Government of St. Lucia

Report of the Director of Audit for the Financial Year 2016/2017

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INTRODUCTION

I am honored to present to the House of Assembly the Annual Report on the work of the Director of Audit for the financial year 2016/17 as required by the Revised Laws of Saint Lucia Cap15.19 Audit Act, Section 6 (1) 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.

This report is divided into two (2) sections which gives details on the work of the office during the year 2016/2017 in section 1 while section 2 highlights the key findings of the compliance and financial audits done during the year. While the Office also conducted performance audits, these were tabled under separate cover and will only be referred to in this report as part of documenting the key performance targets achieved under the work program.

The Department continues to strive to fulfill its mandate, follow the mission, vision and roadmap for development established in its strategic plan. One of these includes the development of an annual work plan at the beginning of each financial year to guide the work of the office.

The annual work plan is developed using a systemic approach which attempts to highlight the key risk areas within Government in an effort to deploy our limited human resource to the areas which would have the most impact and assist in improving the Public Sector Financial Management system.

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

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

I would like to express my gratitude to the management and staff in the various government ministries and departments for their time and cooperation in helping us fulfil our mandate.

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

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Yvonne James
DIRECTOR OF AUDIT

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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 (ISSAIs). The Audit Office is a member of the International Organization of Supreme Audit Institutions (INTOSAI). The Office also seeks guidance from other professional bodies and audit-related best practices around the world.

Our Vision

Our vision for the Office of the Director of Audit

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

Our Mission

The Office of the Director of Audit exists to assist Parliament in holding the Government to account for its management of the country's finances and Public Service. We do this by monitoring and reporting on whether monies appropriated by Parliament were applied as appropriated; whether expenditure conforms to the authority that governs it; and on the efficiency, economy, and effectiveness of Government operations.

Our Values

Independence

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

Integrity

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

Innovation

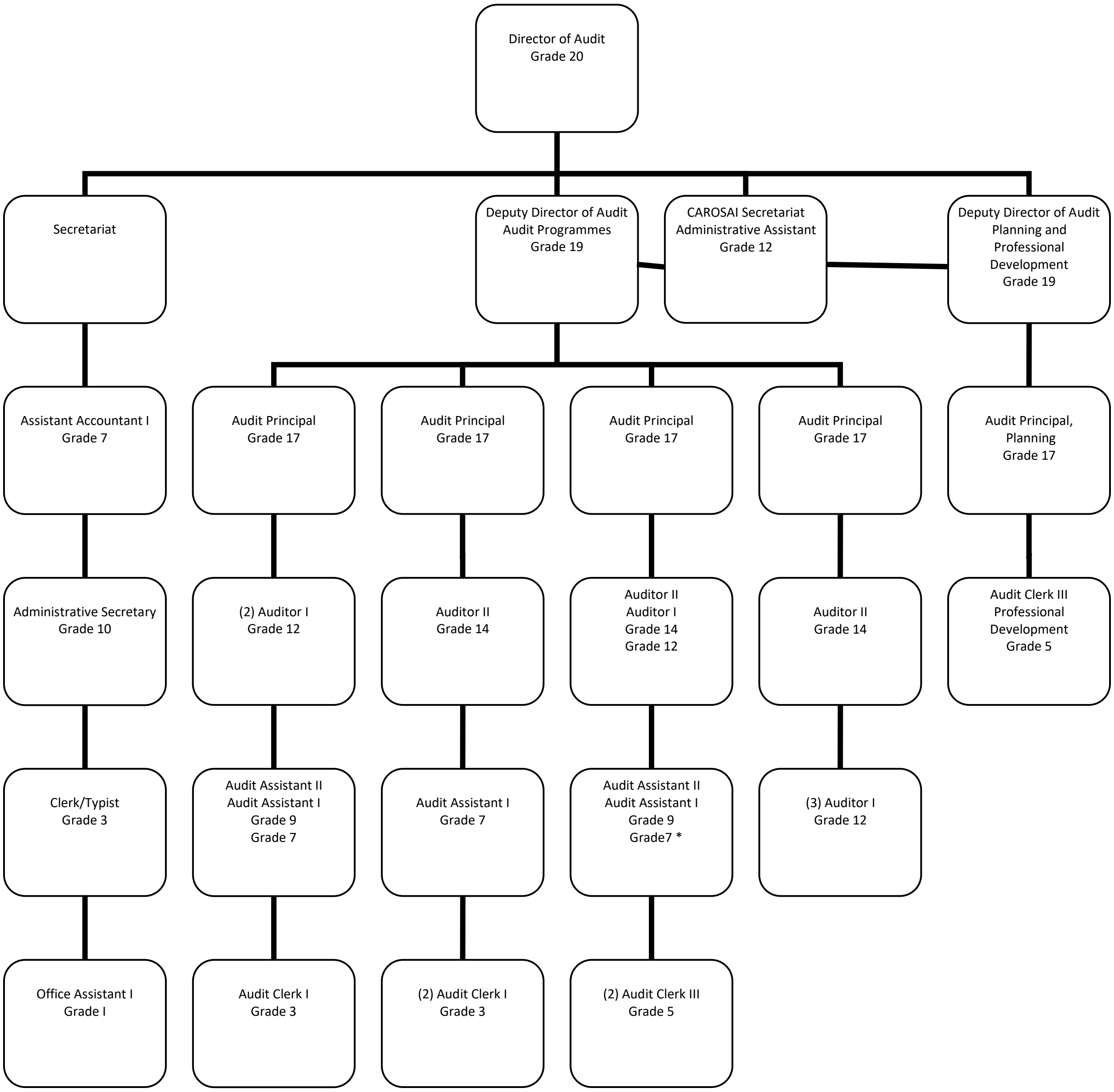
Through innovation, we find better ways to conduct our work and to serve Parliament. We seek new audit approaches and methodologies to improve our quality, efficiency, and effectiveness. We value the ideas and creativity of our staff.

Excellence

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

ORGANIZATIONAL STRUCTURE

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



Establishment; Accounts; Supplies, Facilities	Appropriation/Compliance Audits of Ministries and Departments. Financial Audits; Performance Audits; Project Audits; Surprise Surveys and Audits of Pension and Gratuities	Annual Work Plan; Professional Development; Audit and Training Manuals; Methodology; Standards; Criteria; CAATS

PERFORMANCE PLAN / WORKPLAN

AGENCY: OFFICE OF THE DIRECTOR OF AUDIT
Strategic Priority/POLICY OBJECTIVE:
AGENCY OBJECTIVE: to assist Parliament in holding the government to account for its management of the country's finances and Public Service by monitoring and reporting on whether monies appropriated by Parliament were applied as appropriated; whether expenditure conforms to the authority that governs it and on the efficiency, economy and effectiveness of government operations.

AGENCY OBJECTIVES:

- Audit and express an opinion as to whether the several financial statements required by section 14(2) of the Finance (Administration) Act present fairly information in accordance with stated accounting policies of the Government and on a basis consistent with that of the preceding year together with any reservations within a period of six months after the close of each financial year.

- Submit a yearly report to the Minister for transmission to the House of Assembly—(a) on the work of the office; and(b) on whether, in carrying out such work whether all the information, reports and explanations were received.

- Submit reports to Parliament on whether (a) accounts have not been faithfully and properly maintained or public monies have not been fully accounted for or paid, where so required by law, into the Consolidated Fund; (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditure have been made only as authorized for 60% of the Government Agencies.

- Submit at least one performance audit report to Parliament on whether money has been expended without due regard to economy or efficiency and satisfactory procedures have not been established to measure and report on the effectiveness of government programmes.

PROGRAMME: Value for Money

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

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Performance/Value For Money audit report.	Number of Value for Money audits conducted and Reports submitted to Parliament.	One (1) Value for Money Audit Report submitted to Parliament.

PROGRAMME - Planning and Professional Development

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

OUTPUT	PERFORMANCE MEASURE	PERFORMANCE TARGET
Training workshops based on training needs.	Training received by all staff.	Increase in staff professional development by 25%. Staff to attend at least six (6) training workshops by March 2017.
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 2017.
Implementation of the International Standards for Supreme Audit Institutions (ISSAI).	International Standards for Supreme Audit Institutions Compliance Assessment Report.	Implementation of 60% of recommendations in report by March 2017. 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 March, 2017. 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, 2011 submitted to the Accountant General's Department within six months (6) of receiving the financial statements.	Issue one (1) audit report and management letter on the public accounts for the financial year 2010/2011 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, 2017.
Annual report	Timeliness of Audit Report.	Annual Report for 2016/17 submitted to Parliament before June 2017.
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) audits and issue report to the SALCC within three months of receipt of the financial statements.

BUDGET

The Government of Saint Lucia approved a budget of **$1,964,539** for the Office of the Director of Audit for the financial year 2016/17. Of this budget **$1,604,612** was allocated towards salaries.

The programme detail estimated and actual expenditure for the financial year 2016/17 comprised the following:

CODE	DETAILS OF EXPENDITURE	REVISED ESTIMATES	ACTUAL 2016/17
01	**Audit Administration**		
101	Personal Emoluments	290,899.00	271,331.00
102	Wages	6,383.00	6,153.00
105	Travel and Subsistence	9,542.00	8,808.00
109	Office and General Expense	36,939.00	36,906.00
113	Utilities	118,000.00	96,679.00
115	Communication	11,810.00	10,753.00
116	Operating & Maintenance Services	31,681.00	28,947.00
118	Hire of Equipment & Transport	1,200.00	400.00
	TOTAL PROGRAMME EXPENDITURE	**506,454.00**	**459,978.00**
02	**Audit Operations**		
101	Personal Emoluments	1,292,869.00	1,141,118.00
105	Travel and Subsistence	157,020.00	137,001.00
108	Training	6,0000.00	5,815.00
115	Communication	2,196.00	1,098.00
	TOTAL PROGRAMME EXPENDITURE	**1,458,085.00**	**1,285,032.00**
	TOTAL AGENCY EXPENDITURE	**1,964,539.00**	**1,745,010.00**

STAFF MOVEMENT

In order to facilitate the work programme of the Office a number of promotions, acting and temporary appointments and transfers were made.

Promotions

The Administrative Secretary was transferred on promotion to the Ministry of Home Affairs, Justice and National Security (Department of Justice) to the post of Senior Administrative Secretary with effect from July 19, 2016.

A Secretary IV of Ministry of Home Affairs, Justice and National Security (Department of Justice), was appointed to act in the vacant post of Administrative Secretary from July 19, 2015 to January 31, 2017 and promoted to position in February 1, 2017.

Two (2) Audit Assistant I(s) were promoted Audit Assistant II as of March 13, 2017.

Acting Appointments

An Accounts Clerk III of the Ministry of Education, Human Resource Development and Labour was appointed to act Audit Assistant I for the period February 15, 2016 to July 29, 2016 and July 30, 2016 to December 31, 2016 due to study leave with pay granted to an Audit Assistant I.

The Office Assistant I was appointed to act Office Assistant II in the Department of Justice – Crown Prosecution Service for the period August 10, 2016 to September 6, 2016. The Office Assistant I also acted Clerk I for the period February 23, 2017 to March 31, 2017.

The Administrative Assistant was appointed to act Senior Licensing Officer at the Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation (Department of Economic Development, Transport and Civil Aviation) effective August 15, 2016 to September 23, 2016.

An Auditor I was appointed to act in a vacant post of Accountant II in the Department of Finance - Accountant General's Department from November 1, 2016 to July 31, 2017. This resulted in the Assistant Accountant II being put to act Auditor I for that same period and an Assistant Accountant I from Department of Finance to act Assistant Accountant II.

The Clerk Typist of the Office was appointed to act Secretary I and an acting appointment was made for a Clerk Typist for the period November 21, 2016 to April 3, 2017.

The vacant position of Deputy Director of Audit – Administration was filled by an Audit Principal who was appointed to act in the position from January 9, 2017 to April 10, 2017,

To fill a vacant post of Audit Principal an Auditor II was appointed to act Audit Principal for two six month periods from April 1st, 2016 to March 31st 2017. This resulted in the acting appointments of an Auditor I to act Auditor II, an Audit Assistant II to act Auditor I and an Audit Assistant I to act Audit Assistant II. An Accounts Clerk III from the Ministry of Education was brought in to act in the position of Audit Assistant I.

Temporary Appointment

Temporary Appointment of an Audit Clerk I was done for the period September 1, 2016 to May 30, 2017 due to an Audit Clerk I on study leave for that period.

To facilitate the acting appointment of the Office Assistant I a temporary appointment for Office Assistant I was made for the period August 10, 2016 to September 6, 2016 and February 23, 2017 to March 31, 2017.

Study Leave
Study leave with pay was granted to an Audit Assistant I from July 30, 2016 to December 31, 2016. Also, an Audit Clerk I was granted study leave without pay from August 28, 2016 to May 30, 2017.

Transfer of Post
By Cabinet Conclusion No. 290 dated October 24, 2016 the Administrative Assistant post was transferred to the Department of Housing, Urban Renewal and Telecommunications. Thus, the Administrative Assistant was transferred to the Department of Housing, Urban Renewal and Telecommunication from December 14, 2016.

TRAINING

Continuous personal and professional development of our staff is essential to provide quality audits. During the year we focused on the development of skills and knowledge of staff as well as motivation. Training and professional development was provided by the Ministry of the Public Service, international bodies and organised in-house training hosted by senior officers to staff.

Training Organized by the Ministry of the Public Service

Basic MS Access Training Programme
This training was attended by an Audit Assistant I and by an Audit Principal in September 2016.

Processing of Pension/Gratuity, Staff Leave and NIC Benefits
Two Officers, the Assistant Accountant II and an Audit Assistant II benefited from this one-day training held in September 2016. The objective was to better understand the policies and procedures governing the administration of and become more efficient at managing and processing pension/gratuity, staff leave and NIC benefits.

Chartered Director Programme
This programme which was held January 25-27, 2017 provided participants with a framework to constructively engage with their management teams to help set and execute government strategies through their various offices; to enhance their ability to exercise power and to make good decisions. The Deputy Director of Audit - Planning and Professional Department attended this three-day workshop.

Employee Assistance Programme (EAP)
A presentation was made to all staff members to inform about the role of the EAP and the assistance available to staff members. This presentation was made on February 10, 2017.

In-House Training

Team Building and Motivation
At the staff retreat held on April 29, 2016 a presentation on Team Building and Motivation by Celestral Designs was done. The objective was to raise staff awareness of togetherness and motivation and the impact of the individual as well as the workplace. Also, to improve knowledge of motivation and effective team interpersonal relationships, to assist employees in developing strategies to cope with team challenges in order to achieve a motivated positive working environment.

International Public Sector Accounting Standards (IPSAS) and Performance Auditing
One-day training on introduction to IPSAS and Performance Auditing was held on February 9, 2017. This training served as a refresher to some staff as well as a means of acquiring knowledge of IPSAS and Performance Auditing to new staff members.

Caseware Training
A three-day training session was held for staff members to gain an understanding of the electronic working papers Caseware. This training took place from June 15-17, 2016.

Training Organized by International Partners/Donors

CAROSAI Regional Workshop on Parliamentary Oversight

This workshop was held in Georgetown Guyana on July 11-15, 2016 and attended by the Deputy Director of Audit - Planning and Professional Development and the Administrative Assistant of CAROSAI.

