and risk

**4.45** There is no evidence that goods purchased were actually received and correctly invoiced. Therefore, the entity could be paying for items that were never received.

## Recommendation

**The requisition order should be signed by persons receiving goods.**

- **Not all fixed assets were recorded in the fixed asset register**

**4.46** Provision has been made in the Revised Laws of Saint Lucia Cap. 15.01, Procurement and Stores Regulations No. 38 (1) that the controlling Department maintains a Master Control Register in which shall be recorded all purchases and issues of furniture and equipment.

**4.47** For the financial year 2013/14 we noted assets valued at US\$94,184.34 or EC\$255,889.43 that were not recorded in the fixed asset register.

**4.48** Similarly, for the year 2014/15 assets valued at US\$92,987.51 or EC\$249, 969.02 were not recorded in the fixed asset register. These assets were three (3) HP Office Jet Printers and six (6) Emergency Management Instruction Kits.

**4.49** A physical verification of assets also confirmed that not all assets were recorded in the register.

## Implication and risk

**4.50** The PCU will be unable to keep track of the assets that it has purchased thus limiting its ability to adequately account for them.

## Recommendation

**The PCU should immediately record these assets in its Fixed Asset Register.**

- **Interim financial reports (IFRs) were not always submitted on time**

**4.51** Interim Financial Reports (IFRs) should be submitted to the World Bank no later than 45 days after the end of each accounting period. (Financing Agreement)

**4.52** The PCU did not always submit quarterly reports within the stipulated timeframe. We found two occasions where the IFR was submitted to the Bank beyond the stipulated submission date as follows:

Quarter	Deadline	Date	for	Date submitted	Delay
October – December 2013	February 15, 2014			March 5, 2014	18 days
January – March 2014	May 15, 2014			August 8, 2014	86 days

## Implication and risk

**4.53** Decision making becomes less effective when taken on information that was not presented on a timely basis.

## Recommendation

**The PCU should submit the IFR to the World Bank within stipulated timeframe.**

- **The contract register was not properly maintained**

**4.54** Accounting officers are required by the Revised Laws of Saint Lucia Chap. 15:01 Procurement and Stores Regulations No. (25) (2) to enter into the register details of any variations made, progress payments, final payments, payment of retention money, deductions for penalties and release of any security or bond deposited with respect to the contract.

**4.55** We observed that while provision was made in the contract register to record information such as payments made, progress payments and final payments, this information was not recorded in the register.

**Implication and risk**

**4.56** The contract register is incomplete and inaccurate. The PCU will be unable to effectively monitor contracts that it has administered.

**Recommendation**

**All required information should be recorded in the contract register.**

- **No evidence that persons who signed requisition orders were authorized to do so**

**4.57** Our sample revealed two (2) requisition orders that were signed by persons whose name was not included in the list of approved signatures for the PCU. Upon enquiry we were informed that these signatories were from officers from the implementing agencies. However, the PCU could not provide a listing from the agencies to authenticate these signatories.

**4.58** Details of those requisition orders for which signatures could not be verified are as follows:

<b>Date on requisition order</b>	<b>Name on requisition order</b>	<b>Amount on requisition order</b>
15/02/2013	J E Bergasse	\$30,307.25
12/09/2013	Construction & Industrial Equipment Ltd	\$85,947.35
<b>Total</b>		<b>\$116,254.60</b>

**Implication and risk**

**4.59** There was no evidence to verify that these requisition vouchers were properly authorized/approved.

**Recommendation**

**The PCU should ensure that signatures of persons signing requisition orders are verified against the list of authorized signatories submitted by agencies before processing requisition orders.**

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

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

**4.61** We noted material errors on the financial statements. These errors were as a result of incorrect amounts stated on the financial statements. The Accountant was informed of the errors and all statements were revised.

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

#### **Implications and risk**

**4.63** Incorrect representation of financial information could be misleading to the users of financial statements. Also, when financial statements contain numerous errors it increases the time spent auditing and finalizing them thereby causing delays in reporting.

#### **Recommendation**

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

## AUDIT OF FOREIGN MISSIONS

### 5. LONDON

#### BACKGROUND

5.1 Saint Lucia's Foreign Missions were established to represent and safeguard Saint Lucia's interest abroad including diplomatic, cultural, economic and business and to provide consular assistance to Saint Lucian nationals overseas. During the audited period, seven foreign missions accounted for 50% of the Ministry of External Affairs Budget, annually. The budgeted cost for operating these missions over the past three years was approximately eleven million dollars (\$11m) per annum.

5.2 When compared to the combined budgeted cost of approximately \$7.5 million dollars for Constitutional Offices of the state; namely, Governor General, Legislature, Service Commissions, Electoral Department and Office of the Director of Audit, the budgeted sum for foreign mission is quite substantial.

5.3 The London High Commission is one of Saint Lucia's seven foreign missions. Its mission is to promote and protect the interests of the people and Government of Saint Lucia in the United Kingdom, while preserving the friendly relations that exist between Saint Lucia and the UK.

- 5.4 The High Commission is responsible for:
- Representing St. Lucia's interest overseas;
  - Identifying opportunities for expansion of diplomatic relations and of participation in international organizations;
  - Promoting Saint Lucia as a location for foreign investment and 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; and
  - Securing the welfare of nationals abroad.

5.5 On average, the High Commission's annual budget accounts for 10% of the Ministry's total budget; and approximately 19% of the combined budget of the foreign missions as illustrated in the following table:

Financial Year	Approved Budget (Ministry)	Approved Budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved Allocation High Commission	Percentage of Ministry's Budget	Percentage of Budget for Foreign Missions
2012/13	21,209,700	10,722,753	50.6%	2,184,156	10.3%	20.4%
2013/14	22,729,000	11,896,804	52.3%	2,320,886	10.2%	19.5%
2014/15	24,040,000	12,240,389	50.9%	2,248,380	9.4%	18.4%

## AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

**5.6** The objective of the audit was to:

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

**5.7** 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). Our audit was guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

**5.8** The audit focused on the three financial years ending March 31, 2013, 2014 and 2015. In order to meet the audit objective the records and operations of the High Commission 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

**5.9** We audited the operations at the London High Commission which included:

- Expenditure
- Personnel Matters
- Passport Revenue
- Cash on Hand
- Cash at Bank
- Management of Property, Plant and Equipment
- Receipt Book Register

**5.10** We did not audit the objectives of the High Commission.

**5.11** The audit methodology consisted of a review of policies, procedures, systems and other relevant instructions, substantive and compliance testing and other tests of transactions and interviews with relevant personnel where it was deemed necessary.

## EXECUTIVE SUMMARY

**5.12** Our audit revealed that the procedures and processes that are in place to manage, allocate, and monitor the Commission's resources were inadequate.

**5.13** Our audit of the London High Commission revealed that the High Commission did not maintain control over expenditure to ensure that the amounts provided in the Estimates were not exceeded. Consequently, the entity incurred over-expenditure under several vote accounts. We found instances where expenditure was charged to accounts which were not approved for the Commission. Also, management failed to monitor and reconcile the Commission's expenditure accounts or fully retire at year end, the imprests given to the Commission. As reported in the previous management letter, budgetary information was still not captured in the accounting software that the Commission used because it was not customized to suit the operations.

**5.14** We found issues of non-compliance with personnel matters policies which included:

- Departmental leave was not always taken as required.
- Oath of secrecy was not seen on file for all officers.
- Staff did not seek permission to take leave outside of country of posting and leave destination was not always indicated on leave forms.
- Records of uncertified leave were not kept and the attendance register was not properly maintained.
- Overtime was paid in excess of 30 hours without proper written authority.
- Leave cards were not properly maintained.
- Employees who received travel allowances were paid transportation allowance for duties performed in London.
- No authority seen for uniform allowance paid to the Driver.

**5.15** Control over assets in the Commission's possession was weak. The fixed assets register did not contain current information on the value of the Office building owned by the High Commission. The register had not been updated since the property was purchased in 2002 and the inventory listing was not updated. A formal memorandum of understanding between the Government of Saint Lucia and the Government of Dominica for the jointly purchased property is still outstanding.

**5.16** Our audit revealed that passport revenue was not remitted to the Ministry of External Affairs for the financial years 2013/2014 and 2014/2015. The Commission used the revenue as security, since replenishments of the imprest were not received on a timely basis. Consequently, these revenues were not paid into the Consolidated Fund which impacts negatively on the availability of funding for activities identified in the government's overall budget. The Commission also collected revenue from renting a part of the building to the Tourist Board without the legal authority to do so. The rental revenue collected was used in part to fund operating and capital expenditure.

**5.17** Material differences were noted between the balance shown on the reconciliation statements and the actual register balance for the operating account. In addition, we observed that the balance on the business account in 2012 was £117,229.42; three years later in 2015 the balance on that account is £117,419.54 a difference of £190.12. This account was opened to facilitate payments for works that have been completed, and given its inactivity it should be closed.

**5.18** Management of financial resources includes compliance with laws, regulations and policies, adequate transparency, and appropriate internal controls to prevent excessive financial commitments and overspending. Therefore, it is incumbent on the Commission to understand, follow and uphold financial policies and procedures established by the Government of Saint Lucia. Also, the Ministry of External Affairs should conduct periodic internal reviews to ensure continued compliance with government's financial policies and accounting procedures.

## **DETAILED AUDIT FINDINGS AND RECOMMENDATIONS**

### **EXPENDITURE AND RECONCILIATION OF ACCOUNTS**

**5.19** 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
- **Budgetary information was not recorded in the High Commission's accounts**

**5.20** The High Commission used the accounting software Quickens, which was not configured to allow the entity to record the original budgets approved by Parliament and other supplementary provisions. In accordance with Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (3) (a + b), ministries and departments are required to record this information in their accounts to allow them to monitor expenditure against their approved budgets.

**Implication and risk**

**5.21** The Commission was unable to effectively monitor expenditure against budget to determine the available balance for spending so as to ensure that the amount budgeted were not exceeded.

- **The High Commission’s accounts were not reconciled**

**5.22** The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (4) (C) states: **“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”**.

**5.23** The Ministry of External Affairs did not reconcile the Commission’s accounts. As a result, we found a number of unexplained differences between the Commission’s expenditure records and the Accountant General’s expenditure accounts maintained for the Commission. Some of those differences were attributable to the non-retirement of the imprest, as well as accounting and recording issues. These differences are shown below:

<b>Year</b>	<b>Total Expenditure as per Commission EC\$</b>	<b>Total Expenditure as per Accountant General EC\$</b>	<b>Difference EC\$</b>
2012/2013	2,140,534.85	1,194,429.88	946,104.97
2013/2014	2,401,715.91	1,627,693.69	774,022.22
2014/2015	2,285,528.75	1,345,800.07	939,728.68

**Implication and Risk**

**5.24** Failure to reconcile the accounts results in errors and omissions in the accounts which may not be identified and corrected on a timely basis; which compromises the integrity of the figures appearing in the Accountant General’s accounts for the entity.

- **Expenditure was in excess of the revised estimates**

**5.25** Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10(2) states: **“An accounting officer shall maintain control over expenditure of his or her Department to ensure that the amounts provided in the Estimates are not exceeded,”**

**5.26** Our analysis of total expenditure for the three-year period revealed that actual expenditure charged to most vote accounts exceeded the revised estimates approved for these vote accounts.

**5.27** We noted that additional virement warrants needed to cover or authorize the excess expenditure were not always obtained, although there were other vote accounts with savings.



## Implication and risk

**5.28** Expenditure in excess of revised estimates is unauthorized expenditure. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the regulations.

