



Government of St. Lucia

**Special Audit Report**  
**On**  
**The Management of cash in**  
**selected secondary schools**



## OFFICE OF THE DIRECTOR OF AUDIT

### MISSION STATEMENT

*To promote greater accountability in the Public Service through a professional approach to monitoring and reporting on whether monies appropriated by Parliament were applied as appropriated; whether expenditure conforms to the authority that governs it; and on the efficiency, economy, and effectiveness of government spending.*

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The Director of Audit extends sincere appreciation to the audit team and to other staff who contributed toward this audit report.

## **INTRODUCTION**

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

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

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

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

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

## BACKGROUND

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

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

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

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

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

## **AUDIT OBJECTIVES**

The objectives of our audit were to determine:

### **Grants, subventions, and donations**

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

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

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

### **Record keeping**

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

### **Monitoring and supervision**

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

## **AUDIT SCOPE AND APPROACH**

Our audit covered three years from April 2008 to March 2011.

We examined nine secondary schools, which included the two assisted schools, and seven primary schools in District 2. Our sample represents 38 percent of the secondary schools and 9 percent of the primary schools. (See appendix 1 for details)

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

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



## FINDINGS AND RECOMMENDATIONS

### Grants, Subventions, and Donations

- **Only two assisted schools received grants and subventions from Government**

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

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

The Ministry could not provide the authority or policy position for the awarding of grants and subventions to these schools.

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

## Recommendation

***The Ministry should establish policy guidelines for the grants and subventions given to the assisted schools.***

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

### Facilities fees and other revenue activities

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

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

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

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

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

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

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

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

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

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

**Recommendation:**

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

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

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

**Record Keeping**

● ***Cash records were incomplete and inaccurate***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We found that petty cash payments were not always recorded. Some schools spent beyond their petty cash limit and payments were not supported by bills or vouchers. Most schools simply spent out of the cash collected for specific activities and called it petty cash. We found little evidence that funds were replenished as required.

#### **Recommendation**

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

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

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

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

#### **Monitoring and supervision by the Ministry**

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

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

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

A record was made of the frequency of submissions by schools, but we saw no evidence of feedback to schools on those reports. The Ministry sent notices to bursars from time to time on the format of cash records however, the bursars indicated that those notices were too infrequent.

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

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

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

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

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

***Recommendation***

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

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

## **CONCLUSIONS**

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

### ***Grants, subventions and donations***

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

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

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

### ***Record keeping***

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

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

### ***Monitoring and supervision***

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

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



## APPENDIX I

### TOTAL POPULATION

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

### SAMPLE SIZE

	Secondary Schools	District	Category	Bursar
1	St. Mary's college	2	Assisted School	1
2	St. Joseph's Convent	3	Assisted School	1
3	Sir Ira Simmons secondary	2	Non Assisted	1
4	Marigot Secondary	4	Non Assisted	1
5	Piaye Secondary	7	Non Assisted	1
6	Babonneau Secondary	1	Non Assisted	1
7	Vieux-Fort Secondary	6	Non Assisted	1
8	Soufriere Comprehensive	8	Non Assisted	1
9	Vide Boutielle Secondary	2	Non Assisted	1
	<b>Primary Schools</b>			
1	Vide Bouteille Combined	2		1
2	Carmen Rene Memorial	2		
3	Carmille Henry Memorial	2		
4	Gordan & Walcott Memorial	2		
5	Anglican Infant	2		
6	Canon Laurie Anglican Primary	2		
7	Morne Du Don Combined	2		
	<b>16 schools or 16%</b>			<b>10 bursars or 31%</b>