Senior Leadership Event – Strengthening Public Financial Reporting and Accountability

This training funded by the World Bank Group was attended by the Deputy Director of Audit Planning and Professional Development in Nassau, Bahamas in April 12-19. 2016. The focus was to discuss the latest developments in public financial accounting and reporting and to enhance collaboration between governments and the accountancy profession.

Public Expenditure and Financial Accountability (PEFA) Framework – Workshop

This one-day workshop was held on January 17, 2017 and was attended by an Audit Principal.

International Development Initiative (IDI) – Mentor Training and Courseware Design and Development

The IDI, in cooperation with Knowledge Sharing Committee (KSC), conducted a programme called "Auditing SDG". The objective of the programme was "High Quality audits of sustainable development goals by SAIs" The Audit Principal for Performance Audit was invited by the IDI to be a mentor for this programme to:

1. Mentor training and courseware design and development;
2. Online tutoring and support while running the e-course in auditing preparedness for implementation of SDGs; and
3. Facilitation during the Audit Planning Meeting.

The Audit Principal participated in the mentor training and courseware design and development meeting held in Jamaica from March 13 to 24, 2017.

STATUS OF WORK COMPLETED FOR 2016/17

Audits Identified in The Work Plan	AUDIT CLIENTS	STATUS
Performance Audits		
Hurricane Thomas	Ministry of Infrastructure	Completed
Maintenance of Government/Government Occupied Buildings	Ministry of Infrastructure	In Progress
Management of Black Sigatoka	Ministry of Agriculture	Not Conducted
Baron Drive Relocation Project	Ministry of Physical Development	Not Conducted
Foreign Mission Audits		
Consulate of Toronto	Ministry of External Affairs	In Progress
New York Mission	Ministry of External Affairs	In Progress
Operational Audits		
Audit of Payroll	Accountant General	In progress
Procurement and Management of Pharmaceuticals	Ministry of Health	In progress
Financial Audits		
Disaster Vulnerability Reduction Project (DVRP)	Ministry of Finance, Economic Affairs and National Development Project Coordination unit (PCU)	Completed
Caribbean Regional Communications Infrastructure Project (CARCIP)	Ministry of Finance, Economic Affairs and National Development - PCU Ministry of the Public Service	Completed
Geothermal Resource Project	Department of Sustainable Development PCU	Completed
Saint Lucia Bureau of Standards	SLBS	Financials not submitted
Sir Arthur Lewis Community College SALCC	SALCC	Completed
Government of St Lucia Financial Statements 2010/2011	Accountant General's Department	Financials submitted at year end
St. Jude's Hospital Reconstruction Project	Ministry of Finance Economic Affairs and National Development	Financials not submitted
SEMCAR Part 2	Ministry of Finance, Economic Affairs and National Development PCU	Financials not submitted

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

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

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

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

1.4 The Public Accounts Committee re-commenced meetings during the last quarter of the financial year 2015/16. There were three meetings held during this financial year. Some generated consultation with the Office of the Director of Audit, however none resulted in public hearings. 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 accountably.

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 At the end of the financial year 2016/2017 the financial statements of the Government of Saint Lucia for the year ended 2010/2011 was submitted for auditing. The audit will be carried out in 2017/2018.

1.7 The financial statements of the Government of Saint Lucia for the years 2012-2016 have not been submitted to the Director of Audit for auditing.

2. DONOR FUNDED PROJECTS AUDIT RESULT

2.1 The Office of the Director of Audit is required to audit the projects financed by the World Bank. We, also, audited a project financed by the Caribbean Development Bank (CDB).

2.1.1 We completed the audit of four projects for the financial year ended 2016/17 namely:

- Disaster Vulnerability Reduction Project (DVRP)
- Caribbean Regional Communications Infrastructure Programme (CARCIP)
- Geothermal Resource Project
- Settlement Upgrading Project

2.1.2 The backgrounds of these projects are as follows:

DISASTER VULNERABILITY REDUCTION PROJECT (DVRP)

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

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

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

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

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

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

CARIBBEAN REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAMME (CARCIP)

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

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

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

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

GEOTHERMAL RESOURCE PROJECT

2.1.13 The Government of Saint Lucia (GOSL) received Grant funds of US$2,000,000.00 towards the financing of the Saint Lucia Geothermal Resource Development Project. The International Bank for Reconstruction and Development (IBRD) provided US$1,000,000.00 by way of GEF Grant No. TF018581 and the International Development Association (IDA) provided US$1,000,000.00 by way of Small Island Development States (SIDS) DOCK Grant No. TF18390. As of January 31, 2017 the funding received from Grant No. TF18390 ended. The Government of Saint Lucia by letter dated November 09, 2016 made a request to the World Bank for an extension of the closing date of the above captioned grants provided under the Grant Agreements. The World Bank established July 31, 2018 as the revised closing date of the GEF Grant Agreement TF018581 and December 31, 2017 as the revised closing date of the SIDS DOCK Support Programme Grant Agreement TF018390.

2.1.14 The objective of the project is to provide support to the Recipient to make an informed decision regarding geothermal exploration and development in Saint Lucia by undertaking key preparatory activities.

SETTLEMENT UPGRADING PROJECT

2.1.15 The Settlement Upgrading Project was established in 2012 under a loan agreement between the Government of Saint Lucia (GOSL) and the CDB. The loan agreement was signed on June 27, 2012. The total cost of the project is estimated at EC$36,019,000.00. The CDB is to provide loan funds of EC$16,830,000.00 and the GOSL to provide counterpart funds of EC19, 189,000.00 (CDB 46%, GOSL 54%).

2.1.16 The Project consist of the following parts: (a) upgraded settlements and expended infrastructure – land for informal settlements and for sites and services, civil works to upgrade settlements, cadastral surveys of lots, relocation of residents in informal settlements and consultancy services for engineering design, construction supervision and hazard assessment of sub-project area; (b) enhance sector capacity-consultancy services for Institutional Assessment and Sector Support and (c) supporting services – project management services and baseline and follow-up socio-economic surveys to monitor changes in living conditions of beneficiary households.

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

- Ministry of Finance, Economic Affairs and National Development
- Ministry of the Public Service, Sustainable Development, Energy, Science & Technology
- Department of Sustainable Development

2.1.18 We audited one (1) project funded by the Caribbean Development Bank.

We issued a qualified opinion at the end of the audit. The Auditor's opinion and report was issued to the Permanent Secretary of the Department of Housing, Urban Renewal and Telecommunications.

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

FINDINGS AND RECOMMENDATIONS

2.2 DISASTER VULNERABILITY REDUCTION PROJECT (DVRP)

CENTRAL GOVERNMENT'S ACCOUNTS

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

2.2.1 In order to ensure completeness of information in the Central Government's accounts, both capital expenditure and capital revenue associated with the project should be recorded.

2.2.2 Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) funds for the period was US$4,348,481.07 or EC$11,689,586.81. Whereas, the capital revenue recorded in the Central Government's accounts was US$ 172,606.14 or EC$464,080.46, an understatement of US$4,175,874.93 or EC$11,225,586.98, or 96% of revenue for the current period.

2.2.3 We noted unposted journals of US$2,214,841.33 or EC$5,953,936.49 pending in the accounts which represented the PCU's attempt to record transactions in the Accountant's Generals accounts. However, these journals have not yet been approved and thus do not form part of Government's total revenue.

2.2.4 We also determined that expenditure incurred by the GOSL from bond funds for the financial year was EC$52,567.99 or US$19,555.09. However, bond revenue to cover this expenditure was not recorded in the accounts.

2.2.5 In addition, revenue of EC$1,198.94 or US$446 derived from the sale of tender documents was not posted in Central Government's accounts.

2.2.6 The aforementioned understatements were due to:

1. Errors on the necessary "A "Forms used to record reimbursements in the Accountant General's accounts resulting in amounts not being posted;

2. All journals not being entered into smart stream by the implementing agency; and

3. Journals totalling US$2,214,841.33 or EC$5,956,936.49 awaiting approval by the Accountant General's Department.

Implications and Risks

2.2.7 The Project's actual revenue figure for the financial year is not accurately reflected in the Central Government's accounts, and possibly may not be accurate in the Government's financial statements if corrective action is not taken.

Recommendation

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

- **Differences between the expenditure recorded by the Project and the expenditure recorded in the Central Government's accounts.**

2.2.8 Expenditure incurred by the project for the financial year 2016/2017 was US$4,348,481.07 or EC$11,689,586.81, however, US$157,702.56 or EC$423,936.02 has been recorded in the Central Government's accounts, resulting in an understatement of 96% of expenditure or US$4,190,778.50 or EC$11,265,650.79.

2.2.9 Of significant note was that while US$157,702.56 or EC$423,936.02 was the total reported in the Central Government accounts the total expenditure entered was US$479,617.90 or EC$1,289,308.84. The reported balance was diminished by US$321,915.34 or EC$865,372.82 because monies reimbursed to the Government for salaries paid on the project's behalf was credited against the salaries expenditure.

2.2.10 Additionally, journals for expenditure from April 2016 to July 2016 totalling US$2,265,976.69 (EC$6,091,398.54) had not been reported in the central government accounts.

2.2.11 The audit further revealed that although the Project Coordination Unit (PCU) reconciled the accounts monthly, the implementing agency did not prepare adjusting journals to effect changes to the accounts in a timely manner, nor were these journals approved by the Accountant General's Department.

2.2.12 As previously stated, we identified un-posted journals of US$2,214,841.33 or EC$5,956,936.49. This amount included:

1. Expenditure as per Statement of Expenditures (SOE) for August 2016 to February 2017 of US$1,265,944.74 (EC$3,403,112.66) had been journalized by the project but had not been

approved to be posted into the Central Government accounts by the Implementing Agency and Accountant General's Department approvers.

2. US$341,286.54 (EC$917,446.48) representing payroll expenditure which serves to reinstate the expenditure which was understated due to the credit for reimbursements for salaries against the account.

3. US$606,232.26 (EC$1,629,673.56) reported expenditure for the month of March, 2017.

2.2.13 However, the amount stated as unposted journals could not be relied upon as there were errors identified in the postings. Of significance were:

1. USD 444,258.77 (XCD 1,194,256.42) of the total unposted journals reported were duplicated amounts reported for the October, November and December 2016 SOE's.

2. The journal amount of US$ 606,232.26 (EC$1,629,673.56) for March 2017 did not agree with the amount stated on the March 2017 SOE of US$462,563.52 (EC$1,243,463.27).

Implications and Risks

2.2.14 The Project's expenditure is not accurately reflected in the Central Government's accounts. These errors if not corrected in a timely manner increases the risk of misstatements in the Central Government's accounts. This situation has the potential to impede the effectiveness of the decision making of the GOSL and mislead users of the financial statements

Recommendation(s)

- ❖ **All necessary adjustments should be made so that the Project's capital expenditure is fully reflected in the Central Government's accounts;**
- ❖ **Adjusting journals should be reviewed and posted in a timely manner; and**
- ❖ **Discrepancies noted in the unposted journals should be addressed and every effort should be made to avoid same in the future.**

- **All items on the reconciliation statements could not be verified**

2.2.15 One of the qualitative characteristics of financial information is that of verifiability. This requires that financial information be based on objective evidence in order to satisfy the users' need for reliable unbiased information. Information that is verifiable is easier to be relied upon than that which is not.

2.2.16 The PCU reconciles the balances reported in the Accountant General's accounts and expenditure reported in the project's accounts. However, because of constant changes being made to the Accountant General's accounts and the lack of sufficient supporting documentation attached to the reconciliation statements we were unable to verify the accuracy of these statements. We also, were unable to verify whether the differences were as a result of adjustments made subsequent to the reconciliation as the statements were not dated.

2.2.17 Some of the differences included but were not limited to:

- o US$8,948.74 (EC$24,056.00) difference between the total expenditure reported in Smart Stream and the corresponding amount reported on the reconciliation statement as 'Total Expenditure as per Smart stream'.

- Expenditure of US$ 19,554.93 (EC$ 52,567.55) paid by the GOSL from bond revenue was not accounted for in the reconciliation statement.

Implications and Risks

2.2.18 When reconciliations are not adequately prepared it inhibits the verification process. As such reviewers have a difficult time verifying accuracy increasing the risk of errors going undetected, and appropriate journal entries not being recommended.

Recommendation(s)

- **The reconciliation statement should be more adequately reviewed to reaffirm accuracy and traceability of information.**
- **Also, the reconciliation should be signed dated, and a print out of the Smart Stream account as at the date of reconciliation be maintained on file to allow for proper and complete reviewing of the reconciliation.**

- **Expenditure not presented per financier for each category in the Accountant General's accounts**

2.2.19 Based on the Financing Agreement the DVRP consists of five (5) categories. As such, expenditures incurred under the project must be expensed under the appropriate category, and aligned to appropriate financier - given that different lines of financing were granted for specified categories.

2.2.20 Although the Statement of Sources and Uses of Funds (SSUF) captured the expenditure per categories as well as per financiers, this was not identically reflected in the Accountant General's accounts. Instead, the expenditure was categorized per financier but not per the category making it extremely difficult to reconcile the Accountant General's account to the SSUF.

Implications and Risks

2.2.21 It is important that the expenditures be classified per financier as well as per parts (categories) across the SSUF, General Ledger and Accountant General's accounts to facilitate proper reconciliation, and to ensure comparability of the information by users.

Recommendation

It is recommended that the accounts should be set up in the Accountant General's accounts in a manner that would facilitate the classification of the expenditure per financier as well as per categories.

COMPLIANCE

- **Information documented in the assessment of Bids was inaccurate**

2.2.22 It is expected that due care and skill be applied throughout the bidding process so as to ensure that no bidder is disadvantaged.

2.2.23 The evaluation report for the Marchand river bank stabilization retaining wall #3B states that the bid submitted by two (2) bidders were not signed and consequently not considered. However, Annex II-Bid Opening Record for both bidders indicated that the bid forms were completed and signed.

2.2.24 We verified that the "Form of Quotation" submitted by one of the bidders was signed, while the other was not signed.

Implications and Risks

2.2.25 Non consideration of the signed bid put the bidder in an unfair position as it was not given an equal chance of being selected. The inaccurate record of bid information at Annex II i.e. Bid Opening Record is indicative of unreliability of the information therein; reliability being one of the main characteristics of good information.

2.2.26 Further, the uncorroborated information contained in the evaluation report and the Annex II - Bid Opening Record with regards to the two bidders whose bids were not considered increased the risk of information documented by the DVRP being regarded as inaccurate.

Recommendation(s)

- ❖ **The bid documents should be examined with due care when determining the responsiveness of the bid to ensure that all bids that are responsive are considered.**
- ❖ **We further recommend that the Central Tenders Board review its documentation process to ensure that information documented can be relied upon.**

- **Non submission of progress reports by consultant**

2.2.27 As per clause 3.1 of the contract document for the Marchand River Bank Stabilization Retaining Wall #3B the contractor was required to submit to the Project Manager weekly statements of the estimated value of work. Based on these statements the Project Manager would certify the amount to be paid to the contractor.