- **Expenditure was charged to accounts not funded in the Estimates of Expenditure**

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

**5.30** 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.

**5.31** We found instances where expenditure was classified and charged to accounts that were not approved in the Estimates of Expenditure for the Commission. Details are as follows:

<b>Accounts Description</b>	<b>Expenditure Incurred £</b>	<b>Expenditure Incurred EC\$</b>
<b>2012/13</b>		
120 Grants and Contributions	70.00	310.10
Capital Expenditure	616.81	2,732.47
<b>2013/14</b>		
120 Grants and Contributions	480.00	2,126.40
<b>2014/15</b>		
120 Grants and Contributions	80.00	354.40
139 Miscellaneous	750.00	3,322.50

## Implication and Risk

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

- **Imprests were not retired in accordance with the terms of repayment**

**5.33** 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 the earlier.

**5.34** The Commission did not fully retire the imprests given at the end of each financial year in accordance with the terms of repayment. As a result, expenditure incurred by the High Commission was not completely recorded in the Accountant General's accounts.

5.35 At the end of each financial year we observed the following balances in the imprest accounts:

Imprest Number	Imprest Amount \$	Imprest Account	Opening Balance \$	Balance at Year-end \$
27/2012/13	500,000.00	4503007 0534822 1001	2,893,698.41	3,902,888.80
40/2013/14	500,000.00	4503007 0534822 1001	3,902,888.80	4,728,334.83
26/2014/15	460,955.00	4503007 0534822 1001	4,728,334.83	6,096,897.34

5.36 Also, as reported in our previous management letter imprest account “4501001-534647” that was previously used for the Commission still has an outstanding balance of \$1,977,643.84.

### Implication and Risk

5.37 If the imprest is not fully retired, all expenditure incurred by the entity will not be accurately reflected in the expenditure accounts and in the government’s financial statements at the end of the financial years.

- **Cheques were not properly cancelled**

5.38 The Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No. 120 (2) requires that each spoilt cheques be marked or stamped across its face “cancelled” and initialed by a designated officer.

5.39 For the three-year period we found twenty-nine (29) cheques issued from the operating account that were cancelled. Of these cheques twenty-eight (28) were not properly cancelled. Also, seven (7) cheques issued from the Project Account and five (5) from the Passport account were not properly cancelled.

5.40 We noted that these cheques were not endorsed cancelled and were not signed by a designated officer. In some instances they were either not endorsed cancelled or were not signed.

### Implication and risk

5.41 Failure to properly cancelled cheques can result in cheques being cancelled by unauthorized persons.

- **Evidence of receipt of funds was not seen**

5.42 The petty cash voucher makes provision for the name and signature of the persons receiving funds from the petty cash. It is expected that the name of the receiver and their signature would be affixed to the voucher.

5.43 For the sample of petty cash vouchers examined we observed a number of instances where the name and signature of the receiver was not affixed to the petty cash voucher as required.

### Implication and risk

5.44 In the absence of a signature on the petty cash voucher, there is no evidence that funds recorded as disbursed were actually received by another party.

## RECOMMENDATIONS:

- The Commission should seek to customize the accounting software to suit the requirements of the Revised Laws of Saint Lucia (Financial Regulations No 10 (3) (a & b)
- The Ministry should reconcile the High Commission's accounts with the Accountant General's accounts for the years 2013 to 2015 and prepare the necessary journals to correct errors or make adjustments in the Accountant General's accounts.
- The High Commission should 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)).
- The Ministry should obtain the supplementary provisions to cover the over-expenditure in the accounts for the financial years 2013 to 2015.
- The Ministry should obtain approval before incurring expenditure which was not budgeted.
- The Ministry should retire all outstanding imprests and resolve discrepancies in the imprest accounts.
- All cheques being cancelled should be endorsed cancelled and signed by a designated officer.
- The petty cash custodian should ensure that the name and signature of the person to whom cash was disbursed are affixed to all petty cash vouchers.

## COMPLIANCE WITH PERSONNEL MATTERS POLICIES

**5.45** 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 those policies.

- **Departmental leave was not always taken as required**

***“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.

**5.46** 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.

**5.47** 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.”

**5.48** We observed that for the period 2014/2015, four employees' leave balances exceeded the annual entitlement. Details are as follows:

Position	Leave Entitlement	Leave Balance	Difference
First Secretary	30	90	60
High Commissioner	30	49	19
Minister- Counsellor	23	37	14
Driver	18	26	8

**5.49** Five employees did not take departmental leave during the period 2012/2013 and 2013/2014, and four employees did not take their departmental leave in 2014/2015. We saw no request for deferment of leave for these officers. We were unable to determine whether departmental leave was taken by two employees because their leave cards were not updated. In two instances we observed that leave was taken in excess of the leave balance.

### Implication and Risk

**5.50** When departmental leave is not taken, it results in an accumulation of leave in excess of annual entitlement. This situation places an additional financial burden on the government's financial resources since the entity has to seek a replacement for this officer who will have to proceed on an extended leave due to the excessive accumulation of leave balance. Also, persons 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 leave than their entitlement.

- **Leave cards were not properly maintained**

**5.51** We found that leave cards maintained at the High Commission in London were not updated for all employees. The leave cards were last updated in 2012. As a result, we were unable to verify whether persons took the quantum of leave to which they were entitled. In addition, sick leave taken was not always recorded and some information was written in pencil on the leave cards.

**5.52** We also observed that the newly appointed Administrative Secretary uses a leave card which does not contain all necessary information such as leave entitlement and leave eligibility. Also, no provision is made on the leave card to capture information relating to certified and non-certified sick leave.

**5.53** The leave cards maintained by the Ministry of External Affairs for the High Commission's staff were also not updated. Consequently, the leave balances calculated for four officers were incorrect.

### Implication and risk

**5.54** The High Commission does not have accurate information on file to support leave balances of employees. This may result in persons taking leave in excess of the entitlement.

- **Staff did not seek permission to take leave outside country of posting and leave destination was not always indicated on leave forms**

**5.55** Order 10.6 of the Orders for the Saint Lucia Foreign Service states that leave may not be spent outside the country of posting except with the permission of –

- The Minister in the case of Heads of Mission;
- The Permanent Secretary in the case of other pensionable officers.

**5.56** There were a number of instances when officers of the High Commission of London spent their leave outside the country of posting without seeking permission to do so.

**5.57** In other instances, the officers did not indicate the place where the leave was to be spent on the leave form. Therefore, we were unable to determine whether the officers complied with the requirement in those instances.

### **Implication and Risk**

**5.58** Persons who proceed on leave outside country of posting without seeking permission to do so are in violation of the Foreign Service Order No.10.6. The Commission will not be in a position to provide information on staff whereabouts or to contact staff in the event of an emergency.

- **Records of uncertified absences were not kept and attendance register was not properly maintained**

**5.59** The Staff Orders require that all uncertified absences which exceeds ten working days a year (12 for officers working a 6 day work week) to 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 which should be forwarded to the Ministry monthly.

**5.60** The High Commission did not maintain records of uncertified leave for the period audited. Also, employees did not always record the times they reported for work and the times they left Office in the attendance register maintained by the Commission. The attendance register was maintained for the periods February 2014 to December 2014 and March 2015 to July 2015. We did not see an attendance register for the period April 2012 to January 2014 and January to February 2015.

### **Implication and risk**

**5.61** If punctuality and regularity are not monitored, employees may accumulate uncertified absences in excess of entitlement, without those extra days being deducted from their leave balance. Persons may also work less than the number of hours stipulated and paid.

- **Oath of secrecy was not seen on file for all officers**

**5.62** According to the Saint Lucia Foreign Service Order No. 2.10 (1) and (2) every officer who has not previously done so shall sign 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.

**5.63** We examined the personnel files of the Administrative Secretary appointed in June 2013 and the Minister Counsellor appointed in August 2012, but did not see a signed oath of secrecy on their files.

**5.64** In past management letters we highlighted this deficiency to management and recommended that staff sign the prescribed declaration of secrecy at the time he/she assumes duty. Despite our recommendations, we still found this deficiency at the High Commission.

## Implication and Risk

**5.65** Officers are exposed to confidential information with no written declaration to ensure that they do not disclose sensitive and confidential information obtained in the course of their duties. This increases the risk that employees may disclose such information.

- **Overtime was paid in excess of 30 hours without proper written approval**

**5.66** When officers are required to work outside normal working hours, overtime of a maximum of 30 hours is paid at the prescribed rate. If officers are required to work above these hours, the Ministry or Department should seek approval from the Ministry of Finance to pay the excess overtime. This measure was implemented in order to control costs and keep overtime payments at a minimum.

**5.67** We found that overtime was paid for hours exceeding thirty hours without the authority of the Ministry of Finance. For a sample of overtime audited we found one hundred and twelve (112) hours paid to the driver were not authorized. The total paid for unauthorized hours was £2,034.33. Details are as follows:

Date	Number of Hours claimed	Hours in Excess of maximum	Amount Paid £	Excess Paid £
13.04.12	39	9	664.71	140.22
01.08.12	50	20	986.60	363.50
03.08.12	52.75	22.75	902.29	434.90
17.08.12	46.50	16.50	817.89	257.07
13.08.13	38.50	8.50	621.89	154.49
20.09.13	41.25	11.25	691.98	224.59
30.06.14	39.50	9.50	698.45	197.32
12.09.14	44.50	14.50	729.64	262.24
<b>TOTAL</b>	<b>352</b>	<b>112</b>	<b>6,113.45</b>	<b>2,034.33</b>

## Implication and risk

**5.68** The overtime payments are unauthorized as the Ministry of Finance did not approve the excess. When overtime payments are not controlled and kept at a minimum it will negatively impact budgetary appropriations.

- **Employees were paid travel allowances and transportation for duties performed in London**

**5.69** According to the Orders for the Saint Lucia Foreign Service, officers who are required to use their motor cars in performance of their official duties are eligible for the payment of a travel allowance at rates determined by the Minister responsible for Finance. (Orders for the Saint Lucia Foreign Service chapter VII 9.3)

**5.70** The Chapter VII section 9.4 of the Orders further indicated that officer who are required to perform their duties of their posts away from the cities where their missions or consular posts are located are eligible for the payment of transportation at rates approved by the Minister.

**5.71** Four (4) officers at the High Commission were paid travel allowance. These officers were:

Vice Consul	£200.00
Administrative Secretary	£150.00
Minister-Counsellor	£350.00
First Secretary	£200.00

**5.72** The travel allowances paid to these officers is an indication that they are required to use their motor vehicles in the performance of their official duties. However, we were informed that the allowance paid to these officers is to facilitate travel between their place of residence and work.

**5.73** We observed that payments of transportation cost were made on behalf of the Vice Consul, Administrative Secretary and First Secretary for pick up and drop off in London. However, given the fact that the Orders require that transportation allowance be paid when duties are performed away from the city where the High Commission is located, transportation should not have been paid for these officers.

#### **Implication and risk**

**5.74** These payments were not in keeping with the requirements of the Orders and resulted in additional cost for the High Commission.

- **No authority seen for uniform allowance paid to Driver**

**5.75** We observed that a uniform allowance of £400.00 was paid to the driver; however the authority for the payment of this allowance was not substantiated. We are aware that drivers are entitled to a uniform allowance of EC\$400.00; however, the allowance given to the driver in London is in excess of the approved allowance as per the Collective Agreement in effect.

#### **Implication and risk**

**5.76** In the absence of specific rates for uniform allowance to drivers of the foreign missions many of these entities will be paying discretionary amounts to officers which can easily lead to misappropriation of government's funds.

