Government of St. Lucia

Report of the Director of Audit for the Financial Year 2014/2015

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INTRODUCTION

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

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

I am therefore pleased to present to the House of Assembly the Annual Report on the work of the Director of Audit for the financial year 2014/15.

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

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

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

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

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

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Bernadette Fevriere-George
DIRECTOR OF AUDIT (Ag.)

The Office of the 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

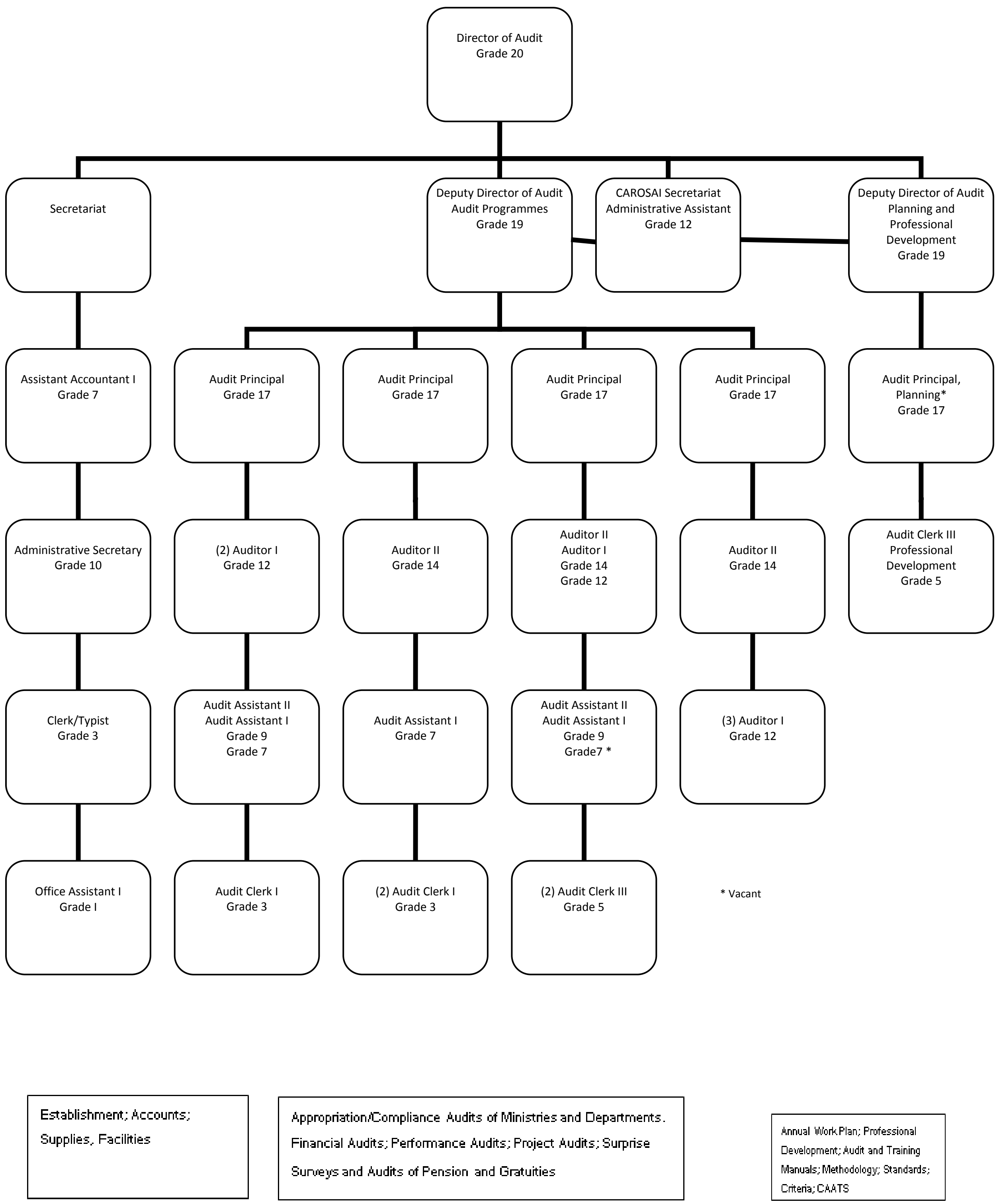
Through innovation, we find better ways to conduct our work and to serve Parliament. We seek new audit approaches and methodologies to improve our quality, efficiency, and effectiveness. We value the ideas and creativity of our staff.

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:



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 reports to Parliament on whether money has been expended without due regard to economy or efficiency and satisfactory procedures have not been established to measure and report on the effectiveness of government programmes.

PROGRAMME: Value For Money

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

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Performance/Value For Money audit report	Number of Value for Money audits conducted and Reports submitted to Parliament	One (1) Value for Money Report submitted to Parliament on the Management of Direct Taxes by Inland Revenue Department

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 2015
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 2015
Implementation of the International Standards for Supreme Audit Institutions (ISSAI)	International Standards for Supreme Audit Institutions Compliance Assessment Report	Implementation of 50% of recommendations in report by December 2015 Increase in quality of audits conducted in accordance with the standards by 50%

PROGRAMME: AUDIT OPERATIONS **PROGRAMME OBJECTIVE - To conduct various audits and special reviews within Central Government agencies and Statutory Bodies, where specified, to report to Parliament on how agencies have accounted for resources entrusted to them.**		
OUTPUT	**PERFORMANCE MEASURE**	**PERFORMANCE TARGET**
Audit reports on the donor funded projects.	Number of audits completed for the donor funded projects. Number of reports that are submitted to the various implementing agencies within the deadlines given in the Terms of Reference.	Complete audits for six (6) projects by September 30, 2014 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, 2015.
Annual report	Timeliness of Audit Report	Annual Report for 2013/14 submitted to Parliament by March 2015.
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

For the financial year 2014/15 the Government of Saint Lucia approved a budget of **$1,869,800.00** for the Office of the Director of Audit. Of this amount **$1,516,681.00** was allocated for salaries.

The programme detail estimated and actual expenditure for the financial year 2014/15 comprised the following:

CODE	Details of Expenditure	REVISED ESTIMATES	ACTUAL 2014/15
01	**Audit Administration**		
101	Personal Emoluments	288,025	262,991
102	Wages	6,245	6,360
105	Travel and Subsistence	8,808	8,074
109	Office and General Expense	26,780	26,619
113	Utilities	130,146	104,057
115	Communication	9,918	9,068
116	Operating & Maintenance Services	25,000	24,999
118	Hire of Equipment & Transport	0	0
	TOTAL PROGRAMME EXPENDITURE	**494,922**	**442,168**
02	**Audit Operations**		
101	Personal Emoluments	1,228,656	1,257,130
105	Travel and Subsistence	139,639	124,987
108	Training	4,388	3,556
115	Communication	2,231	2,231
	TOTAL PROGRAMME EXPENDITURE	**1,374,879**	**1,387,904**
	TOTAL AGENCY EXPENDITURE	**1,869,800**	**1,830,072**

TRAINING/PROMOTIONS

STAFF MOVEMENT

Promotions

An Audit Assistant II was promoted to the post of Auditor I, an Audit Assistant I was promoted to the post of Audit Assistant II, an Audit Clerk II to the post of Audit Assistant I and an Audit Clerk I to the post of Audit Clerk II with effect from June 02, 2014. A Secretary IV was also promoted to the post of Administrative Secretary with effect from December 1, 2014. An Auditor I, Assistant Accountant II and a Clerk Typist were promoted in other ministries/departments.

Appointments

Two Audit Principles were appointed with effect from June 16, 2014.

Acting Appointment

A number of acting appointments were made during the year. A Secretary IV from the Ministry of Agriculture was appointed to act Administrative Secretary from June 6 to November 30, 2014. The Deputy Director – Administration was appointed to act Director of Audit with effect from August 05 to November 28, 2014. An Audit Principal was appointed to act Deputy Director-Administration from August 18, 2014 to November 28, 2014. During the period October 16, 2014 to March 30, 2015, an Audit Clerk II was appointed to act Audit assistant I an Audit Clerk I to act Audit Clerk II, and an Office Assistant was appointed to act in the post of Audit Clerk 1.

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, 2014 to March 31, 2014 as a result of officers being on vacation, study leave and officers acting in higher positions. This included temporary appointment of an Audit Clerk I for the periods March 01, 2014 to September 03, 2014; and another Audit Clerk I for the period August 19, 2013 to February 28, 2014 and March 1, 2014 to September 3, 2014. A cleaner was temporarily appointed for the period September 23 to October 15, 2014. A Clerk/Typist was appointed for the period May 5, 2014 to October 31, 2014. During the period, an Office Assistant was also appointed with effect from October 16, 2014 to March 30, 2015.

Resignation

An Audit Clerk I resigned effective September 3, 2014.

Retirement

An Administrative Secretary proceeded on early retirement effective June 2014. An audit Assistant retired on October 16, 2014.

Director of Audit and Secretary General for CAROSAI, Mrs. Averil James-Bonnette proceeded on early retirement effective December 1, 2014.

TRAINING

Fire Prevention and Safety Training

This training conducted by officials from the Saint Lucia Fire Service held on April 9, 2014 was attended by all staff.

Introduction to IDEA

During the period April 15-16, 2014 a workshop was conducted by a facilitator from Symtai Consulting Limited on the use of the auditing software IDEA. This workshop was attended by Deputies, Audit Principals, Auditors and Audit Assistants.

ISSAI Certification Programme, Workshop on Facilitating ISSAI Implementation

This training was funded and conducted by the INTOSAI development Initiative (IDI) during the period July 14 – 18, 2014 in Antigua. One Deputy Director and three Audit Principals attended.

Employee Orientation Workshop

Two, 2-day Orientation Workshop conducted by the Ministry of the Public Service during the period July 17-18, 2014 and July 30 -31 was attended by the Clerk Typist and an Audit Clerk.

International Public Sector Accounting Standards (IPSAS) - Chart of Accounts Training

A Series of training sessions were conducted by the Accountant General's Department on the use of the modified chart of accounts in September 2014. One Deputy Director of Audit, all Audit Principals, Clerks, Assistant, and Auditors attended this training.

IDU/CAROSAI Programme on Cooperative Audit of Revenue Departments – audit Review Meeting.

A review meeting funded and conducted by the INTOSAI Development Initiative (IDI) was attended by an Audit Principal and an Auditor during November 2 to 8, 2014.

ISSAI Implementation Program – ICAT Review workshop

An ICAT Review Workshop was held in November 17-21, 2014 in Trinidad and Tobago. This workshop was funded by the INTOSAI Development Initiative (IDI). Three Audit Principals attended.

Strengthening and Improving the Technical Capability of Accountants within the Public Service

A Series of one-day workshops was conducted by the Ministry of the Public Service. This workshop was attended by the Assistant Accountant II on November 18, 2014.

World Bank Training for DVRP Project - Financial Management and Procurement

This workshop on Disaster Vulnerability Reduction Project (DVRP) held during the period December 3-4 2014 was attended by three Audit Principals.

Risk-Based Audit training

This workshop held in Paramaribo, Suriname from January 19 – 23, 2015 was organized and sponsored by the World Bank. Three Audit Principals attended the workshop.

Workshop for Permanent Secretaries and Heads of Departments – Administrative Law

The Acting Director of Audit attended this one-day workshop organized and facilitated by the Attorney General's Chamber on February 27, 2015. The purpose of the workshop was to inform and sensitize participants to cases or situations in which the State could be or has been held liable for the actions of Administrative Officers.

I**n-Housing Training – Audit Evidence and Data Analysis**

During the period October 15 2014 and March 25 - 26, 2015, two sessions on audit evidence and data analysis was conducted.

Introduction to IDEA was conducted during the period February 4-5, 2015.

A session on audit planning approach for operational audits was conducted on April 24, 2014.

STATUS OF WORK COMPLETED FOR 2014/2015

Audits Identified In The Work Plan	AUDIT CLIENTS	STATUS
Performance Audits		
Audit of Direct Taxes (Income and Corporate Taxes) Food Safety Procedures	Inland Revenue Depart, Ministry of Health	Completed On Hold
Foreign Mission Audits		
Toronto Consulate	Ministry of External Affairs	Completed
Embassy in Cuba	Ministry of External Affairs	Completed
Operational Audits		
Audit of Non-Tax revenue	Ministry of Health Ministry of Agriculture, Ministry of Infrastructure Ministry of Education Office of the Prime Minister, Ministry of Home Affairs (St. Lucia Fire Service and the Police Department).Ministry of Planning	Completed
Processing of civil and criminal cases by the courts	Ministry of Justice	On Hold
Procurement and Management of Pharmaceuticals drugs	Ministry of Health	In Progress
Audit of Saint Lucia Postal Services International Accounts	Saint Lucia Postal Services	Completed
Financial Audits		
OECS Skills for Inclusive Growth Project	Ministry of Education,	Financials not submitted
Hurricane Tomas Emergency Recovery Project	Ministry of Finance, Economic Affairs and national Development and the Project Coordination unit (PCU)	Financials not submitted
Caribbean Regional Communications Infrastructure Project (CARCIP)	Ministry of Finance, Economic Affairs and National Development and the Project Coordination unit (PCU)	Completed
Support Economic Management in the Caribbean (SEMCAR) Project	Ministry of Finance	Completed
Government of St Lucia Financial Statements 2007/2008 and 2008/2009	Accountant General's Department	Completed
Saint Lucia Bureau of Standards	SLBS	Completed
Audit of Financial Statements of the Stakeholders Committee for Carnival 2012/2013	Ministry of Tourism	Completed
Sir Arthur Lewis Community College SALCC	SALCC	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 Unfortunately, the Committee has not held meetings for several years. The PAC plays a very important role in the accountability process and therefore must carry out its functions in order to hold those entrusted with the responsibility to spend public monies accountable.

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 audits of the financial statements for the financial years 2007/08 and 2008/09. These audit reports will be issued to Parliament under separate cover. In previous audit reports we highlighted the need for the financial statements of the Government to be current for transparency in the Public Financial Management System of Saint Lucia.

2. OPERATIONAL AUDITS

Audit on Saint Lucia Postal Service - International Accounts and Courier/ mail Transport Charges

EXECUTIVE SUMMARY

2.1 The Saint Lucia Postal Service transfers and receives mail to and from other countries in the Postal Union. Each postal operator that receives mail has the right to collect payment from the originating country to compensate for the cost incurred to deliver that mail. This results in revenue generated from services provided namely parcel post, expedited mail service (EMS), terminal dues, money and post orders. As well, the Postal Service incurs courier/mail transport charges for mail sent to other countries.

2.2 The convergence of the internet and increase in personal computer ownership together with bandwidth has revolutionized the way in which people communicate. This has resulted in superseding the traditional postal services with an inevitable effect on revenue.

2.3 We conducted an audit of courier/mail transport charges and international accounts, which entail parcel post, EMS, terminal dues, money and postal orders. The purpose of the audit was to assess whether transactions from international accounts and courier/mail transport charges, were conducted in accordance with existing legislations and whether the internal controls mechanism were effective to minimize and safeguard against fraud, misappropriation and theft.

2.4 We found that the Saint Lucia Postal Service failed to settle their accounts with designated operators for courier/mail transport charges within the stipulated timeframe. Late payments to Carrier Virgin Atlantic ranged from seventeen (17) days to one hundred and thirty-four (134) days after the required date for settlement. For designator operator LIAT payments were made by as many as two hundred and twelve (212) days after receipt of invoice.

2.5 The Postal Service lacked proper record keeping necessary to meet reporting requirements. Staff did not properly execute their functions of overseeing the records of the Postal Service to ensure that proper and accurate information was recorded to support international accounts transactions. We found instances of inaccurate and incomplete accounting information recorded in the entity’s general ledgers and registers.

2.6 We found areas of risk that could severely hamper the Saint Lucia Postal Service’s ability to safeguard against misappropriation, fraud and error. These areas of risks included weak controls over the imprest system used in the operations of the money and postal orders encashment and accounting for transactions from international accounts.

INTRODUCTION

2.7 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). The International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) guided us in conducting the audit.

Background

2.8 The General Post Office was established under section VII of the Post Office Ordinance, Chapter 145 of 1881. The Saint Lucia Postal Service has the responsibility for the postal services in Saint Lucia. The Saint Lucia Postal Service exchanges mail with over twenty-two (22) countries worldwide. Each postal operator that receives mail has the right to collect payment from the originating country to compensate for the cost incurred to deliver that mail.

2.9 The services provided by the Postal Service in Saint Lucia are:

- Letter and parcel post
- Registration
- Philately
- Express Mail Service (EMS)
- Exchange of reply coupons
- Acceptance and delivery of parcels
- Issuance and encashment of British Postal and Money Orders
- Private Letter Boxes
- Home Delivery

2.10 The Universal Postal Union (UPU) oversees the exchange of mail between countries. The UPU is an agency of the United Nations whose primary function includes setting policy and establishing rates every four years for mail products. The currency account used by the UPU is Special Drawing Rights (SDR).

2.11 International account is an accounting process through which Postal Operators record, exchange and claim for postal services between these Postal Operators. International accounts maintained by the Saint Lucia Postal Service include a combination of money and postal order accounts, terminal dues account, EMS and parcel post accounts.

2.12 For the three financial years audited, the Saint Lucia Postal Service collected annual revenue of $578,860.22, $820,502.54 and $903,073.34 for terminal dues, commission on money and postal orders, parcel post and EMS. The expenditure incurred by St Lucia for courier/mail transport charges, parcel post and EMS were $49,806.09, $42,487.52 and $205,323.59 respectively for these years.

Objective, Methodology and Scope

2.13 The objectives of the audit were to assess whether transactions from international accounts and courier/mail transport charges, were conducted in accordance with existing legislations and whether the internal controls mechanism were effective to minimize and safeguard against fraud, misappropriation and theft.

2.14 To accomplish our objectives and to obtain an understanding of international accounts we conducted research and reviewed current laws and regulations such as the Universal Postal Union Standards and Regulations, relating to international accounts. We reviewed policies, procedures and manuals to gain further understanding of the Saint Lucia Postal Service processes and related operations. We also reviewed criteria, data and documentation to identify and evaluate the Saint Lucia Postal Service processes and procedures.

2.15 We interviewed the Saint Lucia Postal Service staff to identify the related legislation to obtain general background information and to gain an understanding of data generated from IPS light system. We also conducted physical inspections and cash counts, reviewed and analysed financial information and other documentation.

2.16 The audit covered the three-year period 2011/2012 to 2013/2014. Our audit was guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI) and included such tests of internal controls as we considered necessary under the circumstances.

2.17 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 the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

FINDINGS AND RECOMMENDATIONS

- **Accounts due to and from Saint Lucia were not promptly settled**

Courier/mail transport charges

2.18 The Mail Handling and Air Conveyance Agreement dated April 1, 2011 governs courier/mail transport between air carrier Virgin Atlantic and the Government of Saint Lucia. According to Section 7 No. 7 of this agreement, Saint Lucia should effect settlement of the account no later than 30 days after receipt of the Carrier's invoice.

2.19 We found that the Saint Lucia Postal Service failed to settle their accounts for courier/mail transport charges within the stipulated time- frame.