2.2.28 It was noted that the weekly statements were not submitted by the contractor, however, the contractor was paid.

2.2.29 Also, as per Appendix B – Reporting Requirements of the Contract for Consultant's Services Supervision and Certification of Works for Construction of Choiseul Secondary School monthly progress reports were to be submitted. As at the date of audit no monthly reports had been submitted by the consultant.

Implications and Risks

2.2.30 Non Submission of reports impedes the ability of Project Manager to; assess work executed, effectively monitor and control, and facilitate prudent decision making. Also, certification of payments would have been made without appropriate evidence to substantiate that value had been received for the monies paid to the contractor. As a result, there is an increased risk that payments may be made for services not yet received as well as adverse implication on project management.

Recommendation(s)

- ❖ **Responsible parties must ensure that required reports are submitted when due, in accordance with contractual requirements. In order for reports to be submitted on a timely basis the PCU should consider implementing a template mechanism which would capture all the relevant information and improve reporting efficiencies.**
- ❖ **Payments should only be released in accordance with contractual terms.**

<u>INTERNAL CONTROLS</u>

- **Deviations from internal control policies**

2.2.31 In keeping with proper internal controls, it is expected that end dates associated with payment terms for consultants be accurately entered into Smart Stream by the Accountant General's department. In addition, the PCU and the Accountant of the Ministry of Economic Development are required to conduct monthly reconciliation of accounts – the absence of such reconciliations deviates from internal controls instituted to detect and or prevent errors, omissions or fraudulent activity.

2.2.32 During the audit we noted that although the payment instructions indicated that payments for the Portfolio Manager of the PCU end, as at 31 March 2016, the Accountant General processed salary payments for the aforementioned individual for April and May 2016 in the amount of EC$ 12,028.00 or US$4,474.37 each month.

2.2.33 On the 25th May 2016, a cheque of US$9,634.70 or EC$25,900.00 which was authorised by way of signature of the Financial Officer of the PCU, Officer of the Accountant General's Department, and the Deputy Permanent Secretary of the Ministry of Economic Development for the period - giving rise to a double payment being made to the Portfolio Manager of the PCU.

2.2.34 We further noted that a signed agreement was made between the Accountant General and the Portfolio Manager on the 3rd August 2016 where the Portfolio Manager agreed to repay the overpayment in nine monthly instalments of US$1,387.79 or EC$3,730.67in the first month, subsequent payments of US$867.37 or EC$2,331.67 for seven (7) months and US$867.36 or EC$2,331.64 in the final month.

2.2.35 According to the Financial Regulations 96(1)(b) and (2) issues such as these must be immediately communicated to the Director of Audit, and agreements for repayment be made between the Director of Finance and the Accounting officer- this was not done.

Implications and Risks

2.2.36 The inaction on the part of the Accountant General's Department to input the required end date into the system, along with the non-performance of relevant reconciliations by the PCU and the Ministry of Economic development are tantamount to a deviation in the internal controls system. As a result, this facilitated a double payment, thereby increasing the risk of financial loss to the project. Further, there was non-compliance with the Financial Regulations.

Recommendation

- ❖ **The Accountant General Department must ensure that all salary "end dates" be entered into Smart Stream as per payment instructions;**

- ❖ **Reviews of salaries processed by the Accountant General for employees of the PCU should form part of the project's monthly reconciliation process; and**
- ❖ **The requirements of the financial administration act and or other relevant regulations MUST be complied with when dealing with such matters.**

- **The certification of invoices and cheques signatories could not be verified**

2.2.37 Proper internal controls require that a copy of all authorised signatories be kept on file and made available for inspection by external auditors. In addition, *Regulation 117 of the Financial Regulations* requires that cheques be signed and countersigned by authorized persons determined by the Accountant General.

2.2.38 During the audit we were unable to verify that the persons who certified invoices, signed cheques and other payment instruments were authorized to do so. This is because the listing of the signatories presented to Audit for the certification of payment instruments did not specify which instruments the respective persons were authorized to sign.

Implications and Risks
2.2.39 The inability to determine the signing privileges of officers listed as authorized to sign payment instruments makes it difficult to ascertain whether the persons who signed documents were authorized to do so.

2.2.40 Consequently, it increases the risk of payment instruments being signed off by unauthorised personnel, which in turn increases the risk of fraudulent activity going undetected. Further, this shortcoming makes it difficult for those charged with oversight to discharge their responsibilities effectively.

Recommendation
A copy of approved signatories to payment instruments be kept on file by the PCU and the Accountant General's Department, and be adequately maintained – for each project being coordinated by the unit. Also, it is necessary that the signing limits of the various signatories be specified on those lists.

- **Not all expenditure was classified under the appropriate component**

2.2.41 Expenditures should be classified under the appropriate component for which it was incurred.

2.2.42 We noted an instance whereby expenditure amounting to US$34 970.00 (EC$94,006.34) for Workstations for the Meteorological Office which qualified for procurement under Component B of the Project was classified under Component A.

Implications and Risks
2.2.43 This misclassification caused an overstatement of Component A's expenditure and understatement of Component B's expenditure by US$34,970.00 (EC$94,006.34).

Recommendation
Adequate reviews be conducted to ensure expenditures are classified under the correct Component.

- **Insufficient project management tools**

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

2.2.45 However, we noted that there was no documented project management plan or any of the other required sub plans except for the procurement plan. Of particular importance and concern is the absence of an adequately maintained project management (implementation plan) which highlights the timing of activities, milestones and responsible persons for the respective activities.

2.2.46 This plan and sub-plans allow for more efficient implementation, and monitoring and control of project activities. Further, they would allow for the identification of issues and speedier responses if project activities were running behind schedule; requiring decisions such as parallel approaches and or crashing of project activities as deemed necessary.

2.2.47 The absence of this plan and sub-plans has been highlighted in previous audit reports. However, to date, this issue remains unresolved.

Implications and Risks

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

Recommendation

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

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

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

2.2.50 During the audit we noted that a risk management plan was not prepared. Further compounding the issue is that some monitoring and evaluation reports were not submitted in accordance with contractual terms by consultants and contractors.

2.2.51 We also noted that reports from implementing agencies were not submitted in a timely fashion, and in some instances not submitted at all. In addition, the procurement plan is not adequately maintained.

Implications and Risks

2.2.52 The absence of an adequately maintained risk management plan is not reflective of project management best practice, and increases the impact of the materialisation of risks, which could have adverse effects on the timing, and cost of the project.

2.2.53 Also, the non-submission and or late submission of monitoring reports further compounds project risks as timely reports facilitate required action to mitigate against risks.

Recommendation(s)

- ❖ **A Risk Management Plan should be prepared, approved and adequately maintained throughout the life of the project by appropriately skilled persons; and**
- ❖ **The PCU or Contract Managers must ensure that consultants and contractors adhere to the terms of their contracts – reporting requirements.**

- **Apportionment of Expenditure not in alignment with terms of Loan**

2.2.54 The Government of St. Lucia entered into an agreement with the World Bank for USD 68,000,000.00, out of which USD 5,000,000.00 was allocated to finance the Climate Adaptability Financing Facility (CAFF) - Part C of the Project. This balance of USD 63,000,000.00 is to finance other activities under different components of the Project as under:

USD 41,000,000.00 – Parts A, B, D and E
USD 12,000,000.00 – Parts A, B and E
USD 10,000,000.00 – Part A

2.2.55 We noted that the apportionment of expenditures in the Statement of Sources and Uses of funds were proportion 60:22:18 for the Credit, Loan, and Grant respectively in keeping with section 4 of schedule 2 of the loan agreement.

2.2.56 However, based on the Financing agreement qualifying expenditures under the various categories/ components and article 2 of the loan agreement the apportionment of expenditure should be follows:

Component	Credit	Loan	Grant
A	65	19	16
B	72	0	23
C	0	100	0
D	100	0	0
E	72	0	23

2.2.57 Thus we note a contradiction between the different agreements guiding the apportionment of the expenditure. We must also highlight, that if expenditure continues to be apportioned 60:22:18 for the Credit, Loan, and Grant respectively, funding under some components will be exhausted before all the slated projects are completed.

Implications and Risks

2.2.58 Consequent to expenditures being apportioned contrary to the financing agreement, the financial statements do not accurately reflect the expenditures which qualify under the different lines of financing. As a result, the financial statement information may be misleading to some users.

Recommendation

The PCU should agree on a way forward with the World Bank; by a determination as to whether the apportionment remains as is reported and the financing agreements be amended, or whether the apportionment be changed to reflect the requirements of the financing agreement.

- **Not all items were physically verified**

2.2.59 As per the DVRP Operational Manual (Safeguard of Assets) the PCU must maintain all supporting details and balances pertaining to fixed asset.

2.2.60 Based on our sample of twenty (20) item selected for verification, we noted that five (5) of the items in the sample did not have a serial/ unique identification number assigned to them. These include two (2) Princeton TEC Headlamps, Two (2) VuPoint Magic Wand Portable Scanners and one (1) External Hard Drive.

2.2.61 Also, we were unable to verify a Samsung Galaxy Tab 4 (8GB) serial number R52G1007JLN which based on the Fixed Asset Register was located at the PCU. Despite numerous attempts to ascertain the whereabouts of the said tablet, to date the PCU has not been able to identify the tablet to facilitate our verification.

Implications and Risks

2.2.62 The absence of an adequately maintained Fixed Asset Register- where assets are assigned and tagged unique identifiers and accurate locations increases the risk of items being misplaced, misused or misappropriated.

Recommendation

The Fixed Asset Register should be adequately maintained to enable the ease of verification of assets as well as enhance accountability for these assets. In addition, every effort should be made to have the items which could not have been physically verified located.

2.3 CARRIBBEAN REGIONAL INFRASTRUCTURE PROJECT

CENTRAL GOVERNMENT'S ACCOUNTS

- **Differences between the expenditure reported on the Project's financial statement and the expenditure reflected in the Central Government's accounts**

2.3.1 During the financial period, the Project Coordination Unit (PCU) was expected to use the country system to record all financial transactions for the project. Accordingly, all project's expenditure and revenue transactions should have been processed using the Central Government's accounting system.

2.3.2 However, we observed that not all transactions were recorded in the Central Government's accounts at year-end as expected. Consequently, the following differences were noted between the expenditure disclosed on the Project's Statement of Sources and Uses of Funds and the expenditure reflected in the Central Government's accounts as per financier:

Financier	Expenditure as per		Difference
	Statement of Sources & Uses of Funds (Audited)	Central Government's Accounts	
	US$	US$	US$
IDA	**818,395.80**	**715,373.80**	**103,022.00**
GOSL	**78,552.48**	**95,661.73**	**(17,109.25)**
Total	**896,948.28**	**811,035.53**	**85,912.75**

2.3.3 We noted direct processing of expenditure of approximately US$174,424.88 or EC$468,888.96 representing 19% of total expenditure incurred by the Project during the financial year. This direct processing of expenditure defeats the purpose of the country system. When the country system is used as intended, journals are prepared to record bank charges, revenue, and to effect adjustments to the accounts, but not to record expenditure.

Implications and Risks

2.3.4 Expenditure is incorrectly reflected in the Central Government's accounts, which can be misleading to users of the financial statements. When the country system is not used to process transactions, it increases the risk of these transactions not being recorded in the Central Government's Accounts.

Recommendation(s)

- ❖ **The necessary journals should be prepared and approved so that expenditure could be accurately reflected in the Central Government's accounts.**
- ❖ **The country system should be used for the Project as intended.**

- **Capital revenue was not fully reflected in the Central Government's accounts**

2.3.5 In order to ensure completeness of information in the Central Government's accounts, both capital expenditure and capital revenue associated with the project should be recorded.

2.3.6 Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) funds for the financial year was EC$2,200,011.59 or US 818,395.80. However, the capital revenue reflected in the Central Government's accounts was EC$954,162.10 or US$354,944.61, an understatement of EC$1,245,849.59 or US$463,451.23.

2.3.7 Our examination revealed that during the period the Project reimbursed the Government of Saint Lucia (GOSL) EC$1,948,240.00 or US$724,737.74. However, only EC$954,162.00 or US$354,944.57 is reflected in the Central Government's accounts giving rise to an understatement of EC$994, 078.00 or US$369,793.17.

2.3.8 The understating of reimbursement was due to Accounting personnel from the implementing department, failing to prepare the necessary "A "Form to effect recording of reimbursement in the Accountant General's accounts.

2.3.9 Also, we determined that expenditure incurred by the GOSL from bond funds for the financial year was EC$211,164.78 or US$78,552.48. However, bond revenue to cover that expenditure was not recorded in the accounts. We noted that during the period the GOSL raised bond revenue of approximately EC$139,900,000.00.

Implications and Risks

2.3.10 The Project's revenue figures for the financial year are not accurately reflected in the Central Government's accounts which could result in the financial statements being misstated and misleading to users.

Recommendation

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

INTERNAL CONTROLS

- **Updated Procurement Plan not yet approved**

2.3.11 All amendments to initially approved Procurement Plans should be ratified by way of "no objection" from the World Bank.

2.3.12 Our audit revealed that the Procurement Plan was updated as at September 30, 2016, and submitted to the World Bank for "no objection" on October 28, 2016. However, we saw no evidence of approval from the World Bank to ratify the integrated amendments.

Implications and Risks:

2.3.13 The absence of approval of integrated amendments to the Procurement Plan is not in keeping with operating and the World Bank's procedures.

Recommendation

The PCU should follow up on their request for approval of the updated Procurements Plan at the earliest.

- **Reporting terms of some contracts were not met**

2.3.14 It is expected that terms and condition of contracts would be adhered to at all times. This includes reporting requirements embedded within contracts.

2.3.15 During the audit we noted numerous instances where the condition for payment on contract was not met. These contracts stipulated that salary payments would be made to consultants upon their submission of monthly and or quarterly monitoring and control reports. However, these reports were not submitted when required. Notwithstanding, payments were made on contracts. Some of these consultancies where reports were not submitted when due included; Procurement and Contract Management Officer, Quality Assurance Officer, Training Support Officer and Digicel - Unified Communications System.

Implications and Risks

2.3.16 Such deviations from terms and conditions of contracts not only set bad precedents but exposes the project to risks which could have been identified and addressed if they were highlighted within these reports. It also limits management of the respective activities over the course of the said contracts.

Recommendation(s)

- ❖ **Payments to these consultants should be made only when contracts' reporting requirements are met.**
- ❖ **Monitoring and control reports should be requested from delinquent consultants in a timely manner so that they could be used for purposes intended.**

- **Insufficient project management tools**

2.3.17 Prior to the commencement of execution or implementation of project activities, a Project Management Plan together with appropriate sub plans should be approved and made available to the PCU, the Permanent Secretary of the Department of Public Service and other stakeholders to facilitate proper execution and efficient monitoring and control of the project.

2.3.18 However, we noted that there was no documented Project Management Plan or any of the other required sub plans except for the Procurement Plan. Of particular importance and concern is the absence of an adequately maintained project management (implementation plan) which highlights the timing of activities, milestones and responsible persons for the respective activities. This would allow for more efficient monitoring and control of project activities. Further, it would allow for the identification of issues and speedier responses if project activities are running behind schedule, requiring decisions such as parallel approaches and or crashing of project activities as deemed necessary.