#### **RECOMMENDATIONS**

- **Leave balances should be monitored to ensure that employees take their leave when it is due. If leave cannot be taken, a request should be made for deferment of such leave.**
- **The High Commission should as a matter of priority liaise with the Ministry of External Affairs to update all leave cards. In addition, all entries on leave cards should be done using indelible ink.**

- The Ministry of External Affairs should ensure that leave destinations are recorded on all applications and advise staff of the need to seek permission if leave is to be taken outside their country of posting.
- The High Commission should maintain records of uncertified absences and put measures in place to ensure that employees sign the attendance register.
- All employees who have not signed an oath of secrecy should be made to do so, and all new employees should sign the oath of secrecy upon employment.
- Approval should be sought for all overtime payments above the authorized limit.
- The High Commission should desist from paying transportation cost to travelling officers who perform duties within the city where the High Commission is located.
- The Ministry of External Affairs should seek to regularize the uniform allowance paid to drivers at the Foreign Missions.

## ACCOUNTING FOR REVENUE

- **Passport revenue was not always paid into the Consolidated Fund**

**5.77** Revenue collected for passport purposes is expected to be paid in to the Accountant General for credit to the appropriate revenue account. Also, under Government's modified cash basis of accounting revenue should be recorded in the year it is received.

**5.78** At the end of the financial year 2012/13 passport revenue of £25,450.20 was sent to Head Office for credit to the Consolidated Fund. Subsequent to that financial year revenue collected from the sale of passports and other Consular services was not sent to Head Office. Therefore, at the end of the audited period passport revenue of £62,165.26 was not remitted to Head Office for credit to the Consolidated Fund. Details are provided in the table below:

Financial Year	Revenue as per Revenue Statement £	Revenue sent to Head Office £	Date sent to Head Office	Balance Due £
2012/13	25,450.19	25,450.20	19.02.13 - £21,410.68	
			24.04.13 - £4,039.51	-
2013/14	27,904.51	-		27,904.51
2014/15	34,260.75	-		34,260.75
<b>Total</b>	<b>87,615.45</b>	<b>25,450.20</b>		<b>62,165.26</b>

**5.79** We also noted that during the financial year 2014/15 an inactive passport account was closed. The balance in the account at closure was £6,529.13. These funds were transferred to the active passport account.

**5.80** The assisting officer informed that passport funds serves as security for the High Commission as funds from replenishment of the imprest were not received in a timely manner.



## Implication and Risk

**5.81** Revenue to support the government's budget is derived from the revenue generating activities of the government. Therefore, unpaid revenue creates budgetary constraints and impacts negatively on the availability of funding for activities identified in the budget.

- **No authority was seen for rent charged to the Tourist Board**

**5.82** All sources of revenue should be reflected in the budget and duly approved.

**5.83** During our previous audit we reported that the High Commission collected monthly rental revenue of £1,700 from the Saint Lucia Tourist Board for rental of office space.

**5.84** We found that the situation continued during the audit period. Also, this revenue was not remitted to the Accountant General but was used to fund operating expenditure.

**5.85** During the financial year 2013/14 we observed that \$102,000 representing rental income from the period April 2008 to March 2013 was transferred from the passport account to the roofing account. The balance of the rental revenue for the financial years 2013/14 and 2014/15 was also deposited to that account. These funds were used in part to finance operating and capital expenditure.

Capital expenditure included the purchase of a Mercedes Benz S350 Blue Tec L for £47,528.33. A private individual donated £33,521.68 towards the cost, and the High Commission paid the balance of £14,006.65.

**5.86** We reiterate that this practice is not in accordance with the regulations because ministries and departments should use the appropriations approved by Parliament to finance their operating expenses.

**5.87** In addition, we noted that to date there is no legal document to authorize the charge or collection of this revenue.

## Implications and Risks

**5.88** The revenue collected from rental of premises was unauthorized. The unauthorized collection of revenue may result in discrepancies between the revenue collected and the revenue deposited into the Consolidated Fund.

## RECOMMENDATION

- **The High Commission should pay in outstanding passport revenue for credit into the Consolidated Fund.**
- **The Ministry of External Affairs should take steps to obtain the appropriate authority for the collection of rental income. Further, this income should be reflected in the Ministry's budget and the amount collected should be remitted to the Accountant General.**

## BANK ACCOUNTS

- **Register balance shown on reconciliation statement did not agree with actual register balance**

**5.89** It is expected that the reconciled register balance shown on the reconciliation statement would mirror the actual register balance.

**5.90** We obtained the bank registers and cut off bank statements to verify the accuracy of the reconciliation statement for the Operating Account #803448. Though the balances were correct, we noted the following material differences between the reconciled register balance shown on the reconciliation statement and the actual balance reflected in the registers as follows:

<b>Financial Year</b>	<b>Balance as per Reconciliation Statement</b> £	<b>Balance as per Register</b> £	<b>Difference</b> £
<b>2013/14</b>	98,022.90	70,308.28	27,714.62
<b>2014/15</b>	90,182.83	118,232.26	28,049.43

**5.91** Our investigation into these discrepancies revealed that some transactions were not recorded in the registers. Details of these omissions/errors are as follows:

<b>Financial Year</b>	<b>Details</b>	<b>Amount</b> £
<b>2013/14</b>	Transfer of 26.02.14 not recorded in cashbook	27,704.62
<b>2014/15</b>	Understatement of Opening Balance in cashbook	27,704.62
	Transfer of 19.08.14 not recorded	28,049.43
	Transfer of 20.03.15 not recorded	(83,803.48)
	<b>Total</b>	<b>(28,049.43)</b>

### Implication and risk

**5.92** The information recorded in the register was not accurate which can be misleading to users. Further, this implies that the Commissioner's reports were not being scrutinized by an independent person, which increases the risk of errors.

### FOLLOW UP

- **Business Account**

**5.93** During our last audit we reported that the High Commission operated a business base tracker account (number 70871680).

**5.94** In 2009 the High Commission began a project to repair the roof of the building. To facilitate payment for works, an account was opened on April 06, 2009 number 43381285 with £20,000.00. This account was named Saint Lucia High Commission Passport Account Number Two Account. The rationale for opening this account was that since account# 70871648 was a high interest bearing one it would be prudent to transfer sums of monies periodically from this account to another account to facilitate payment without losing interest.

**5.95** We verified that during the period 2009 to 2011 monies for the repair of the roof was transferred from the high interest bearing account to this sub account from which payments were made for the works. In September 2011 the balance of account 43381285 was £47.92. At April 03, 2012, the time of the previous audit the balance in the account was £117,229.42 or approximately EC\$527,532.39.

**5.96** Based on our assessment of the use of this account we concluded that the account had served its purpose and recommended that the account be closed. However, some three years later the account remains opened. At March 31, 2015 the account had a balance of £117,419.54, an increase of only £190.12 compared with the 2012 year-end balance.

## **RECOMMENDATION**

- **The reconciliation statements should be reviewed by an independent person so that errors and omissions can be detected and corrected.**
- **The High Commission should close the business tracker account since it is no longer needed and proceeds should be paid to Consolidated Fund.**

## **MANAGEMENT OF PROPERTY, PLANT AND EQUIPMENT**

- **Asset registers and inventory listings were not updated**

**5.97** A record of assets allows for easy tracking of these assets. The Government of Saint Lucia requires accounting officers to record all inventories on an inventory listing; all equipment and furniture in a plant and equipment register and property and motor vehicles in a fixed asset register. Further, accounting officers are required to check all inventories against physical stocks on hand at least once a year as per the Revised Laws of Saint Lucia Cap. 15:01 Procurement and Stores Regulation No. 39(3) and 43 (1).

**5.98** The inventory listings, equipment and fixed asset register should be updated when new items of inventories, equipment and other assets are received, disposed or transferred to another location.

**5.99** We found that Inventories were not checked annually. A count of inventories, equipment and other assets was conducted on August 14, 2015 and differences were noted between the quantities obtained from the audit and the quantities on the inventory listings, equipment and fixed asset register.

**6.** For some of the equipment purchased during the audited period, the serial numbers were not recorded in the equipment register. Also, the location of some items of equipment that were transferred was not recorded on the inventory listings.

**6.1** Our examination of the fixed asset register revealed that the register was not updated to reflect the current market value of the Commission's Office Building. The insurable value recorded in the register was £1,900,656. During our last audit we observed that a contractor was engaged to carry out repairs to the roof of the building, which would increase the market value of the property.

**6.2** However, we noted that a valuation of the building was done for insurance purposes. The reinstatement cost of the property for insurance purposes was stated as being fairly represented by the sum of not less than £4,272,000.

### **Implication and risk**

**6.3** The Commission will be unable to keep track and to accurately account for all assets that should be in its possession. Consequently, the risk of loss misappropriation and theft of assets without detection was increased.

- **Formalized memorandum of understanding of shared property is still outstanding**

**6.4** We reported in our last management letter that the two High Commissions of Saint Lucia and Dominica signed a tentative agreement in March 2002 for the operations and management of the jointly purchased building. It was expected that a formal arrangement would be entered into by the respective Governments at a later date. To date, thirteen (13) years later the matter is still outstanding.

### **Implication and risk**

**6.5** In the event of changes in policies in terms of property usage, maintenance and security issues as a result of changes in government or high commissioners there is not any legal recourse for Saint Lucia because of the lack of a formalized memorandum of understanding.

### **RECOMMENDATIONS:**

- **The Commission should immediately update the respective registers and inventory listings.**
- **An inventory check should be done annually. The officer conducting the check should sign and date the inventory forms.**
- **Additions, transfers and disposals should be recorded as soon as they occur.**
- **As a priority the Ministry of External Affairs should seek to obtain a formalized memorandum of understanding to safeguard the government's share of the property.**

## 7. WASHINGTON EMBASSY

### BACKGROUND

7.1 The Saint Lucia Embassy in Washington is one of Saint Lucia's seven foreign missions. It was established to represent and safeguard St. Lucia's interest in Washington and to look after the welfare of Saint Lucian nationals in Washington. The Embassy was also established to ensure the protection and security of Saint Lucian nationals in Washington.

7.2 For the financial years 2011 to 2015, the Embassy's annual recurrent expenditure allocation accounted for approximately 6.7% of the Ministry's total budget; and approximately 12.88% of the combined allocation for foreign missions as illustrated in the following table:

Financial Year	Approved budget (Ministry)	Approved budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved Allocation for Embassy	Percentage of Ministry's Budget	Percentage of budget for Foreign Missions
2010/11	21,567,400	11,709,854	54.3%	1,353,487	6.3%	11.6%
2011/12	21,556,200	11,331,435	52.6%	1,286,853	6.0%	11.4%
2012/13	21,209,700	10,722,753	50.6%	1,314,509	6.2%	12.3%
2013/14	22,729,000	11,896,804	52.3%	1,627,574	7.2%	13.7%
2014/15	24,040,000	12,240,389	50.9%	1,885,937	7.8%	15.4%

### AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7.3 The purpose of the audit was to determine whether the funds allocated to the Embassy for the period audited was accurately accounted for, whether adequate internal controls were implemented over government's assets and to determine the extent to which the entity complied with government's regulations, policies and procedures.

7.4 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). The conduct of the audit was guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

7.5 The audit focused on the five (5) financial years ending March 31, 2011 to 2015. In order to meet the audit objectives, the records and operations of the Embassy were assessed against 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

7.6 We audited the operations at the Embassy which included:

- Expenditure
- Personnel Matters
- Revenue
- Cash on Bank and Cash on Hand
- Receipt Books Register

- Management of Property, Equipment and Furniture
- Government Logbooks

**7.7** The audit methodology consisted of a review of policies, regulations, procedures, systems and other relevant instructions, substantive and compliance testing and other tests of transactions and interviews with relevant personnel where it was deemed necessary.