2.20 For the sample of invoices examined, we noted that most of them were settled late. Late payments ranged from seventeen days to one hundred and thirty-four days after the required date for settlement. Some of the invoices that were paid late included:

Invoice number	Invoice Date	Due Date as per Invoice	Date Paid	Number of Days Late
C14630	November 2011	19.06.12	06.07.12	17
C14724	March 2012	19.06.11	06.07.12	17
SIN337429	01.02-15.02.13	17.03.13	30.07.13	134
SIN339372	16.02-29.02.13	30.03.13	30.07.13	121
SIN341443	01.03-15.03.13	14.04.13	30.07.13	106
SIN343843	16.03-31.03.13	30.04.13	30.07.13	90

2.21 Upon enquiry into late payments, management informed that the processing of invoices is prolonged at the Accountant General's Department.

2.22 We noted that the entity settled a number of invoices submitted by LIAT as many two hundred and twelve (212) days after they were received. Details of some of these late payments are given below:

Invoice Number	Invoice Date	Date invoice was received	Date invoice was paid	Number of days Late
IN00104556	27.07.11	10.08.11	02.05.12	212
IN00104576	28.07.11	10.08.11	02.05.12	212
IN00104653	31.07.11	26.08.11	02.05.12	212
IN00104927	19.08.11	01.09.11	02.05.12	212
IN00105093	31.08.11	16.09.11	02.05.12	212
IN00107730	29.03.12	18.04.12	09.08.12	50
IN00107858	31.03.12	18.04.12	09.08.12	50

2.23 Management informed that in this particular instance, they requested all outstanding invoices from LIAT, following which the air carrier submitted invoices for the period August 2008 to October 2010. However, payment to the air carrier was delayed because the entity did not budget to meet the cost of these outstanding payments; therefore, extra budgetary funding had to be sourced.

Parcel Post

2.24 The UPU Parcel Post Regulation, Article RC 211 9 states that the debtor designated operator shall accept or amend the CP 75 and the CN52 accounts and submit payment to the creditor designated operator within two months.

2.25 We found three (3) instances where payments were made later than two month of the accepted CN52.

2.26 Examination of the Postal Operator Account Register revealed that some accounts from as far back as 2005 remain unsettled. Upon enquiry, the officer in charge informed that most of these account balances were carried forward due to their low values. Countries that the Postal Service were indebted to for the audited period were as follows:

Country	Amount outstanding SDR	Period Outstanding
Jamaica	603.64	2010-2013
St Vincent	729.83	2009-2013
Tortola	1,081.00	2010-2013
Total	**2,414.47**	

2.27 In addition, we noted that Saint Lucia Postal Service had on record, countries that were indebted to Saint Lucia. The total outstanding balance recorded was 7,784.12 SDR or EC$31,385.57. We noted that some countries were officially informed of their outstanding debts.

EMS

2.28 From a sample of six countries selected for auditing, three countries did not settle their EMS accounts in a timely manner. These countries and time lag before payment were as follows:

Year	Country	Amount	Days Late
2011	Trinidad	$7,942.31	212
2012	Canada	$16,109.71	60
2013	St Kitts	$3,423.86	42

Terminal Dues

2.29 We selected three countries for each of the three years audited, to determine whether the amounts due to and from St Lucia were settled within the required time frame. We did not see evidence of payment for three (3) of the nine (9) countries audited. These countries were Curacao and St Vincent for financial year 2011and Jamaica for 2013.

2.30 Investigations revealed that St Vincent owes St Lucia from since 2005. We could not determine the period when outstanding accounts started for Curacao and Jamaica because that information was not available during the audit.

2.31 Curacao, St. Vincent and Jamaica had outstanding accounts of $97,324.42, $32,337.49 and $22,672.98 respectively.

Money and Postal Orders

2.32 We found that out of thirty-four (34) transactions that had to be settled by the foreign postal operators, twenty-six (26) were settled late with six (6) transactions settled more than six months after the encashment of money and postal order. Four (4) transactions remained unsettled at the date of the audit. Our audit revealed that the countries that settled their account late were Canada, UK, USA, St. Kitts, Dominica, St. Vincent and the Grenadines, Antigua, British Virgin Islands and Barbados.

Implication and risk

2.33 When Saint Lucia settles its accounts late, there is the risk of incurring additional charges in the form of interest, in addition to obtaining a bad payment record. Conversely, late settlement of accounts by foreign postal operators adversely affects cash inflow of the country.

Recommendation

The Postal Service should review current payment processes with the aim of implementing appropriate measures to assist with prompt settlement of accounts by postal operators.

The Postal Service should liaise which the Accountant General's Department to reduce on the length of time taken to pay air carriers.

- **Interest was not charged on outstanding accounts**

2.34 Delinquent accounts affect cash flow; thus, it is incumbent upon an organisation to put measures in place to manage its cash flow. As a deterrent to late payment the entity should have a collection strategy which enforces applicable penalties on late payments.

2.35 The UPU has prepared business rules to guide the operations of the Postal Service in the World. Postal Service uses these rules as they see fit. One of the guiding business rules of the UPU Parcel Post Regulations, Article RC 212 10 is that payment shall be made as quickly as possible and at the latest within six weeks from the date of acceptance or of notification. After that period the amounts due shall be chargeable with interest at the rate of 6% per annum reckoned from the day following the day of expiry of the said period.

2.36 This is also reiterated in the UPU Letter Post Regulations Final Protocol Berne 2009 that outline business rules by which member countries can operate. Article RL 250 (10) states that payment shall be made as quickly as possible and at the latest within six weeks from the date of acceptance or of notification of official acceptance for liquidation accounts and the accounts indicating the amounts or balances to be settled. After that period the amounts due shall be chargeable with interest at the rate of 6% per annum reckoned from the day following the day of expiry of the said period.

2.37 We noted three countries that paid the amounts owed for EMS late. However, while the entity had the authority to levy a 6% interest payment for these outstanding accounts they chose not to do so.

2.38 We observed one occasion where the Saint Lucia Postal Service agreed to waivered interest charges on outstanding accounts if they were settled within a stipulated time frame to create an incentive to encourage prompt payment. However, we noted that on two occasions though the payments were received after the stipulated deadline, they were exclusive of interest charges. We did not see any evidence that the outstanding interest charges were applied against these accounts at a subsequent date.

2.39 Management informed that a Postal Service govern by the UPU regulation can decide whether to charge interest or not.

Implication and risk

2.40 When interest is not charged on overdue accounts the Saint Lucia Postal Service is forgoing an opportunity to create an incentive for early settlement of debts and to increase revenue which can improve the cash inflows of the Government. When payables are settled late, there is the risk of paying additional interest charges.

Recommendation

The Saint Lucia Postal Service should discourage late payments by charging and enforcing interest on outstanding accounts.

- **Inaccurate records were maintained**

2.41 Reliability is the quality that assures information is reasonably free from error and bias and is correctly represented. Maintaining accurate and timely recording is the foundation of financial accounting and the basis for reliability. To be reliable information must be verifiable.

2.42 It is expected that the Postal Service would maintain records containing accurate information and proper documentation to facilitate generation of these statements and reports to users.

2.43 We examined international accounts records for parcel post, EMS, letter post, money and postal orders and courier/mail transport charges. These records included registers, general ledger and supporting documentation.

2.44 We observed that the Postal Service lacked proper records necessary to meet reporting requirements. Staff did not properly execute their functions of overseeing the records of the Postal Service to ensure that proper and accurate information was recorded to support international accounts. We found the following deficiencies:

Records maintained for receipts

2.45 We compared the total revenue recorded for terminal dues by the Postal Service to the revenue shown in the Accountant General's accounts and observed that for the financial year 2011/2012, the Postal Service recorded terminal dues of $244,080.45 that was $39,914.11 more than the amount of $204,166.34 recorded in the Accountant General's accounts. Also, for the financial year 2013/2014, the Postal Service recorded $494,738.42 for terminal dues, whereas, the Accountant General's accounts disclosed $508,024.03, a difference of $13,285.61.

Postal Operator Account Register

2.46 We found that the Postal Operator Account Register was not properly maintained in that there were no headings/descriptions for columns. Also there was inconsistency in recording information. For some transactions, detail of payments were recorded while for others the information was inadequate in that the only information recorded in the register was the word "settled." There were a few cases where there were ticks recorded but no explanation for the tick were given.

2.47 We also found that the information recorded in the register for parcel post and EMS was not updated and did not include all relevant information. Consequently, we were informed that some accounts that currently showed an outstanding status as per the register had been settled and were no longer outstanding.

Accountant General's accounts

2.48 Expenditure of $143,708.85 was incorrectly recorded in the financial period 2011/12. This figure comprised expenditure incurred for the months of August 2008 to December 2009 and during the months July 2010 to March 2011. During the financial year 2012/13 expenditure of $13,306.06 incurred for the months October 2011 to March 2012 was incorrectly recorded. Also $14,645.67 incurred for the months March 2012 and June 2012 to March 2013 was incorrectly recorded in the financial year 2013/2014.

2.49 These discrepancies occurred because the entity did not reconcile its vote accounts. We also noted marked differences between their expenditure records and the expenditure recorded in the Accountant General's accounts for courier services as illustrated below:

Period	Expenditure as per Entity's records	Expenditure as per Accountant General's Accounts	Differences
2011/2012	$34,031.15	$205,323.59	$171,292.44
2012/2013	$23,758.62	$42,487.52	$18,728.90
2013/2014	$21,296.39	$49,806.09	$28,509.70

2.50 In addition, when a foreign cheque is received from the foreign postal operator the bank charge of $5.00 is not accounted for because the net figure is recorded on the treasury receipt and in the accounts.

EMS docket

2.51 Out of eighty-four (84) EMS dockets that we examined the weight of the EMS item posted was not recorded on nineteen (19) of them. The weight is necessary because it forms the basis for the fees charged to customers. In the absence, this information we were unable to verify the accuracy of the fees charged.

Money and Postal Orders Issuance and Encashment Forms

2.52 The Issuance and Encashment of Money/Postal Order forms make provision for the signature of the receiver and the signature of the Cashier. We found six (6) instances where the Cashier did not sign the encashment forms and two instances (2) instances where the receiver did not sign the form as evidence of receipt.

2.53 Dates were not always recorded on the encashment forms, the payment forms and the register. Issuance and Encashment forms 44893, 51977, 51972 and 43512 were not dated. In thirty four (34) instances, the date recorded in the register was different to the date recorded on the Encashment Form. On eighteen (18) occasions, the date recorded on the payment form was different to the date recorded on the encashment form.

2.54 We found seven (7) instances, where the serial number recorded on the register was different to the serial number recorded on the encashment forms. This was so for the serial number recorded on the listing and on the encashment form in fifteen (15) instances. We also found eight (8) instances, where the figure recorded in the register was different to the figure recorded on the encashment form.

2.55 Money and Postal Orders Payment Forms for the Out-District for the months of April and May 2011, 2012 and 2013 were not signed by the persons who prepared them or verified them correct.

Daily Counter Balance Forms

2.56 We found thirty-eight (38) occasions where the total value of money and postal orders paid out for the day was not the total value recorded on the Daily Counter Balance Sheets. The date recorded for cash disbursement by the senior cashier did not always correspond with the date that the Counter Cashier recorded receipt.

2.57 These findings demonstrate that the records were not in accord, which undermines the integrity of the information presented. Of concern is that these differences in information could result from deliberate manipulation of records to cover fraudulent activities.

2.58 Supporting this concern is our finding that the counter balance forms were not always signed by all required parties namely the Cashier and the Counter Supervisor as proof of preparation and review. Some of the counter balance forms were undated as well.

Implication and risk

2.59 Due to improper recordkeeping, there is a greater risk of errors and fraud. There is also insufficient information to provide a trial for future reviews/audits. In addition, reliance cannot be placed on information that is not reviewed by an independent person. Lack of an independent review increases the risk of these records being deliberately manipulated and the occurrence of errors and omissions.

Recommendations

The Postal Services should maintain sufficient records for international accounts transactions.

Employees should exercise duty of care to ensure that all records accurately reflect the details of transactions.

Procedures should be developed and implemented for the records of the Postal Services to be reviewed by an independent individual who should be identified by signature appended to these records.

- **Declaration forms were not seen for encashment of money orders totalling ten thousand dollars and above**

2.60 Section 15 (3) (b) of the *Money Laundering (Prevention) Act (No. 8 of 2010)* speaks of one off transactions of $10,000 or more and two or more one off transactions the total amount payable to the applicant of $10,000.00 or more.

2.61 We found occasions where one off transactions and two or more one off transactions resulted in the encashment of money orders of values in excess of $10,000 without the required declaration form.

2.62 On April 15, 2011 a customer cashed two money orders totalling $2,915. On April 18, three days later the same customer cashed six money orders totalling $9,010. Therefore, for the three-day period the total money orders cashed for this customer was $11,925.

2.63 On April 25, 2013, six (6) money orders totalling $10,600 were encashed for a customer.

2.64 Also during the 15-day period, May 8 to May 23, 2013, nine money orders totalling $11,925 were encashed for a customer.

2.65 We saw no evidence that these customers submitted a Declaration of Source of Funds for the transactions.

2.66 The Postmaster General informed us that a declaration form was introduced last year 2014 and that all amount of $5,000.00 and above has to be disclosed.

Implication and risk

2.67 Encashment of large sums of monies without having the customer submit a Declaration of Source of Funds, a requirement of the Money Laundering (Prevention) Act makes the institution susceptible to the risk of facilitating money laundering. This practice is also in contravention of the provision of the Act.

Recommendation

Action should be taken to increase monitoring of encashment of money orders over a specific time-period to guard against certain customers splitting money orders to avoid complying with the Money Laundering (Prevention) Act.

- **Accounting records were not produced for audit**

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

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

2.70 Adequate documentation should support all transactions. This documentation provides a trail for future reviews/audits.

2.71 In order to conduct our audit we required adequate supporting documents to verify information relating to international accounts. However, all the information that we needed was not given to us. We did not receive all the information required to audit EMS, courier/air transport charges, parcel post and money and postal orders.

2.72 Staff of the Postal Service informed that some of the required information was stored in a location that posed a health hazard to staff, thus restricting access to the information.

Implications and risk

2.73 The entity is unable to provide adequate documentation to support all of its transactions. The risk of breaches in operational controls remaining undetected is increased.

Recommendations:

Suitable storage facilities should be identified which does not pose a health hazard to staff and facilitates safeguarding and easy retrieval of records for audit.

The Department should also seek to address any environmental issues or unsafe conditions that pose risk to the health and safety of workers.

Conclusion

2.74 We conclude international accounts transaction were not always in accordance with existing legislations in that accounts were not promptly settled, cash related transactions from international accounts were not always accurately accounted for and reported. The internal control mechanisms over cash transactions were not in some instances effective to minimize against fraud, misappropriation and theft.

3. REPORT ON NON TAX REVENUE

EXECUTIVE SUMMARY

3.1 Revenue generation and collection are vital to the efficient operations of any government. Addressing budgetary challenges require responsible spending, generation and collection of sufficient revenue to meet obligations. It is therefore incumbent upon ministries/departments to ensure that they fulfill their responsibilities as generators and collectors of public revenue.

3.2 During the three-year period 2010/11 to 2012/13 non tax revenue such as licences, rents and interest, fees fines and forfeitures, user charges, currency profits and other revenue, accounted for approximately 12% of the total revenue collected by the Government of Saint Lucia. During that period revenue generated from non–tax sources averaged $94,304,940 per annum.

3.3 Our audit focused on policies and procedures, internal control systems and supervision and monitoring over revenue collection.

3.4 We found that while, the Revised Laws of Saint Lucia provide the broad parameters for revenue collection by ministries and departments, these agencies failed to provide collectors of revenue with specific/detailed guidance in the form of a procedures manual to complement these regulations.

3.5 We identified deficiencies in the internal controls over revenue collection and reporting. The majority of officers who were responsible for collecting cash were not designated collectors of revenue. Therefore, in the event of loss or misappropriation of cash they cannot be held legally responsible.

3.6 Forty-four percent (44%) of ministries/departments in our sample were charging customers unauthorized fees for goods and services provided. At one ministry, fees charged for services were less than the authorized fees. One agency provided a service free without charge though there was an authorized fee for the service provided.

3.7 The opportunities to increase revenue were not maximized because ministries/departments failed to actively pursue recovery of arrears of revenue which at the time of the audit stood at $14,658,864.72, based on reports that the agencies provided. However, the total revenue owing to the Government of Saint Lucia is not known. This is due to the fact that not all ministries and departments prepared statement of arrears of revenue, and in one instance the statement did not disclose all outstanding revenue.

3.8 We found that none of the ministries/departments from our sample reconciled their accounts with the Central Government accounts. Consequently, we found significant differences between the ministries/departments records and the Central Government accounts.

3.9 Four (4) of the nine (9) ministries/departments fail to make available all their accounting records because they did not take steps to ensure that their accounting records were properly secured.

3.10 Some ministries and department did not keep track of and adequately account for receipt books in their possessions as they failed to prepare half-yearly returns.

3.11 We found little evidence of monitoring and supervision over revenue activities at the ministries/departments in our sample.

BACKGROUND

3.12 Non tax revenue collected by different ministries and departments is derived from diverse activities and programmes under their jurisdiction. Revenue from these activities and programmes are classified under these main categories in the Accountant General's accounts:

- Licences
- Rents and Interests
- Fees, Fines and Forfeitures
- User Charges
- Currency Profits
- Other revenue

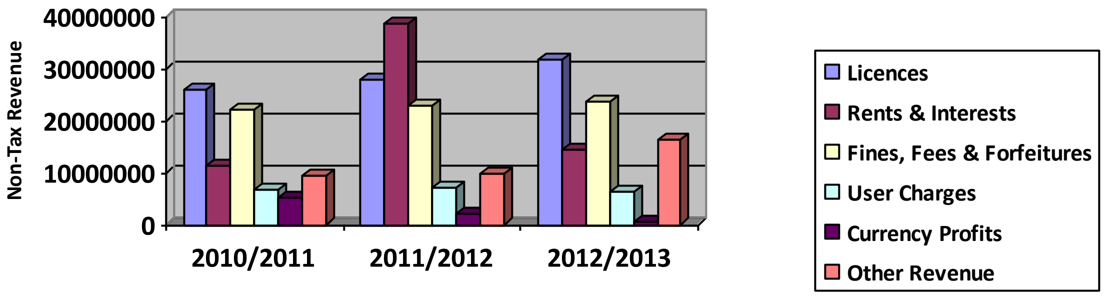
3.13 We found that while most of the revenue collected by the Government of Saint Lucia was from direct and indirect taxes; non-tax revenue accounted for approximately 11% of total revenue collected during the three-year period as shown in the table below:

Financial Year	**Total Revenue Collected as per Accountant General's Accounts $**	**Total Non-tax Revenue Collected as per Accountant General's Accounts $**	**Percentage contribution of Non-tax Revenue to Total Revenue %**
2010/2011	801,119,508	82,631,249	10
2011/2012	843,267,375	110,648,861	13
2012/2013	831,284,335	96,165,251	12
Total	**2,475,671.218**	**289,445,361**	

3.14 While total revenue collections increased at a rate of approximately 5% in 2011/2012 and decreased by 1% in 2012/2013, non- tax revenue increased by 34% in 2011/2012 but decreased in 2012/2013 by approximately 13%.