2.3.19 This issue has been highlighted in previous audit reports but continues to be unresolved.

Implications and Risks

2.3.20 The absence of an approved Project Management Plan or work plan and its associated sub plans is not reflective of project management best practice. As such, there are risks of mismanagement and poor monitoring and control of the project, which may give rise to project delays or setbacks, and cost overruns.

Recommendation

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

- **A Risk Management Plan was not maintained**

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

2.3.22 As reported in the previous audit, we noted that a Risk Management Plan was not available for review. We noted delays in engaging activities including Business Incubation and Training Grants and Broadband Backbone Network, scheduled on the Procurement Plan. It is expected that the effects of these delays on the project's baselines would be determined and appropriate action taken in an effort to mitigate possible impacts.

2.3.23 Also, we were informed by the Project Manager and Project Coordinator that the initial technical assessments of the CARCIP were inadequate and required modifications so as to positively affect the success of the project. As such this had an adverse effect on the timing of the project.

2.3.24 It is imperative that during the needs assessment stage that requirements are clearly identified, planning teams constitute individuals who possess the required technical competencies; and that during implementation adequate monitoring and control be carried out, so as to mitigate against the risk of setbacks in project activities and deliverables

Implications and Risks

2.3.25 The absence of an adequately maintained Risk Management Plan is not reflective of project management best practice, and increases the impact of the materialisation of risks which could have adverse effects on the timing and cost of the project.

Recommendation(s)

- **A Risk Management Plan should be prepared, approved and adequately maintained throughout the life of the project;**
- **The PCU should ensure that adequately skilled personnel form part of project planning teams; and**
- **Measures should be put in place to mitigate the risk of adverse timing of implementing activities.**

PROJECT'S FINANCIAL STATEMENTS

- **Errors were found on the financial statements**

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

2.3.27 We noted errors on the financial statements. These errors were as a result of omissions of salaries, National Insurance (NIC) and gratuity payments made by GOSL, totaling US$16,332.35 or EC$43,904.62. Also, IDA expenditure of US$9,983.76 or EC$ 26,838.34 under Business Incubation Grants was omitted. This resulted in a total understatement of expenditure of US$26,316.11 or EC$70,742.96 in the Statement of Sources and Uses of Funds (SSUF).

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

Implications and Risks

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

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

2.4 GEOTHERMAL RESOURCE PROJECT

CENTRAL GOVERNMENT'S ACCOUNTS

- **Difference between the expenditure reported by the Project and the expenditure reflected in the Central Government's accounts**

2.4.1 We determined that the total expenditure incurred by the project for the period was US$249,060.16 or EC$669,523.52. However, the expenditure recorded in the Central Government's accounts at March 31, 2017 was EC$371,757.52. Thus, the project's expenditure was understated by EC$297,766.06 in the Central Government's accounts.

2.4.2 We noted that though the projects accounts were reconciled with the Central Government's accounts; the journals to effect changes to the accounts have not been approved by the Accountant General's Department. We verified un-posted journals of EC$218,861.55.

2.4.3 Further, we observed that a receipt for EC$83,000.00 was posted to the expenditure account in error. As a result, total expenditure was understated for that account.

Implications and Risks
2.4.4 Transactions in the Central Government's accounts are incomplete and inaccurate. There is the risk that the financial statements of the Government may be misstated because the statement would be prepared using inaccurate and incomplete information.

Recommendation
The Department should follow up on outstanding journals, correct the error in the accounts and prepare the necessary adjustments to reflect accurate information in the Central Government's accounts.

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

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

2.4.6 Total expenditure recorded in the Central Government's accounts at year-end was EC$371,757.52. However, revenue of EC$380,503.75 was posted to the revenue account 5506203-0472000 for IDA grant funds. Consequently, revenue is EC$8,746.26 in excess of the expenditure posted to the account.

Implications and Risks
2.4.7 Revenue recorded in the Central Government's accounts is inaccurate, giving rise to incorrect balances in the revenue accounts. Consequently, the risk of compiling incorrect financial statements on behalf of the government as a whole is increased.

Recommendation
The necessary adjustments should be made so that the Central Government's accounts reflect accurate information.

<u>INTERNAL CONTROLS</u>

- **Not all payment vouchers had the required signatures**

2.4.8 The Accountant General's letter to the commercial bank authorizing the opening of the project's bank account states:

At least three (3) authorization signatures are required on all payment vouchers and letters of authorization.

2.4.9 Accordingly, all cheques and supporting payment vouchers are required to have 3 signatories, designated as follows: 1 authorized officer from the Project Coordination Unit (PCU), 1 from the Implementing Agency (Accountant) and 1 from Accountant General's Department (any approver).

2.4.10 From the sample of twenty-five (25) invoices, we found twelve (12) instances where payment vouchers were not signed by the required three (3) designated signatories. In all but one instance it was the designated signatory from the Accountant General's Department who failed to sign the payment voucher. However, we noted a stamp affixed to the payment voucher as an indication that it was reviewed and approved by officials from the Accountant General's Department.

Implications and Risks
2.4.11 The internal control policy of the entity was breached. This increases the risk of fraudulent or unauthorized payments.

Recommendation
The PCU should take steps to ensure that all required signatories are affixed to payment vouchers.

- **Some transaction dates recorded on cheques did not coincide with the transaction date recorded in the general ledger**

2.4.12 Payment transactions in the cash book should reflect the date of actual payment.

2.4.13 From a sample of seventy-seven (77) cheque stubs examined, we found seven (7) instances where the transaction date posted in the general ledger was different to the date recorded on the cheque stub as shown below.

Cheque number	Transaction date as per cheque stub	Transaction date as per general ledger
030	19 May 2016	18 May 2016
038	24 May 2016	19 May 2016
039	24 May 2016	19 May 2016
040	24 May 2016	19 May 2016
041	24 May 2016	19 May 2016
042	24 May 2016	19 May 2016
045	24 May 2016	28 May 2016

Implications and Risks
2.4.14 Transactions posted at incorrect dates exposes the entity to the risk of these transactions being recorded in the wrong financial period, causing inaccurate balances.

Recommendation
Periodic reviews of transactions posted should be conducted to reduce the risk of inaccurate postings.

2.5 SETTLMENT UPGRADING PROJECT

- **Ratio used to apportion salaries between projects could not be verified**

2.5.1 The objective of apportioning salary costs is to charge each project with the proportion of the costs that fairly reflects usage of service. Such cost should be apportioned by reference to the time the manager spends on each project. Therefore, it is expected that time sheets would be kept to fairly apportion time and cost between projects.

2.5.2 Salaries paid during the period were apportioned between three projects, the Settlement Upgrading Project, the Shelter Development Project and PROUD III in the ratio 40%, 40%, 20%. We were informed that this ratio was based on the Project Coordinator's judgment of the time spent working on each project.

2.5.3 However, we saw no documentation such as time sheets or reports to support that claim. We are of the view that the apportionment should not be done simply at the discretion of the Project Coordinator. Such matters should be supported by realistic evidence to ensure transparency and accuracy.

2.5.4 Consequently, we were unable to verify whether salaries reported on the financial statements are accurate.

2.5.5 Further, total salaries represented eight-eight percent (88%) of total expenditure. Salaries reported was $1,063,865.65 whereas, total expenditure was $1,195,662.74.

Implications and Risks
2.5.6 The ratio used may not be accurate, which increases the risk that salaries reported in the financial statements may be over or understated.

Recommendation

Apportionment of salaries should be supported by practical evidence such as timesheets in order to fairly apportion time and cost between projects. This would ensure transparency and accuracy of expenditure reported in the financial statements.

- **The Project accounts were not reconciled with the Central Government's accounts**

2.5.7 In keeping with the requirements of the Revised Laws of Saint Lucia Chap. 15.01 Financial Regulations No. 10 (4) (c), at the end of every month the vote account should be reconciled item by item with the Accountant General's accounts.

2.5.8 For the period October 01, 2012 to March 31, 2015, the Project's expenditure account was not reconciled with the Central Government accounts. For the two accounting periods, October 01, 2012 to March 31, 2014 and April 01, 2014 to March 31, 2015, the Central Government account showed total expenditure of $762,622.08 and $874,154.20 respectively. Whereas, total expenditure reported on the financial statements for the period 2012/2014 was $645,294.37 and $550,368.37 for 2014/2015, resulting in differences of $117,316.71 and 323,785.83, respectively.

2.5.9 However, we were informed that he figures reported in the Central Government's account "4705218 0200000 1004" reflected expenditure incurred by all three (3) sub projects under the PROUD project. This means that the differences identified between the two sets of accounts is greater than highlighted.

2.5.10 Also, for the financial year 2014/2015 the revenue account was not reconciled. Consequently, we noted discrepancies between the two sets of accounting records.

2.5.11 For the period October 01, 2012 to March 31, 2014, the financial statement reported revenue from the sale of land of $43,163.89. This revenue was not reflected in the Central Government accounts.

2.5.12 During the period April 01, 2014 to March 31, 2015, total revenue from the sale of land reported in the financial statement was $137,692.00. Again, this revenue was not reflected in the Central Government's accounts.

2.5.13 Our investigations revealed that revenue generated from the Settlement Upgrading Project (SUP) and PROUD other projects was reported under the same sundry deposit account number, "4701001 0601514" – Sale of Existing Lots NDC/PROUD in the Central Government's accounts. No notes accompanied the journals posted to record revenue. Consequently, we were unable to identify and quantify the value of revenue deposited specifically for the Settlement Upgrading Project.

Implications and Risks

2.5.14 When the accounts are not reconciled errors and or omissions may go undetected. Also, there is the risks that transactions recorded in the Central Government's accounts may be inaccurate, and the risk that the financial statements of the government may be misstated because these statements would be prepared using inaccurate information.

Recommendation

The project accounts should be reconciled on a monthly basis. In addition, the Department should prepare the necessary adjustments so that accurate information is reflected in the Central Government's accounts.

- **Some documents were not presented for audit**

2.5.15 Revised Laws of Saint Lucia Chap. 15.01 Financial Regulations No. 5 (1) (g) requires Accounting Officers to ensure that their financial and accounting records are produced for audit on demand by the Director of Audit.

2.5.16 We requested "A" receipt books, approved budgets for the financial years 2012/2013 and 2013/2014, cash collections sheets and the bank statement as at March 31, 2013. However, these documents were not submitted to us.

2.5.17 We were informed that the "A" receipt books and the cash collection sheets are in storage and are not in any particular order therefore, retrieving these documents would be time consuming. This resulted in a limitation of scope of the audit, since we were not able to verify the figures reported for revenue.

Implications and Risks
2.5.18 When accounting documents are not produced for audit, breaches in controls and other irregularities may remain un-detected. Also, lack of supporting documentation will result in a limitation of scope of the audit.

Recommendation
Accounting documents that have not been audited should be properly stacked, labelled and stored so that they could be easily retried on demand.

- **Funds from project used to finance expenditure of other projects were not reimbursed**

2.5.19 We found that funds from the Settlement Upgrading Project were used to finance expenditure of other projects, namely the Shelter Development Project and PROUD III. We note that the Permanent Secretary of the Ministry of Physical Development, Housing and Urban Renewal by letter dated August 14, 2015 informed the Permanent Secretary, Department of Finance, Economic Affairs and Social Security that no allocations were made under the respective capital projects, and as a result expenditure for these projects was charged under the SUP.

2.5.20 During the period October 01, 2012 to 31 March 2014, expenditure of $149,976.66 incurred by two other projects was paid under the SUP. Also, during the period April 01, 2014 to March 31, 2015, expenditure of $169,226.74 incurred by these projects was paid under the SUP. To date, the project has not been reimbursed.

2.5.21 We noted that for the period April 01, 2013 to 31 March 2014 expenditure of $104,240.45 and for the period April 01, 2014 to March 31, 2015, expenditure of $169,226.74 which were incurred by the other projects were paid under the SUP.

Implications and Risks

2.5.22 Funds from the project were used for purposes not intended without being reimbursed. There is the risk that the project may not be able to fund approved activities from counterpart funds. Also, expenditure charged to the account may not be correctly classified if these funds are not reimbursed.

Recommendation(s)

- **Funds from the project should only be used for purposes intended.**
- **As a matter of priority the project should be reimbursed funds used for other projects.**

- **The Bank account was not reconciled**

2.5.23 Revised Laws of Saint Lucia Chap. 15.01 Financial Regulations No. 116 (1) & (2) states:

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

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

2.5.24 For the financial periods under review, we found that the bank account was not reconciled. Also, during our examination we found that there was not a separate bank account maintained for the Settlement Upgrading Project. All funds from the Settlement Upgrading Project as well as the other three (3) projects were paid into one bank account named PROUD/STURF.

Implications and Risks

2.5.25 When the bank account is not reconciled, it can result in error and discrepancies not being identified and addressed in a timely manner, which can facilitate fraudulent activities going undetected**.** Also, given that the three projects share the same bank account, there is a risk that fund balances may not be accurately determined per project.

Recommendation

The bank account should be reconciled on a monthly basis as required.
Separate cash books should be maintained for each project.

- **Bank balance was not disclosed in the financial statements**

2.5.26 It is imperative that financial statements are seen to be as fairly presented, and that all necessary disclosures are made to allow relevant stakeholders to make informed decisions.

2.5.27 We noted that revenue generated by the Settlement Upgrading Project (SUP) was deposited into a bank account "PROUD/STURF". However, the bank balance was not disclosed in the financial statements. As at March 31, 2015, the unreconciled balance on the bank account was EC$3,361,190.66; at 31 March 2014 the unreconciled balance was EC$3,279,205.38.

2.5.28 As highlighted before, the balance on the account represents funds from all PROUD projects including the Settlement Upgrading Project.

Implications and Risks

2.5.29 Not all pertinent information is made available to stakeholders. As a result, stakeholders may be unable to make informed decisions.

Recommendation
The Project's reconciled bank account balance should be disclosed in the financial statements.

3 COMPLIANCE AUDITS

Surprise Survey of Ministry of Infrastructure, Ports Services and Transport

BACKGROUND

3.1 During the month of June 2016 the Office of the Director of Audit conducted sport checks of petty cash, revenue, receipt books and inventory at the Ministry of Infrastructure, Port Services and Transport in the Castries Main Office, the Dennery Mechanical Workshop and the Vieux Fort Licensing Office and Technical Services Department.

Objective, Scope and Methodology

3.2 The objective of the spot checks was to review a sample of transactions for accuracy and to assess the extent of compliance with the requirements of the Revised Laws of Saint Lucia Cap 15.01 Financial Regulations and Procurement and Stores Regulations, specifically internal controls governing cash, receipt books and inventory, to enable the Director of Audit to report in accordance with Section 6 (2) (b) of the Revised Laws of Saint Lucia Cap 15.19 (Audit Act).

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

- Reviewed processes and procedures in place for revenue, petty cash, receipt books and inventory.
- Counted cash on hand.
- Reconciled total cash on hand with supporting documents: receipts issued and cash book.
- Traced receipts issued to the cash book, deposits or general receipts, 'A' Receipts and cash summary sheets.
- Assessed the procedures in place to safeguard cash.
- Assessed the timeliness of cash deposits.
- Traced petty cash on hand to the petty cash register.
- Traced receipts on hand to the receipt book register and distribution register.
- Verified furniture and equipment on hand and compared against inventory listings.