## **EXECUTIVE SUMMARY**

**7.8** Our audit revealed that there were inadequate procedures and processes in place to manage, allocate, and monitor the Embassy's resources.

**7.9** The Embassy's expenditure accounts were not monitored or reconciled with the Central's Government accounts for the five-year period. This resulted in the Embassy incurring over and unauthorized expenditure, and significant differences between the Embassy's and Central Government's accounts.

**7.10** In addition, accounting records were not maintained in the format prescribed in the financial regulations. Expenditure was also charged to accounts that were not funded in the Estimates. There were also instances where expenditure was incorrectly classified resulting in improper accounting and budgeting of expenditure.

**7.11** We found that officers worked within the Embassy without a signed contract and one instance where an officer was hired as a consultant in an approved post without prior approval from the Ministry of the Public Service. Additionally, the Embassy did not maintain records of uncertified absences and attendance of its staff. We did not see evidence that all members of staff at the Embassy signed an oath of secrecy which is of critical importance for that institution.

**7.12** There were inadequate controls over assets. The Fixed Asset Register and Inventory listings were not updated and non-functioning inventory items were stored in a haphazard manner, which made it impossible for physical verification to be conducted. Also, government logbooks were not maintained as required by government's regulations.

**7.13** The Administrative Secretary who performs the accounting function was constantly occupied with consular duties. As a result, the accounting function was often postponed for significantly long periods of time. This contributed significantly to the non-compliance issues that we found during our audit. We are of the view that the staff of the Embassy was not given the appropriate guidance and orientation regarding proper execution of responsibilities, and policies and regulations governing their operating environment.

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

- Establishing an inefficient internal control system governing expenditure and other financial operations at the embassy and ;
- Orientation, guidance and training of staff on government's policies, procedures and regulations.

**7.15** It is critical that management implement a proper system of internal control that would enable the Embassy to function in accordance with government's policies, procedures and financial regulations. Internal control is a process designed to help an entity accomplish specific goals or objectives. It is a means by which the entity's resources are directed, monitored, and measured. It is therefore management's responsibility to ensure that an efficient system of internal control exist within the entity.

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

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

## 1. EXPENDITURE

**7.17** Our audit looked at the expenditure cycle of the Embassy for the financial years ended March 31, 2011 to March 31, 2015 which included:

- Certifying transactions
- Recording, classifying and reconciling budgetary and expenditure transactions
- Retirement of imprests
- **Expenditure under some accounts was in excess of revised estimates and budget allocations**

**7.18** According to the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 10 (2) accounting officers should maintain control over expenditure to ensure that the amount provided in the Estimates are not exceeded. In addition, budgetary allocations should not be exceeded.

Our audit of expenditure showed that the Embassy did not maintain control over its expenditure. We found several instances where actual expenditure reported by the Embassy exceeded the revised estimates and budgeted allocations as follows:

Year	Revised estimates/ allocations EC\$	Actual expenditure EC\$	Under/(Over) revised estimates EC\$
2010/11	1,448,307.00	1,732,245.14	(283,938.14)
2011/12	1,286,853.00	1,386,880.94	(100,027.94)
2012/13	1,309,509.00	1,600,628.74	(291,119.74)
2013/14	1,684,574.00	1,665,791.16	18,782.84
2014/15	1,945,937.00	1,951,741.24	(5,804.24)

**7.19 Implication and risk** - Expenditure in excess of revised estimates is unauthorized expenditure. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the regulations.

- **Expenditure in the Embassy's records was charged to accounts which were not funded in the Estimates of Expenditure**

**7.20** The Estimates of Expenditure approved by Parliament for the year details the budgets that were approved for every ministry or department. Ministries and departments are expected to spend within the limits set by the Estimates of Expenditure.

**7.21** 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.

**7.22** We found that during the financial years audited, expenditure of EC \$462,339.86 was incurred against accounts for which no budgetary or supplementary provisions were made, thus resulting in unauthorized expenditure as reported in the following table:

<b>Account Number</b>	<b>Expenditure Description</b>	<b>Amount EC\$</b>
<b>2010/2011</b>		
118	Hire of Transport	3,875.39
139	Miscellaneous	<u>4,246.51</u>
	<b>Total</b>	<b><u>8,121.90</u></b>
<b>2011/2012</b>		
118	Hire of Transport	3,117.18
139	Miscellaneous	16,276.02
20000	Capital	<u>14,834.27</u>
	<b>Total</b>	<b><u>34,227.47</u></b>
<b>2012/2013</b>		
118	Hire of Transport	4,014.25
200000	Capital	<u>39,155.77</u>
	<b>Total</b>	<b><u>43,170.02</u></b>
<b>2013/2014</b>		
118	Hire of Transport	2,322.22
132	Professional & Consultancy	191,183.50
139	Miscellaneous	<u>3,654.23</u>
		<b><u>197,159.95</u></b>
<b>2014/2015</b>		
118	Hire of Transport	551.50
132	Professional & Consultancy	<u>179,109.02</u>
		<b><u>179,660.52</u></b>
	<b>Grand Total</b>	<b><u>462,339.86</u></b>



**7.23** Also, the expenditure records maintained by the Embassy did not contain the information required by the Revised Laws of Saint Lucia, Cap 15.01 (Financial Regulation) No.10 (3) (a, b d, e & i) which require 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;”

**7.24 Implication and Risk** –Again, we need to highlight that expenditure charged to vote accounts that were not approved is a violation of government’s financial policies and procedures resulting in unauthorized expenditure. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the regulations.

- **Accounts were not reconciled and accurate expenditure information was not reflected in the Accountant General’s accounts**

**7.25** The accounts were not reconciled monthly as required by the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (4) (c).

We compared total expenditure reported in the Accountant General’s accounts against the expenditure reported by the Embassy. We noted a number of differences for each expenditure account. The following table highlights the total difference for each audited year.

Period	Expenditure as per the Embassy Records	Expenditure reported in the Accountant General’s accounts	Diff.
	EC\$	EC\$	EC\$
2010/2011	1,207,237.37	458,176.83	749,060.54
2011/2012	1,273,672.62	1,015,824.61	257,848.01
2012/2013	1,823,122.52	730,185.19	1,092,937.33
2013/2014	1,867,736.19	971,317.22	896,418.97
2014/2015	1,808,239.02	1,676,065.58	132,173.44

**7.26** As a result, for the financial years audited the Accountant General’s accounts were grossly understated by a total of \$3,128,438.29.

We need to stress that management must have proper monitoring controls in place to identify discrepancies and take early corrective action.

**7.27 Implication and Risk** - When accounts are not reconciled errors and omissions in the accounts will not be detected and addressed in a timely manner. Also, accounting information will be unreliable to users for decision making purpose.

- **Imprest accounts were not retired at year end**

**7.28** For the period audited, we noted that an imprest was issued at the beginning of each year. In accordance with the terms and conditions of repayment each Imprest should have been retired at the end of the respective financial year. However, we noted that none of the imprests was retired as required, resulting in each imprest account having a carry forward balance to the next financial year.

**7.29** Imprest Account “4503002 0534824 1001” was used to record the Mission’s expenditure and replenishments for the five-year period. At the end of March 31, 2015 the accounts reflected a balance of EC\$ 4,130,347.93 as shown in the table below:

<b>Imprest No.</b>	<b>Imprest Amount\$</b>	<b>Opening Balance \$</b>	<b>Balance at Year-end \$</b>
22/10/11	400,000	196,217.23	1,339,239.89
27/11/12	400,000	1,339,239.89	1,736,968.85
26/12/13	400,000	1,736,968.85	2,734,137.23
35/13/14	375,000	2,734,137.23	3,709,512.62
25/14/15	419,936	3,709,512.62	4,130,347.93

**7.30** We further examined the accounts and noted that to date (March 2016) these imprests accounts have not been retired.

**7.31 Implication and Risk** – When imprests are not retired, all expenditure incurred by the entity will not be accurately reflected in the expenditure accounts; and in the government’s financial statements at the end of the financial year.

- **Misclassification found on the Replenishment of Imprest Statement**

**7.32** We reviewed the expenditure reports and the replenishment of imprest statements and found some instances of misclassified of expenditure.

**7.33** There were instances where the expenditure was incorrectly classified according to standard object classification on the monthly replenishment of imprest statements.

**7.34** These incorrect classifications included payment of professional and consultancy services under operating and maintenance and office and general expenses votes Personnel of the Ministry of External Affairs should thoroughly and critically review the replenishment of expenditure statements and provide the appropriate guidance to ensure proper classification of transactions.

**7.35** The replenishment of expenditure statement is the source document used to charge expenditure to the Accountant General’s accounts and forms the basis for disbursing monies to the Embassy.

**Implication and Risk**

**7.36** These expenditure accounts that were misclassified would not be accurately reflected in the government’s accounts and possibly in the financial statements if not identified and corrected.

- **Parking violations**

**7.37** We expect that government agencies would spend in accordance with the appropriations made by Parliament for that financial year.

**7.38** We found that the Mission paid for parking violations of approximately US \$390 or EC \$1,059.60 during the financial years under audit. This expenditure was classified under the vote account 116 – Operating & Maintenance.

**7.39** Although the expenditure may be deemed immaterial, however, we have been reporting this control deficiency for many years now. We recommended to the entity that if this expenditure was unavoidable given the Embassy's operating environment then the entity should find the appropriate account or make the necessary amendment to have this expenditure appropriately classified. To date this has not been done.

#### **Implication and Risk**

**7.40** When procedures are not adhered to this can result in unauthorized expenditure.

#### **RECOMMENDATIONS**

**The Ministry of External Affairs should obtain supplementary provisions to cover the over-expenditure incurred during the financial years audited.**

**The Embassy should exercise greater level of control over expenditure by complying with the financial policies governing expenditure that are given in the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation NO. 10 (2)).**

**The Accounting software in use should be customized to capture the information required by the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation NO. 10 (3) (a-i)).**

**The Embassy's expenditure accounts should be reconciled monthly.**

**Outstanding imprests should be immediately reconciled and retired and the related expenditure should be brought to account. Additionally, any excess funds from the imprest at the end of each financial year should be paid in to the Accountant General.**

**The Embassy should seek guidance on how best to classify parking violations. The Embassy should also ensure that operations are within the provisions of the Finance Act Section 20 and the Estimates of Expenditure of the Government of Saint Lucia.**

## **2. PERSONNEL MATTERS**

- **Officer was appointed to a position that was not funded**

**7.41** According to the Estimates of Expenditure for the financial year 2012/13, the position of Minister Consul was not funded for at the Washington Embassy.

**7.42** However, we found that an Officer was appointed on contract to the position of Minister Consul I during the period commencing August 01, 2012. Total allowances and salaries paid to the officer for which no provision was made was EC\$49,027.37 salary and US \$66,000.00 allowances.

**7.43** For the financial year 2013/14 the position of Minister Counsellor of the Embassy was funded in the Estimates of Expenditure.

**7.44 Implication and Risk-** Appointment of persons to posts for which no budgetary provisions were made results in over and unauthorized expenditure and increases the burden on the Consolidated Fund.

- **Discrepancies in staff appointments**

Audit noted that the contract of employment for Ambassador Sonia Johnny ended June 30, 2012. However, we noted that during the period July 2012 – October 2012 the officer continued to function in the position without a signed contract. A two year contract of employment was issued to the officer in November 2012 with the commencement date being July 2012.

**7.45** We also noted that the officer's basic salary and allowances were paid from the Embassy's bank account during the period July – October 2012.