3.15 Of the six categories of non-tax revenue collected, the highest revenue collection category was licences, which increased at a rate of 6% from the year 2010/11 to 2011/12 and by 12% from the year 2011/12 to 2012/13. Likewise, category 'other revenues' increased during the three-year period. Revenue collection for categories 'fines, fees and forfeitures' and 'user charges' remained relatively constant, while user charges had slight fluctuations. Rents and interests showed major fluctuations as shown below.

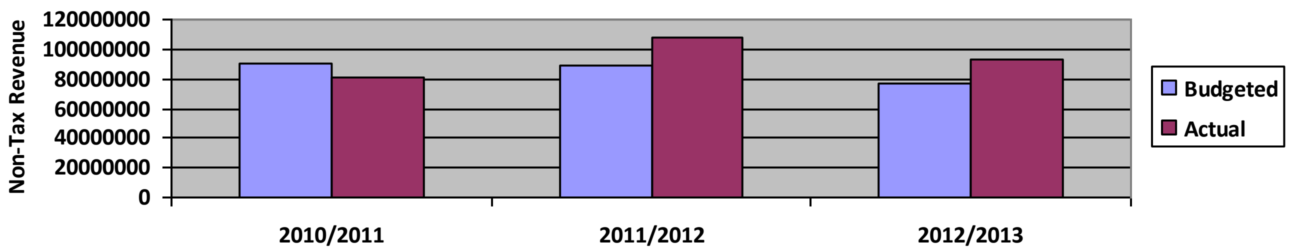
Graph showing non-tax revenue collections by category



Source: Accountant General's Accounts

3.16 Our comparison of actual revenue to estimated revenue over the three-year period showed that with the exception of the financial year 2010/2011, actual revenue collections exceeded the estimated revenue.

Graph showing Estimated Vs Actual Revenue



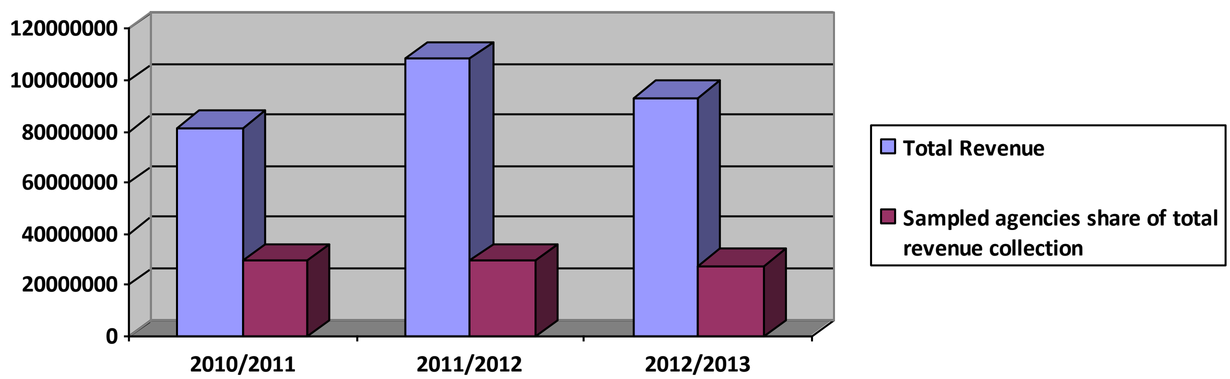
Source: Accountant General's Accounts

3.17 When the actual revenue collected was compared with the estimated revenue for that period, a shortfall of 9 % was noted in 2010/11. However, for the financial years 2011/12 and 2012/13 collections were in excess of estimates by 24% and 25% respectively. Details follow:

	2010/11	**2011/12**	**2012/13**
Estimate	90,778,700	89,152,000	76,630,621
Actual	82,631,249	110,648,861	96,165,251
Over/(Under) Estimate	**(8,147,451)**	**21,496,861**	**19,534,630**
Percentage difference	**(9%)**	**24%**	**25%**

3.18 Our audit comprised nine sample ministries/departments. The total revenue generated by our sample ministries as compared to the total revenue collected each year is depicted in the following chart.

Graph showing Sample Agencies Revenue of Total Revenue Collection



Source: Accountant General's Accounts

3.19 The following table shows the percentage contribution of the sample to the total collection of non-tax revenue for the three-year period:

	2010/2011 $	**2011/2012 $**	**2012/2013 $**
Total collection by sampled agencies	29,520,527	31,423,624	33,779,546
Total collection by all agencies	82,631,249	110,648,861	96,165,251
Percentage Contribution	**36%**	**28%**	**35%**

Source: Accountant General's Accounts

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

3.20 The objectives of the audit were to assess the adequacy of internal controls over revenue collection process and to determine whether the entities complied with applicable regulations, policies and procedures.

3.21 To achieve our objectives, we reviewed and documented the revenue processing systems in existence at selected ministries/departments. We also performed the following procedures:

- Conducted interviews with collectors of revenue to determine the operating procedures used and test checked procedures on a sample basis.
- Conducted document reviews of revenue records and other related material.
- Observed cash counts.
- Reconciled total cash on hand with supporting documents, receipts issued and cash books.
- Documented and assessed the procedures in place to safeguard cash.

3.22 Our audit focused on revenue operations in the following nine (9) ministries/departments:

- Attorney General – Registrar of Companies
- Ministry of Legal Affairs – 1st District court
- Ministry of Home Affairs – Citizenship Department
- Immigration Department
- Fire Service Department
- Ministry of Physical Development
- Ministry of Infrastructure
- General Post Office
- Ministry of Health - Victoria Hospital

3.23 The audit covered the three-year period 2010/11 to 2012/13 and was guided by the International Standards for Supreme Audit Office (ISSAI) issued by the International Organization of Supreme Audit Institutions (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.

FINDINGS AND RECOMMENDATIONS

POLICIES AND PROCEDURES

- **Lack of formalized procedures**

3.24 Proper accounting for revenue includes establishing an adequate control system to promote strong financial management practices. Without formal procedures, which communicates management's intentions and expectations and provide employees with written procedures to carry out their duties, management might find it difficult to ensure that critical processes are performed correctly and consistently by employees. Developing and following good procedures for revenue collection is important to protect the government's assets and safeguard employees.

3.25 A procedures manual should be used by ministries and departments as a guide for the development or enhancement of their procedures and should be tailored to each agency's specific situation. It should incorporate policies and procedures that agency's staff are required to follow to promote compliance and consistency in operations.

3.26 While, the Revised Laws of Saint Lucia provides guidance on revenue collection, payment and receipt of public monies, we found that the majority of ministries and departments did not develop formalized procedures to foster an environment of compliance with regulations. Consequently, not all requirements were met and in some instances some were partially met. This situation also created inconsistences in operations as individuals operated on their understanding of what should be done.

Implication and Risk

3.27 Failure to provide employees with formal procedures provides an avenue for non-compliance with laws and regulations. It also leaves room for individual interpretation that can adversely affect job performance and reduce efficiency in operations.

Recommendation

Management should review their revenue activities and develop and implement a formal procedures manual with a view to strengthening the internal control system over revenue. This manual should be distributed to all collectors of revenue as well as their supervisors.

- **Unauthorized and incorrect fees were charged for goods and services**

3.28 The cost of goods and services rendered by the government are required to be approved by the relevant authority from which a statutory instrument is issued to legalize the fee/charge. Therefore, every government entity should have as a reference the statutory instrument that supports the prices charged for goods supplied and services rendered.

3.29 Therefore, having fees approved through Statutory Instruments ensures the legality of the fees, that it is published through the necessary channels that the public is well informed and reduces the risk of individuals charging inappropriate and incorrect fees.

3.30 From our sample we found that four of the ministries/department did not charged authorized fees. Thus some of the revenue collected by these ministries/departments were unauthorized. Some examples of unauthorized fees/prices charged for goods and services were:

- Saint Lucia Fire Service – Sale of Khaki Fabric
- Ministry of Infrastructure – garage inspection books, inspection fee, transfer of licenses, duplicate route card or banner and replacement route permit.
- Ministry of Physical Development – fees for survey and mapping plans

3.31 In addition, we also observed that fees for learners permit, learners permit renewal, provisional one year license and duplicate drivers' licenses for which there was a statutory instrument, however, the actual fees charged by the Ministry of Infrastructure were less than the authorized fees. Based on the authorized fees and the fees actually charged, the Government lost 50% revenue on learners permit renewal and learners permit each per issue; 66% revenue from duplicate driver's license and 33.33% on provisional one year license per issue.

3.32 Also, we found that the Ministry did not charge customers the authorized application fee of $50.00 for Driving Instructor Application.

Implication and risk

3.33 Ministries/departments are charging the public for goods and services without authority. The collection of unauthorized revenue creates an opportunity for theft and misappropriation of cash. Also, not charging authorised fees or charging incorrect fees could impact negatively on revenue collection.

Recommendations:

Management at all ministries/department should review the current fees charged for goods and services with a view to ensuring that they are authorized through Statutory Instruments.

Steps should be taken to obtain a statutory instrument to support fees charged where fees are not supported by one.

Ministries/departments should charge the authorized fees for the goods and services provided.

INTERNAL CONTROLS

3.34 Internal controls comprises systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to; conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, as well as ensure adherence to policies.

3.35 During our audit we found internal control weaknesses as detailed below:

- **Some officers who collected cash were not designated collectors of revenue**

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

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

3.38 From our sample we found that the majority of officers who were responsible for collecting cash were not designated collectors of revenue.

Implication and risk

3.39 When officers who are given the responsibility to collect cash are not designated collectors of revenue then in the event of loss or misappropriation of cash they cannot be held legally responsible. Therefore, designating these officers as collectors of revenue enables the Government of St. Lucia to hold the officers legally responsible in the event that they are liable for the loss or misappropriation of cash.

Recommendation

Ministries and departments should in accordance with the Revised Laws of Saint Lucia Cap 15.01, Finance (Administration) Act No. 6(3) and the Accountant General's Circular No. TD 9/2008, designate officers as collectors of revenue for the collection of any item of revenue for which they are accountable.

- **Poor controls over receipt books**

3.40 Cash is the most liquid of assets and is susceptible to misappropriation and loss if management does not implement adequate controls to reduce these risks. Therefore, it is extremely important for all ministries/departments handling cash to implement and adhered to controls over revenue collection.

3.41 We found that for the nine ministries /departments audited:

- 89% of ministries/departments did not account for receipt books in their possession.
- One ministry department did not maintain a receipt book register.
- One ministry department did not adequately secure its receipt books.
- 33% of ministries/departments did not cancel receipts properly.

Implication and risk

3.42 The controls over receipt books were not effective to sufficiently minimize risk of revenue loss through misappropriation, theft or error. As well, receipts books/receipts were not adequately secured and accounted for, which means that they could be used for unauthorized purposes without detection.

Recommendation

Management should establish a proper system of control over receipt books to ensure compliance with the regulations.

- **Recovery of arrears is not being actively pursued**

3.43 In accordance with the Revised Laws of Saint Lucia, Financial Regulation No 38, Accounting officers are responsible for the prompt collection of all revenues relating to their Departments and to remind persons of debts that have become due by regular request or demand for payment or prompt referral to the courts.

3.44 Our review of the statements of arrears of revenue that were prepared; revealed that on two occasions, the revenue outstanding was in excess of revenue collected. Based on the statement submitted by the Victoria Hospital, $6,730,036 was outstanding for the two-year period 2010/2011 and 2011/2012. The actual revenue reported on the revenue statements for these two years was $5,040,446.05. A statement of arrears of revenue was not submitted for the financial year 2013.

3.45 Likewise, the Ministry of Physical Development reported arrears of revenue for the three year period 2011 to 2013 at a combined total of $7,156,510.72. Actual revenue collected for that same period was $5,439,352.

3.46 The General Post Office presented one arrears of revenue statement for audit. The statement was for the financial year 2012/2013. The arrears for that year was reported as $772,318.

3.47 We found no evidence to indicate that these ministries/department informed persons indebted to the Government of all debts about to fall due or reminded them of the debts which became due by regular request or demand for payment or by notification in the Saint Lucia Gazette, newspaper radio or television as required by the regulations.

3.48 In addition, we saw no evidence that accounting officer took prompt action for the collection of debts in a court or by any other legal process. Further, we saw no evidence that there were difficulties experienced in the collection of monies due to Government because no such report was made to the Director of Finance and the Accountant General as required.

Implication and risk

3.49 Failure to actively pursue the recovery of arrears results in loss of revenue, as timeliness of collection actions is an important factor in the successful recovery of amounts owing to government. The probability of full collection drops dramatically as time passes.

Recommendation

Appropriate action should be taken by ministries/department to actively pursue recovery of arrears of revenue.

- **Not all arrears of revenue was reported**

3.50 The Revised Laws of Saint Lucia, Financial Regulation No 42, requires Accounting Officers to submit to the Accountant General, annual returns of arrears of revenue, and monthly reports of arrears of revenue recovered.

3.51 We found that some agencies either did not prepare arrears of revenue statements or did not disclose all arrears.

3.52 From our sample two agencies did not prepare these reports:

> **3.52.1** **Ministry of Infrastructure** – Transport Division responsible for collecting revenue for transport, electrical, meteorological and sundry fees. Driver's license fees are not always paid when due. Therefore, at year-end there are outstanding amounts owed to the Government.
>
> **3.52.2** **First District Court -** The department collects revenue for bail, criminal case fines, traffic case fines, court fines and traffic tickets. Charges and fines issued by the court relating to traffic tickets are sometimes not paid. A report of total amount due for unpaid traffic tickets was not prepared for the audited period.

3.53 Our audit also revealed that the Ministry of Physical Development, Crown Lands Division did not report outstanding revenue due from properties sold by the crown, where we noted part-payments were accepted.

Implication and risk

3.54 The total revenue owing to Government is not known because arrears of revenue is not being properly managed. Lack of proper systems to record, account and monitor arrears of revenue could lead to tremendous financial losses. Additionally, if the true value of arrears is not known, it becomes difficult to make decisions regarding collections or write offs.

Recommendation

Ministries and departments should set up proper recording systems to capture and report all arrears of revenue accurately.

- **Revenue accounts were not reconciled**

3.55 Reconciliation provides the necessary control mechanism which assist in the identification of errors, omissions and fraud. Timely account reconciliation helps management to generate accurate accounts by identifying errors and inconsistencies requiring correction.

3.56 The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 10 (4) (c) requires accounting officers to reconcile their accounts with the Accountant General's accounts on a monthly basis.

3.57 For the three-year period 2011 to 2013, total nontax revenue was disclosed as $289,445,361. For the sample ministries and departments selected non tax revenue was $94,723,697 or 33% of total non-tax revenue.

3.58 However, we observed that none of the ministries/departments reconciled their revenue accounts with the Accountant General's accounts. Consequently, we found significant differences between the revenue as per ministry/department records and the revenue recorded in the Central Government's accounts.

Implication and risk

3.59 Failure to reconcile the accounts results in inaccurate information recorded in the Central Government's accounts. Consequently, the figures disclosed on the financial statement may not be fairly stated. This brings to question the integrity of the figures recorded for non-tax revenue; as there is no assurance that all revenue collected were deposited and reflected on the financial statements.

Recommendation

Ministries and Departments should reconcile their revenue accounts on a monthly basis as required by the financial regulations.

- **Poor record keeping practices**

3.60 Good records management is a fundamental element of good governance, in particular with respect to transparency and accountability. Good recordkeeping supports efficiency and accountability through the creation, management and retention of meaningful, accurate, reliable, accessible and durable records of government activities and decisions.

3.61 Thirty three percent (33%) of our sample ministries/departments did not maintain proper records of revenue transactions. We noted that the Land Registry Department of the Ministry of Physical Development did not record all required information in the cashbook. The description of the services provided was not recorded. Therefore, we were unable to ascertain whether the correct fee was charged for the service provided.

3.62 At the Citizenship Department we needed to determine whether all transactions conducted were duly paid for and that correct fees were charged for citizenship approved. However, this information was not easily accessible. It was difficult to obtain the applications to match the receipts against, because of the unsystematic manner in which these records were stored/filed.

3.63 We found that the traffic ticket judgment register maintained by the First District Court was not updated as there were many incidences of non-recording of judgments such as the dates, any payments made and amounts as per judgment. In this register the case number, the defendant, the judgment, penalty, receipt number and receipt date are required to be recorded. The examination revealed that the information relating to judgment, penalty, receipt number and dates were not always recorded.

3.64 We examined First District Court cash books and noted that pertinent information required was not recorded in a number of instances. This information included the date of the transaction, the receipt number and the amount paid.

3.65 While receipts were entered in the cash book, this only accounted for monies received. This information should have been subsequently entered against judgment made to ensure that the department could determine which warrants were paid and which were still outstanding.

Implication and risk

3.66 Evidence to support transparency and accountability of financial operations is lacking. Ministries and departments are unable to provide evidence of compliance with laws and regulations. There is the risk that breaches in regulations and occurrence of theft, misappropriation and fraudulent behaviour on the part of employees may remain undetected.

Recommendation:

The ministries/departments should review their record keeping practices with a view to complying with regulations, guidance from relevant authorities and promoting transparency and accountability.

- **Accounting records were not produced**

3.67 It is management's responsibility to maintain an efficient system of record keeping. Further, the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 156 (1) requires accounting officers to be responsible for the care and safe keeping of accounting records and ensuring that they are retained until destroyed in accordance with the requirements of section 157.

3.68 In many instances, we were unable to obtain all the necessary accounting records. For five (5) out of the nine (9) the ministries/departments in the sample, we were not provided with all cash books, revenue statements, arrears of revenue statements, and other accounting documents that we requested for the three-year audit period.

Implication and risk

3.69 When records are not produced, it hampers the verification process and conclusions cannot be made to the authenticity and accuracy of information reported.

Recommendation
Records should be safeguarded and properly stored so as to facilitate easy retrieval.

MONITORING AND SUPERVISION

- **Inadequate monitoring and supervision over revenue activities**

3.70 Monitoring and supervision are key requirements for providing guidance and ensuring that systems are working as intended. It is the responsibility of appointed personnel from ministries and departments to provide strong oversight and monitoring of their entity financial and operational activities in order to achieve efficiency and accountability.

3.71 Proper monitoring and supervision is important in identifying and rectifying problems on a timely basis thus reducing the risk of improper practices. In order for there to be effective monitoring of revenue, supervisors should conduct periodic assessments and regular reviews of revenue collection activities.

3.72 In all instances, we found that the level of supervision and monitoring by senior Accountants over revenue activities was inadequate. While in most instances cash was verified against receipts, this in no way provided assurances that all revenue collected was indeed reported.

3.73 During our audit we found breaches in the internal controls over revenue collection and other discrepancies which could have been avoided had there been effective monitoring. Some of these lapses and discrepancies included:

  - Revenue was not deposited in a timely manner

- Revenue was not deposited in full
- Receipts were not properly cancelled or secured
- Differences between the total of “B” Receipts and the corresponding “A“ receipt
- Revenue was posted to accounts not approved in the Estimates
- Partially used receipt books were discarded
- Not all required information was recorded in cash books and relevant registers
- Lack of spot checks
- Cash shortages

3.74 In addition, we saw no evidence of review in some cash books in the form of corrections, check marks, initials or signature.