AUDIT FINDINGS AND RECOMMENDATIONS

CASTRIES – MAIN OFFICE

PETTY CASH IMPREST

- **The officer operating the imprest was not the one to whom the imprest was issued**

3.4 According to the Accountant General's Circular No. TD 07/99, the imprest warrant should be issued in the name of the officer authorized to operate the petty cash.

3.5 We found that imprest # 60/16/17 issued in the name of the Senior Accountant, was operated by the Accountant II.

Implications and Risks

3.6 The Officer identified on the warrant is the custodian of the imprest and is ultimately responsible for the management and accountability of the imprests. Therefore, other persons cannot be held liable for any discrepancy that may arise.

Recommendation(s)

- **The petty cash should be operated by the authorized person.**
- **If the person to whom the imprest was issued is unable to administer the imprest then the imprest should be retired and anew imprest should be issued to the desired custodian.**

REVENUE

- **Revenue accounts were not reconciled**

3.7 Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations No. 10 (4) © requires that at the end of every month the vote account be reconciled item by item with the Accountant General's accounts.

3.8 We requested revenue reconciliations for the period 1st January to 31st May 2016 and we were informed that reconciliations had not been prepared.

3.9 The Senior Accountant explained that it was not possible to prepare reconciliations since the revenue was not posted in a timely manner. The Senior Accountant further disclosed that no one had been given the responsibility to reconcile revenue; thus it is not possible to monitor the recording of revenue in Smartstream.

Implications and Risks

3.10 Failure to reconcile the accounts results in errors and omissions in the accounts not being identified and corrected on a timely basis.

Recommendation

The revenue accounts should be reconciled on a monthly basis.

- **Cash till included private monies**

3.11 Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations No. 138 (2) states that any private money found in any strong room or safe provided for Government use, is liable to be confiscated and deposited in general revenue.

3.12 We found that the cash till utilized by the Accounts Clerk include a hundred-dollar note ($100.00) which we were informed, belonged to the Assistant Accountant. The Assistant Accountant explained that he gave this cash to the cashier to provide change to customers because the petty cash float had not yet been issued to cashiers, due to tardy submission of the warrant.

Implications and Risks

3.13 Comingling of funds increases the risk of confiscation of private funds and promotes fraudulent activities.

Recommendation(s)

- **The petty cash imprest should be requested in a timelier manner to prevent persons from using private monies for float.**
- **Also, private monies should not be kept in the Government's cash till.**

- **No vault register was maintained**

3.14 Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations Part 20, No. 134 requires accounting officers to keep proper inventory records of all safes and strong rooms in use in their Departments.

3.15 We observed that by letter dated March 07, 2016 to the Accountant I, the Accountant III sought an explanation for cash of $39,010.25 collected on March 03, 2016 that was not deposited that date. Upon inquiry into the security of the cash, we were informed that the cash was placed in the vault. However, we noted there was no vault register to corroborate this information.

3.16 Therefore, we were unable to ascertain whether un-deposited revenue had indeed been stored within the vault as claimed because the Department does not maintain a register to record inventory of the vault.

Implication and Risk

3.17 Without proper inventory records of the vault, it may be difficult to keep track of items placed for safekeeping. In addition, items could be removed without detection.

Recommendation

A vault register should be maintained to keep track of all items placed for safekeeping.

- **Cash transfer forms were not always signed by responsible officers**

3.18 The Department of Infrastructure uses a 'transfer of cash' form. This form includes details of the cash transferred from Cashiers to the Revenue Supervisor/Accountant. Provision is made for the signature of the Cashier and the Revenue Supervisor/Accountant.

3.19 We observed that on the 8th of February 2016 the 'transfer of cash' form was not signed by one Cashier, and the Revenue Supervisor/Accountant neglected to sign three transfer of cash forms received from Cashiers.

Implication and Risk

3.20 A signed form is evidence that cash was indeed transferred from one officer to the next. Therefore, an unsigned form increases the risk that an officer may deny receipt of these funds.

Recommendation

All cash transfer forms should be signed by both the Cashier and Revenue Supervisor/Accountant.

- **Revenue was incorrectly classified in the cash book**

3.21 Our examination of the Transport Department cash books for Castries revealed that he revenue report for a particular date, when printed on different dates showed a disparity between the revenue totals reported. Details are as follows:

Revenue Date	Revenue as per First Date	Revenue as per Second Date	Difference
08.03.16	**23.03.16** $46,784.40	**09.06.16** $47,359.40	$575.00
15.03.16	**22.03.16** $66,577.20	**09.06.16** $67,177.20	$600.00
18.04.16	**26.04.16** $59,289.40	**09.06.16** $59,364.40	$75.00

3.22 Our investigation revealed that the differences were as a result of revenue for Soufriere Sub Office that was posted using the incorrect sub-office code.

3.23 The Senior Accountant was not aware of the subsequent entries made and we noted that the cashbook for Castries was sent to the Accountant General's Department prior to the alterations.

Implication and Risk

3.24 Information in the cashbook is inaccurate which affects the reliability of reports generated.

Recommendation

Persons responsible for updating revenue records should exercise due care to minimize the risk of errors.

- **Cash book was not submitted to the Accountant General in a timely manner**

3.25 As per Revised Laws of Saint Lucia Cap 15.01 Financial Regulation Part 8, No. 57 collectors of revenue are required to submit their cash accounts at intervals not exceeding one month to the Accountant General or to the sub accountant for verification and certification of any amounts paid.

3.26 Our inquiry into the frequency of submission of cash books revealed that the cash book for the months of April 2016 and May 2016 has not been submitted to the Accountant General's Department. Thus, the corresponding revenue has not been recorded in the accounts.

3.27 Also, to date, the cash book for revenue of $60,684.80 collected from February 8, 2016 has not been submitted to the Accountant General's Department. Our investigation revealed that the revenue recorded by the Department for that day had to be adjusted because the Bank found a counterfeit $50.00 note in the revenue deposited.

3.28 The Senior Accountant informed that the Accountant I was required to write a report and to adjust the records accordingly. However, to date, this had not been done.

3.29 Consequently, the revenue for that date remains unrecorded for the financial year 2015/2016 in the Accountant General's Accounts.

Implication and Risk

3.30 When cashbooks are not submitted in a timely manner, it compromises the integrity of the revenue information reflected in the Accountant General's accounts for the Entity.

Recommendation
Cash books should be submitted to the Accountant General's Department at intervals not exceeding one month.

RECEIPT BOOK REGISTER

- **Unused receipts were not cancelled**

3.31 We observed "A" receipts # 1856018, 2886939, 2886942 that were issued to customers were left unused in otherwise completed "A" receipt books. These receipts were not cancelled.

3.32 We further noted that "A" receipts # 3303966, 2232394 and 3259372 were pre-signed and dated but not completed. These receipts were also not cancelled.

Implication and Risk
3.33 Unused receipts kept in receipt books increases the risk that these receipts can be used for fraudulent purposes.

Recommendation
In the event that a receipt is inadvertently skipped or not used, it should be cancelled.

- **Receipts were not properly cancelled**

3.34 It is the requirement of Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations, Part 8, No. 51 that when it becomes necessary to cancel a receipt all copies bearing the same serial number shall be endorsed "cancelled" and signed by a responsible officer and securely attached to the relevant receipt book.

3.35 We noted several instances where revenue receipts were not cancelled in accordance with the Financial Regulations. From a sample of sixty-one (61) cancelled receipts examined we noted that in twenty-seven (27) instances, receipts were not endorsed cancelled and in fifty-five (55) instances receipts were not signed by a responsible officer. Also, in eleven (11) of these instances, all copies of the receipts were not attached to the receipt book.

Implication and Risk
3.36 It is important to cancel receipts in accordance with the regulations in order to validate the cancellations. Therefore, in these instances cancellation of receipts was not validated.

Recommendation(s)
- **All receipts should be properly cancelled in accordance with the regulations.**
- **All copies of cancelled receipts should be attached to the receipt book to support the authenticity of the transaction.**

INVENTORY

- **Discrepancies were noted on Inventory listing**

3.37 We expect that the inventory listings would be updated upon receipt, transfer or disposal of inventory items.

3.38 Also, it is expected that accurate information is recorded on inventory lists.

3.39 We noted discrepancies when inventory was physically verified against inventory records. Some items that were physically verified were not recorded on the inventory lists. Also, some items that were recorded on the inventory lists were not physically verified. These discrepancies are depicted in the table below:

OFFICE	ITEMS NOT RECORDED ON LIST
DPS Office	(1) Bin, (1) TV, (1) Cabinet Stand (1) Coffee Table
Financial Analyst	(1) Filing Tray, (1) Executive Chair
Senior Executive Officer	(1) Filing Tray, (1) Filing Cabinet
Electrical (Technical Section)	(1) Junior Executive Chair
Quantity Surveying Technician Cubicle #28	(3) Filing Trays, (1) Monitor
Human Resource Office # 2	(1) Waiting Chair, (1) Power Strip
Secretary to Senior Accountant	(1) Filing Tray
Senior Accountant	(1) Filing Tray
Minister's Office	(1) Power Strips, (1) Television (1) Cabinet, (5) Pictures
Deputy Permanent Secretary (DPS) Office	(1) Laminator, (1) Fax Machine
Human Resource Office # 2	(2) Filing Trays
Information Technology Manager	(1) Printer
Minister's Office	(2) Filing Trays

Implication and Risk

3.40 When inventory lists are not updated as required, the department will be unable to keep track and accurately account for all assets which should be in its possession. Consequently, current practice did not adequately mitigate the risk of loss and theft of assets.

Recommendation(s)

- **Inventory list should be updated upon receipt, transfer or disposal of items.**
- **Due care should be exercised during inventory counts to ensure that the information recorded is accurate.**

<u>DENNERY MECHANICAL SHOP</u>

PETTY CASH IMPREST

- **Private funds used to purchase items**

3.41 Private funds should not be used to purchase items for public use.

3.42 We examined some petty cash receipts and invoices and found that some items were purchased when the petty cash imprest for the new financial year 2015/2016 had not been issued to the Officer. Upon inquiry the officer-in-charge informed that he had used his private funds to purchase these items.

Implication and Risk
3.43 This practice if allowed to continue can encourage the comingling of private and public funds. Also, there is the risk that the Office can face potential financial loss.

Recommendation
Private funds should not be used to purchase items for public use.

- **Cash was not adequately secured**

3.44 According to the Revised Laws of Saint Lucia, Chapter 15.01, Finance Regulation, Part 20, No. 133(1) accounting officers and receivers of revenue should ensure that a strong room, safe or other suitable receptacle is provided for securing cash, stamps, receipt books, securities and other financial instruments in their possession or in the possession of officers in their Departments.

3.45 Also, the Accountant General by Circular No: TD 07/99 advised Permanent Secretaries and Heads of Department that the security of cash is of paramount importance and it is the responsibility of the department to institute adequate arrangements to secure cash in its possession.

3.46 Petty cash was stored in a desk drawer without a locking mechanism. The custodian explained that although the door to the office can be locked, it needs to be kept opened to facilitate cleaning each afternoon. Also, the filing cabinet within the office did not have keys to secure it.

3.47 We note that the officer had not communicated this security issue to the supervisor.

Implication and Risk
3.48 Cash that is not properly secured is expose to the risk of misappropriation and loss.

Recommendation
As a matter of priority the Department should provide a suitable receptacle for securing cash or the filing cabinet should be suited with a functional lock and key.

- **Cash Shortage**

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

3.50 Also, petty cash funds should only be disbursed using a petty cash voucher.

3.51 We confirmed that the officer had been issued petty cash of $1000 via imprest # 58/16/17. We counted cash on hand of $270.00. We verified expenditure of $215.17 via petty cash voucher and certified original receipts. Therefore, the petty cash was short by $514.83.

3.52 The Custodian informed that five hundred dollars ($500.00) was kept at his home because of security issues at the office and the remaining amount of $14.83 was given to an officer to purchase an item. However, we noted that a petty cash voucher was not issued to validate claim.

Implication and Risk

3.53 The practice of keeping government's monies at person's residence and the non-issuance of a petty cash voucher to substantiate funds disbursed poses a serious risk of misappropriation and loss of cash.

Recommendation(s)

- ❖ **The Department should as a matter of priority assess the security of the Officer's furniture (desks, filing cabinets) with the intention of installing security locks for ensuring the security of cash.**
- ❖ **A petty cash voucher should be issued for all sums disbursed.**

- **A petty cash account was not maintained**

3.54 Revised Laws of Saint Lucia Chapter 15.01 Financial Regulations No. 109 states:

"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."

3.55 We found that the custodian of the petty cash did not maintain a cash account at the time of the survey.

3.56 A petty cash account is necessary to manage the petty cash funds. Recording of receipts, disbursements and maintenance of a running balance gives an account of the funds at any point in time.

Implication and risk

3.57 In the absence of a petty cash account there is the risk that the custodian at the Dennery workshop will be unable to properly account for sums received and issued from the petty cash.

Recommendation

The petty cash custodian should maintain a cash account to record every sum received and issued.

- **Petty cash vouchers were not signed by receiving officers**

3.58 The petty cash voucher approved by the Department requires receiving officers to sign the voucher as evidence that a disbursement was made from the petty cash fund.

3.59 We examined petty cash vouchers and found that for all voucher examined, the officer receiving the funds did not sign the voucher.

Implication and Risk

3.60 Without the signature of the receiving officer on the petty cash voucher there is no assurance that the cash was actually disbursed or that cash disbursed was for legitimate purposes.

Recommendation
The petty cash vouchers should be signed by receiving officers as evidence of receipt of cash.

PLANT, EQUIPMENT AND TOOLS REGISTER

- **A plant and equipment register was not maintained**

3.61 Revised Laws of Saint Lucia, Cap. 15.01 Procurement and Stores Regulations No 43 (1) requires all items of plant and equipment to be entered in a Plant and Equipment Register in which shall be recorded— (a) the description of the plant or equipment; (b) the name of the manufacturer; (c) the registration and serial numbers; (d) the date received; (e) the source of supply; (f) any period of warranty; and (g) ancillary equipment and spares supplied.

3.62 The entity did not maintain a Plant and Equipment Register. Information on the equipment held in the Mechanical Shop was not recorded anywhere else. A sample of equipment verified at the workshop included:

Plant/Equipment	Quantity	Model No.
Lift	1	WD202
Drill	1	M/C14970
Hydralic Press	2	YK50FM
Transmission Jack	1	600TR
Four Pin Vehicle Lift	1	
Roller	1	9A0519
Metal Work Table	5	
Two Ton Floor Jack	1	
Tool Kits	3	

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

Recommendation
A plant and equipment register should be maintained by the entity.

- **A tools register was not maintained**

3.64 In keeping with the requirement of the Revised Laws of Saint Lucia, Cap. 15.01 Procurement and Stores Regulations, Part 7, No 43 (2) a tools register should be maintained for all items of tools received and issued for use.