**7.46** We also observed that Ms. Angela Cherry, Administrative Attaché attained the compulsory retirement age on September 09, 2011 and received her retiring benefits from the Government of St. Lucia. However, we noted that the officer did not relinquish the post at the time of her retirement.

**7.47** Further investigation revealed that the officer continued to receive salaries from September 10, 2011 that was paid from the Embassy's bank account. These payments were classified under professional services from her date of retirement until April 30, 2014 and again during the period November 01, 2014 to January 31, 2015.

**7.48** The Estimates of Expenditure made no provisions for this expenditure nor were supplementary budgetary seen for a "consultancy vote" at the Embassy during the audited period. In addition, we noted that payments to the officer were also classified to other expenditure accounts including "operating and maintenance".

**7.49** To date we note that the officer is still functioning in the post of Administrative Attaché. We also need to highlight that during the period September 10, 2011 to March 31, 2015, the officer was officially appointed by the Ministry of the Public Service for the nine-month period May 2014 to January 31, 2015.

**7.50** This situation is highly irregular as the retired officer functioned in an established position and was paid as a consultant in the absence of budgetary provisions.

- **Records of uncertified absences and attendance were not maintained**

**7.51** The Staff Orders 4.6 require that all uncertified absences which exceeds 10 working days in a year for officers working a 5 day week and 12 working days for officers working a 6 day work week should be 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 which should be forwarded to the Ministry monthly.

**7.52** We noted that the Embassy did not maintain records of uncertified leave during the audit period. Further, the Embassy did not maintain an attendance register.

**7.53 Implication and Risk -** If punctuality and regularity are not monitored, employees may accumulate uncertified absences in excess of entitlement, without those extra days being deducted from their leave balance. Persons may also work less than the number of hours paid.

- **Overtime paid in excess of 30 hours without proper written approval**

**7.54** When officers are required to work outside normal working hours, overtime of a maximum of 30 hours is paid at the prescribed rate. If officers are required to work above these hours, the ministry or department should seek approval from the Ministry of Finance to pay the excess overtime. This measure was implemented in order to control costs and keep overtime payments at a minimum.

**7.55** As a sample illustrated in the following table we found overtime payments for hours exceeding 30 without authority from the Ministry of Finance.

<b>Officer</b>	<b>Period</b>	<b>Hours Exceeding 30</b>
Vernon Bourne	August 30 – September 9, 2010	11
	September 11 – October 11, 2010	26.5
	September 16 – September 30	10
	January 21 – February 6, 2011	11
	May 2011	34
	September 2011	78
	October 22 – November 9, 2012	23
	February 27 – March 27, 2013	18.5
	August 2013	29.5
Ruben Tucay	September 2013	26
Paul Miranda	March 31- April 29, 2014	20
	May 30 – June 27, 2014	25
	July 31 – August 28, 2014	26

### **Implication and Risk**

**7.56** The overtime payments in excess of ceiling are unauthorized as the Ministry of Finance did not approve the excess. If overtime payments are not controlled and kept at a minimum it can impact negatively on budgetary appropriations.

- **No evidence that officers took the oath of secrecy**

**7.57** The Orders for the Saint Lucia Foreign Service No. 2.10 require all officers to sign a declaration of secrecy upon the assumption of duties. During the audit period the Embassy employed temporary drivers for short stints. We also noted the acting appointment of Melisa Joseph to the post of Vice Consul from Feb 1 – June 8 2012. However, we saw no documentary evidence in their files to conclude that they were administered the oath of secrecy.

### **Implication and Risk**

**7.58** Officers are exposed to confidential information with no written declaration to ensure that they do not disclose sensitive and confidential information obtained in the course of their duties. This increases the risk that employees may disclose such information.

## **RECOMMENDATIONS**

**The Ministry of External Affairs should ensure that contracts are renewed in a timely manner as officers should not be working without signed contracts or letters of appointment to cover their tour of duty.**

**The Ministry of External Affairs should seek to regularize the situation with the Administrative Attaché and seek appropriate authority and funding for all appointments within the Embassy.**

**The Embassy should compile monthly records of uncertified absences and submit to Head Office for forwarding to the Ministry of the Public Service.**

**The Embassy should obtain approval from the Ministry of Finance through the Ministry of External Affairs for payments of overtime in excess of 30 hours.**

**The Mission should seek to administer and have all staff sign the oath of secrecy upon employment. A copy should also be placed on their personal file.**

### **3. REVENUE**

- **Records maintained for disaster relief funds were inadequate**

**7.59** During the financial year 2010/11 the Embassy received donation/contributions of US\$28,441.00 to the Hurricane Thomas Disaster Relief Fund. Also in 2013/14 we noted a donation of US\$395 from the Diaspora for the Christmas trough.

**7.60** However, we were unable to verify whether these amounts were remitted to the Accountant General or sent in kind because the record keeping did not allow us to do so.

**7.61** On December 15, 2010 we noted a withdrawal of US \$27,841.00 from the checking account representing donations/ Contribution received during the period November 16 to December 12, 2010 to the Hurricane Tomas Relief Effort. However, we saw no evidence of the treatment of these funds that is whether these funds were remitted to the Accountant General or sent in kind as details of transaction were not maintained.

**7.62** Similarly we saw that a cheque was issued for the donation of \$395 for the Christmas trough but did not see any documentary evidence of the use. We noted that 13 barrels of goods were shipped to Saint Lucia for the Christmas trough. However, we were unable to establish the source of the goods supplied.

**7.63** Consequently, we are unable to ascertain whether the funds received for disaster relief were used for the purposes intended.

#### **Implication and Risk**

**7.64** The Mission did not have all accounting records to validate transactions incurred. When a proper or clear trail of cash transactions is not maintained, it increases the risk of misappropriation.

#### **RECOMMENDATION**

**The Mission should ensure that transactions for donations received are adequately documented.**

#### 4. CASH AT BANK

- **Some blank cheques were pre-signed**

Our inspection of unused cheques revealed that three (3) blank cheques nos. 5378-5380 were pre-signed. The Charge d’Affaire signed these cheques to enable continuity of operations in her absence.

Such practice should be discontinued because a blank, signed check may be used for any purpose and for any amount. Signing a blank check increases the possibility that a cheque could be made payable to an unauthorized payee or for an unauthorized amount.

#### Implication and Risk

7.65 This practice could lead to unauthorized expenditure being incurred.

#### Recommendation

**Cheques should be signed only when all required information is entered on them and the documents such as invoices to support them are attached. An alternative arrangement should be made to facilitate the payment of expenditure in the absence of any of the signatories.**

#### 5. RECEIPT BOOKS REGISTER

- **All required information must be recorded in the receipt books register**

7.66 Although the Embassy maintained a receipt books register as required by the Accountant General’s Circulars and the Revised Laws of Saint Lucia Chap 15:01(Financial Regulations) No. 67 (1-3) all the required information was not being recorded.

7.67 Although allocation was made for all information required by the Accountant General, information on the date and requisition number and to whom books were issued were not entered in the register. In addition, we noted that due to the information “to whom issued” not being recorded not applicable was recorded under the column for “date returned”.

#### Implications and Risk

7.68 The Embassy will be unable to keep track or accurately account for all receipt books if all required information is not recorded in the register. Consequently, receipt books can be used for unauthorized purposes without the Embassy’s knowledge.

#### RECOMMENDATION

**A receipt book register should contain all the information required by the Accountant General’s Circulars.**

#### 6. MANAGEMENT OF PROPERTY, EQUIPMENT AND FURNITURE

- **Fixed asset register was not updated**

7.69 As have been highlighted in previous reports, our review of the Embassy’s fixed asset register revealed that the information has not been updated since the original entry was made in June 1998. The insurable book value of the official residence is still shown as US \$1,433,250.00, despite annual assessed value of the property ranging from

US\$1,650,300 to US \$1,767,740 during the period.



7.70 Further review of the insurance records showed that the insurable value for the property during the period under audit remained constant at US \$1,847,431.00.

### Implications and Risk

7.71 The Embassy's record is incomplete and did not show accurate information pertinent to the insurable value of the official residence. Management will be unable to make informed decisions with inaccurate information.

### Discrepancies found on the Equipment Register and inventory listings

7.72 The equipment register and Inventory List should be updated when new items of equipment and furniture are received, or when items are disposed or transferred to another location.

7.73 We noted that although the fixed asset register and inventory lists were last updated in March 2015, a number of differences and omissions were observed when a physical count was conducted at the time of the audit (May 2015).

Item(s)	Physical Verified by Audit	Recorded on Inventory Listings	Location
<b>General Office</b>			
Fax Machine	1	0	
<b>Residence:</b>			
Carving	0	1	Living room
Masks Ornaments	0	2	Living room
Leather Club Chairs	2	1	Study
Television – JVC	1	0	Spare bedroom
<b>Arlington</b>			
Leather Executive Chair	1	0	Ambassador's Office
Computer Speakers	2	1	-do-
Guillotine – Boston 2615	1	0	Passport office
Computer Speakers	2	1	Receptionist/Driver

7.74 We also noted that some items of furniture and equipment were “unaccounted” as written in the remarks column. Although most of these items were stationery, there were a few non-expendable items. Personnel of the Embassy informed that although these items were physically verified at the time of the last audit, they were not found at the last count in March 2015. These items included:



- 1 vinyl chair;
- 1 Xerox copier stand;
- 1 Typist chair;
- 1 computer; and
- 1 book shelf.

### **Implications and Risk**

**7.75** When controls implemented for the safeguard of government assets are not adhered to, this increases the risk of unauthorized use or theft of these assets.

- **Lack of upkeep of Official Residence**

**7.76** It is standard requirement to carry out preventative maintenance of a property in order to preserve and extend its life.

**7.77** We noted that during the last three (3) years little maintenance and upkeep was done to the Ambassador's official residence

**7.78** We noticed among other things broken windows and window shades, damaged fence and gate, leaking pipes and showers.

### **Implications and Risk**

**7.79** The building shows signs of neglect which means that there is no maintenance plan for the residence. Lack of a maintenance plan increases the risk depreciation in value and burglary.

- **High volume of obsolete and damaged items and improper storage facilities**

**7.80** It is expected that a Board of Condemnation would be sought for damaged and obsolete items of furniture and equipment and that these items kept in storage would be recorded and properly packed so that they can be easily accessible.

**7.81** We noted a high volume of obsolete and damaged items recorded on the inventory listing for both the official residence and the office building in New Mexico. However, we were unable to confirm the existence of these items.

**7.82** We were shown the main storage facilities where some of these items mainly obsolete computers, printers, keyboards, speakers, and monitors were kept, however, it was impossible to physically verify the existence of these items because of the haphazard way in which they were stored.

### **Implications and Risk**

**7.83** Items recorded as being placed in storage could not be verified. There is no evidence that all items recorded as placed in storage are actually there.

## **RECOMMENDATIONS**

**The Fixed Assets Register should be updated so that the book value is reflective of the assessed value of the official residence.**

Registers and listings should be updated whenever items of furniture and equipment are acquired or disposed.

Regular and routine maintenance should be carried out on the official residence in order to maintain or increase its market value.

The Embassy should document all items placed in storage.

Assets, equipment and inventory items that are unserviceable or damaged should be listed and a request for a board of condemnation should be made to the Ministry of Finance through the Ministry of External Affairs.

Nonfunctioning items should also be properly stored to allow for easy identification.

## 7. LOGBOOKS

- Log books were not maintained

7.84 The Revised Laws of Saint Lucia Cap. 15:01 Procurement and Stores Regulation. No. 45(1) & (2) states:

(1) An accounting officer shall ensure that log books are kept in respect of each vehicle or other equipment assigned to his or her Department.