Implication and risk

3.75 Without proper monitoring and supervision, there is a risk that issues of non-compliance with policy, procedures, and guidelines will go undetected and not addressed. Also there is the risk of fraudulent activities not detected.

Recommendation

Agencies should strengthen their monitoring and supervision practices to ensure compliance with policies, procedures and to minimize the risk of error, fraud and misappropriation on the part of employees.

4. DONOR FUNDED PROJECT AUDIT RESULTS

FINANCIAL STATEMENT AUDIT RESULTS

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

4.2 We completed the audit of two projects for the financial year ended 2014/15 namely:

- Support Economic Management in the Caribbean (SEMCAR)
- Caribbean Regional Communications Infrastructure Programme (CARCIP)

4.3 The backgrounds of these projects are as follows:

SEMCAR Project

Project background

4.4 The Government of Saint Lucia (GOSL) signed a financing agreement with the World Bank for the Support Economic Management in the Caribbean (SEMCAR) Project. The funds of the World Bank are from the resources of the Trust Fund (TF). The TF will provide USD $200,000.00 and was approved and came into effect November 29, 2012 and closed on June 30, 2013 and the application deadline was October 31, 2013.

Project objectives

4.5 The objective of SEMCAR was to assist the Recipient in Supporting Economic Management in the Caribbean with the view to provide Participating Countries with full access to all SmartStream system modules with unlimited number of licenses and full maintenance services.

Project components

4.6 This project consists of the following parts:

4.6.1 (a) Assisting the recipient in carrying out technical and economic analyses as well as logistical tasks related to the negotiation process, procurement and implementation of a proposed Regional SmartStream Enterprise Agreement for the SmartStream software

4.6.2 (b) Preparing the multi-country contract for the Regional SmartStream Enterprise agreement and its related modules and maintenance of training provisions referred to in (a) above and

4.6.3 (c) Providing technical assistance to the Negotiation Team for the consensus building and preparation of its common goals, objectives and negotiation strategy relating to the Regional SmartStream Enterprise Agreement including identifying the requirements and specifications that participating countries expect from the said agreement.

4.7 Specific objectives of the four projects

4.8 The specific objectives of the audits were to:

4.8.1 •Issue an opinion as to whether the Project financial statements present fairly, in all material respects, the financial position of the project, the funds received and the disbursements made during the period audited, as well as the cumulative investments at the end of the period, in accordance with the requirements of the respective agreements with the Bank and other co-financing organizations.

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

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

4.9 Auditor's certificate

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

4.10.1 •Ministry of Finance, Economic Affairs and National Development – SEMCAR

4.10.2 •Ministry of the Public Service, Sustainable Development, Energy, Science & Technology - CARCIP

SUMMARY FINDINGS OF AUDITS OF DONOR FUNDED PROJECTS.

SEMCAR

- **Project accounts were not reconciled on a monthly basis**

4.11 The Revised Laws of Saint Lucia Chap. 15.01 Financial Regulations No. 10(4) (c) states:

4. 12 "At the end of every month the vote account shall be reconciled item by item with the Accountant General's accounts."

4.13 The Ministry of Finance, Economic Affairs, Planning and Social Security which is the implementing agency has the responsibility to reconcile the project's accounts with the Accountant General's accounts on a monthly basis. However, this was not done.

4.14 We obtained one reconciliation statement for the entire year. It was prepared by the PCU showing the reconciliation of accounts for the entire year instead of on a monthly basis.

Implications and Risks

4.15 When the accounts are not reconciled on a monthly basis this could lead to errors and omission in the accounts going undetected which affects the accuracy of the financial information that users rely on to make important decisions.

Recommendation

The project's accounts should be reconciled monthly.

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

Project's Internal Controls

- **Some spoilt cheques were not properly cancelled**

4.17 Revised Laws of Saint Lucia Cap. 15.01, Financial Regulations No. 120 (2) states:

4.18 "Each spoilt cheque shall be marked or stamped across its face "Cancelled" and initialled by a designated officer."

4.19 From our sample we noted two cheques that were not cancelled as required. Both cheques, numbers 352 and 356 were crossed but did not have the word "Cancelled" written across the face nor were they initialled by a designated officer.

Implications and Risks

4.20 If cheques are not cancelled as required there is the risk that they can be used for unauthorized purposes.

Recommendation

The entity should marked or stamped "cancelled" across the face of spoilt cheques and these cheques should be initialled by a designated officer.

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

- **Cheque signatories did not always sign the payment vouchers**

4.22 The payment voucher provides for cheque signatories who have signed the corresponding cheque to sign the voucher. We note that three signatories are needed to validate cheques for the project. Accordingly, there should be three signatures on payment vouchers.

4.23 Our examination of payment vouchers revealed that not all signatories signed the voucher. In some instances only one or two signatures were affixed to the payment voucher. The following is a sample of payment vouchers that contained less than the three required signatures:

Name on Payment Voucher	**Payment Voucher Amount**	**Number of signatures seen on Voucher**
Michael Raschid	$67,143.06	none
Diane J Robinson	$5,806.47	1
Going Places Travel	$2,846.07	2
Fedricka Joseph for Michelle Longsworth	$992.40	1
Computer World	$110.00	2
Nato's Educational & Supplies	$679.25	2
Michael Raschid	$68,710.39	1
Keith Miller	$9,509.15	2
Total Value	**$173,456.64**	

Implications and Risks

4.24 If cheque signatories do not sign the payment voucher, it will be difficult to identify persons responsible for signing the cheque associated with that voucher and to determine whether signatures were in accordance with requirement, in the absence of the physical cheque.

Recommendation

All cheque signatories should sign the payment voucher

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

5. CARCIP

- **Year-end cash balance was incorrect**

5.1 Year-end bank reconciliation should only be affected by current period transactions and should not include non-reconciliatory items.

5.2 One of the main purposes of the bank reconciliation is to detect any discrepancies between the accounting records of the entity and the bank besides those due to normal timing differences. Of significant importance is that monthly preparation of bank reconciliation assists in the regular monitoring of cash flows. Therefore, it is most important for the Project to have complete and correct bank reconciliations prior to generating the financial statements.

5.3 The amounts disclosed on the financial statements for the USD$ and XCD$ account were USD$127,959.31 and XCD$144,648.72 respectively. The cumulative closing bank balance of USD$181,768.05 equivalent to XCD$488,628.93 was reported on the Statement of Sources and Uses of Funds and the general ledger.

5.4 We examined the reconciliation statements and observed that a debit adjustment for the transfer of XCD $57,806.56 was made against the XCD dollar account. However, we noted that the authorization for transfers occurred after the reporting period (subsequent event). At March 31, 2014, the closing bank balance as reported on the bank statement and confirmation letter for that account was XCD $ 202,455.28 equivalent to USD $75,312.58. As such, the closing bank balance on the Statement of Sources and Uses of Funds and the general ledger should be USD $203,271.89 (USD $127,959.31 +USD $75,312.58).

Implications and Risks

5.5 The inclusion of non-reconciliatory items on bank statements leads to inaccurate bank balances and may indicate deliberate attempts to mislead users of the financial statements.

Recommendation

5.6 All instructions for charges against the account be authorised by year end and not subsequent to the year end.

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

Central Government's Accounts

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

5.8 The Revised Laws of Saint Lucia Chap. 15.01 Financial Regulations No. 10(4) (c) states:

5.9 **"**At the end of every month the vote account shall be reconciled item by item with the Accountant General's accounts**."**

5.10 When total audited expenditure of XCD$638,928.86 was compared with total expenditure of XCD$693,819.96 recorded in the Central Government's accounts a difference of XCD$54,891.10 was noted. Our audit revealed that this difference occurred as a result of omissions and errors in the accounts that were not resolved by year-end. These discrepancies are summarized in the table below:

Description	Amount XCD $	Cheque No.	Remarks
Employee and Employer NIC	1,500.00	91	Not posted in the accounts
Salary for December	6,600.00	94	Not posted in the accounts
Per diem	2,700.18	63	Not posted in the accounts
Consultancy	(13,584.50)	93	Cancelled amount debited in the accounts
Consultancy	(13,584.50)	N/a	Cancelled amount debited in the accounts
PAYE for October to December 2013	450.00	92	Not posted

Description	Amount XCD $	Cheque No.	Remarks
Employer's NIC	750.00	N/a	Posted under wrong account
Bank Charges	1,218.36	N/a	Not posted
Wire Transfer	(4,940.42)	N/a	Incorrect posting
Consultancy	(36,000.00)	N/a	Amount rejected shown as a debit
Other	(0.22)	N/a	
Total	**(54,891.10)**		

5.11 We also found instances where expenditure was incorrectly classified in the accounts. From the sample of invoices, we noted that expenditure was posted to the wrong accounts in the Central Government accounts as follows:

Description of Goods/	Cost XCD$	Classification in Central Government accounts	Correct classification as per Estimates of Expenditure
Equipment (implementation support)	5,500.00	2211A02 101002	2211A03 0212152
Furniture (implementation support)	6,345.00	2211A03 109002	2211A03 0212152

5.12 According to the Estimates of Expenditure, machinery and equipment under Component 3 of the project should have been classified under the capital expenditure account 2211A03 0212152. However, we noted that this capital account was not created in the Central Government accounts. Consequently, expenditure for machinery and equipment of $6,345 was posted under the operating account 2211A03 0109002.

5.13 We also found that expenditure totalling XCD$29,117.04 paid for hotel accommodations, travel and per diem was recorded under the account 2211A03 0132002, professional and consultancy services. These amounts should have been recorded under the account 2211A03 0105 which is the correct account for travel and subsistence expenses.

5.14 We observed that only one reconciliation statement was submitted, which covered the period April 1, 2013 to March 31, 2014. This reconciliation was also done after the end of the financial period. We were informed that due to administrative glitches in the pilot project, transactions were posted to the Accountant General's accounts from December 2013. This indicates that there were three months of reconciliation to be done.

5.15 The Financial Management Officer informed that she was aware of the discrepancies and that adjustments have been made to correct the accounts, however, not all discrepancies have been resolved and that there are still some un-posted journals pending.

Implications and Risks

5.16 When the accounts are not reconciled on a monthly basis this could lead to errors and omission going undetected which affects the accuracy of the financial information that users rely on to make important decisions.

Recommendation

The accounts should be reconciled monthly and the necessary adjustments should be prepared.

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

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

5.18 To ensure the completeness of information in the Central Government's accounts, both capital expenditure and capital revenue incurred by the project should be recorded. Also, government accounting policy requires that the capital revenue to match the capital expenditure be posted simultaneously in the Central Government's accounts. Therefore, capital revenue and capital expenditure should be the same.

5.19 Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) for the financial year was XCD$638,928.86. However, the capital expenditure posted in the Accountant General's accounts was XCD$680,235.46. Therefore, the figure reported by the Accountant General was greater than the figure verified by the audit and reported in the project's Statement of Sources and Uses of Funds.

5.20 The corresponding charge to the capital revenue account was XCD$79,820.00. Thus the revenue recorded in the Central Government's accounts was understated by XCD$600,415.46, or 88% when compared to the expenditure recorded.

5.21 This was because for the period April to December 2013 the vouchers payable account – 4402001-0600001 was credited and not the revenue account because this expenditure was paid by the PCU and not Central Government. We observed that the amount credited to vouchers payable was journalized by a debit to that account and a credit to the NCB General bank account – 4402001-0502201. This has resulted in the understatement of the Central Government's bank balance.

Implications and Risks

5.22 The transactions in the central government accounts are not complete and there is the risk that the financial statements of the GOSL may be inaccurate because the statements would be prepared using incomplete and inaccurate information.

Recommendation

The necessary adjustments should be made so that capital revenue is disclosed fully in the Central Government's accounts.

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

Project's Internal Controls

- **The planned figures as per the project's Statement of Sources and Uses of Funds differed from the cumulative planned figures as per the last quarter IFR**

5.24 It is expected that the information on the project's Statement of Sources and Uses of Funds would agree with the information documented in the last quarter Interim Financial Reports (IFRs).

5.25 When the amounts on the project's Statement of Sources and Uses of Funds were compared with the amounts on the IFR for the last quarter of the financial period, the following differences were found:

Project Component	Statement of Sources and Uses of Funds USD$	Interim Financial Report USD$	Variance USD$
Component 1	200,500.00	116,215.16	84,284.84
Component 2	249,034.52	181,542.37	67,492.15
Component 3	404,362.95	297,770.89	106,592.06
Total	**853,897.47**	**595,528.42**	**258,369.05**

5.26 While a planned figure of USD$853,897.47 was reported on the Statement of Sources and Uses of Funds, a figure of USD$595,528.42 was reported in the last quarter's IFR.

5.27 The FMO explained that the differences were as a result of an error in the formulas used in the excel spreadsheet. However, we note that the cumulative figure for planned expenditure is consistent with the figures compiled from all the IFRs submitted. Also all figures in the IFRs were arithmetically correct.

Implications and Risks

5.28 When financial data is not verified before it is incorporated in the financial statements, the project runs the risk of reporting inaccurate figures which can be misleading to stakeholders.

Recommendation

To assure the accuracy of all accounting records, care should be taken when transactions are recorded and posted and financial statements are prepared. Accuracy checks should also be made periodically in the accounting cycle.

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

AUDIT OF THE EMBASSY IN CUBA AND THE TORONTO CONSULATE

6 CUBAN EMBASSY

BACKGROUND

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

6.2 For the financial years 2010 to 2013, the Embassy's annual budget accounted for approximately 4.2% of the Ministry's total budget; and approximately 8% of the combined budget of the foreign mission as illustrated in the following table:

Financial Year	Approved budget (Ministry)	Approved budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved budget for Cuban Embassy	Percentage of Ministry's Budget	Percentage of budget for Foreign Missions
2010/11	21,567,400	11,709,854	54.3%	**1,034,790**	4.8%	8.8%
2011/12	21,556,200	11,331,435	52.6%	**866,556**	4.0%	7.6%
2012/13	21,209,700	10,722,753	50.6%	**811,375**	3.8%	7.6%

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6.3 The purpose of the audit was to determine whether the funds allocated to the Embassy of EC $2,681,446.69 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.

6.4 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).

6.5 The audit focused on the three (3) financial years ending March 31, 2011, 2012 and 2013. 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

6.6 We audited the operations at the Embassy which included:

- Expenditure
- Personnel Matters
- Revenue
- Cash on Hand
- Cash at Bank
- Receipt Books
- Equipment Register and Inventory
- Government Logbooks

6.7 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

6.8 Our audit revealed that the procedures and processes that were in place to manage, allocate, and monitor the Embassy's resources were inadequate and in some instances non-existent.

6.9 Accounting records were not maintained in the format prescribed in the financial regulations, the Embassy's accounts were not reconciled with the central government's accounts for all three (3) financial years under audit, resulting in significant differences between the two sets of accounts. Expenditure was also charged to accounts that were not funded in the Estimates. In addition, there were instances where expenditure was incorrectly classified resulting in improper accounting and budgeting of expenditure.

6.10 The Embassy did not maintain personnel files for employees and as a result, we encountered a scope limitation. We found that officers were appointed to unapproved posts without prior approval from the Ministry of the Public Service and leave records were not maintained for non-established workers. Additionally, the Embassy did not maintain records of uncertified absences and attendance of its staff. Staff at the Embassy did not sign oaths of secrecy.

6.11 Two of the three bank accounts maintained by the Embassy were not reconciled. Therefore, management did not have accurate monthly information on the balances of funds available. Revenue collected was not remitted to the Ministry of External Affairs and therefore not reflected in the Consolidated Fund.

6.12 There were inadequate controls over inventory and inventory items were discarded without proper authority and approval. The Embassy maintained a tools register but tools were not individually identified in the tools register making it difficult for the auditors to clearly identify the tools during an inventory check. Receipt books registers and government logbooks were not maintained according to the government's regulations and all receipt books issued to the Embassy were not adequately recorded in the receipt books register maintained by the Ministry of External Affairs.

6.13 The Ambassador has the authority to make certain decisions and to act as an agent of the State on foreign soil, but has to seek and obtain permission from the Permanent Secretary of any Ministry or the Minister of Finance through the Permanent Secretary of the Ministry of External Affairs where the Regulations require such requests. We found that the Ambassador failed to seek the necessary guidance and approval on pertinent issues where necessary.

DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

6.14 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

EXPENDITURE

- **Expenditure was in excess of revised estimates and budget allocations**

6.15 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, officers must also ensure that budget allocations provided are not exceeded.

6.16 During our audit, we found several instances where actual expenditure reported by the Embassy exceeded the revised estimates and budgeted allocations. The following are the authorized accounts for which expenditure exceeded budgeted and allocated funds:

Account	Revised Estimates and allocated amount EC$	Actual expenditure as per Embassy records EC$	Over-expenditure EC$
2010/2011			
106	4,000.00	15,236.98	11,236.98
107	33,501.32	39,266.40	5,765.08
109	4,500.00	5,266.02	766.02
115	96,428.13	124,126.72	27,698.59
116	41,124.56	49,951.39	8,826.83
Total			**54,293.50**
2011/2012			
105	12,193.00	27,445.20	15,252.20
106	2,000.00	48,557.25	46,557.25
107	5,000.00	14,402.56	9,402.56
109	6,600.00	6,816.39	216.39

Account	Revised Estimates and allocated amount EC$	Actual expenditure as per Embassy records EC$	Over-expenditure EC$
115	56,119.00	140,865.42	84,746.42
116	22,000.00	90,756.33	68,756.33
Total			**224,931.15**
2012/2013			
105	12,193.00	16,257.92	4,064.92
106	2,000.00	11,702.54	9,702.54
107	8,000.00	34,132.39	26,132.39
109	7,000.00	16,289.90	9,289.90
115	56,119.00	93,055.85	36,936.85
116	27,000.00	72,520.19	45,520.19
117	106,872.00	184,419.74	77,547.74
Total			**209,194.53**
Grand Total			**488,419.18**

6.17 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**

6.18 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.

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

6.20 We found that during the three financial years, expenditure of EC $109,109.98 was incurred against accounts for which no budgetary or supplementary provisions were made, thus resulting in unauthorized expenditure as reported in the following table:

Account Number	Expenditure Description	Amount EC$
FY 2010/2011		
118	Hire of Transport	601.53
120	Grants and Contributions	1,085.67
130	Public Assistance	11,015.18
133	Salary Increase	519.89
139	Miscellaneous	8,743.58
203	Capital Expenditure	15,601.42
	Total	**37,567.27**
FY 2011/2012		
118	Hire of Transport	760.74
120	Grants and Contributions	2,991.72
139	Miscellaneous	1,317.97
218	Capital Expenditure	17,999.45
	Total	**23,069.88**
FY 2012/2013		
110	Supplies and Materials	4,808.50
118	Hire of Transport	18,703.14
120	Grants and Contributions	62.49
130	Public Assistance	21.74
139	Miscellaneous	2,086.60
211	Capital Expenditure	22,790.36
	Total	**48,472.83**
	Grand Total	**109,109.98**

6.21 We found that the Embassy did not receive a copy of the Estimates of Expenditure for guidance on the amounts approved by Parliament.