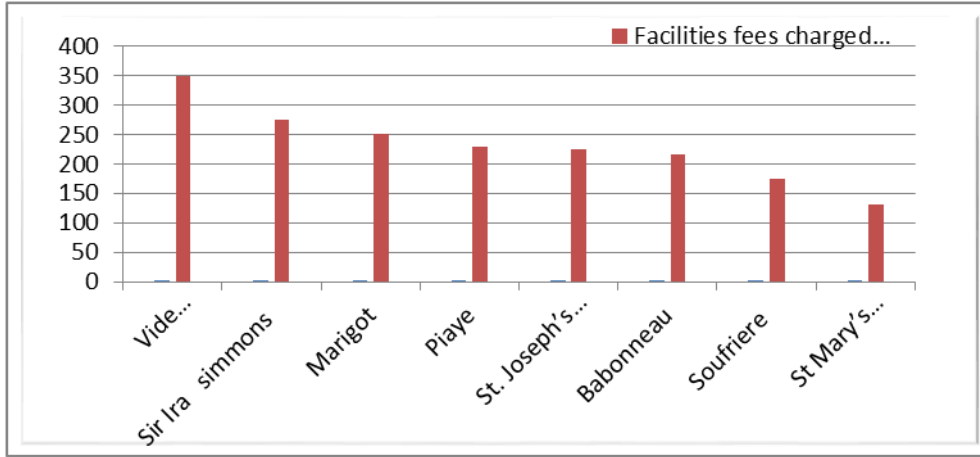
We chose one secondary school from each district and primary schools from district 2.

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

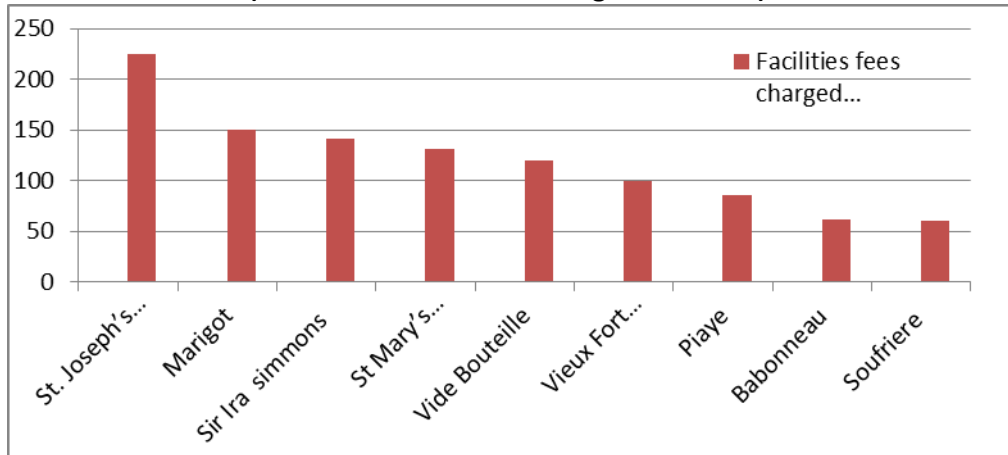
**APPENDIX II**

**Wide variances of facilities fees charged among schools.**

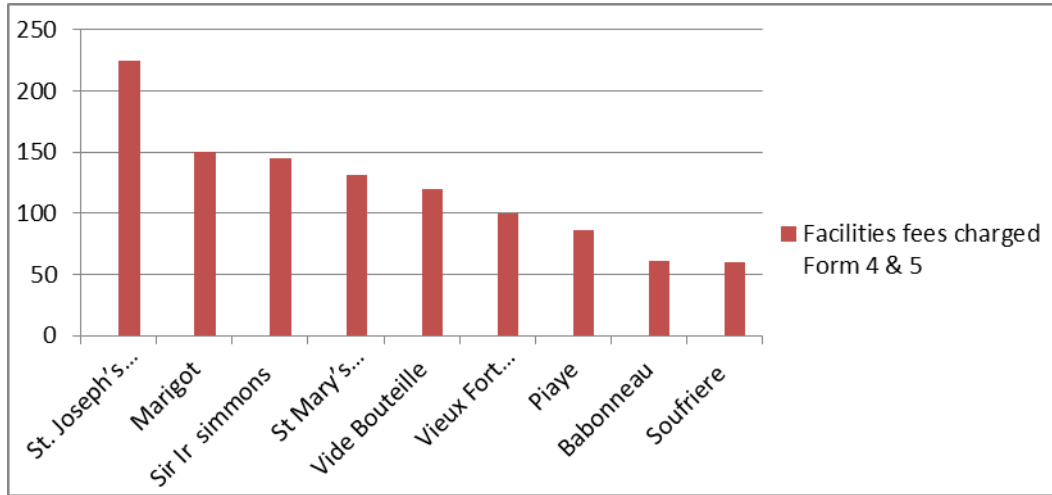
**Form 1 (from a low of \$175.00 to a high of \$425.00)**