3.65 We found that the officer in charge of storekeeping did not maintain a Tools Register to record the receipt and issue of tools. However, tools received were recorded in the stores received register and the officer's personal log. The tools issued were not recorded but the store keeper informed that he knew the persons to whom tools were issued and that he ensures that the tools were returned.

Implication and Risk
3.66 Again the department is exposed to the risk of misappropriation and abuse of use of tools since a register is not maintained to properly account for and keep track of tools in its possession. Also, in the event that the storekeeper is incapacitated or passes on, the whereabouts of the tools may remain unknown.

Recommendation
A tools register should be maintained to account for all tools received and issued.

- **No evidence of stock verification**

3.67 It is expected that when checks are made for verification of physical stocks and ledger balances of stores, that the officer making those checks would sign and date these records as evidence of having done so.

3.68 We inquired into the frequency of stock count and the Storekeeper and the Supervisor informed that they verify inventory stock on a monthly basis.

3.69 We conducted an examination of the stock cards which showed that there was no signature or date on the cards to indicate that a stock verification was conducted. We conducted a physical count of inventory against the stock cards and found no discrepancies.

Implication and Risk
3.70 When a stock card is not signed and dated it provides no assurance that an inventory count was conducted and that balances were accurate as at that date.

Recommendation
Stock cards should be signed and dated by verifier after each count.

<u>VIEUX FORT LICENSING OFFICE</u>

INVENTORY

- **Discrepancies were noted when the inventory was verified**

3.71 We expect the department to update the inventory listings upon receipt and transfer of inventory items. Also, it is expected that accurate information is reported on the inventory list.

3.72 We conducted an inventory count at the Vieux Fort Licensing Office and found differences between the quantities obtain form our physical count and the quantities recorded on the inventory listings. The following discrepancies were noted:

Item	Quantity recorded on Listing	Quantity Verified by Audit	Difference
Licensing Officer			
Fax Machine	0	1	1
Camera Room			
Laminator	1	0	1
Camera	0	1	1
Information Section			
Filing Tray	1	6	5

3.73 We were informed that the filing trays were moved around a lot and that the fax machine was damaged and so was not included on the inventory list.

3.74 Also, the officer who conducted the count indicated that the entry should have been made next to the camera and not the laminator. We note that the department uses a generic listing of furniture and equipment that is checked depending on what is present at each location.

3.75 The inventory lists were all amended to reflect the correct information.

Implication and Risk

3.76 When the information on the inventory lists is not accurate it becomes difficult to keep track of items which can become susceptible to misappropriation, loss or theft.

Recommendation(s)

- **Persons conducting inventory counts should exercise due care to ensure that the information recorded is accurate.**
- **Inventory should be updated upon receipt, transfer or disposal of items.**

<u>VIEUX FORT TECHNICAL SERVICES DEPARTMENT</u>

PETTY CASH IMPREST

- **The petty cash imprest was not operated by the person authorized to do so**

3.77 It is expected that the petty cash imprest is operated only by the individual whose name is authorized on the petty cash imprest warrant.

3.78 Our examination of the petty cash imprest warrant # 59/16/17 revealed that it was issued in the name of the Deputy Permanent Secretary, (Southern Office) Mr. Simon Daniel of the Technical Services Department in Vieux Fort for two thousand ($2,000.00).

3.79 We were informed that the Deputy Permanent Secretary gave seven hundred dollars ($700.00) of the petty cash to another officer, Mr. Oswald Joseph for operations.

3.80 Mr. Daniel indicated that the balance of the petty cash fund would be given to Mr. Oswald after he had expended the seven hundred dollars ($700.00) given.

Implication and Risk

3.81 If there are any discrepancies with the petty cash, the person whose name is on the warrant is the one who would be held accountable as it is this person who is authorized to operate the petty cash.

Recommendation

The petty cash imprest should be operated by the person authorized to do so.

INVENTORY

- **Discrepancies were noted when inventory was verified**

3.82 We expect that the department would update the inventory listings upon receipt, transfer or disposal of inventory items in accordance with government policies governing inventory.

3.83 Also it is expected that accurate information should be recorded on the inventory list.

3.84 The inventory list in the Clerk's office recorded two (2) desks, two (2) junior executive chars, and one (1) book shelf. When we conducted a physical count we found one (1) desk, one (1) junior executive chair and did not see a book shelf. We inquired about this discrepancy but Mr. Daniel was unable to provide an explanation.

3.85 The inventory lists were all adjusted to reflect the correct information.

Implication and Risk

3.86 When information presented on inventory lists are not accurate it becomes difficult to keep track of items and items become susceptible to misappropriation and theft without detection.

Recommendation

Persons conducting inventory counts should exercise due care so that accurate information is recorded. Also, inventory should be updated upon receipt, transfer or disposal of items.

4 VERIFICATION OF RETRIEMENT BENEFITS 2016/2017

4.1 We verified computations for a total of two hundred and fifty-five (255) payments for ex-gratia awards, retiring and death benefits totaling $19,675,190.37, and one hundred and thirty-three (133) contract gratuity computations totaling $5,372,662.73 which were approved during the financial year 2016/17. The benefits paid under the various categories were as follows:

Benefits	Amount Paid $	No. of Payments Made
Pension & Gratuity	18,772,788.59	178
Death Gratuity	578,401.78	6
Ex-gratia Awards	324,000.00	71
Total	**19,675,190.37**	**255**
Contract Computations	5,372,662.73	133
Total Benefits	**25,047,853.10**	**388**

4.2 The following anomalies were noted during our verification process of retiring benefits:

Ex-gratia Awards

4.3 By Article No. 27 of the Collective Agreement between the Government of Saint Lucia and the National Workers Union and the Dock Workers Union, ex-gratia amount of $3,000 is to be paid to retiring officers having given 10 to 15 years of service and $5,000 to officers having given service of 15 years of more.

4.4 We noted one instance of an incorrect amount paid to a Laborer, whose period of service was from February 02, 2000 to April 04, 2016. His qualifying period was incorrectly calculated as 13 years 2 months instead of 16 years 2 months. He was therefore paid $3,000 instead of $5,000, resulting in an underpayment of $2,000.

Retiring Gratuity

4.5 We found seven (7) instances of underpayment, three (3) instances of overpayment, of computations of reduced pension and gratuity, and two (2) instances where amounts could not be verified as follows:

- The incorrect period of acting was used in the computation of one officer resulting in underpayment of gratuity of $347.05 and annual reduced pension of $69.41;
- We noted in two (2) instances that the periods of acting within the last three years were not included in the pensionable emoluments in the computation resulting in underpayments of annual reduced pensions of $1,070.58 and $222.92 and gratuities of $5,352.90 and $1,114.59.
- An incorrect period of acting was used in the computation of one Police Officer resulting in an overpayment of gratuity of $1,498.06 and annual pension of $299.61.

- In one instance the officer was on half pay leave during the period February 24, 2015 to the date of his retirement March 30, 2016, however the officer's full salary was used in the computation. This resulted in the overpayment of gratuity of $10,434.46 and annual reduced pension of $2,086.89;

- The incorrect apportionment of the officer's aggregate salary resulting in the underpayment of gratuity of $86.40 and annual reduced pension of $17.28.

- We noted two (2) instances where the incorrect qualifying period of service were used in the computations resulting in underpayments of gratuity of $214.00 and $2,628.98 and annual pensions of $42.80 and $525.80.

- We noted one officer was not in the post for the last three years, however, the aggregate salary was not used in the computation, resulting in an overpayment of annual reduced pension of $629.62, and gratuity of $3,148.03.

- We noted one instance where the correct annual reduced pension was calculated, however, this amount was incorrectly used in the computation of gratuity for the officer, Maximus Innocent, resulting in an underpayment of gratuity of $25,569.75; and

- In two (2) instances, we were unable to ascertain the accuracy of the pensions and gratuities as insufficient information was submitted for verification. We were unable to verify the stated pensionable emolument of Esther Hinds as she was not in her last post for 3 years. Additionally, no information was provided to verify the qualifying period for Sonia Mathurin.

Death and Contract Gratuity

4.6 There were no significant findings, however, we were unable to ascertain the accuracy of some contract gratuity payments as the contracts of employment were not submitted to us

General

1. We also noted several discrepancies which did not affect the gratuity and annual pension paid to officers as in most instances the total service period of these individuals still exceeded the maximum periods of pensionable service:

    I. In some instances, periods of no-pay leave were included in the qualifying service period;

    II. We noted two instances where, although the correct qualifying period dates were recorded the qualifying periods were incorrectly calculated;

    III. In one instance the incorrect birthday was recorded and as a result, the period of employment before the age of eighteen was included in the qualifying service period.

2. We noted that one officer's pension form did not indicate that the officer was appointed Assistant Accountant II. However, the officer's salary slip and pension computation was calculated based on an appointment to that position with effect from April 08, 2016;

3. Statements from the National Insurance Corporation was not always included;

4. We noted one instance where the gratuity was paid under expenditure item, 4402001-0120000 (Grants and Contributions – Local Organizations);

5. All necessary information in reference to employment was not always provided, e.g. dates when police constables were promoted to senior police constables, when teachers were made permanent, when officers reported for duty in instances where the date reported was different to the date of appointment/promotion.

6. We noted one instance when the date of entry into the service for was not included on the pension form, however, the officer's qualifying period commenced September 01, 1982. In another instance, an officer's letter of promotion to Draughtsman 111 stated with effect November 01, 2013, however the officer was paid with effect December 4, 2013 and his pensionable emoluments was also calculated from December 4th.

Recommendation(s)

- **We recommend that management takes the necessary steps which will ensure that the overpaid amounts are recovered by the government and the amounts underpaid are made good to the officers.**

- **We further recommend that all required information is included in the documentation and computations are carefully verified prior to processing.**

5. PERFORMANCE AUDIT

5.1 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.***

5.2 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.

5.3 We completed the performance audit of the Bois d'Orange Bridge Reconstruction under the Hurricane Thomas Reconstruction Project. This report was issued to Parliament under separate cover. We commenced work on the performance audit of Maintenance of Government/Government Occupied Buildings. The audit is ongoing.

6. STAUTORY BODIES

6.1 Part 1 Schedule 2 of the Revised Laws of Saint Lucia, Cap 15.01 (Finance Act) defines a Statutory Body as any corporation, company, board, commission, authority or other body established by or under an Act to provide goods or services to the public which meets one or more of the following conditions:

- all or part of its appropriations for operating purposes are provided under that heading in the budgetary estimates tabled in Parliament;
- the cabinet or a Minister appoints at least half of its members or directors;
- at least half of its operating expenses are borne directly by the Consolidated Fund or by other funds administered by a public body, or by both at the same time.

6.2 The interpretation section of the Revised Laws of Saint, Cap 15.19 (Audit Act) defines a Government Company as:

- companies under the control and supervision of Government;
- companies in which Government holds stock, shares or bonds; and
- companies or institutions in which Government has a financial interest.

6.3 The responsibility for reporting on Public Bodies, Statutory Bodies and Government Companies is given to the Director of Audit in subsection (1) of Section 5 of the Audit Act. Subsection (2) of Section 5 of the Act further states that the Director of Audit is the Auditor of the Public Accounts of Saint Lucia and as such shall make such examinations and enquires as he considers necessary to enable him to report as required by this Act.

6.4 Notwithstanding subsection (1) of Sections 5, subsection (1) of Section 16 dictates that the Director of Audit shall not be required to audit the books and accounts of a Statutory Body or Government company for which another Auditor is appointed in accordance with the provisions of its constituting Act or of the Act that governs its operations and may, in order to fulfil his responsibilities as the Auditor of the accounts of Saint Lucia, rely on the Report of the duly appointed Auditor of the Body or Company.

6.5 In addition, subsection (2) of Section 16 require that the Auditor of the books and accounts of a Statutory Body or Government company, other than the Director of Audit, must provide to the latter, with dispatch, a copy of:

- the Annual Financial Statements of the Body or Company;
- this report on these statements; and
- any other report he makes to the Board of Directors, the executive or the management of the Body or company, as the case may be, on his findings and recommendations.

6.6 The Auditor mentioned in subsection (1) and (2) shall make available to the Director of Audit, on request, the working papers, and other reports and documents in respect of his audit, as well as any other information and explanation which the Director of Audit may require in respect of that audit and its results.

6.7 In keeping with the requirements of the Act, the Director of Audit by letter dated requested from public bodies, statutory bodies their audited reports. Details of reports received were:

	STATUTORY BODY	LAST AUDITED REPORT RECEIVED
1	Folk Research Centre	2016
2	**Pitons Management Authority**	**Not received**
3	Saint Lucia National Trust	2014
4	**Free Zone Management Authority**	**2017**
5	**Banana Industry Trust**	**2017**
6	**Financial Services Regulatory Authority**	**2017**
7	Saint Lucia Development Bank	2016
8	National Insurance Property Development and Management Company Ltd	2015
9	Water and Sewerage Company	2016
10	St. Lucia Air and Sea Ports Authority (SLASPA)	2015
11	**St. Lucia Fish Marketing Corporation**	**2008**
12	**Computer Centre Ltd**	**Not received**
13	**National Conservation Authority**	**2017**
14	National Community Foundation	2015
15	**National Skills Development Centre**	**2010**
16	National Archives Authority of St. Lucia	2016
17	St. Lucia Marketing Board	2014
18	St. Lucia Solid Waste Management	2016
19	Invest St Lucia	2016
20	**National Insurance Corporation**	**2017**
21	National Lotteries Authority	2015
22	St. Lucia Social Development Fund	2016
23	**Tourism Development Board**	**2011**
24	**Castries City Council**	**1998**
25	St. Lucia Tourist Authority	2016
26	**St. Lucia National Housing Corporation**	**2010**
27	*St. Lucia Marine Terminals Ltd*	2014
28	Saint Lucia Bureau of Standards	2014
29	**Cultural Development Foundation**	**Not received**
30	St Lucia Electricity Services (LUCELEC)	2015
31	**Financial Intelligence Authority**	**Not received**
32	**Southern Tourism Development Corporation**	**2012**
33	Soufriere Regional Development Foundation	2015
34	International Financial and World Investment Centre	2014
35	National Telecommunications Regulatory Commission (NTRC)	2016
36	**Saint Lucia Gaming Control Authority**	**Not received**
37	**Sports Saint Lucia Incorporated**	**Not received**
38	**Soufriere Marine Management Association**	**Not received**
39	St Jude's Hospital	2014
40	St Lucia Mortgage Finance Company Limited	2016
41	National Water & Sewerage Commission	2015
42	**BELFUND Incorporated**	**Not received**
43	National Utilities Regulatory Commission	2016
44	Carnival Planning & Management Agency	2015
45	**Radio St. Lucia**	**2012**

6.8 The annual audited financial statements and the auditor's report were received from five (5) of those contacted for the financial year 2017. They were:

ST. LUCIA TOURIST BOARD

Introduction

6.9 The Tourist Industry Development Board (the Board) is a corporate body with perpetual succession, established by the Tourist Industry Development Act No 4 of 1981, for the purpose of administering and developing the tourist industry in Saint Lucia.