6.22 Also, the expenditure records maintained by the Embassy did not contain the information required by the Revised Laws of Saint Lucia, 2005 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

Implication and Risk

6.23 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**

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

6.25 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's Records EC$	Expenditure reported in the Accountant General's accounts EC$	Difference EC$
2010/2011	996,075.39	611,178.45	384,896.94
2011/2012	890,897.20	294,027.48	596,869.72
2012/2013	843,408.16	312,414.30	530,993.86

6.26 As a result, for the three years audited the Accountant General's accounts were grossly understated by a total of $1,512,760.52.

6.27 As at July 2014 the accounts were still showing inaccurate information.

Implication and Risk

6.28 When accounts are not reconciled the accounting information is unreliable to users for decision making purpose.

- **Wages were incorrectly classified**

6.29 According to the Revised Laws of Saint Lucia, Cap. 5.01, (Financial Regulations) No 10 (1) expenditure should be classified in strict compliance with the Estimates.

6.30 According to the Chart of Accounts salaries and wages should be classified under the Standard Object Classification Codes (SOC) 101 and 102 respectively.

6.31 The Embassy posted wages for security officers, cleaners, housekeepers and gardeners under the Standard Classification Code 116 which should be used to post expenditure relating to operating and maintenance services.

Implication and Risk

6.32 The wages and operating and maintenance figures for the financial years would not be accurately reflected in the government's accounts and possibly in the financial statements if not identified and corrected.

- **Imprest accounts were not retired at the end of the financial year**

6.33 At the beginning of each financial year imprests were issued to the Embassy. Each imprest warrant indicated that the imprest should be retired at the end of the financial year. However, we noted that none of the imprests were retired and each had a carried forward balance for the next period.

6.34 Account 4503008 0504820 1001 was used to record imprests and replenishments for the three years. At the end of March 31, 2013 the imprest account 4503008 0504820 1001 showed an amount of EC $2,158,162.44, which to date (July 2014) has not been retired by the Ministry of External Affairs.

6.35 Further at the end of the 2011/2012 and 2012/2013 financial years the Embassy transferred the unused portion of the imprest to a "reservation" bank account, which was an additional bank account opened by the Embassy. A total of CUC$38,918.39 or EC$ 105,737.37 was transferred for the two years. According to the requirements of the Government of Saint Lucia, any funds unutilized from the imprests are to be refunded to the Accountant General's Department. While we note the peculiarities of the operations of the Embassy in Havana Cuba, the Embassy should have repaid any unused funds from the imprests.

Implication and Risk

6.36 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 adequately cancelled**

6.37 Revised Laws of Saint Lucia Chapter 15:01, Financial Regulation No. 120 (2) states that each spoilt cheque shall be marked or stamped across its face "cancelled" and initialed by a designated officer.

6.38 We noted that although spoilt cheques were crossed cancelled, however they were not endorsed by a senior officer.

Implication and Risk

6.39 Cancelled cheques which are not endorsed may not be genuinely cancelled by an authorized officer. The Embassy runs the risk of increased fraud as unauthorized persons may be cancelling cheques.

RECOMMENDTIONS

- **Management should obtain supplementary provisions to cover the over-expenditure incurred during the audited financial years.**

- **A copy of the approved Estimates of Expenditure should be provided to the Embassy.**

- **Management should maintain records of expenditure in the format required by the Revised Laws of Saint Lucia Cap 15.01 (Financial Regulation) No. 10 (3).**

- **As a matter of priority the Ministry of External Affairs along with the Embassy should implement a proper accounting system that would assist the Embassy in maintaining the accounts in the approved format and recording all information required by the regulations.**

- **The Consulate's expenditure accounts should be reconciled every month.**

- **Wages should be posted under the appropriate Standard Object Classification.**

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

- **Cancelled cheques should be endorsed by a senior officer.**

PERSONNEL MATTERS

- **Personal files were not maintained for each employee**

6.40 Individual personal files containing appointment letters or contract letters; leave cards and applications for leave as well as any other relevant information pertaining to the employee should be maintained.

6.41 The Embassy employed 11 persons, all of whom were Cuban Nationals. However, no personal files were maintained for these individuals.

6.42 Since personal files were not maintained and there were no records of employment we were unable to verify the terms of employment of the non-established staff to determine whether they were duly appointed and that their terms of appointment were in conformity with the requirements of the regulations pertaining to uncertified sick days, leave entitlements, overtime payments and salaries.

6.43 We did note that there were two signed contracts for the Office Administrator and the Driver. Employee cards were maintained for some employees based on the requirements of the Cuban Employment Laws. However, the employment cards did not contain any information relevant to our audit.

Implication and Risk

6.44 The Embassy may not have information on file to support employees' salaries and other benefit entitlements as well as records of the history of employment for these employees. The Embassy may not be able to sufficiently validate salaries, wages and other benefits in cases of employee termination.

- **Officers were appointed to unapproved posts**

6.45 According to the Estimates of Expenditure for the financial years audited four (4) positions under wages were approved for the Embassy in Cuba namely the Office Assistant, Driver, House Keeper and Grounds Maintenance. Funding was provided for only one officer per position. However, during the period we observed that persons were appointed to positions not approved in the Estimates of Expenditure. In addition, more than one person was appointed to a particular position. At the end of the period, there were eleven (11) persons employed under wages.

6.46 We examined the total spent on wages and compared the total with the approved estimated amount and noted the following over expenditure:

Year	Amount as per Estimates of Expenditure EC$	Amount spent as per Embassy records EC$	Over expenditure EC$
2010/2011	34,641.00	44,876.69	10,235.69
2011/2012	37,847.00	52,816.54	14,969.54
2012/2013	37,847.00	47,341.98	9,494.98
Total			**34,700.21**

Implication and Risk

6.47 Failure to appoint persons to established posts for which budgetary provisions have been made will result in over and unauthorized expenditure and increase the burden on the Consolidated Fund.

- **Officers appointed without approval from the Ministry of the Public Service**

6.48 Appointments to non-established posts should be approved by the Permanent Secretary of the Ministry of the Public Service through the Permanent Secretary of the Ministry of External Affairs in order for the appointments to be properly vetted and administered according to the requirements of the government's laws and regulations and the budget.

6.49 There was evidence that persons were employed under wages at the Embassy without approval from the Ministry of the Public Service.

Implication and Risk

6.50 Since the appointments were not according to the regulations they were unauthorized. Unauthorized appointment is not only a violation of the government's regulations but has implications for the budget as well as the employee.

- **Leave cards were not maintained for non-established workers**

6.51 Upon employment, employees should be informed of their terms and conditions of employment. We found that leave information was not maintained for persons in non-established posts for the financial years 2010/11 - 20012/13. As a result, we were unable to verify whether persons took the quantum of leave to which they were entitled. For the period 2013/2014, the Embassy kept records of leave taken by persons in non-established posts. However, the records only showed the leave taken but not the annual entitlement.

Implication and Risk

6.52 The Embassy may not have accurate information on file to support leave balances of employees. The Embassy may not be able to sufficiently validate payment in lieu of leave in cases of employee termination.

- **Records of uncertified absences and attendance were not kept by the Embassy**

6.53 The Staff Orders require that all uncertified absences which exceeds 10 working days a year (12 for officers working a 6 day work week) should be recorded and deducted from the officer's annual leave entitlement. In order to achieve this, the Ministry of the Public Service has instructed Ministries and departments to keep records of uncertified absences which should be forwarded to the Ministry monthly.

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

Implication and Risk

6.55 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.

- **Unauthorized payment of allowances**

6.56 We examined all allowances paid to staff in established positions at the Embassy during our audit period.

6.57 We noted the following discrepancies:

- Prior to July 2008, Consul, Nancy Nicholas was paid both rental and housing allowance. We were unable to quantify how much was spent on the rental as we did not get information for that period. However, we noted that rental was paid in December 2008 of CUC $2,300.00 per month. The Consul had been employed at the Embassy since September 2006 and her appointment information indicated that she should have received EC $1,350.00 (US$496.89) for housing allowance.

  During her one year tenure from June 2012, Consul (Nancy Nicholas) was paid housing allowance of US $2,000.00. We did not see any authority for this payment.

- Consul (Nancy Nicholas) was also paid child allowance of US $500.00 during her first tenure from August, 2008 as per the Embassy's records. However, we did not see documentation to indicate the authority for payment of this allowance to the officer.

- Ambassador, Dr. Jovita St. Marthe was paid household allowance of US $586.85 which was not included in the original contract nor did we see any subsequent amendment to include a household allowance.

6.58 Since we did not obtain evidence of any addendums to contracts or subsequent adjustments made to authorize these payments therefore the payments of additional allowances to these officers were unauthorized.

Implication and Risk

6.59 When officers receive allowances that are not agreed in their contracts these employees have received monies not due to them. This places a further financial strain on the government's resources/budget. Also the payment of unauthorized allowances to employees is an indication that the internal controls (vetting and verifying contract terms etc…) are weak since payments are made without authority by the accounting officers making such payments.

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

6.60 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.

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

Officer	Month	Hours Exceeding 30
Alberto Gonzales	December 2010	19
	February 2011	28
	May 2011	12
	June 2011	12
	September 2011	40
	February 2012	16
	September 2012	15
	October 2012	12
Ortis Valdes	February 2013	102

Implication and Risk

6.62 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 officer took the oath of secrecy**

6.63 The Orders for the Saint Lucia Foreign Service require all officers to sign a declaration of secrecy upon the assumption of duties. We did not see signed oaths of secrecy for the officers employed at the Embassy.

Implication and Risk

6.64 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:

- **Individual personal files containing information on salaries and any other personnel matter pertinent to employees should be kept.**

- **Appointments of non-established personnel to the Embassy should be duly approved by the Permanent Secretary, Ministry of External Affairs in writing before they are made.**

- **Leave cards should be maintained for all employees.**

- **Records of uncertified absences should be compiled monthly and submitted to Head Office to be forwarded to the Ministry of the Public Service.**

- **Payments of allowances should be verified for accuracy against letters of appointments and contracts.**

- **Overpayments of allowances should be recovered where feasible.**

- **Approval should be obtained from the Ministry of Finance through the Ministry of Foreign Affairs for payments of overtime in excess of 30 hours.**

- **Staff should sign the oath of secrecy upon employment.**

REVENUE

- **Revenue from consular services was used to fund operating expenditure**

6.65 Revenue generated from consular services should not be used to finance operating expenditure.

6.66 We observed that not all revenue from consular services was deposited into the revenue bank account.

6.67 We found that funds from the revenue account were periodically transferred to the operating account to pay for operating expenditure. At the end of the period audited $700 of the funds transferred had not been reimbursed to the account.

6.68 The opening balance of the bank account as at April 01, 2010 was US$2,268.50. Revenue of US$9,183.00 was collected during the period April 01, 2010 to March 31, 2013. A total of US$3,455.00 was used from the revenue to pay for operating expenditure.

Revenue from consular services when used to fund operating expenditure is a violation of the Finance Act as Parliament did not approve these funds for that purpose. Therefore, the expenditure incurred is unauthorized.

6.69 We noted that the practice of utilizing revenue from consular services to fund operating expenditure was discontinued during the 2012/13 financial year.

- **Revenue was not remitted to Accountant General's Department.**

6.70 Revenue collected by government agencies are to be paid into the Accountant General's Department.

6.71 Revenue collected by the Embassy was not remitted to the Accountant General's Department. The cash was deposited into a separate bank account maintained by the Embassy. As at March 31, 2013 there was US$ 7,674.15 in the account, in addition revenue collected from the financial year 2006/07 to 2012/13 and not deposited and transfers not yet reimbursed of US$10,058.85 was owing to the revenue account.

Implication and Risk

6.72 Unpaid revenue creates budgetary constraints to the Government and impacts negatively on the availability of funding for activities identified in the budget. Also, there is the risk that these funds may be used for unauthorized purposes.

RECOMMENDATIONS

- **All revenue should be remitted to the Accountant General to be posted under the appropriate revenue account.**

- **The outstanding amounts due to the revenue account should be reimbursed.**

BANK ACCOUNTS

- **Bank accounts were not reconciled**

6.73 During the audited period, three bank accounts were maintained by the Embassy:

- Operating Account No. 0300000001950631 opened on August 27, 2007 ;
- Revenue account No. 0300000003710331 opened on October 28, 2009; and
- Reservation account No. 0300000004355639 opened on June 28, 2012.

6.74 We noted that only the operating account was reconciled.

6.75 In addition, we noted that the reconciled closing bank balances reported on the reconciliation statement as at March 31, 2012 did not agree with the cash book balance. The bank balance according to the reconciliation statement was US $326.22. However US$ 28,065.99 was reported on the cash book, resulting in a difference of US$ 27,739.37.

6.76 Upon further investigation, we noted that reimbursements for the months of October to December 2013 of US$ 25,558.02 and US$ 20,711.39 totaling US$ 46,269.41 received on April 04, 2013 were included in the 2011/2012 financial year cash book. In addition, outstanding cheques totaling US$ 18,529.64 were not deducted from the bank balance of US$ 326.22 on the reconciliation statement.

6.77 The closing bank balances for the other two accounts were as follows:

Revenue Account

2010/11	US$ 2,263.20
2011/12	US$ 1,563.20
2012/13	US$ 7,674.15

Reservation Account:

2012/13	US$ 28,065.99

Implication and Risk

6.78 When the bank balance appearing in the accounting records is not confirmed to be correct by comparing it with the bank statement balance; it does not provide assurance that the bank transactions have been recorded correctly in the entity's records.

Recommendation

All bank accounts should be accurately reconciled.

RECEIPT BOOK REGISTER

- **Receipt book register was not maintained**

6.79 The Embassy did not maintain a receipt book 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).

6.80 Collectors of revenue are responsible for ensuring that receipt books in their possession are not only adequately safeguarded but are also duly accounted for. The regulations require collectors of revenue holding stocks of revenue receipts forms to maintain a stock register as approved by the Accountant General. The Accountant General requires that registers include information relating to the date the books were received; date and requisition number, quantity of books, number of books, to whom books were issued, the date the books were issued, the date they were returned and the memo number and date when the books were sent for custody.

6.81 Personnel of the Embassy informed us that they were not aware that they were supposed to have maintained a receipt book register in accordance with the regulations.

Implications and Risk

6.82 The Embassy will be unable to keep track or accurately account for all receipt books if they are not recorded in the register. Consequently, the receipt books can be used for unauthorized purposes without the Embassy's knowledge.

- **Not all the receipt books sent to the Embassy were recorded in the Ministry of External Affairs Receipt Book Register**

6.83 We noted that not all the receipt books sent to the Embassy were recorded in the Ministry of External Affairs Receipt Book Register. In fact out of the nine (9) receipts books in the possession of the Embassy only one was recorded as being issued to the Embassy in Head Office's records.

6.84 In addition, we noted that receipt books 1608201-1608300, 1608301-1608400 and 1608401 - 1608500 that were found at the Embassy were recorded in Head Office records as being issued to the New York Mission.

Implication and Risk

6.85 The Ministry will be unable to keep track or accurately account for all receipt books if they are not recorded or are incorrectly recorded in the register. Consequently, the receipt books can be used for unauthorized purposes without the knowledge of the Ministry of External Affairs and the Accountant General's Departments since the internal control mechanisms to ensure the proper accountability for these books are weak.

RECOMMENDATIONS

- **A receipt book register should be maintained and should contain all the information required by the Accountant General's Circulars and the Revised Laws of St Lucia Cap 15.01 Financial Regulation No 67 (1-3).**

- **Management of the Ministry of External Affairs should ensure that all receipt books sent to the Embassy are duly recorded.**

EQUIPMENT REGISTER AND INVENTORY

- **All information required by the regulations was not recorded in the equipment register**

6.86 According to the Revised Laws of Saint Lucia, Cap 15.01 (Procurement and Stores Regulations) No. 43 (1) an equipment register in which all items shall be recorded including the description of the equipment, name of manufacturer, registration and serial numbers, date received, source of supply, period of warranty and ancillary equipment and spares supplied should be maintained.

6.87 The Embassy maintained an equipment register in which the items were recorded by code (internally developed), description; date of purchase, initial value, depreciation percentage, present value and remarks on their condition. However, it did not include the registration and serial numbers, source of supply, period of warranty and ancillary equipment and spares supplied.

Implication and Risk

6.88 When the registration and serial number are not recorded in the register it becomes difficult to distinguish between similar items and to provide critical information in the event equipment is stolen or destroyed.

- **Inventory was not disposed of in accordance with the requirements of the Regulations**

6.89 According to The Revised Laws of Saint Lucia Cap. 15.01 (Procurement and Stores Regulations) Part 13 a board of condemnation should be appointed to inspect stores which have been reported to be unserviceable or obsolete and to make recommendations for their disposal. The Regulations also state the specific procedures which the board and accounting officer should follow when disposing of assets.

6.90 We traced the items on the inventory listing to the equipment register and noted that there were items which were not included on the inventory listing.

6.91 Upon enquiry we were informed that some of the items were discarded. The disposal exercise was done in collaboration with the then Accountant from the Ministry of Foreign Affairs during a visit to the Embassy. However, the items which were disposed and the authority for the disposal were not documented.

Implication and Risk

6.92 Disposing of items of furniture and equipment without the authority of the board of condemnation is a violation of government's procurement policies. There is the risk that serviceable items may be disposed, if the board's procedures are not followed. Also there is no proof that the items were indeed disposed and not misappropriated.

- **A tools register was not maintained**

6.93 According to the Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No.43 (2) "a tools register shall be maintained for all items of tools received and issued for use."

6.94 We found that the Embassy purchased tools totalling EC $628.83 during the audit period, however, the tools were not itemized in a register. Verification of these items was unsuccessful, since the items were not individually recorded on the inventory listing or on the statement of expenditure.

Implication and Risk

6.95 The Embassy will be unable to keep track or accurately account for all tools in its possession. Consequently, tools may be stolen or used for unauthorized purposes without its knowledge.

- **Some items of furniture and equipment were not recorded on the inventory listing**

6.96 From the Statement of Expenditure prepared by the Embassy, we extracted all purchases of equipment, furniture and non-expendable items and traced the items purchased to the inventory listings. For example in the financial year 2012/2013 items costing a total of EC$8,424.15 were purchased but were not recorded on the inventory lists.

6.97 Most of these purchases were not itemized in the Statement of Expenditure but were recorded as "tools or kitchen utensils". In addition, most of the bills generated by stores did not list the items purchased. Only the totals of purchases were recorded on these bills.

Implication and Risk

6.98 The Embassy will be unable to keep track or accurately account for all furniture and equipment which should be in its possession. Consequently, these items could be used for unauthorized purposes or stolen without detection.