**(2) 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 or repairs;**
- (c) **authorization for travel or other operation.”**

7.85 The Embassy was provided with a Driver and maintained the following vehicles during the period:

- 2010 Lincoln Town Car ( April 01, 2010 – June 30, 2014)
- 2014 Cadillac XTS ( July 01, 2014 to Present)

7.86 However, the Embassy did not maintain a log book. Consequently, the information required by the regulation was not recorded.

7.87 **Implication and Risk** - When log books are not maintained it increases the risk of misuse of government vehicles.

### Recommendation

**A logbook with the required information in accordance with the Procurement and Stores Regulation No. 45 (2) should be maintained.**

## **8. COMPLIANCE AUDITS**

### **Surprise Survey of Constituency Councils**

#### **PURPOSE AND METHODOLOGY**

**8.1** During the period September to October, 2015 (September 21, 28 2015 and October 1, 6 and 7 2015) the Office of the Director of Audit conducted spot check audits at the following Constituency Councils:

- Gros Islet Constituency Council
- Castries City Council
- Micoud Constituency Council
- Dennery Constituency Council
- Laborie Constituency Council
- Soufriere Constituency Council
- Choiseul Constituency Council
- Vieux Fort Constituency Council

**8.2** The purpose of the spot check audits was primarily to review sample transactions, to verify the accuracy of those transactions and to assess the extent of compliance with the requirements of the Financial Regulations, specifically the internal controls governing cash operations, to enable the Director of Audit to report in accordance with Section 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

**8.3** In order to determine whether there was proper accountability for cash collection, whether transactions were sufficiently supported by proper documentation and whether cash was deposited as required and properly secured we did the following:

- Interviewed collectors of revenue to determine the operating procedures used and test checked the procedures.
- Verified receipt books distributed to the stations.
- Counted cash on hand.
- Reconciled total cash on hand with supporting documents: receipts issued, and cash book.
- Assessed the procedures in place to safeguard cash.

#### **AUDIT FINDINGS AND RECOMMENDATIONS**

- Cash was not deposited daily
- Authority for fees charged was not seen

Based on our audit findings, we made the following recommendations:

- Cash should be deposited daily

The Ministry of Social transformation should:

- seek to standardize the fees for services to ensure consistency and equity across the board.
- obtain statutory instrument to support the various fees charged by the Constituency Councils

Included below are details of our findings and suggested recommendations for improvements.

## DETAILED FINDINGS AND RECOMMENDATIONS

- **Cash was not deposited in a timely manner and in full**

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

**8.5** Four (4) out of the eight (8) constituency councils audited did not deposit cash in a timely manner. Cash was kept on hand for as long as ten (10) days before being deposited. Details of these late deposits are shown below:

Department	Date Collected	Date Deposited	Amount \$	Delay (working days)
<b>Gros- Islet Constituency Council</b>				
	24.08.15	31.08.15	530.00	5 days
	14.09.15	18.09.15	1,321.88	4 days
	04.09.15	08.09.15	170.00	3 days
	09.09.15	18.09.15	530.00	7 days
<b>Micoud Constituency Council</b>				
	25.09.15	30.09.15	53.44	3 days
<b>Choiseul Constituency Council</b>				
	18.09.15	22.09.15	50.00	2 days
<b>Vieux-Fort Constituency Council</b>				
	16.09.15	28.09.15	200.00	8 days
	18.09.15	28.09.15	100.00	6 days
	21.09.15	28.09.15	72.00	5 days
	22.09.15	28.09.15	1,134.00	4 days
	22.09.15	06.10.15	89.00	10 days

**8.6** We noted that the Gros Islet Constituency Council excess cash on hand is sometime kept at the Post Office vault which is located some distance away from the Constituency Office. Given the distance the cash has to be transported without adequate security the practice is not sufficient to avert the risks of cash being stolen and or injury to staff.

**8.7** At the Vieux Fort Constituency Council cash was not always deposited in full. For instance on September 28, 2015 there was \$1,595.00 on hand; however, \$1,506.00 was deposited. The balance of \$89.00 was kept back and was deposited on October 6, 2015.

## **Implication and risk**

**8.8** Given the inherent risk of cash the practice of infrequent deposits and not depositing revenue in full did not minimize the risk of misappropriation and theft.

## **Recommendation**

**Cash should be deposited in full on a daily basis.**

- **Authority for fees charged was not seen**

**8.9** The Constituency Councils should have a copy of all fees charged and these fees should be supported by a Statutory Instrument.

**8.10** We observed that the Councils collected revenue from several activities and a separate fee was charged for each activity. In some instances the fees charged for similar services were not standardized. For instance, fees charged for market stalls ranged from \$12 to \$40. We note however that these fees were not backed by a statutory instrument.

**8.11** We were informed at the Gros Islet Constituency Council that while there are fixed rates for the services provided there was no document outlining the fee to be levied for the services provided. The Council was at liberty to exercise their discretion especially in cases where vendors can't meet monthly rental fee for the stalls.

**8.12** We are of the view that concessions should not be given simply at the discretion of the Constituency Clerks. Such matters should be dictated by policy to ensure transparency and equity in the services provided by government.

## **Implication and risk**

**8.13** As a result, we were unable to validate the fees charged were the correct fees. Unauthorized fees were charged for services rendered.

## **Recommendation**

**The Ministry of Social transformation should:**

- **seek to standardize the fees for services to ensure consistency and equity across the board.**
- **obtain statutory instrument to support the various fees charged by the Constituency Councils.**

## **9. SURPRISE SURVEY OF CUSTOMS**

### **PURPOSE AND METHODOLOGY**

**9.1** The Office of the Director of Audit performed surprise cash counts at the Customs Offices in Rodney Bay on September 21, 2015, George FL Charles Airport on September 30, 2015 and Soufriere on October 7, 2015.

**9.2** The purpose of the spot check audits was primarily to review sample transactions, to verify the accuracy of those transactions and to assess the extent of compliance with the requirements of the Financial Regulations, specifically the internal controls governing cash operations, to enable the Director of Audit to report in accordance with Section 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

**9.3** In order to determine whether there was proper accountability for cash collection, whether transactions were sufficiently supported by proper documentation and whether cash was deposited as required and properly secured we did the following:

- Interviewed collectors of revenue to determine the operating procedures used and test checked the procedures.
- Verified receipt books distributed to the stations.
- Counted cash on hand.
- Reconciled total cash on hand with supporting documents: receipts issued, and cash book.
- Assessed the procedures in place to safeguard cash.

### **AUDIT FINDINGS AND RECOMMENDATIONS**

Based on our audit findings, we made the following recommendations:

- The balance of the cash detained should be remitted to Head Office for appropriate action. Also an investigation should be conducted into the missing cash and appropriate action taken.
- The Customs and Excise Department should require that the officers account for the shortages.
- Cash should be deposited in full on a daily basis.
- Collectors of revenue should issue a receipt for any monies received on behalf of the Government.
- The Rodney Bay Customs Office should maintain a receipt book register.

Included below are details of our findings and suggested recommendations for improvements.

### **DETAILED FINDINGS AND RECOMMENDATIONS**

- **Missing Cash**

**9.4** Our audit revealed that cash of US\$5,340.00 or EC\$14,257.80 was missing from the Customs Office at the George FL Charles Airport.

**9.5** Based on a report prepared by Customs Officer Mr. Elisha Narcisse, dated September 15, 2015, cash of US\$6,950.00 equivalent to EC\$18,556.50 was detained from Mr. Michael Gordon of the UK on September 27, 2009. The sum was placed in an envelope, details of the cash breakdown were recorded on the envelope and the envelope was stamped and sealed.

**9.6** Six years later, the exhibit was still at the department however, cash of US\$1,610.00 was verified. Therefore, cash of US\$5,340.00 equivalent to EC\$14,257.80 was missing from the Customs Department, George F.L. Charles Airport. We saw no evidence that these funds were remitted to Head Office or deposited.

**Implication and risk**

**9.7** Evidently the department lacked appropriate procedures such as reconciliation of the master sheet to the subsidiary records to help identify at the earliest any discrepancies such as cash shortages. This created an opportunity for theft and misappropriation of funds.

**Recommendation**

**The balance of the cash detained should be remitted to Head Office for appropriate action. Also an investigation should be conducted into the missing cash and appropriate action taken.**

- **Cash shortages**

**9.8** We expect that cash on hand would correspond to receipts issued.

**9.9** At the George FL Charles Airport our reconciliation of cash on hand with receipts issued revealed two shortages of \$70.12 and \$410.24. Details of these shortages are shown below:

<b>Department</b>	<b>Custodian</b>	<b>Total Receipts</b>	<b>Cash Deposited</b>	<b>Cash on Hand</b>	<b>Shortage</b>
George F.L. Charles	A. Landers	\$1,212.38	-	\$1,142.26	70.12
George F.L. Charles	E. Narcisse	\$8,263.37	\$7,730.71	\$122.42	410.24
<b>Total</b>					<b>480.36</b>

**Implication and risk**

**9.10** A cash shortage implies that cash may be lost or misappropriated.

**Recommendation**

- **The Customs and Excise Department should require that the officers account for the shortages.**
  - **Cash was not deposited in a timely manner and in full**

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

**9.12** We found that all three (3) of the Customs Offices audited did not deposit cash on a daily basis. Cash was kept on hand for as long as eleven (11) days. Some examples of late deposits are shown below:

Department	Date Collected	Date Deposited	Amount \$	Delay (working days)
Rodney Bay Customs	17.09.15- 20.09.15	21.09.15	2,875.00	4 days
George F.L. Charles	30.08.15	14.09.15	100.00	10 days
	06.09.15	17.09.15	135.00	11 days
	26.09.15	Not deposited	1,105.76	4 days
Soufriere Customs	26.09.15	06.10.15	100.00	10 days
	02.10.15	06.10.15	225.00	5 days

**9.13** In addition, we found that even when a deposit was made not all cash on hand was included. For instance the cash collected on September 6, 2015 at the George FL Charles Airport was on hand; however, we noted a deposit that was made on September 14, 2015.

**9.14** Also, at the George FL Charles Airport, cash on hand on August 23, 2015 totaling \$644.76 were not deposited on August 25, 2015 when a deposit was made and cash totaling \$75.00 collected on September 6, 2015 was not deposited on September 9, 2015 when a deposit was made. To date no evidence was seen of these amounts being deposited.

**9.15** At the Soufriere Customs Office, cash of \$25 collected as per B receipt number 1766284 on October 6, 2015 was not deposited when a deposit was made on October 7, 2015.

### Implication and risk

**9.16** Given the inherent risk of cash the practice of infrequent deposits and not depositing revenue in full did not minimize the risk of misappropriation and theft.

### Recommendation

**Cash should be deposited in full on a daily basis.**

- **Personal monies were kept in the cash till provided for public money**

**9.17** It is a requirement of the Revised Laws of Saint Lucia Cap 15.01, Financial Regulation No. 138 (1) and (2) that private monies and effects shall not be kept in any strong room or safe provided for the security of public money, stamps, securities and other financial instruments. Where private money is found in any strong room or safe provided for Government use, it is liable to be confiscated and deposited to general revenue.

**9.18** One of the Custom's officers at the George FL Charles indicated that some of the cash kept in the cash box, which was provided for safe keeping of public money, belonged to his son. However, the Officer was unable to tell us the exact sum of cash that belonged to his son.

### Implication and risk

**9.19** This comingling of public and private monies could result in public funds being used for personal use and vice versa. Private monies found in public receptacles can be confiscated.