6.10 The **Subvention/Contributions** received for 2017 from the Government of Saint Lucia was **$34,568,492**. The value of the Board's **assets** was **$2,910,175** and its **liabilities** were **$11,711,043.** The Board made a loss of **$3,084,990** during the financial year 2017 which resulted in an accumulated deficit of **$8,800,868**.

Independent Auditors
2017 – Grant Thornton

Auditor's Opinion - 2017

6.11 The accompanying financial statements in liquidation present fairly, in all material respect, the financial position of the Board as of March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

6.12 As discussed in Note 1 to the financial statements in liquidation, the St. Lucia Tourist Board was dissolved on August 14, 2017 under Cabinet Conclusion No. 8 of 2017. As a result, the Board has changed its basis of accounting for periods subsequent to March 31, 2016 form the going-concern basis to a liquidation basis as described in Note 2 to the financial statements in liquidation. Our opinion is not modified with respect to this matter.

BANANA INDUSTRY TRUST

Introduction

6.13 The Banana Industry Trust, also referred to as the Trust for the Banana Industry of St. Lucia, was established on June 29, 1999 by virtue of a registered trust deed and is responsible for managing various investments on behalf of the banana industry.

6.14 The Government of Saint Lucia **contributed capital** of **$1,807,000** to the Banana Industry Trust. For the financial year 2017 the total **assets** of the Trust were **$2,665,324** and its **liabilities** were **$534,881**. The Trust has an accumulated deficit of **$11,716,634** and for the financial year made a loss of **$11,418**.

Independent Auditor

6.15 PKF Chartered Accountant & Business Advisers

Auditor's Opinion

6.16 The auditor issued unqualified opinions on the financial position of the Trust as at March 31, 2017 and the Trust's financial performance and cash its flows for the year then ended in accordance with International Financial Reporting Standards.

FREE ZONE MANAGEMENT AUTHORITY

Introduction

6.17 The Free Zone Management Authority was established by the Free Zone Act No. 10 of 1999 which came into effect on May 22, 2000. The principal activity of the Authority is the regulation and operation of free zones.

6.18 The **assets** of the Authority were $**4,286,948** and its **liabilities** were **$181,876**. The Authority made a **profit** of $**348,659** for the financial year 2017 and had an **accumulated surplus** of **$1,956,962**.

Independent Auditors

6.19 2017 - BDO

Auditor's Opinion

6.20 The auditor issued unqualified opinions on the financial position of Free Zone Management Authority as at March 31, 2017 and the results of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

NATIONAL INSURANCE CORPORATION

Introduction

6.21 The National Insurance Corporation (The Corporation) is governed by the National Insurance Corporation Act Cap 16.01 of the Revised Laws of Saint Lucia 2013. The principal activity of the Corporation is to provide social security services to Saint Lucia.

6.22 The total **assets** of the Corporation for the financial year 2017 were **$2,077,457,794** and its **liabilities** were **$8,463,726**. The Corporation income was greater than its expenditure by **$70,525,466** for the year 2017.

Independent Auditors

6.23 2017 – Grant Thornton

Auditor's Opinion

6.24 The auditor issued unqualified opinions on the financial position of the National Insurance Corporation as at March 31, 2017 and the results of its financial performance and non-consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

NATIONAL CONSERVATION AUTHORITY (NCA)

Introduction

6.25 The National Conservation Authority (the Authority) was established by the National Conservation Authority Act No. 16 of 1999. This Act repealed the Parks & Beaches Commission Act, and all personnel, assets and liabilities of the Commission were transferred to the National Conservation Authority. The principal activity of the Authority is to control, maintain and develop the public parks, gardens and beaches of St. Lucia.

6.26 Government of Saint Lucia **contributed $1,923,500** to the Authority for 2017. For the financial year 2017 the total **assets** of the Authority were $**1,888,358** and its **liabilities** were **$2,640,004**. The Authority made a surplus of **$137,910** for the year 2017 but has an accumulated deficit of **$918,325**.

Independent Auditor

6.27 A.P. Walcott and Associates

Auditor's Opinion

6.28 The auditor issued unqualified opinions on the financial position of the National Conservation Authority as at March 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

SIR ARTHUR LEWIS COMMUNITY COLLEGE

6.29 The Office of the Director of Audit undertook the audit of the audit of the financial statements of the Sir Arthur Lewis Community College (SALCC) for the financial years ended March 31, 2015 and 2016 in accordance with Section 14 (1) of the Act which states:

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

6.30 The SALCC is an educational institution established by the Revised Laws of Saint Lucia Chapter 18.08 Sir Arthur Lewis Community College. Under this legislation SALCC is responsible for providing a place of education offering instructions in all or any of the following fields or education:

- Agriculture;
- Arts Science and General Studies;
- Health Science;
- Teacher Education and Educational Administration;
- Technical Education and Management Studies; and
- Other fields of education as the Minister any from time to time determine.

6.31 The College functions under a unicameral governance structure with a Board of Governors appointed by the incumbent government of the day. The Act stipulates that there be up to seven (7) board members. The Board is responsible for managing, conducting and supervising the activities, buildings, premises and grounds of the College and acts as the adjudicator in discipline cases involving students and/or staff of the institution. The Board is deemed a corporate body under the provision of section 19 of the Laws of St. Lucia Interpretation Act.

6.32 The audit was completed in July 2017 at which time a management letter was issued to the management of SALCC and presented to the Board of Governors. Adjusted financial statements have not been received from the College to date (March 2019) and thus our auditors report has not been issued.

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

(1) The shall submit to the Minister—

(a) within 3 months after the end of each academic year, or within such further time as the Minister may allow, a report on the activities of the College during that academic year;

(b) on or before 1 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 (1) (b) shall be laid on the tables of the Senate and House of Assembly.

Internal Controls

6.34 The SALCC 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 SALCC;

(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.

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

6.36 Our audit disclosed significant internal control weaknesses in the financial management system of the SALCC. 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 College. These control breakdowns resulted in several issues of non-compliance with established procedures.

6.37 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.

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

6.39 The details of the weaknesses noted are highlighted below.

FINDINGS AND RECOMMENDATIONS

- **A Financial Management Procedures Manual was drafted but was not approved or implemented**

6.40 One way to ensure that the institution is guided by the appropriate financial policies and procedures is for it to have a financial management procedures manual that is duly approved by management; and contains all the financial procedures and policies that guide its operations.

6.41 We found that at the time of the audit the institution did not have a Financial Management Procedures Manual. We were informed that a procedural manual was being compiled. This was of concern to us because the institution, at its present stage of operations should not be operating without a manual.

6.42 A Financial Management Procedures Manual is an extremely important document. It provides guidance to the finance staff and others charged with the responsibility for administering the institution's financial operations to do so with due diligence.

Implications and Risks

6.43 The lack of an implemented manual does not give the assurance that there are sound established financial controls, policies and procedures within the institution that ensure accuracy, timeliness and completeness of financial data. As such there are increased risks of operational and financial inefficiencies.

Recommendation

A Financial Management Procedures Manual should be expeditiously approved and implemented.

The manual should be distributed to all appropriate staff.

- **Cut-off issues in the General Ledger**

6.44 In an effort to establish adequate cut-off dates for accounting information, the accrual basis of accounting adopted by the institution requires that expenditure be recorded during the period it is incurred and not when the actual transfer of cash occurs.

6.45 During the audit we noted the following inconsistencies:

1) The date recorded on the invoice did not always agree with the date recorded in the general ledger. This occurred because transactions in the general ledger assumes the general ledger's date based on the date when transactions are posted into the general ledger.

2) EBSCO subscription ended as at February 2016. However, the full subscription of $124,874.16 was expensed in the financial year ended March 2016. This included one month's subscription of $10,406.18 pertaining to financial year ended March 2015. As a result, subscription for 2016 was overstated by $10,406.18.

3) Total internet expense for the year should be thirteen thousand eight hundred dollars $13,800.00 at the contracted rate of $1,150 per month. However, a total $9,400.33 was recorded as internet expense for the period. We were informed that the billings ($1,150 x 4 = $4,600.00) for the remaining four (4) months, although pertaining to the financial year ended March 2016 were not reflected in the account because they were paid in April of 2016.

Implications and Risks

6.46 The above-mentioned inconsistencies, all have implications on the accuracy of the financial statements. As a result, there is increased risk of financial statement misstatement, which could be misleading to users.

Recommendation(s)

- **The date of invoices reflected in the general ledger should reflect the date on the original invoice.**
- **Expenditure should be recorded in the period incurred.**

- **Misclassification of expenditure in the General Ledger**

6.47 Good accounting practice dictates that transactions should be classified based on economic substance rather than just their legal form in order to present a true and fair view on the financial statements.

6.48 During the audit we noted the following transactions that were inappropriately classified in the general ledger:

1) A payment of $500.00 for a traffic ticket issued in 2012 was recorded in the 2016 financial year as vehicle maintenance. The expenditure was an expense of a prior period and was an imposed fine. As such it is misclassified as maintenance expense and was also recorded in the incorrect year.

2) The printing cost of 5000 payslips and TD5 forms totalling $8,337.50 was charged to the advertising expense account, instead of Stationery and Printing.

3) An electricity bill for $48,976.37 was charged to repairs and maintenance instead of Utilities.

4) Wages totalling $108, 933.60 paid to casual labour farm workers were charged to operating and vehicle maintenance. We were informed that this classification was done because these persons were not payroll employees but temporary farm workers, and therefore the payments made to them were not classified as wages. However, our assessment of these payments revealed the following:

    a. Recurring expenditure was recorded in the name of ten (10) individuals.
    b. Four (4) of the ten individuals in (a) above had twenty-five (25) expenditure postings for the year.
    c. Three (3) individuals had ten (10) to twenty-four (24) expenditure postings for the year.
    d. Three (3) individuals had less than ten (10) expenditure postings for the year.

6.49 These individuals undertook work that is integral to the functioning of the farm. In addition, their remuneration was at a fixed rate based on the College's pay scale for casual workers. As a result of the aforementioned these remittances should be correctly classified as wages, and NIC should be deducted, matched and paid on behalf of the workers.

Implications and Risks

6.50 Misclassification of transactions results in inaccurate information being recorded in the accounts. Also, misclassified wages could be detrimental to the long term livelihood of workers as their pensions entitlement will be adversely affected due to non-payment of NIC.

Recommendation(s)

- **Misclassifications should be corrected in the accounts.**
- **Independent reviews of the General Ledger entries should be carried out periodically.**
- **Farm worker remittances should be correctly classified as wages and NIC contribution remitted on their behalf.**

- **No evidence of receipt of goods seen**

6.51 Good internal control practices require that there is documented evidence when goods are received by way of a goods received note or an indication on the paid invoice or payment voucher that goods were received. Therefore, the goods receive process provided assurance that payments are made only for goods that are received in a satisfactory condition. It also establishes responsibility for goods going astray because someone takes responsibility for having received the goods.

6.52 We reviewed the goods received process to determine whether goods were properly received and were in accordance to specification. Our review of a sample of invoices selected revealed instances where there was no indication that the goods paid for were actually received. The invoices were not stamped received nor were they signed. Presented in the table below is the quantified value of invoices received without acknowledgement of receipt:

NAME OF SUPPLIER	DESCRIPTION	AMOUNT AS PER INVOICE
The Swan Ltd.	Animal Feed	$11,245.00
Caribbean Grain Ltd.	Animal Feed	$9,385.00
The Swan Ltd.	Animal Feed	$14,861.50
The Swan Ltd.	Animal Feed	$17,092.40
Moore St. Lucia Ltd.	Boxes of Pay Slips and TD5	$7,704.74
Advertising and Marketing Services	Printing of 5,000 Registration Forms	$8,337.50

6.53 We wish to emphasize that it is important that the relevant documents are signed upon delivery and receipt of goods purchased, since this serves as proof that goods purchased were actually received in a satisfactory condition and correctly invoiced.

Implications and Risks

6.54 There is no assurance that the College received all the goods that it paid for. Also, there is the risk that goods purchased did not meet the required specifications.

Recommendation
There should be evidence of receipt and verification of goods either by signature or stamp on invoices or purchase orders. This verification should be carried out by an individual other than the individual who placed the order.

- **Long outstanding payables**

6.55 The College receives bursaries from the Ministry of Education for students. Students are required to pay the College in advance and upon receipt of bursaries the students are supposed to be refunded the fees paid. The maximum length of most programs offered by the College is three years, thus all bursaries should be collected within that time period. It is expected that bursaries received and not collected after the three-year period has elapse should be returned to the Ministry of Education for appropriate action.

6.56 The College maintains an account called "cheque retainage" to record uncollected or uncashed cheques for bursaries, financial aid and refunds to students and suppliers. The balance in this account at the end of March 2015 was $246,675.99. We observed that a substantial amount was for uncollected bursaries; $203,235.77 of that amount represented uncollected bursaries in excess of three years, dating as far back as 2004.

6.57 We were informed that in most instances students for financial aid or government bursaries were not made aware that they were entitled to these bursaries or refunds due to lack of communication. Therefore, students do not collect their cheques.

Implications and Risks
6.58 The College has in its possession funds belonging to some recipients of financial aid and Government bursaries. There is a risk that these funds could be utilized for the operations of the College or misappropriated.

Recommendation(s)
- ❖ **As a matter of priority the College should determine the funds representing uncollected bursaries that have been outstanding in excess of three years and return same to the Ministry of Education for appropriate action.**
- ❖ **An organized system of notification should be established to inform students that they are recipients of financial aid or Government bursaries while the College has valid contact information for these students.**

- **Inability to verify names on counterfoils of cheques issued from miscellaneous batch transactions**

6.59 Proper internal control practices require that all cheque counterfoils should contain the name of the payee to whom that cheque was issued.

6.60 We examined a sample of cheques and found that the name of the payee was not recorded on the counterfoil of the cheque. Included were the counterfoil of the following cheques:

Date	Cheque No.	Amount
		$
24.09.15	21769	1,005.00
08.06.15	21185	1,210.00
09.07.15	21387	456.00
09.07.15	21386	205.00

6.61 We noted that when a payment batch with a transaction type "**miscellaneous**" is created the payee name is not reflected on the cheque counterfoil, due to the vendor name being recorded manually on that cheque.

6.62 As a result, we were unable to verify that cheques reissued from the cheque retainage account were actually issued in the initial name, as the cheque stubs did not provide that information.

Implications and Risks
6.63 There is no proof that subsequent cheques were issued in the name of the original payee. This can present an avenue for fraud and or misappropriation.

Recommendation
All cheque counterfoils should clearly display the name of the payee to whom cheque is issued.

- **Differences between the payables figure confirmed and the figure reported in the financial statement**

6.64 It is expected that the confirmed balance for payables would agree with the balance disclosed on the financial statements and in instances where they do not agree a reconciliation would be conducted.

6.65 Nine (9) confirmations requests were sent out to suppliers. The total value of the amount confirmed was $238,395.11 which represents 56% of the figure disclosed for payables ($428,352.44) as at March 31, 2015. We received responses from five (5) suppliers with a total value of $105,723.31. Alternative procedures were done to verify balances for confirmations not received.