- **Log books were not maintained**

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

> **"*Log books shall be in such form as the Accountant General may approve and shall be used to record –***
>
> **(a)** ***details of traveling done or works performed*;**
> ***(b) details of oils, fuels and spares used;***
> ***(c) details of servicing or repairs;***
> ***(d) authorization for travel or other operation."***

6.100 At the time of the audit, two (2) vehicles were maintained by the Embassy:

- Kia 2006 Opirus – D188001; and
- Kia 2013 Sorento – D44DH

6.101 During the audited period, the Embassy did not maintain a log book. Consequently, the information required by the regulation was not recorded. In addition the audit revealed that EC$ 97,989.30 was spent on motor vehicle expenses. From April 2013 the Embassy implemented an "operation and maintenance statement" of its motor vehicle expenses.

Implication and Risk

6.102 When log books are not maintained it increases the risk of the misuse of government vehicles.

RECOMMENDATIONS:

- **The equipment register should reflect all the requirements of the regulations.**

- **Management should ensure that approval is received from a board of condemnation before disposing of the government's stores/inventory.**

- **A tools register should be maintained in accordance with the Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No. 43 (2).**

- **The assets purchased should be individually recorded to facilitate verification of such items.**

- **A receipt books register should be maintained.**

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

7 CONSULATE OF TORONTO

BACKGROUND

7.1 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 more than 50% of the Ministry of External Affairs Budget, annually. The budgeted cost for operating these missions over the past five year was approximately eleven million dollars ($11m) per annum.

7.2 The Consulate of Toronto 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 Canada, while preserving the friendly relations that exist between Saint Lucia and Canada. The Consulate General of Saint Lucia in Toronto has been in existence since October 1999.

7.3 On average, the Consulate's annual budget accounts for 6.3% of the Ministry's total budget; and approximately 12% of the combined budget of the foreign mission as shown below:

Financial Year	Approved Budget (Ministry)	Approved Budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved Budget Toronto Consulate	Percentage of Ministry's Budget	Percentage of Budget for Foreign Missions
2009/10	20,364,700	10,730,199	52.7%	1,121,500	5.5%	10.5%
2010/11	21,567,400	11,709,854	54.3%	1,524,075	7.1%	13.0%
2011/12	21,556,200	11,331,435	52.6%	1,497,748	6.9%	13.2%
2012/13	21,209,700	10,722,753	50.6%	1,502,415	7.1%	14.0%
2013/14	22,729,000	11,896,804	52.3%	1,151,379	5.1%	9.7%

AUDIT OBJECTIVE AND SCOPE

7.4 The objective of the audit was to:

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

7.5 The audit focused on the five financial years ending March 31, 2010, 2011, 2012, 2013 and 2014. In order to meet the audit objective the records and operations of the Consulate were assessed against the financial and procurement regulations and the policies and procedures included in the following documents:

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

7.6 We audited the operations at the Toronto Consulate which included:

- Expenditure
- Personnel Matters
- Passport Revenue
- Cash on Hand
- Cash at Bank
- Inventory & Equipment Register
- Receipt Book Register

7.7 We did not audit the objectives of the Consulate.

7.8 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

7.9 Our audit revealed that the structures and processes that are in place to manage, allocate, and monitor the Consulate's resources were inadequate. Management of financial resources includes compliance with laws, regulations and policies, adequate transparency, and appropriate internal controls to prevent excessive financial commitments and overspending.

7.10 Therefore, it is incumbent on the Consulate to understand, follow and uphold financial policies and procedures established by the Government of Saint Lucia. Also, Head Office should conduct periodic internal reviews to ensure continued compliance with government's financial policies and accounting procedures.

7.11 As a government agency the Consulate is responsible for:

- Expending or committing funds within approved budgets using appropriate financial, accounting and procurement procedures.
- Reviewing and reconciling expenditures and revenues monthly to assure appropriateness.
- Maintaining adequate accounting and personnel records.
- Ensuring correct payment of salaries and wages to employees.
- Ensuring that leave records are accurate and compliant with government's procedures.
- Accounting for revenue collected.
- Reviewing internal controls for proper segregation of duties.
- Correcting any internal control weakness that could lead to waste, misuse or destruction of assets.

Expending within approved budgets and reconciliation of expenditure

7.12 Our audit of the Toronto Consulate revealed that the Consulate 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 Consulate. Also, management failed to monitor and reconcile the Consulate's expenditure accounts or fully retire at year end, the imp190 given to the Consulate each year.

Compliance with policies relating to personnel matters

7.13 We examined the extent to which the Consulate complied with government's policies relating to personnel and found issues of non-compliance which included:

- Officer was appointed to a position that was not funded or included in the structure
- Departmental leave was not taken as required
- Oath of secrecy was not seen on file for officers
- Permission to take leave outside of country of posting was not always sought and leave destination was not always recorded on leave applications
- Some payments for meals and subsistence allowances could not be verified
- Incorrect and inconsistent rates were used for mileage claims

Accounting for revenue collected

7.14 Whereas accounting for revenue received was adequate, our audit revealed that passport revenue of CAD$24,301.70 collected during financial year 2011 was not remitted to Head Office for credit to the Consolidated Fund. Also, CAD$68,968.16 was transferred from the passport account to the operating account but was not replaced by the end of the audited period.

Maintenance of accounting records

7.15 The Consulate did not maintain adequate records to facilitate proper reconciliations of the bank accounts. We found differences between the adjusted balances for the bank and cash book.

Maintaining control over assets

7.16 Control over assets in the Consulate's possession was weak. An Inventory list was not maintained for the Consul General's residence. Also, not all items of inventory were accounted for or were verified due to haphazard storing at a storage facility. The equipment register was also not updated to reflect all equipment purchased during the period.

7.17 Two receipts books were transferred to other officers without the Accountant General's permission.

Segregation of duties

7.18 Our audit revealed that the Consulate may be vulnerable to financial reporting errors and potential fraudulent activities due to inadequate segregation of duties.

AUDIT REPORT

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

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

DETAILED AUDIT FINDINGS AND RECOMMENDATIONS

EXPENDING WITHIN APPROVED BUDGETS AND RECONCILIATION OF ACCOUNTS

7.20 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

- **The Consulate's accounts were not reconciled**

7.21 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".**

7.22 The Ministry of External Affairs did not reconcile the Consulate's accounts and as a result we found a number of unexplained differences in almost all of expenditure account balances between the Consulate's records and the Accountant General's accounts for almost every expenditure account.

7.23 We are aware that some differences occurred because not all expenditure incurred was recorded because the imprests were not fully retired; however, other discrepancies exist in the accounts. Since, the Ministry did not reconcile the accounts these discrepancies remained unexplained.

7.24 In every of our previous reports we stressed the importance for the Ministry to reconcile the accounts on a monthly basis. Failure to reconcile the accounts results in errors and omissions in the accounts not being identified and corrected on a timely basis; which compromises the integrity of the figures appearing in the Accountant General's accounts for the entity. Again, we are recommending that the Ministry reconciles the Consulate's accounts.

- **Expenditure under some vote accounts was in excess of revised estimates**

7.25 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,"**

7.26 Our analysis of total expenditure incurred for the five-year period revealed that the entity incurred unauthorized expenditure for each year in that actual expenditure for most vote accounts exceeded the revised estimates.

7.27 We noted that additional virement warrants needed to cover the excess expenditure were not always obtained, though there were other vote accounts with saving. This demonstrates inadequate monitoring, on the part of Head Office, responsible for preparing requests for supplementary provisions for the Consulate**.**

7.28 We note however that overall the Consulate's total expenditure figures did not exceed the revised estimates figures except for the financial year 2013/14 when the total revised estimates figure was $1,151,379.00 whereas actual expenditure was $1,236,494.32.

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

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

7.30 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.

7.31 We found instances where expenditure was classified and charged to accounts that were not approved in the Estimates of Expenditure for the Consulate. These instances were seen in the entity's expenditure reports as follows:

Accounts Description	Expenditure Incurred CAD$	Expenditure Incurred EC$
2010/11		
118 Hire of Equipment & Transport	3,447.21	9,307.47
139 Miscellaneous*	9,245.04	24,961.61
Capital Expenditure	49,814.71	134,499.72
2011/12		
118 Hire of Equipment & Transport	5,750.93	15,757.55
Capital Expenditure	47,995.51	131,507.70
2012/13		
118 Hire of Equipment & Transport	4,278.00	11,807.28
Capital Expenditure	16,519.38	45,593.49
2013/14		
118 Hire of Equipment & Transport	7,664.74	20,158.27
132 Professional & Consultancy Services*	847.50	2,228.93
Capital Expenditure	11,131.39	29,275.56

*Not recorded in AG accounts

7.32 We noted two instances, where the expenditure incurred was not reflected in the Accountant General's accounts. However, since not all expenditure has been posted, these amounts may not have been re-classified.

7.33 Expenditure charged to vote accounts that are 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 terms of repayment**

7.34 Impressts 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.

7.35 The Consulate did not fully retire the imprests given at the end of each financial year of issue. According to the terms on the warrants these imprests should have been fully retired at the end of the financial year of issue. As a result of the imprest not being fully retired, all expenditure incurred was not recorded in the expenditure accounts.

7.36 We also found that the imprest accounts were not reconciled. Consequently, some errors we not detected and addressed. For instance, during the financial year 2011/12, Washington Mission's replenishment payment for July 2011 for $94,958.97 was debited to Toronto's imprest account in error. This error was not corrected.

7.37 When proceeds from an imprest are given to entities, the imprest account is debited with the imprest value. The balance of the account is returned to zero when expenditure is retired and the corresponding credit is made to the imprest account. 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 $
15/2009/10	256,320.00	4503004 0534821 1001	0.00	30,382.11
19/2010/11	300,000.00	4503004 0534821 1001	30,382.11	654,640.98
31/2011/12	350,000.00	4503004 0534821 1001	654,640.98	2,077,083.37
24/2012/13	400,000.00	4503004 0534821 1001	2,077,083.37	3,142,172.77
37/2013/14	400,000.00	4503004 0534821 1001	3,142,172.77	4,296,882.14

7.38 It is important that the entity fully retires imprests to ensure that all expenditure incurred is accurately reflected in the expenditure accounts.

7.39 We were informed that the entity has already commenced the process of retiring all outstanding imprest.

Capital Expenditure

- **Purchase of Motor Vehicle**

7.40 During the financial year 2010/11 the Minister for Finance approved, by direct purchase, the procurement of a motor vehicle for the Consulate of Toronto. The Supplier was identified as Downtown Subaru and the purchase price approved was EC$104,055.00 or CAD$39,266.

7.41 Early during the financial year 2011/12, based on the prevailing exchange rate, the Consulate received CAD$36,338.63 to facilitate the purchase of a motor vehicle for the Consul General. We observed that the Consulate purchased a vehicle, (Honda, Pilot) from Markham Honda for CAD$46,995.51 which was CAD$10,656.88 more than the actual Canadian sum received and CAD$7,732.51 more than the amount approved by direct purchase using the conversion rate of CAD$1 = EC$2.65.

7.42 We did not see any subsequent correspondence to authorize the change in the procurement instructions given by the Minister.

7.43 This expenditure was also not recorded in the Accountant General accounts. Further investigation revealed that the transfer of funds was done through an advance. To date the advance, (account 4501001 0533C24) has not been retired.

7.44 It is important to adhere to procurement procedures and instructions as they are intended to promote accountability and transparency in the procurement process.

7.45 In light of the findings of our audit we recommend that:

- **The Consulate exercises 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 obtains the supplementary provisions to cover the over-expenditure in the accounts for the financial years 2010 to 2014.**

- **The Ministry reconciles the Consulate's accounts with the Accountant General's accounts for the years 2010 to 2014 and prepares the necessary journals to correct errors or make adjustments in the Accountant General's accounts.**

- **The Ministry retires the imprests for the financial years 2010 to 2014 and resolves discrepancies in the imprest accounts.**

- **The Ministry retires the advance so that the vehicular expenditure can be reflected in the s accounts**

COMPLIANCE WITH POLICIES RELATIING TO PERSONNEL MATTERS

7.46 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 policies.

- **Officer was appointed to a post that was not funded or included in the structure**

7.47 It is Government's policy to appoint persons only in positions that are included in the entity's structure and are funded in a particular financial year. Cabinet is the authority to approve increases in structure and activation of new positions. The Ministry/Department must then identify the funds and seek approval before the appointment is made.

7.48 We noted that an Information Officer III was appointed to the Toronto Consulate in September 1, 2013. This position was not funded in the estimates. The office received basic salary of EC$5,482.49 and allowances of CND$5,367 monthly. We also did not see any approval from Cabinet to increase structure and to activate and fund the position.

7.49 In the absence of a Cabinet Conclusion, appointment to positions not in the structure of an agency is an unauthorized increase to the structure approved for the agency. In addition, it creates an additional financial burden on Parliamentary appropriations for the agency.

7.50 For the financial year 2014/15 we saw that this position was included and funded in the structure approved for the Consulate.

- **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.

7.51 Departmental leave is calculated as ¾ of an officer's annual leave entitlement, and should be taken in the period in which it becomes due.

7.52 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."

7.53 The Administrative Attache's leave entitlement is thirty (30) days. We found that her leave balance was in excess of her leave entitlement in three (3) instances. In the financial year 2009/2010 her leave balance was fifty (50) days; in 2010/2011 it was forty eight (48) days and in 2013/2014 the balance was thirty three (33) days.

7.54 We also found that in the financial year 2011/2012 the Receptionist did not take departmental leave. Departmental leave was fifteen (15) days; however the leave taken during that year was eight (8) days. Also, at the end of 2013/2014 we verified leave balance of nine (9) days for the Receptionist, however, the balance recorded on the leave card was fourteen (14) days, a difference of five (5) days.

7.55 When departmental leave is not taken, it results in an accumulation of leave in excess of annual entitlement. 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 than their entitlement.

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

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

7.57 We examined the personnel files of the newly appointed officers at the Toronto Consulate but did not see a signed oath of secrecy on their files. These officers were the Consul General appointed in May 2012 and the Information Officer appointed in September 2012.

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

- **Permission to take leave outside country of posting was not always sought and leave destination was not always indicated on leave forms.**

7.59 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 –

(a) the Minister in the case of heads of Mission;
(b) the Permanent Secretary in the case of other pensionable officers.

7.60 There were a number of instances when officers of the Toronto Consulate spent their leave outside the country of posting however we noted that permission was not sought.

7.61 In a few instances the place where the leave was to be spent was not indicated on the leave form. Thus, we were unable to determine whether the officers complied with the requirement.

7.62 Officers should always seek permission to leave country of posting so that they can legally be deemed "on duty" in the event that status is brought to question.

- **Some payments for meals and subsistence allowances could not be verified**

7.63 We were unable to verify whether the amounts paid for meals and subsistence allowances were accurate in some instances because information on the places travelled and the number of days the allowance was being paid for was not always available.

7.64 It is important that information relating to the venue and the number of days travelled is recorded as specific daily rates are applied for different countries. Therefore, this information is necessary to substantiate payments made to officers.

- **Incorrect and inconsistent rate were used for mileage claims**

7.65 Cabinet by Conclusion No. 1025 of 2007 approved the rate for casual mileage of EC$1.67 to a maximum of 200 miles. We observed that the former Consul and the present Administrative Attache claimed casual mileage.

7.66 In the absence of specific provisions for staff of overseas missions/consulates, the mileage rate approved by Cabinet of EC$1.67 converted to Canadian Dollars should have been used. However, we noted that the Consulate used varying rates to calculate payment of mileage claimed. The rate of CAD$1.67, CAD$1.04 and CAD$1.00 were used during the period. Consequently, the amounts paid for mileage claims were inconsistent and overstated.

7.67 In addition, these rates were used to pay mileage claimed in kilometers, whereas the rate approved was for mileage claimed in miles. Thus, there was further need to convert the rate for kilometer claims. Likewise, this resulted in overpayment of mileage claims to the officers.

7.68 In the absence of specific provisions for foreign missions/consulate is it important that the approved rates be used in order to avoid overpayment of allowances to officers and subsequent recovery.

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

  - **The Ministry of External Affairs should take steps to ensure that Consulate staff take leave in accordance with the leave policies.**

  - **Leave records/cards should be independently reconciled and excess leave given should be deducted against any future leave entitlements.**

  - **All Consulate staff should sign the oath of secrecy upon employment. A copy should also be placed on their personal file**

  - **The Ministry of Eternal 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 post if necessary.**

  - **The Consulate should record the venue and the dates for which the subsistence is being paid to validate payments of allowances.**

  - **The Ministry of External should seek to regularize the mileage rate paid to officers at the Consulate.**

ACCOUNTING FOR REVENUE COLLECTED

- **Monies owing to the passport account**

7.69 Passport revenue should be used only for passport related activities.

7.70 We observed periodic transfers of funds from the passport account to the operating account to settle the Consulate's operating expenditure, which were not always replaced. We verified that CAD$68,968.16 was owing to the passport account at the end of the audited period. Details of revenue transferred out of the passport account that were not replaced are as follows:

Financial Year	**Due to the Passport Account CAD$**
2009/10	0.00
2010/11	389.14
2011/12	20,904.02
2012/13	7,175.00
2013/14	40,500.00
TOTAL	**68,968.16**

7.71 The funds not reimbursed included a payment of $2,112.60 that was charged to the passport account in July 2010. This payment was a reimbursement to the former Consul General for Airfare and per dieum to travel to Saint Lucia. Since, this activity was non-passport related it should not have been paid from the passport account.

7.72 Passport revenue used to fund operating expenditure is a violation of the Finance Act as Parliament did not approve these funds for that purpose. Therefore, this expenditure is unauthorized. The Consulate also needs to be mindful that unauthorized use of passport revenue may result in discrepancies between the revenue collected and the revenue deposited into the Consolidated Fund.

- **Passport revenue for 2010/11 was not paid into the Consolidated Fund**

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

7.74 We found that the Consulate submitted passport revenue to Head Office throughout the audited period except for the financial year 2011/12. During that year net revenue of CAD$24,301.70 was collected but to date it was not paid in.

7.75 We observed that for the financial year 2013/14 of the CAD$58,500 sent to Head Office, CAD$49,500 was sent on May 2, 2014. Details of revenue submitted to Head Office for the financial years audited are given in the table below:

Financial Year	Revenue as per Revenue Statements CAD$	Authorized expenditure and Charges CAD$	Net passport Revenue CAD$	Total Revenue Sent to Head Office CAD$	Balance CAD$
2009/10	21,103.00	5,191.55	15,911.45	15,074.90	836.55
2010/11	25,491.00	6,147.04	19,343.96	19,798.12	(454.16)
2011/12	31,864.42	7,562.72	24,301.70	0.00	24,301.70
2012/13	48,865.50	12,377.94	36,487.56	30,000.00	6,487.56
2013/14	65,321.00	12,554.27	52,766.73	58,500.00	(5,733.27)
Total	**192,644.92**	**43,833.52**	**148,811.40**	**123,373.02**	**25,438.38**

7.76 Funding for expenditure approved in the estimates of expenditure is identified from the quantum of revenue expected to be collected and paid into the Consolidated Fund. Therefore, unpaid revenue creates budgetary constraints to the Government and impacts negatively on the availability of funding for activities identified in the budget.