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



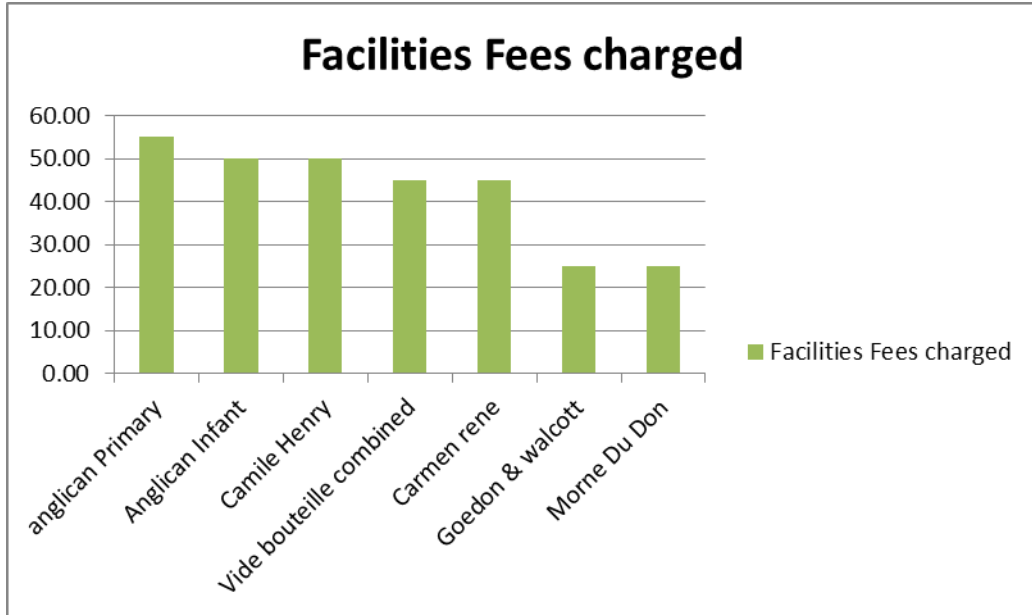
Form 4 to 5 (from a low of \$60.00 to a high of \$225.00)



**APPENDIX III**

**Facilities fees charged in primary schools.**

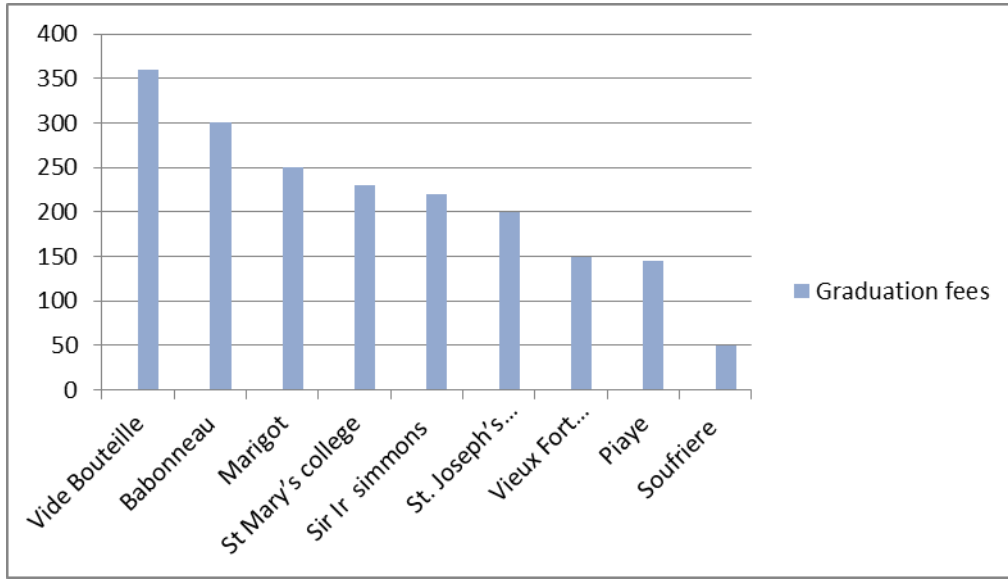
**(From a low of \$25.00 to a high of \$55.00)**



**APPENDIX IV**

**Graduation fees across secondary schools.**

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



**APPENDIX V**

Canteen rental charged at different schools.

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