## Recommendation

**Employees should desist from the practice of keeping their personal monies in receptacles provided for securing public funds.**

- **Deposits were not supported by receipts issued**

**9.20** According to the Revised Laws of Saint Lucia Cap. 15.01, Financial Regulations No. 45(2) a collector of revenue shall issue an official receipt for each sum received by him or her except that, in the case of the Comptroller of Customs, a duly stamped, signed and numbered copy of a customs entry shall serve as a receipt.

**9.21** At the George F.L. Charles Airport, we noted two (2) instances where cash was deposited; however, we did not see the receipts to support the cash deposited. The deposits were made on September 16 and 21, 2015 for the sums of \$76.13 and \$110.00 respectively.

## Implication and risk

**9.22** 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

**Collectors of revenue should issue a receipt for any monies received on behalf of the Government.**

- **Receipt Books were not properly secured**

**9.23** In keeping with the requirements of Revised Laws of Saint Lucia Cap.15.01, Financial Regulations No. 130), supplies of stamps, receipt forms, cheque books and any securities and other financial instruments received on behalf of the Government should be secured in a strong room or safe and should not be removed except on requisition by an authorized officer.

**9.24** We found that receipt books at the Customs Office of the George F.L. Charles Airport were not properly secured. They were kept in a cabinet which was not equipped with a functional lock and key. We observed that the cabinet was faulty to the point that the individual drawers could not be fully closed.

## Implication and risk

**9.25** Unsecured receipt books increase the risk of unauthorized access of these books that can be used for fraudulent purposes.

## Recommendation

**Receipt books should be properly secured at all times.**

- **A receipt book register was not maintained**

**9.26** The Revised Laws of Saint Lucia Cap. 15.01, Financial Regulations No. 67 (2) requires every collector of revenue holding stocks of revenue receipt forms to maintain a stock register as approved by the Accountant General.

**9.27** We observed that the Rodney Bay Customs Office held stocks of receipt books; however, a receipt book register was not maintained.

**Implication and risk**

**9.28** Maintaining a receipt book register in the manner prescribed assists in keeping track of and accounting for receipt books. If a register is not maintained it increases the risk of unauthorized use of these books for fraudulent purposes without detection.

**Recommendation**

**The Rodney Bay Customs Office should maintain a receipt book register.**

## **10. SURPRISE SURVEY OF FIRE STATIONS**

### **PURPOSE AND METHODOLOGY**

**10.1** During the period September to October, 2015 (September 21, 24 and October 6 and 7) the Office of the Director of Audit conducted spot check audits at the following Fire Stations:

- Gros Islet Fire Station
- Dennery Fire Station
- Micoud Fire Station
- Vieux Fort Fire Station
- Soufriere Fire Station

**10.2** The purpose of the spot check audits was primarily to review sample transactions, to verify the accuracy of those transactions and to assess the extent of compliance with the requirements of the Financial Regulations, specifically the internal controls governing cash operations, to enable the Director of Audit to report in accordance with Section 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

**10.3** In order to determine whether there was proper accountability for cash collection, whether transactions were sufficiently supported by proper documentation and whether cash was deposited as required and properly secured we did the following:

- Interviewed collectors of revenue to determine the operating procedures used and test checked the procedures.
- Verified receipt books distributed to the stations.
- Counted cash on hand.
- Reconciled total cash on hand with supporting documents: receipts issued, and cash book.
- Assessed the procedures in place to safeguard cash.

### **AUDIT FINDINGS AND RECOMMENDATIONS**

- Missing cash
- Cash was not deposited daily
- A receipt book register was not maintained
- Cash and receipt book were not properly secured

**10.4** Based on our audit findings, we made the following recommendations:

- The Officer at the Dennery Fire Service should deposit all cash on hand immediately and desist from the practice of taking government's cash to his home.
- Cash should be deposited on a daily basis.
- The Gros Islet and the Vieux Fort Fire Stations should maintain a receipt book register.
- The Fire Service should as a matter of priority, procure cash tills for all revenue collection points and assess the security of furniture (desks, filing cabinets) with the intention of installing security locks for ensuring the security of cash and receipt books.

**10.5** Included below are details of our findings and suggested recommendations for improvements.

## DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

- **Missing cash**

**10.6** At the Dennery Fire Service we verified receipts of \$175.00 comprising receipt #1583666 for \$125.00 dated 12/09/2015 and receipt # 1583667 for \$50.00 dated 18/09/2015. However, the cash to support the receipts issued was not given to us for verification. The officer informed that he was not satisfied with the security arrangements at the station so he secured that cash in a vault at his house.

**10.7** We note that there were eight working days between the first collection and the date of the survey which was September 22, 2015. Therefore, there was ample time for the officer to deposit the cash as required by the regulations.

### Implication and risk

**10.8** Given the explanation provided, cash in support of receipts issued could not be verified at the station. Consequently, there is a risk that the cash could have been misappropriated.

### Recommendation

**The Officer at the Dennery Fire Service should deposit all cash on hand immediately and desist from the practice of taking government's cash to his home.**

- **Cash was not deposited in a timely manner**

**10.9** The Revised Laws of Saint Lucia Cap. 15.01, Financial Regulations No. 45 (1) requires that collectors of revenue other than a sub-accountant who receives any duties, taxes, licenses, fees, levies, rents or other public monies, whether or not forming part of the revenues of the Government of Saint Lucia pay the whole of the amounts received daily either into a bank to credit the Consolidated Fund Services Account or to the Accountant General or to the sub-accountant and shall obtain a receipt for the amounts paid in.

**10.10** Three (3) out of five (5) fire stations audited did not deposit cash in a timely manner. Cash was kept on hand for as long as seventeen (17) days. Details of some these late deposits are shown in the table below:

Department	Date collected	Date Deposited	Amount \$	Delay (working days)
<b>Micoud Fire Station</b>				
	24.08.15	31.08.15	170.00	5 days
	01.09.15	Not deposited as at 24.09.15	60.00	17 days
	09.09.15	Not deposited as at 24.09.15	60.00	11 days
<b>Vieux Fort Fire Station</b>				
	02.09.15	25.09.15	50.00	17 days
	09.09.15	25.09.15	100.00	12 days

Department	Date collected	Date Deposited	Amount \$	Delay (working days)
	10.09.15	25.09.15	400.00	11 days
	12.09.15	25.09.15	55.00	10 days
	29.09.15	06.10.15	190.00	5 days
	30.09.15	06.10.15	400.00	4 days
<b>Soufriere Fire Station</b>				
	18.09.15	01.10.15	60.00	9 days
	21.09.15	01.10.15	50.00	8 days
	22.09.15	01.10.15	15.00	7 days
	27.09.15	01.10.15	15.00	4 days

### Implication and risk

**10.11** The risk of loss or misappropriation of cash is increased when cash is not deposited in a timely manner. The Government also risk the loss of interest that could have been earned had these monies been deposited promptly.

### Recommendation

**Cash should be deposited on a daily basis.**

- **A receipt book register was not maintained**

**10.12** The Revised Laws of Saint Lucia Cap. 15:01, Financial Regulations No. 67 (2) requires every collector of revenue holding stocks of revenue receipt forms to maintain a stock register as approved by the Accountant General.

**10.13** A receipt book register was not maintained by the Gros Islet and the Vieux Fort Fire Stations. However, we observed that these departments had stocks of receipt books in their possession.

### Implication and risk

**10.14** Maintaining a receipt book register in the manner prescribed assists in keeping track of and accounting for receipt books. If a register is not maintained it increases the risk of loss and unauthorized use of these books for fraudulent purposes without detection.

### Recommendation

**The Gros Islet and the Vieux Fort Fire Stations should be instructed to maintain a receipt book register.**

- **Cash and receipt books on hand were not properly secured**

**10.15** According to the Revised Laws of Saint Lucia, Cap. 15:01, Financial Regulations No. 130, supplies of stamps, receipt forms, cheque books and any securities and other financial instruments received on behalf of Government should be secured in a strong room or safe and shall not be removed except on requisition by an authorized officer.

**10.16** Of the five Police Stations that were previously identified three Stations lacked appropriate receptacles such as cash tills or filing cabinets to secure cash and receipt books. In some instances, the locks on the desks and filing cabinets were defective.

**10.17** Some of the facilities where cash and receipt books security was inadequate are detailed below:

**10.18** At the Vieux Fort Fire Station, the receipt books that were not in use were kept in a filing cabinet which did not have a functional lock and key. The cash was kept in a drawer. However, the key to the drawer was kept in the filing cabinet without a lock and all other officers had access to that filing cabinet.

**10.19** The Dennerly Fire Station was not equipped with a cash till or a vault. Cash and receipt books were kept in a drawer without a functional lock. The officer-in-charge informed that there was a filing cabinet with a functional lock and key. However, he informed that he was not satisfied with the security arrangements at the station so he secures cash in a vault at his house.

**10.20** At the Micoud Fire Station there was a cash till with a function lock and key. There was a filing cabinet with a functional lock and key, however, the officer-in-charge kept the cash on him as he felt it was not safe to leave it in the office. The receipt books were kept in the filing cabinet but the officer informed that he did not have the key to the filing cabinet as the officer who previously held the post had the key in his possession.

#### **Implication and risk**

**10.21** There is an increased risk of loss, theft or misappropriation of cash if it is not properly secured. Unsecured receipt books can also be used for fraudulent purposes.

#### **Recommendation**

**The Fire Service should as a matter of priority, procure cash tills for all revenue collection points and assess the suitability of desks, filing cabinets where cash is stored with the intention of installing security locks for ensuring the security of cash and receipt books.**

## **11. SURPRISE SURVEY OF POLICE STATIONS**

### **PURPOSE AND METHODOLOGY**

**11.1** During the period September to October, 2015 (September 21-24, 29-30 2015 and October 1, 6 and 7) the Office of the Director of Audit conducted spot check audits at the following eleven Police Stations:

- Gros Islet Police Station
- Marchand Police Station
- Richfond Police Station
- Dennery Police Station
- Marigot Police Station
- Anse La Raye Police Station
- Micoud Police Station
- Canaries Police Station
- Vieux Fort Police Station
- Laborie Police Station
- Soufriere Police Station

**11.2** The purpose of the spot check audits was primarily to review sample transactions, to verify the accuracy of those transactions and to assess the extent of compliance with the requirements of the Financial Regulations, specifically the internal controls governing cash operations, to enable the Director of Audit to report in accordance with Section 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

**11.3** In order to determine whether there was proper accountability for cash collection, whether transactions were sufficiently supported by proper documentation and whether cash was deposited as required and properly secured we did the following:

- Interviewed collectors of revenue to determine the operating procedures used and test checked the procedures.
- Verified receipt books distributed to the stations.
- Counted cash on hand.
- Reconciled total cash on hand with supporting documents: receipts issued, and cash book.
- Assessed the procedures in place to safeguard cash.

### **AUDIT FINDINGS AND RECOMMENDATIONS**

- Cash was not deposited daily
- A receipt book register was not maintained
- Not all unexecuted warrants were presented for verification
- Not all warrants were recorded in the warrants register

**11.4** Based on our audit findings, we made the following recommendations:

- Cash should be deposited on a daily basis.
- The Micoud and Canaries Police Stations should maintain a receipt book register.
- All warrants out for execution should be duly recorded in the register and periodic reconciliation of warrants should be conducted.
- All warrants should be recorded in the register upon receipt.

## DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

### ▪ **Cash was not deposited daily**

**11.5** The Revised Laws of Saint Lucia Cap. 15.01, Financial Regulations No. 45 (1) requires that collectors of revenue other than a sub-accountant who receives any duties, taxes, licenses, fees, levies, rents or other public monies, whether or not forming part of the revenues of the Government of Saint Lucia pay the whole of the amounts received daily either into a bank to credit the Consolidated Fund Services Account or to the Accountant General or to the sub-accountant and shall obtain a receipt for the amounts paid in.