The Consulate should pay in outstanding passport revenue for credit into the consolidated fund

MAINTENANCE OF ACCOUNTING RECORDS

- **Proper records were not maintained for bank accounts**

7.77 The cash book is used to record all receipts and payments and to determine the opening and closing bank balance. The closing balance in the cash book is compared with the balance as per the bank statement on a monthly basis and any differences between the cash book and bank statements are reconciled.

7.78 We found that the Consulate did not maintain a proper cash book for the operating and money master disaster relief account. For the operating account the Consulate maintained a register which only recorded cheques issued for the month.

7.79 Similarly, the records maintained for the passport account were inadequate. The information included in the cash book was only receipts for the month. Cheques disbursed were recorded in a separate register. Consequently, the documents had no opening or closing balance. Transfers and bank charges were also not recorded in the documents maintained.

7.80 Since a proper cash book was not maintained for the bank accounts; the reconciliation of these accounts were not done properly. We noted that the balance as per the adjusted cash balance for bank and the adjusted cash balance for Consulate records did not always agree. Details are stated below:

Year	Adjusted Cash Balance(Bank) CAD$	Adjusted Cash Balance (Consulate Records) CAD$	Difference CAD$
Operating Account			
March 31, 2011	$22,500.89	$26,458.23	($3,957.34)
March 31, 2012	($3,589.19)	$2,467.41	($6,056.60)
March 31, 2013	$45,468.48	$47,030.77	($1,562,29)
March 31, 2014	($10,179.51)	$390.16	(9,789.35)
Passport account			
March 31, 2014	$3,277.44	$12,277.44	($9,000.00)

7.81 In addition, we also noted an arithmetic error on the reconciliation statement for March 31, 2013. We verified un-presented cheques of CND$1,347.03; however the total amount shown was CND$1,562.29 a difference of CND$215.26.

7.82 Given the foregoing, we were unable to verify the ending balance as per Consulate accounts stated on the reconciliation statement for the operating and the passport account for the four-year period March 31, 2011 to March 31, 2014.

7.83 It is important that the Consulate maintains proper cashbooks so that the ending bank balances can be accurately determined.

We recommend that the Consulate maintains cash books to facilitate proper reconciliation of the bank accounts.

MAINTAINING CONTROL OVER ASSETS

- **Inventory of furniture and equipment were not maintained for the Consul General's Residence**

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

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

7.86 The Consulate did not prepare inventory listings of furniture and equipment for the current Consul General's apartment. The listings were prepared after we conducted a physical count of the furniture and equipment on May 14, 2014.

7.87 It is important to keep an inventory of furniture, furnishing and equipment in order to adequately account these items when required.

- **Furniture and equipment kept in storage unit could not be verified**

7.88 It is expected that items of furniture and equipment kept in storage would be recorded and properly packed so that they can be easily accessible.

7.89 On July 25, 2011 the former Consul General moved to a furnished condominium and most of the furniture and appliances in the previous rented quarters were moved into a rented storage unit. The furniture and appliances that the Consulate counted on July 25, 2011 and placed in storage are detailed below.

Previous Location	Item	Quantity
Master Bedroom	King Bed (with head board)	1
	King Mattress	1
	Flat Screen Television	1
	Night Stands	2
Bedroom	Toshiba Television	1
	Double Bed	1
	Double Mattress	1
	Queen Mattress	1
	Mirror	1
	Night Table	2
	Amoire	1
Games Room	Chest of Drawers	1
Dining Room	Dining Table	1
	Chairs	6
	Wooden Drink Set	1
Kitchen	Toaster	1
	Cake Mixer	1
	Food Processor	1
Living Room	Sofa	1
	Love Seat	1
	Side Table	1
	French Chair	2
	Coffee Table	1
	Moon Table	1
	Marble Stand	1
Foyer	Marble Stand	1
Deck	Patio Table	1
	Patio Chair	6

7.90 The Consulate Office was also transferred from Overly Boulevard to 60 St Clair Avenue and some items of furniture and equipment were also placed in storage but were not recorded on the inventory listing.

7.91 However, we were unable to physically verify all items of furniture and equipment in the storage unit because the storage space was filled to capacity and items were stored haphazardly inside the unit. Therefore, we were unable to determine whether all items recorded as being stored in this unit were actually there. Based on the last inventory count conducted we were unable to account for the following items of furniture and equipment that were at Consulate's previous location:

Former Location	Item	Quantity Verified
Administrative Attache	Book Case 4 Shelf	1
	Router	1
	Batik Painting Frame Red Hibiscus	1
Consul General	Wooden table with drawers	2
	Television Stand with Cabinet	1
	Laptop (Black)	1
	Dell Docking (Black)	1
	Dell Attachment (Black)	1
	VCR with remote	1
	Metal Cabinet	1
	Camcorder	1
	Camcorder Case	1
Consul	Brown wooden Oak Shelf	1

7.92 We observed that many of the items kept in storage were obsolete, damaged or deemed unserviceable. The Consulate pays a monthly rental fee of CAD$448.60 to store these items. There is the risk that the cost of storage may outweigh the benefits that may be derived from them.

- **Equipment register was not updated**

7.93 The equipment register should be updated when new items of equipment are received, disposed or transferred to another location.

7.94 It is expected that all items of plant and equipment acquired would be recorded in the Plant and Equipment Register upon acquisition. This will ensure adherence to the Revised Laws of Saint Lucia Procurement and Stores Regulation No 43 which states that all items of plant and equipment shall be entered in a Plant and Equipment Register.

7.95 We counted a count of the furniture and equipment at the Consulate Office and the Consul General's residence on May 14, 2014. We requested a copy of the Plant and Equipment Register however the Consulate did not provide this register until after the count was conducted. We were informed that the register was not updated and the soft copy was corrupted.

7.96 Furniture and appliances purchased for the rented quarters of the new Consul General were not recorded in the Plant and Equipment Register upon acquisition. These items were recorded after we conducted a physical count on May 14, 2014.

7.97 We compiled a listing of furniture and appliances purchased for the new Consul General using the information from invoices. The items seen at the count were verified against the invoices.

7.98 The listing of all furniture and equipment that we physically verified was compiled and compared with to the Plant and Equipment Register.

7.99 The equipment register should be updated as necessary to adequately account for all equipment.

7.100 We recommend the following:

- **Occupants of residences should keep an inventory of all items of furniture and equipment provided for their use.**
- **The Consulate should document all items placed in storage and the Ministry of External Affairs should request a board of condemnation for damaged and unserviceable furniture and equipment placed in storage.**
- **The Consulate should update the equipment register to reflect all required information.**

Receipt Book Register

- **Receipt Books were transferred without permission**

7.101 Revenue receipt forms shall not be transferred from one officer to another without the consent of the Accountant General, provided that in the case of the handing over of responsibilities from one officer to another a transfer may be made after the signing of a handing over statement by the officer receiving the revenue receipt forms and the officer handing over. (Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No. 66).

7.102 We did not see Receipt Book #1448901-1449000 that was issued to the Consulate. It was recorded in the Consulate's register that the receipt book was sent to the New York Mission.

7.103 According to the Ministry of External Affairs Receipt Book Register, receipt book number 1581501-1581600 was issued to New York Mission. However, the Consulate received this book and it was recorded in the Consulate Receipt Book Register as being sent to Washington.

7.104 We saw no evidence that the Consulate sought and received permission for the transfer of these receipt books. Consequently, the transfer of receipt books was in contravention of the regulations.

The Consulate should always seek permission from the Accountant General before transferring receipt books to another officer.

SEGREGATION OF DUTIES

- **Lack of segregation of duties**

7.105 Segregation of duties is critical to effective internal control as it reduces the risk of both erroneous and inappropriate transactions/actions. Generally the approval function, the accounting/reconciling function, and the asset custody function should be separated among employees. Segregation of duties is a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

7.106 We noted that the Administrative Aide in charge of the accounting function of the Consulate carried out most of the functions highlighted except for approval.

7.107 We are aware that the Consulate is a very small office with a small staff complement and therefore it is difficult to achieve the ideal level of segregation of duties. However when these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity.

7.108 It is of paramount importance for a small office like the Consulate to institute detailed supervisory review; as a lack of segregation of duties without compensating controls increases the risk of errors or irregularity that may remain undetected. Hence, the Consulate will be more vulnerable to financial reporting errors and fraudulent activities.

Recommendation

The Consulate should review the current responsibilities of the Administrative Attaché and devise ways of instituting detailed supervisory review.

8. COMPLIANCE AUDIT/SPECIAL AUDIT

AUDIT OF CASH COLLECTION AND DISBURSEMENT – DEPARTMENT OF LABOUR

Executive Summary

8.1 The Office of the Director of Audit was engaged to conduct an investigation related to the suspected misappropriation of unauthorized cash collected from farmers under the Canadian Seasonal Farm Worker Program in order to forward their visa documents to the Canadian Embassy in Trinidad via courier service.

8.2 The Permanent Secretary by memo dated November 13, 2014 informed the Director of Audit of the following:

- Officers of the Employment Unit collected $150 each from Farm Workers for courier service in order to transmit their documents to the Canadian Embassy in Trinidad via DHL.
- 204 farmers paid the said amount and that out of the funds collected approximately $8,300 was used for DHL payments as well as other expenses.
- the department's records showed that $26,000 was collected from farm workers and another $1,000 for another program for the same
- The balance left over from the fund as per the information provided was $10,741.45.

8.3 The objectives of the investigation were to determine whether the funds collected from the farmers were misappropriated and internal controls were sufficient to ensure that cash receipts were properly accounted for, safeguarded and handled in accordance with the Government's policies and procedures.

8.4 During the investigation, our work identified several control weaknesses.

8.5 Our investigation revealed that the Department/Unit did not have the authority to collect monies from the Canadian Farm Workers, who were each charged a fee of $150 for courier services to send their travelling documents to Trinidad and Tobago in order to obtain visas to Canada.

8.6 Secondly, the Department failed to adopt existing controls for receipt of public monies. This was evident by the weaknesses observed in the cash processing and handling practices of the Department. These weaknesses included the following:

- Persons who collected cash were not designated collectors of revenue
- Receipts were not issued for cash collected
- Monies received from farmers were not deposited
- Lack of supporting documentation for revenue collection and expenditure incurred
- Lack of supervision

8.7 These weaknesses contributed to $6,705.32 remaining unaccounted at the end of the period.

8.8 The Department's practices allowed the unauthorized collection and internal control weaknesses over the collection of revenue identified above to occur and remain undetected for some time because there was a lack of oversight and monitoring of the activities of the Unit.

8.9 Additionally, we did not receive sufficient documentation to support the collection of cash from farmers. Thus, we were unable to substantiate the total amount recorded as collected or expended from the funds. The records maintained by the Department showed that the total amount collected from farmers was $25,750 and $8,304.68 was spent from that amount. The total cash on hand as at November 27, 2014 was $10,740. Thus $6,705.32 was unaccounted.

8.10 Detailed description of these findings and our recommendations are given in this report.

8.11 We concluded that cash of $6,705.32 was misappropriated.

8.12 The Canadian Seasonal Farm Worker Program has been in existence for over thirty years. It provides employment opportunities for Saint Lucian males for a contract period from six to nine months to work on Canadian Farms.

8.13 The programme operates according to bilateral agreements between Canada and the participating countries. The agreement outlines the role of these foreign governments, which is to:

- recruit and select the temporary workers;

Background, Scope and Methodology

- make sure workers have the necessary documents;
- maintain a pool of qualified workers; and
- appoint representatives to assist workers in Canada.

8.14 These governments also ensure that the workers selected to work temporarily in Canada meet all the requirements of the seasonal programme. These requirements include being:

- experienced in farming;
- at least 18 years of age;
- a citizen of one of the participating countries; and
- able to satisfy the:
    - Canadian immigration laws; and
    - laws of the worker's home country.

8.15 The scope of the audit was to investigate the suspected misappropriation of cash and to determine whether there was proper authority and accountability for cash collection, whether transactions were sufficiently supported by proper documentation and to assess the extent of compliance with the requirements of the Financial Regulations, specifically the internal controls governing cash operations.

8.16 As part of the examination of this matter, the Audit team specifically took the following actions:

- Requested the following documentation from the Department**:**
    - listing of the farmers who departed in 2014
    - copies of itineraries for all farmers
    - source document where collection of monies was documented
    - all invoices for purchases made out of the funds collected
    - copy of receipt as well as documentation to support deposit of the balance of funds with the Ministry of Education

- Conducted interviews with individuals of the Employment Unit namely Mr. Anthony Leonce, Employment Officer, Mr. Celestine Alexander, Employment Officer, Mrs. Sabrina Nicholas-Perpie, Employment Officer/ Statistician. Mr. George Melchoir - then Acting Labour Commissioner as well as Mr. Ray Narcisse, Acting Labour Commissioner.

- Obtained, reviewed, and analyzed the following:

  - memoranda pertaining to the said act of collection and disbursement of cash by members of the Employment Unit.

  - a list of all amounts documented in a notebook maintained by the Unit, a list of financial related documents including, purchase invoices associated with the use of the collected cash.

  - the itineraries for the farmers included on the Departures List 2014.

- Held discussions with the current Permanent Secretary and Labour Commissioner.

8.17 The audit took place during November and December 2014 and covered the period October 2013 to September 2014.

DETAILED FINDINGS

COLLECTION AND USE OF CASH

8.18 Internal controls encompasses systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to; conduct its business in an orderly and efficient manner, safeguard its assets and resources, deter and detect errors, fraud, and theft, as well as ensure adherence to policies and plans.

8.19 Given the inherent risks of theft and misappropriation of cash, it is imperative that management implement adequate controls, to reduce these risks.

8.20 During our examination, we found several internal control weaknesses relating to the cash receipt, handling and disbursement operations at the Department of Labour. Detailed below are these weaknesses:

- **No authorization was given for the collection of monies from Farm Workers for courier services**

8.21 It is government's policy that any fees charged to the public should be appropriately approved/authorized.

8.22 The Permanent Secretary and the Labour Commissioner confirmed that there was no official authorization for the fees charged. They explained that given the ever-tightening fiscal situation, the Department was faced with major budgetary constraints and was unable to meet the increasing cost of courier services on behalf of the Canadian Farm Workers. In seeking a resolution to the situation, the Permanent Secretary and the Labour Commissioner held discussions where the sentiment was expressed that the Farm Workers should meet more of the processing cost associated with their employment in Canada. However, we were further informed that although the issue of the charge was discussed between the Permanent

Secretary and the Labour Commissioner, neither of the parties took any action necessary to authorize/formalize the charge to the Canadian Farm Workers.

8.23 Our investigation revealed that personnel from the employed Unit for Farm charged and collected $150.00 from each farm worker to defray the cost of courier service in order to transmit their information/documentation to the embassy in Trinidad via DHL.

8.24 We also found four (4) instances where the farmers paid $250.00. In response to our query into this matter, personnel from the Department informed that these persons were also charged for medical examinations, which the department was responsible for arranging for them.

8.25 According to the information provided 204 farmers paid the said amount and that out of the funds collected approximately $8,300 was used for courier services as well as other expenses.

8.26 Based on information that the Department had recorded in the notebook and the receipts and invoices made available, we verified the following:

Total collections as per notebook	25,750.00
Expenditure - Courier Service	7,050.93
Expenditure – Other	1,253.75
Total Expenditure	8,304.68
Balance of Funds Collected	17,445.32

8.27 We also, confirmed outstanding courier charges of $963.69.

Implication and Risks

8.28 Staff members acted beyond the scope of their authority with little or no supervision and monitoring from management resulting in the collection of unauthorized monies for an extended period.

8.29 The collection of the unauthorized fees from the Canadian Farm Workers created an opportunity for theft and misappropriation of Farmer's property.

- **Receipts were not issued for cash received**

8.30 According to the Revised Laws of Saint Lucia Cap 15.01 Financial Regulations No 45 (2) an official receipt should be issued for each sum of money received.

8.31 Our investigations revealed that personnel involved in the collection of cash did not issue receipts to the farmers for each sum received. This was further substantiated through discussions with personnel involved in the collection of cash from the farmers. Consequently, we did not have the source documents (receipts) to verify the actual sums collected.

8.32 Therefore, we were unable to determine whether the cash on hand was indeed accurate because we were only able to reconcile the cash on hand with the entries in the notebook which was kept to record the cash received and not to any official receipts.

8.33 We examined the notebook and found that the information recorded in it was inadequate. The dates when monies were collected were not always recorded. We found seventy-nine (79) undated entries prior to February 27, 2014, which was the first time a date was recorded along with the transaction. Therefore, we were unable to accurately determine when those seventy-nine transactions took place. Personnel from the Department informed that before the notebook was used cash collected was recorded on scraps of papers in a haphazard manner.

8.34 The practice of not issuing receipts for each sum received is unacceptable as it violates the Financial Regulations. Such a practice does not provide an audit trail nor does it assist in determining the true value of cash because there are no chronological receipts that would enable tracking of monies actually collected and sums deposited.

Implications and Risks

8.35 Customers had no evidence to show that they paid for services rendered. Also, the Department was unable to prove that the funds collected from farm workers were accurately and completely recorded. This presented an opportunity for the misappropriation of cash because of the nonexistence of proof of the actual cash collected in the form of receipts.

- **Cash received from farmers was not deposited**

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

8.37 Our investigation revealed that cash collected from the farmers during the period October 2013 to September 2014 was not deposited into any account. From the cash collected from the farmers a portion was used to pay for the courier service and the balance of the cash was kept on the premises of the Department of Labour. On November 27, 2014 we verified cash on hand of $10,740. This amount was paid in to the Ministry of Education on November 28, 2014 where it was credited to the sundry deposit account 5201001 0369 006 1001. The cash was deposited on the insistence of the auditors.

Implication and Risk

8.38 Given the inherent risks of cash, the Department's practice of keeping large amounts of cash on hand did not safeguard against misappropriation and theft, resulting in the loss of cash of $6,705.32.

- **Officers who collected cash were not designated collectors of revenue**

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

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

8.41 We saw no evidence that the officers who collected revenue on behalf of the department were designated collectors of cash. Through our interviews with personnel of the Unit it was confirmed that the officers who collected revenue on behalf of the department were not designated collectors of cash and that all staff members of the Unit collected cash but the cash was given to one officer for safekeeping.

Implications and Risks

8.42 When officers who collect cash are not designated collectors of revenue they cannot be held legally responsible in the event of loss or misappropriation of cash.

- **Unauthorized use of funds**

8.43 The Department should use cash collected from farm workers only for the purpose intended, which was to cover the cost of courier services to send the farmers' documents to the Canadian Embassy in Trinidad in order to obtain the necessary entry visas.

8.44 We verified invoices and receipts of $8,304.68 and found that a total of 1,253.75 was not used to cover courier charges. Instead, this amount was used to cover the cost of expenditure detailed as follows:

Date	Supplier	Description	Amount
05.02.14	Microwest	Toner cartridge	399.00
04.04.14	Shell Bexon	Diesel	100.00
16.07.14	GBTS	Toner Cartridge	304.75
14.08.14	D. Olliviere	ID Card Services	450.00
		Total	**1,253.75**

8.45 Based on the intended purposes of the fees (courier services) the cost of purchasing toner, diesel and ID card services certainly did not qualify as courier fees. These other charges should have been funded from some other sources and not from the fees collected from the farmers for courier services.

Implications and Risk

8.46 The Department utilized the fees collected for courier services to cover the cost of other services that did not fall within the realm of the intended purpose of the fees. The unauthorized use of the fees resulted in the misappropriation of funds since these expenses were not directly linked to the business of the Farm Workers Programme, specifically courier services.

- **Not all amounts recorded were accounted for**

8.47 The Permanent Secretary by memo dated November 13, 2014 informed the Director of Audit of the following:

- Officers of the Employment Unit collected $150 each from Farm Workers for courier service in order to transmit their documents to the Canadian Embassy in Trinidad via DHL.
- 204 farmers paid the said amount and that out of the funds collected approximately $8,300 was used for DHL payments as well as other expenses.
- the department's records showed that $26,000 was collected from farm workers and another $1,000 for another program for the same
- The balance left over from the fund as per the information provided was $10,741.45.

8.48 As part of the investigation we sought to verify the accuracy of the information that was given to the Department. Our investigation revealed the following:

8.49 According to the departure listing for the farm workers for 2014, two hundred and nine (209) farmers travelled during the period. We were able to obtain copies of the flight itinerary for the farmers on the departure list with the exception of thirteen (13) of them. Therefore, if 209 farmers travelled, monies should have been collected from 209 farmers and not 204 as communicated by the Permanent Secretary.

8.50 We verified the Department records and found that cash was received from one hundred and sixty nine (169) farmers totalling $25,750.00. We were able to agree the names recorded in the notebook with the information recorded on the departure's list, with the exception of four (4) persons.

8.51 We verified sixteen (16) payments. The total expenditure supported by invoices and receipts was $8,304.68. Therefore, the total cash on hand should have been $17,445.32 and not $10,740.00, which we found on November 27, 2014 during the cash count. Consequently, a cash shortage of $6,705.32 existed.

8.52 We must clarify that the shortage or unaccounted sum of $6,705.32 excluded the sum of $1,000.00 that the Permanent Secretary informed was given for another project. This amount was not entered in the Department's records. We were unable to verify that the Department actually received those funds because there were no receipts to substantiate the amount received.

Implication and Risk

8.53 The Department's records were incomplete and inaccurate. The Department was unable to account for all funds collected from farm workers therefore the risk and occurrence of theft; misappropriation and fraudulent behaviour on the part of employees were increased.

8.54 Monitoring and supervision are key requirements for providing guidance and ensuring that systems are working as intended. It is the responsibility of appropriate personnel from the Department to provide strong oversight and monitoring of the Department's financial and operational activities in order to achieve organizational efficiency and accountability.

8.55 We found that monitoring and supervision of the Employment Unit was lacking. This was evident by the fact that money was collected without authorization over an extended period without detection. Also, the occurrence of severe breaches in the controls governing the collection of cash.

Implication and Risk

8.56 Without proper monitoring, there is a risk that issues of non-compliance with policy, procedures and guidelines will go undetected. Weak oversight and monitoring also result in reduced efficiency and accountability.

RECOMMENDATIONS

- **Weak oversight and monitoring of Unit**

8.57 As a matter of priority, we strongly recommend that the Department of Labour should:

Continue the suspension of the charge until the Department conducts a detailed assessment of the legality and necessity to impose a fee on the farm workers that the Department serves and if found necessary, implement officially, the necessary policies that speaks to providing this service to farm workers in a transparent and equitable manner.

Critically examine and provide a rationale for the fee charged so that fees commensurate with the cost of the service provided. This would minimize the amount of unused cash at the end of the period.

If found necessary to impose the fee, take necessary steps to safeguard the entity from misappropriation and theft of cash by implementing the existing controls over cash operations such as:

- **Designating collectors of revenue to collect cash for the Unit. Persons given such responsibilities should be given the necessary training on cash handling and recording procedures with a view to improving the efficiency of operations and minimizing the risk of officers taking advantage of weaknesses in the system.**

- **Providing receipt books for the issue of receipts upon receipt of cash**

- **Maintaining adequate records and documentation to support revenue collection and expenditure incurred.**

- **Depositing cash daily to the credit of an appropriate sundry account approved by the Accountant General.**

- **Providing adequate supervision and monitoring over personnel involved in the financial activities of the Unit.**

Seek to address the loss and misappropriation of Farm Workers funds by:

- **Replacing the $1,253.75 used for unauthorized purposes.**
- **Having the Officer deemed responsible for loss of cash collected to account for it.**

- **Reporting the loss to the Accountant General and the Director of Finance as required by the Financial Regulations.**

- **Seeking advice on the implications of monies belonging to farm workers held in deposit, with a view to determining appropriate future recourse.**

9 SURPRISE SURVEYS OF PETTY CASH

INTRODUCTION

9.1 In accordance with the Revised Laws of Saint Lucia, Cap. 15.01, Financial Regulations Nos. 106 to 112, ministries and departments are given small discretionary amounts of cash to be used for expenditure where it is not practical or expedient to make disbursements by cheque. The Accountant General's Department has issued guidance on the management of these petty cash imprests by way of Circulars No. TD 07/1999 and TD 15/2000.

9.2 The Accountant General has the ultimate responsibility for establishing a system of control to adequately safeguard cash against unauthorized use or loss. This includes ensuring that proper and adequate accounting systems are established and maintained by ministries and departments. Managers and custodians of imprests also have the responsibility to maintain petty cash accounts in accordance with the established controls and financial regulations.

AUDIT SCOPE AND OBJECTIVE

9.3 During the period December 15-16, 2014 we conducted unannounced checks of petty cash/imprest held at the following ministries and departments:

Ministry / Department	Imprest Amount
Inland Revenue Department	2,000.00
VAT Implementation Project	1,500.00
Ministry of Tourism, Heritage and Creative Industries	2,000.00
Ministry of Agriculture, Food Production, Fisheries and Rural Development	2,000.00
Ministry of Commerce, Business Development, Investment and Consumer Affairs	2,000.00
Substance Abuse Department	1,000.00
Ministry of Youth Development and Sports	2,000.00

9.4 The objective of our surprise checks was to assess the adequacy of internal controls over petty cash and to determine whether the entities complied with the Revised Laws of Saint Lucia Cap. 15.01 Finance (Administration) Act Section 30, the Revised Laws of Saint Lucia Cap. 15.01 Financial Regulations No. 106 to 112 and the Accountant General's Circulars No. TD 17/1999 and TD 15/2000.

AUDIT METHODOLOGY

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

AUDIT FINDINGS AND RECOMMENDATIONS

- **Cash Shortage**

9.6 The custodian of the imprest should ensure that at all times the cash on hand and receipts equal the authorized amount of the imprest.

9.7 According to the Revised Laws of Saint Lucia, Cap 15.01, Financial Regulation No. 109 every accounting officer in receipt of an imprest should keep a cash account in which shall be recorded every sum received on issue of that imprest and every payment made out of the sums received.

9.8 We conducted cash counts and reconciled with the total expenditure that we verified and the value of the authorized imprest. We found the following shortages based on the reconciliation:

Ministry /Department	Warrant No.	Imprest Amount	Total Cash on Hand	Expenditure supported by invoices	Shortage
Substance Abuse Department	41/2014/2015	1,000.00	1.18	848.17	(150.65)
Ministry of Commerce	35/2014/2015	2,000.00	2.55	1,946.45	(51.00)

9.9 The custodian at the Substance Abuse Department informed that the shortage was as a result of comingling the petty cash funds with funds from a small project. The comingled funds were kept in an envelope separate from the cash till.

9.10 The custodian at the Ministry of Commerce informed that on December 12, 2014 she disbursed $40.00 to the Executive Officer to purchase toilet paper, however, the officer had not yet made the purchase. We saw no evidence in the form of a petty cash voucher to substantiate this disbursement. The officer further informed that another officer was due to return change of $5.00 from the sum given to purchase an item but had not yet done so. The remaining balance of $6.00 was not explained.

Recommendations:

Funds from the petty cash imprest should not be comingled with other funds. As a matter of priority the custodian should replace the petty cash funds removed from the cash till.

Transactions should be recorded in the cash book as soon as they occur in order to minimize the risk of omissions.

- **A cash account was not maintained by one entity**

9.11 According to the Revised Laws of Saint Lucia, Cap.15.01, Financial Regulations No. 109 every accounting officer in receipt of an imprest shall keep a cash account in which shall be recorded every sum received on the issue of that imprest and every payment made out of the sums received.

9.12 The custodian of the petty cash imprest at the Substance Abuse Department did not maintain a cash account but there were receipts to support the payments made from the imprest.

9.13 We also found an occasion where the custodian failed to record some payments in the cash account. For the imprest held at the Ministry of Tourism (Imprest account No. 51/2014/2015), we traced the invoices on hand to the petty cash account and found five (5) invoices totaling $171.28 that were not recorded in the account. Those unrecorded Invoices were dated November 27, 2014 to December 11, 2014.

Recommendation

The custodian of the petty cash imprest at the Substance Abuse Department should maintain a petty cash account to record the sum of the imprest received as well as the payments made.

The custodian at the Ministry of Tourism should record all transactions in the imprest cash account as soon as they occur in order to minimize the risk of omissions resulting in incorrect balances.

- **Petty cash vouchers were not used**

9.14 Petty cash vouchers should be used to authorize and substantiate all petty cash disbursements and to provide an official receipt of payment from the recipient of cash.

9.15 We found two petty cash custodians who did not use petty cash vouchers when cash was disbursed. Therefore, there was no evidence that monies disbursed were authorized and substantiated as required.

9.16 The petty cash custodians at the Ministry of Commerce and the Substance Abuse Department did not use petty cash vouchers. The total amount expended without evidence of authorization at the Ministry of Commerce was $1,949.00. At the Substance Abuse Department, the total disbursed was $848.17

Recommendation

Petty cash vouchers should be used to authorize and substantiate petty cash disbursements.

10. VERIFICATION OF RETIREMENTS BENEFITS

10.1 We verified the computations for a total of one hundred and fifty-five (155) payments for retiring, ex-gratia awards and death benefits totalling $18,622.207.12 and one hundred and thirty-three (133) contract gratuity totalling $3,042,509.13 which were paid during the financial year 2013/14. The benefits paid were broken down as follows:

Benefits	Amount Paid $	No. of payments made
Pension & Gratuity Death Gratuity Ex-gratia Awards	18,070,011.83 432,802.20 119,393.09	134 4 17
Total	**18,622,207.12**	**155**
Contracts computations	3,042,509.13	133
Total	**21,664,716.25**	**288**

SUMMARY OF FINDINGS

10.2 Our audit revealed a total of nineteen (19) material discrepancies. Three (3) resulted in the overpayment of only the monthly pension, three (3) in overpayments of gratuity and monthly pension and thirteen (13) in over /under payment of gratuity and or monthly pension. Details of discrepancies are highlighted in the attached appendix to this report.

Underpayments

10.3 As highlighted in the appendix to this report, we found twelve (12) instances where officers were underpaid gratuity totalling $51,312.60. This occurred because the incorrect qualifying period of service was to compute the benefit in five instances, and in seven instances the incorrect salary was used.

Overpayments

10.4 We found four (4) cases of overpayment of gratuity totalling $77,845.97 and three (3) cases which resulted in overpayments of the monthly pension totalling $3,137.63 monthly.

These overpayments resulted because of the following:

- In one instance the benefit was calculated without using the aggregate salary, although the officer was not in the post for three years;

- In another instance the period of non-pensionable period was included in the computation,
- The incorrect salary was used in four instances; and
- Once, the incorrect qualifying period was used.

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.

11. PERFORMANCE AUDIT

11.1 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.***

11.2 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.

11.3 During the year we completed work on a performance audit of Inland Revenue – Direct Taxes. The report will be issued to Parliament under separate cover.

ABSTRACT OF THE REPORT

11.4 The audit of direct tax focused on strategies for collecting revenue and managing arrears, promoting voluntary tax compliance (taxpayer education), the IRD's preparedness for revenue collection (staff training) and information technology support (SIGTAS).

11.5 We developed Six (6) audit criteria associated with our audit objectives as well as questions for each line of enquiry. Management agreed to the suitability of our audit criteria as reasonable standards for assessment of the IRD.

11.6 We found that the Department's strategies for collecting revenue and managing arrears were not effective in maximizing revenue collection. There were high levels of tax arrears primarily due to the lack of a robust strategy to minimize arrears primarily in the areas of personal and corporation taxes. Total arrears were $740,832,971 of which 87% was over two years old.

11.7 Though collection targets are set, we saw no evidence of a strategy documented or otherwise aimed at ensuring that the Department met these targets. The IRD does not measure the tax gap and has fallen short of its direct tax targets for all three years.

11.8 The Department spent much effort on taxpayer education, however, the focus was limited and efforts were ineffective as the Department focused more on education of walk-in taxpayers rather than the wider public. We found little evidence of monitoring and review and methods geared toward taxpayer education.

11.9 The version of the information system (SIGTAS) that the Department uses is old and cannot perform key functions for the efficient and effective delivery of service. Though policies and procedures to ensure security and control over information exist, they have not been officially rolled- out to staff.

11.10 The IRD was ineffective in its efforts at getting staff prepared for revenue collection. Faced with a declining budget, the IRD training programs have been reduced to bare minimum, without consideration for the type of training employees need to perform basic job functions and to protect taxpayer rights. Training activities were ad hoc and were not centrally coordinated through the Administration Unit responsible for human resources. However, we found that the benefit of training was measured and added value in the audit section. We are unable to say the same for the collection section.

12. AUDIT OF STATUTORY BODIES

SAINT LUCIA BUREAU OF STANDARDS (SLBS)

12.1 The Office of the Director of Audit undertook the audit of the audit of the financial statements of the St. Lucia Bureau of Standards for the year ended March 3lst, 2012 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.***

12.2 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.

12.3 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.

12.4 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.

12.5 The audit was substantially completed in February 2013 at which time a management letter was issued to the Council. Subsequently, the draft financial statements and auditors report were submitted for review.

12.6 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

12.7 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.

12.8 In performing the audit we looked at the internal control system.

12.9 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.

12.10 The details of the weaknesses noted are highlighted below.

- Policies and procedures over expenditure were not always followed
- Salary payments were split to avoid approval above the threshold
- Copies of sick leave forms were not on file
- Some salary advances given to staff were contrary to the Bureau's policies
- Incorrect rate used for mileage allowance
- Void cheques were not properly accounted for and cancelled
- Some cheque stubs were not submitted for auditing
- Bank reconciliation statements were not reviewed and were inaccurate
- Invoices were not issued in numerical sequence
- There was no policy for bad debts and provision for bad debts
- Non adherence to cash management controls
- No action was taken on Council's decision to re-invest funds
- Some assets were not adequately and accurately accounted for

12.11 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.

12.12 We made specific recommendations to achieve compliance with established procedures and internal controls within the operations of the Bureau.

13 SIR ARTHUR LEWIS COMMUNITY COLLEGE

13.1 The Office of the Director of Audit undertook the audit of the financial statements of the Sir Arthur Lewis Community College for the financial years ended March 3lst, 2013 & 2014 in accordance with Section 14 (1) of the College Act which states:

(1) ***The Board shall keep accounts of its transactions to the satisfaction of the Minister of Finance and such accounts shall be audited annually by the Director of Audit.***

13.2 The Sir Arthur Lewis Community College was established under the Sir Arthur Lewis Community College Act No. 8 of 1985.

13.3 The Act provides that the aim of the College shall be to provide a place of education offering instruction in all or any of the following fields of education:

- Agriculture
- Arts, Science and General Studies
- Health Sciences
- Teacher Education and Educational Administration
- Technical Education and Management Studies

13.4 And in such field of education as the Minister may from time to time determine. Ii is a not-for-profit organization and operates a learning institution for tertiary education.

13.5 The affairs of the College are governed by a Board of Governors who is the policy making arm of the institution and a Principal responsible for the daily operations of the College.

13.6 The audit was substantially completed in March 2015 at which time a management letter was issued to the Board. Subsequently, the draft financial statements and auditors report were submitted for review.

13.7 The report will be tabled in accordance with Section 15 of the College Act which states:

15. (1) The Board shall submit to the Minister -

(b) on or before the 1st July in each year, a statement of its accounts audited in accordance with the provisions of section 14, for the financial year ending in such year;

(2) Copies of the reports and statements together with the auditor's report thereon mentioned in subsection (1) (a) and (b) shall be laid on the tables of the Senate and house of Assembly.

Internal Controls

13.8 The Sir Arthur Lewis Community College 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:

a. pertain to the maintenance of sufficient, accurate and detailed records that accurately and fairly reflect the transactions of the Sir Arthur Lewis Community College;

b. 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.

13.9 In performing the audit we looked at the internal control system.

13.10 Our audit disclosed internal control weaknesses in the financial management system of the Sir Arthur Lewis Community College. We identified instances where controls did not exist or if they existed they were circumvented or intentionally not complied with to accommodate the operations of the College. These control breakdowns resulted in issues of non-compliance with established procedures.

13.11 The details of the weaknesses noted are highlighted below.

- A financial management procedures manual was not prepared
- Policies and procedures were not established for bad debts and investments and annual impairment review was not conducted
- No evidence of receipt of goods seen
- Insufficient knowledge of accounting software
- Difference between balances confirmed and SALCC records
- Weak controls over petty cash
- Not all documents were submitted for auditing
- Void cheque numbers were reissued
- An impairment review was not conducted for inventory
- Fixed asset register was not maintained
- Fixed assets are not vested in the Board of Governors
- Property, plant and equipment was inadequately insured
- Annual physical count of assets was not conducted

13.12 The College'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.

13.13 We made specific recommendations to achieve compliance with established procedures and internal controls within the operations of the College.

14. SELECT COMMITTEE OF STAKEHOLDERS FOR CARNIVAL

14.1 The Office of the Director of Audit undertook the audit of the financial statements of the Select Committee of Stakeholders for Carnival for the financial years ended March 3lst, 2014

14.2 The Select Committee of Stakeholders for Carnival was created and established by Cabinet Conclusion No. 343(b) of 2011. The committee was re-instated by Cabinet Conclusion No. 127 of 2013.

14.3 The committee was given the mandate to oversee the planning, production and management of carnival. The Committee worked under the auspices of the Ministry of Tourism, Heritage and Creative Industries.

14.4 In performing the audit we looked at the internal control system.

14.5 Our audit disclosed internal control weaknesses in the financial management system of the Select Committee of Stakeholders for Carnival. The details of the weaknesses noted are highlighted below:

- Expenditure was incorrectly classified in the accounts
- Large number of cancelled cheques
- Bank reconciliation statements were not reviewed and showed incorrect closing reconciled bank balance
- List of specimen signatures of persons authorized to sign cheques was not submitted
- Lack of documented evidence of ticket sales
- Difference in total concession fees actually collected and the total fees recorded in the General Ledger
- A Cheque Book Register was not maintained
- Receipts were not pre-numbered

14.6 We made specific recommendations to safeguard the Committee's assets, prevent and detect fraud and error; ensure proper discharge of statutory responsibilities; ensure reliability of accounting records; and improve the overall efficiency of operations.

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

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) has 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 will be 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:

- Procurement of Consultants for the Project
- Dissemination of information
- Hosting of project consultations