**11.6** We found that out of the eleven Police Stations audited, four (4) Stations namely the Vieux Fort, Marchand, Gros Islet and Soufriere Police Stations did not deposit cash on a daily basis.

**11.7** At the Vieux Fort Police Station cash was kept on hand for periods ranging from 2 days to twenty-one days.

**11.8** At the Soufriere Police Station we found \$1,622.16 on hand at the time of the survey (October 7, 2015). This sum represented an accumulated of cash from the period September 21, 2015 to October 06, 2015.

### **Implication and risk**

**11.9** The risk of loss or misappropriation of cash is increased when cash is not deposited in a timely manner. The Government also risk the loss of interest that could have been earned had these monies been deposited in a timely manner.

### **Recommendation**

**Cash should be deposited on a daily basis.**

### ▪ **A receipt book register was not maintained**

**11.10** The Revised Laws of Saint Lucia Cap.15.01, Financial Regulations No. 67 (2) requires every collector of revenue holding stocks of revenue receipt forms to maintain a stock register as approved by the Accountant General.

**11.11** The Micoud and Canaries Police Stations did not maintain a receipt book register. We observed that both stations were in possession of stocks of receipt books.

### **Implication and risk**

**11.12** Maintaining a receipt book register in the manner prescribed assists in keeping track of and accounting for receipt books. If a register is not maintained it increases the risk of unauthorized use of these books for fraudulent purposes without detection.

### **Recommendation**

**The Micoud and Canaries Police Stations should maintain a receipt book register.**

### • **Not all unexecuted warrants were presented for verification**

**11.13** Our examination of the warrants registers revealed instances where unexecuted warrants were not on hand. There was no record in the registers to indicate that they had been assigned to any of the officers for execution at the time of the survey.



**11.14** Three (3) Police Stations could not account for a combined thirty six (36) warrants that had not been executed. No explanation was provided for these warrants not being on hand at the time of the check. The stations and the number of warrants which were not physically verified are as follows:

<b>Location</b>	<b>Number of Warrants Not physically verified</b>
Richfond Police Station	3
Micoud Police Station	26
Vieux Fort Police Station	7
<b>Total</b>	<b>36</b>

#### **Implication and risk**

**11.15** The absence of these warrants at the station and on record increases the risk that these warrants may be misplaced and not be served to the intended recipient.

#### **Recommendation**

**All warrants out for execution should be duly recorded in the register and periodic reconciliation of warrants should be conducted.**

- **Not all warrants were recorded in the warrants register**

**11.16** It is expected that all warrants would be recorded in the warrants register upon receipt.

**11.17** At the Micoud Police station we observed six warrants on hand that were not recorded in the warrants register. Also, at the Vieux Fort Police Station we found three (3) warrants that were not recorded in the register.

#### **Implication and risk**

**11.18** If warrants are not recorded upon receipt the Police Stations will be unable to keep track or accurately account for all warrants which should be in their possession. Consequently, these warrants could be misplaced or be used for fraudulent purposes without detection.

#### **Recommendation**

**All warrants should be recorded in the register upon receipt.**

## 12. VERIFICATION OF RETRIEMENT BENEFITS 2015/2016

12.1 We verified computations for two hundred and nine (209) payments for retiring, ex-gratia awards and death benefits totaling \$19,234,560.63, and one hundred and eleven (111) contract gratuity payments totaling \$3,137,603.80 which were paid during the financial year 2014/15. The benefits paid were broken down as follows:

<b>Benefits</b>	<b>Amount Paid \$</b>	<b>No. of Payments Made</b>
Pension & Gratuity	18,479,802.63	147
Death Gratuity	492,220.49	5
Ex-gratia Awards	262,537.51	57
<b>Total</b>	<b>19,234,560.63</b>	<b>209</b>
Contract Computations	3,137,603.80	111
<b>Total</b>	<b>22,372,164.43</b>	<b>320</b>

12.2 During the verification the following observations were made, details of which are highlighted in the attached appendices to the report.

### **Retiring Gratuity: (Appendix 1)**

12.3 We noted two instances of underpayment of gratuity, one of overpayment and four instances of discrepancies in the payment of salary to retired officers due to the following:

- The incorrect period of qualifying service was used in the computation of one officer, resulting in an underpayment of gratuity of \$642.05 and annual reduced pension of \$128.44;
- A period of acting appointment was not included in the computation of the qualifying service for one officer resulting in an underpayment of gratuity of \$6,062.95 and annual reduced pension of \$1,212.59;
- One officer was overpaid gratuity of \$3,808.35 and annual reduced pension of \$761.67, as service at the age of seventeen was included in the computation contrary to the Pension Act Section 21, Chapter 15.26 of the Revised Laws of Saint Lucia 2013. In addition, overpayment of salary to the officer of \$18,054.40 was not deducted from the officer's gratuity payment;
- One officer who retired with effect from September 10, 2014, received salary of \$4,860.19 for the month of September, 2014. Another officer (teacher) who retired with effect from August 04, 2014 received salaries for the months of August and September 2014;
- In another instance the overpayment of salary was incorrectly calculated and deducted from the officer's retiring benefit. The overpayment calculated and deducted was \$791.52. We verified a figure of \$970.83.

**Contract Gratuity:  
(Appendix 2)**

- Tax payable of \$3,280.63 was not deducted from the gratuity paid to an officer.
- The incorrect salary was used in the computation of three (3) officers' gratuity resulting in two overpayments which totaled \$423.55 and one underpayment of \$1,239.72.
- One officer's contract gratuity was correctly computed as \$26,861.05 however, the officer was paid \$28,861.05 which resulted in an overpayment of \$2,000 to the officer.

**12.4** We also noted the following discrepancies in the Accountant General's accounts:

- Of the five death gratuities paid, four payments totaling \$344,192.99 were incorrectly posted to the Ex-gratia expenditure account (4402007-0104004), instead of the death gratuity expenditure account (4402007-0104006);
- One Ex-gratia payment of \$5,000.00 was incorrectly posted to the retiring account (4402007-1014001);

**Recommendation**

**We recommend that management takes the necessary steps which will ensure that the amounts overpaid by the government are recovered, amounts underpaid are made good to the officers and that computations are carefully verified before they are processed.**

### 13. PERFORMANCE AUDIT

13.1 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.*

13.2 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.

13.3 During the latter part of the financial year we commenced work on a performance audit of the Bois d'Orange Bridge Reconstruction under the Hurricane Thomas Reconstruction Project. The audit is ongoing. The report will be issued to Parliament under separate cover.

## 14. AUDIT OF STATUTORY BODIES

### SAINT LUCIA BUREAU OF STANDARDS (SLBS)

14.1 The Office of the Director of Audit undertook the audit of the financial statements of the St. Lucia Bureau of Standards for the financial years ended March 31, 2015 in accordance with Section 29 (2) of the standards Act which states:

- (2) ***Accounts kept in accordance with subsection (1) shall be submitted to be audited with vouchers to the Director of Audit or such other auditor as the Minister may approve.***

14.2 The Saint Lucia Bureau of Standards is a statutory body established by the Standards Act Chapter 13.25 of the Laws of St. Lucia. Under this legislation SLBS is responsible for the development and promotion of quality, standards and codes of practice for products and services to ensure the protection of health and safety of consumers and the environment as well as industrial development to propel the development of the St. Lucian economy.

14.3 In addition SLBS administers the Metrology Act and Regulations Chapter 13.18 of the Laws of St. Lucia. This legislation gives the SLBS the responsibility to maintain the National measurement Standards and to ensure control over various types of measurement equipment used in trade and also the provision of metrology services. SLBS has the responsibility for managing and coordinating the metrication of Saint Lucia.

14.4 The affairs of the SLBS are governed by a Standards Council who is the policy making arm of the institution and a Director who is responsible for the daily operations of the SLBS.

14.5 The audit was substantially completed in February 2016 at which time a management letter was issued to the Council. Subsequently, the draft financial statements and auditors report were submitted for review.

14.6 The report will be tabled in accordance with Section 30 of the Standards Act which states:

- (1) The Bureau shall, as soon as practicable after the end of each financial year, cause to be made and transmitted to the Minister—
- (a) a statement of its accounts audited in accordance with section 29(1);
- (2) The Minister shall cause a copy of the report together with the annual statement of accounts and the auditor's report thereon to be laid on the respective tables of both Houses of Parliament.

### Internal Controls

14.7 The St Lucia Bureau of Standards internal control over financial reporting is designed to provide reasonable assurance regarding the accuracy and reliability of information contained in the financial statements. As such internal controls over financial reporting include those policies and procedures that:

- (1) pertain to the maintenance of sufficient, accurate and detailed records that accurately and fairly reflect the transactions of the St Lucia Bureau of Standards;
- (2) provide reasonable assurance that receipts and expenditures are properly authorized and that transactions are accurately recorded so as to permit the preparation of financial statements in accordance with the International Financial Reporting Standards.

14.8 In performing the audit we looked at the internal control system.

**14.9** Our audit disclosed significant internal control weaknesses in the financial management system of the St. Lucia Bureau of Standards. We identified several instances where controls did not exist or if they existed they were circumvented or intentionally not complied with to accommodate the operations of the Bureau. These control breakdowns resulted in several issues of non-compliance with established procedures.

**14.10** The details of the weaknesses noted are highlighted below.

- Policies and procedures over expenditure were not always followed
- Shoe allowance was not paid to all Inspectors and uniforms were not issued as required
- Some salaries paid were above the maximum of the scale
- Inconsistencies in the calculation of supervisory pay
- Underpayment of gratuity
- Advances granted were not in accordance with the Bureau's policies
- Outstanding amounts due from employees were not recorded as receivables
- Cheques were not properly cancelled
- Not all supporting documents were submitted for auditing
- Bank reconciliation statements were not reviewed and were inaccurate
- Two bank accounts were not reconciled
- Cash was not always deposited within two days of receipt
- The fixed asset register was not properly maintained
- Policy for bad debts and provision for bad debts not yet developed

**14.11** The Bureau's vulnerability to future loss needs to be minimized or eliminated. In this regard, our audit concluded that there is need to strengthen the financial management system. Management needs to take action to ensure that staff comply with all established procedures and enforce existing internal controls and or implement additional internal controls over its financial operations.

**14.12** We made specific recommendations to achieve compliance with established procedures and internal controls within the operations of the Bureau.

## **15. CAROSAI SECRETARIAT**

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

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

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

**15.3** Presently there are twenty two (23) member Supreme Audit Institutions (SAIs) of CAROSAI - Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands (BVI), Curacao, Dominica, Haiti, Cayman Islands, Guyana, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Saint Maarten, Suriname, Turks and Caicos Islands, Trinidad and Tobago and Jamaica.

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

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

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

**15.6** The Caribbean Organization of Supreme Audit Institutions (CAROSAI) secured financing toward the cost of a project Strengthening Country Systems for Better Investment Results. The overall objective of the project is to improve the ability of the Caribbean countries to more effectively implement capital investment projects and deliver on their development agenda, by enhancing the capacity of their country systems and institutions, with particular focus on accountability including legislative oversight and public procurement.

**15.7** The project is being implemented using a stratified implementation approach. The initial activities of the project will be focused in three pilot countries, Guyana, Grenada and St. Lucia in the first 12 – 16 months, thereafter the project materials and tools will be disseminated throughout the member countries during planned regional workshops and meetings.

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

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

- Dissemination of information
- Preparation for the X Congress of CAROSAI
- Preparation for Regional Workshop on Parliamentary Oversight
- Hosting of local training on audit of capital projects
- Hosting of local training on Parliamentary Oversight