6.66 We noted a difference of $47,604.95 between the confirmed balance and the balance recorded in the accounts for three suppliers. Details of these differences are presented in the table below:

Supplier	Balance as per Accounts	Balance Confirmed	Difference
Saint Lucia Electricity Services Ltd	50,783.53	76,089.47	25,305.94
MUFFS	3,110.98	19,341.00	16,230.02
Water and Sewerage Authority	3,533.85	9,602.84	6,068.99
TOTAL	**57,428.36**	**105,033.31**	**47,604.95**

6.67 These differences were brought to the attention of the Bursar, and we also requested reconciliations of these accounts. To date, the accounts have not been reconciled.

Implications and Risks
6.68 Reliance cannot be placed on the figure recorded for payables since a reconciliation has not be done to account for the differences.

Recommendation

- ❖ **As a matter of priority, the affected accounts should be reconciled to determine the reason for these differences and if necessary, adjustments should be made to the accounts.**

- ❖ **Further, regular vendor reconciliation should be conducted so that the balances in the accounts agree with suppliers' records.**

- **Incorrect recording of tuition income and other discrepancies**

6.69 The College asserts that its financial statements are in compliance with the accrual basis of accounting. Consequently, in accordance with International Financial Reporting Standards (IFRS) accrual basis of accounting, revenue should be recognised when earned. In addition, all revenue earned and disclosed should be verifiable through proper documentation.

6.70 During our investigations we noted a number of discrepancies and inefficiencies associated with tuition documentation:

1) Revenue is recorded in the ACCPAC system when a payment is received and a corresponding receipt is issued. This practice is the cash basis of accounting and does not meet the criteria of the accruals accounting principle.

2) Data from the ACCPAC system is manually entered into SALCC's sub accounting system (Sonis Web). However, student receivables are not extracted and entered into ACCPAC for the updating of financial information.

3) When we verified the tuition received from five (5) Departments we found differences in the number of registrants to that reported on the tuition listing schedule.

6.71 Personnel from the Accounts Department informed that when UWI students enrol for courses at the College, they are not required to fill in registration forms, but are required to pay for the courses. Also, students who repeat a course are not required to fill in registration forms.

6.72 A registration fee of $1,225 was reported on the listing instead of $1,255, for the Agriculture Division. Therefore, revenue was understated by $1,320 ($30 x 44 students).

6.73 Fees for summer courses of $8,824.00 was not included on the listing.

6.74 When we examined the tuition for the Department of Continuing Education (DOCE) and Southern Extension Centre (SEC) on the tuition listing we found that refunds of tuition of $18,639.00 and $7,857.00 respectively were not taken into account. Upon enquiry into this discrepancy, the Bursar informed that the listing was not adjusted for refunds. However, we noted that these adjustments were taken into account in the financial statements.

Implications and Risks

6.75 The absence of procedures requiring all students to enrol in courses to fill in a registration form increases the risk of discrepancies and inaccurate information being generated from the system. Also, errors in record keeping reduces reliance that can be placed on the tuition system.

Recommendation

- **All registered students should fill out the requisite registration form.**
- **All registered students should be recorded into the Colleges' student registration portal.**
- **Reports of registered students generated should be complete.**
- **All tuition income earned and uncollected should be recorded in the books as "Tuition receivable".**
- **All revenue earned and disclosed should be verifiable through proper documentation.**

- **Poor accounting for cash in Reprographic Centre**

6.76 Proper accounting and control practices dictate that receipts be issued upon collection of cash and that these receipts should reflect the money collected as per the cash count.

6.77 We found instances where receipts were issued to reflect the revenue reflected on the report generated by the photocopier and not for the revenue obtained from the actual cash count.

Date	Total as per Cash Count	Total as per Cash Report	Total as per Receipt Issued	Difference
06/03/14	$ 430.27	$ 496.20	$ 496.20	($65.93)
09/12/14	$2,057.98	$2,083.95	$2,083.95	($25.97)
02/03/15	$3,027.17	$3,320.51	$3,320.51	($293.34)
31/03/15	$3,655.34	$4,273.34	$4,273.34	($618.25)
07/05/15	$4,362.58	$5,181.43	$5,181.43	($818.85)
28/10/15	$ 889.90	$ 965.68	$ 965.68	($ 75.78)

6.78 Through enquiry we were informed by the Bursar that the Copier was not being used properly and as a result incorrect data was being extracted in the reports and that management sought to address the issue.

6.79 Further examination on subsequent period receipts revealed that the office, although not in every case, attempted to issue receipts for cash actually received as per count.

6.80 Also, the College maintained an account to record cash overages and shortages. When actual cash collected is not equivalent to the recorded revenue, the difference is recorded by posting an entry to the Cash Over/Short Account in the general ledger.

6.81 For the Financial year 2015/2016 cash overages of $3,648.36, and shortages of $1,003.24 were noted, however, they were not recorded in the cash overages/ shortages account.

6.82 As a result, the cash overage/shortage account was understated by $2,645.12.

Implications and Risks

6.83 Issuing receipts for cash not received is not sound accounting practice and result in distortion of information and inaccurate reporting.

6.84 Unrecorded cash overages and shortages results in inaccurate information being recorded in the accounts.

Recommendation(s)

- ❖ **Receipts should be issued for the cash received as per count at all times.**
- ❖ **Cash overages and shortages should be recorded in the cash over/short account to ensure accurate reporting of revenue and/or receivables.**

- **Not all bank accounts were disclosed**

6.85 The confirmation received from the Bank of Saint Lucia for the period ended March 31, 2015 and 2016 revealed that Sir Arthur Lewis Community College maintained three bank accounts which were not disclosed on the financial statements for these periods. According to the confirmation these accounts were omitted:

Account Description	Account Number	Balance 2015	Balance 2016
Petit Checking Account	904026380	$13,241.46	$14,694.46
Petit Checking Account	104328573	$884.66	$874.66
Savings Account	931967609	$6,489.27	$6,362.32

6.86 These accounts are maintained by the student council, the staff association and a club at the College. We are of the view that these accounts should be disclosed in the notes to the financial statements.

Implication and risk

6.87 Users of the financial statements will not be privy to all relevant information to allow them to make informed decisions.

Recommendation

All accounts held in the name of the College should be adequately disclosed.

- **Poor controls over advances to staff**

6.88 Effective controls over salary advances should among other things specify, the maximum amount that could be advanced, the terms and conditions of repayments, and monitoring conducted to ensure that these advances are recovered.

6.89 During the audited periods we observed that terms and conditions for repayment of advances were not issued to employees granted advances and that there was evidence of lack of monitoring to ensure recovery of advances granted to staff. These conclusions were based on the following observations:

$4,000.00 included in staff advances at the end of March 31, 2015 was deemed uncollectible and was written off. This sum could not be recovered because the employee was no longer employed with the College. This sum was a brought forward balance from 2014 when the College failed to collect the amount due from that employee.

By letter dated June 5, 2012, the Chairperson of the Board of Governors granted an advance equivalent to one month's salary to the Bursar. This letter stipulated that the advance be repaid within twelve months by salary deduction. Accordingly, the sum should have been recovered by May 2013. However, at the end of March 2016, thirty-four (34) months later, $7,792.30 is still outstanding. Thus, the terms for repayment as stipulated in the letter from the Chairperson of the Board of Governors was not adhered to.

An advance of $300.00 was granted to the cleaner in April 2015. One payment of $150 was made in November 2015 but as at March 2016 the balance of $150 was not recovered. To date, (March 2017) the sum has been outstanding for one year and four months. By letter dated February 16, 2017 the Cleaner indicated that the remaining balance should be deducted from her salary in six monthly instalments of $25.00 effective March 2017.

Three (3) advances totaling $5,362.52 were given to the Principal in March 2016. We observed that there were no terms and conditions agreed for the repayment of these advances. The total sum advanced was still outstanding as at March 31, 2017.

Implications and Risks

6.90 Lack of monitoring and the absence of clear terms and conditions for repayment of advances have resulted in advances granted to staff not being repaid.

Recommendation(s)

- **Terms and conditions should be set for granting of advances.**
- **Repayment terms and conditions should be monitored for compliance.**
- **All outstanding amounts should be recovered where possible.**

- **Some terms and conditions of the lease and legal agreement were not adhered to**

6.91 The College signed a lease agreement for leasing of the kitchen and cashier area of the Grace Augustin Building. It is expected that the College would ensure that the Lessee adhered to the terms and conditions of the lease.

6.92 Section 4 (a) of the lease agreement between the Lessor and the Lessee for the period 1 September 2013 to August 31, 2015 states that if the agreed monthly rental instalment remains unpaid for fourteen (14) days after the date on which it ought to be paid, and the Lessor serves written notice of such default to the lessee, then if the said rental is not paid within fourteen (14) days of such notice, the lease shall forthwith terminate and the provisions of this agreement applicable upon termination of this Agreement shall apply.

6.93 Monthly rental for June 2014 to May 2015 was outstanding as at June 26, 2015. We saw no evidence that the Lessor served written notice of default to the Lessee for that period. Had this been done in June 2014 the Lessor would have had the right to exercise the option of terminating the lease if after fourteen (14) days of notice the Lessee had not paid the outstanding amount and thus, reducing the occurrence of increase in the outstanding amount.

6.94 By letter dated April 27, 2015 to the Lessee, the Principal of the College indicated that the Board of Governors at its 180th meeting accepted the Lessee's notice to end the lease. Vacation of canteen space was effective on 1 July 2015.

6.95 The legal agreement transaction between the Board of Governors of the Sir Arthur Lewis Community College and the Lessee dated September 18, 2015, indicated that the Lessee owed the College $74,789.76 recoverable by monthly instalments of $1,640.00. Interest of 6% would be charged should there be a default. The first instalment was due September 30, 2015.

6.96 Our audit revealed that the first payment was made thirteen (13) months later in October 2016 for $1,640.00. The interest outstanding was not recorded.

Implications and Risks

6.97 This lack of monitoring and inaction on the part of the College to ensure that terms and conditions of agreements were adhered to, resulted in an accumulation of outstanding rental fees which could have been avoided.

Recommendation(s)

- **SALCC should monitor agreements to ensure that the terms and conditions are met by all parties.**
- **As per terms of the new agreement, interest should be calculated and included in the outstanding balance due from the Lessee.**

- **Inadequate disclosure in notes to the financial statements**

6.98 IAS 24 Related Party requires disclosure of related party relationships, transactions and outstanding balances, including commitments in the financial statements. The standard requires disclosures of all related party transactions including the compensation of key management personnel. This should include:

- The nature of the relationship(s) involved.
- A description of the transaction and other information deemed necessary to understanding the effect of the transaction on the financial statements.
- Dollar value of the transaction for each reporting period.
- Amount due from the related parties as of the date of each financial statement, and if not otherwise apparent, the terms and manner of settlement.

6.99 Included in accounts receivable for 2015 and 2016 was a loan of $7,792 given to the Bursar which was outstanding and was not disclosed in the notes to the financial statements.

6.100 Also, included in accounts receivable were three advances given to the Principal in 2016. At the end of the year these advances were not paid. The total outstanding advances not disclosed was $5,362.52.

6.101 IAS 1 Presentation of Financial Statements Section (78 (b)) indicates that receivables are disaggregated into amounts of receivable from trade customers, receivable from related parties, prepayments and other amounts.

6.102 As per note 6 to the financial statements receivables were disclosed under the heading accounts receivable and prepayments as a lump figure. Receivable from related parties, prepayment and other amounts were not disclosed separately.

6.103 IFRS 7 Financial Statement Disclosures – require qualitative and quantitative disclosures.

6.104 Disclosures for credit risks according to Section 36 is that the amount that best represents its maximum disclosure to credit risk at the reporting date, the description of collateral held as security and other credit enhancements, the credit quality of the financial assets that are neither impaired nor past due and the carrying amount of the financial assets that would otherwise be impaired or past due should be disclosed.

6.105 Disclosures according to Section 37 requires that an analysis of the age of the financial assets that are past due at the reporting date and an analysis of the financial assets that are individually determined to be impaired at the reporting date. These disclosures were not incorporated in the financial statement of the College for the financial years 2015 and 2016.

Implication and risk
6.106 Users of the financial statements will not be privy to all information necessary to allow them to make informed decisions.

Recommendation(s)
All necessary disclosures should be made, in accordance with the requirements of the International Financial Reporting Standards (IFRS).

- **An assessment of net realizable value was not conducted for inventory**

6.107 Inventories shall be measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of the business less the estimated costs of completion and the estimated costs necessary to make the sale. An assessment of net realizable value should be made in each subsequent period.

6.108 We noted that inventory was reduced by an impairment allowance of $23,250. This amount has been used for more than four years and an assessment of net realizable value of the inventory of gowns has not been carried out for a number of years. As a result, inventory may not be recorded at the correct value in the financial statements.

Implications and Risks
6.109 Inventory items may be overstated as the recoverable amount upon sale may be less than their carrying value in the accounts.

Recommendation

An annual assessment of the net realizable value of gowns should be done so that inventory can be fairly presented in the financial statements.

- **Fixed Asset Register was incomplete and did not contain all pertinent information**

6.110 A fixed Asset Register containing a list and details of all assets belonging to the institution should be maintained and updated annually or upon receipt, disposal or transfer of assets. The register should show the value of assets, date of acquisition, location of the asset, serial number, manufacturer, warranty, spare parts and other details necessary to compute for depreciation and tax purposes.

6.111 Our audit revealed that a Fixed Asset Register was not maintained for the financial year 2014/2015, but a register was maintained for the financial year 2015/2016. The register contained information about the financial year's, depreciation rate, asset type, item description, quantity, supplier, additions date, amount, total amount, disposal date, depreciation expense and depreciation total; it did not contain useful information such as the serial number and location of assets.

6.112 The register was also incomplete. Information relating to all property, plant and equipment purchased for the period 2015/2016 was included in the register; however, assets purchased prior to 2015/2016 with a carrying value of $7,818,548.40 were not included in the register.

6.113 We are concerned that this deficiency exists in light of the high value fixed assets such as land, motor vehicles, computers and office equipment that the institution owns.

Implications and Risks

6.114 The College will be unable to keep track of or accurately account for all fixed assets that should be in its possession. Consequently, these items could be used for unauthorized purposes or stolen without detection. This deficiency may also impede the ability to extract accurate management reports about asset allocation, replacement and service history as well as, the ability to generate accurate financial information.

Recommendation

The College should include all necessary information in the Fixed Asset Register in order to keep track of its assets. Also, the College should ensure that all assets in its possession are duly recorded in the register.

- **Fixed Assets are not vested in the Board of Governors**

6.115 Cabinet Conclusion No. 201 of 1988 approved the recommendation that the buildings currently used by the SLACC be vested in the Board of Governors as trustees.

6.116 We note that some twenty-eight (28) years later the said buildings are still not vested in the Board of Governors, as the legal process of vesting the buildings in the Board of Governors has not yet been finalized. We are concerned that this issue is still outstanding, some sixteen years after we again recommended that the Board take action to have these buildings legally vested in the Board of Governors.

Implications and Risks

6.117 Since these assets are not legally vested in the institution, the College will be unable to enjoy the full economic benefits that come with legal ownership. Not having legal ownership of these assets exposes the College to the risk of being unable to exercise total control of these assets and the risk of having these assets removed from its control.

Recommendation
As a matter of priority the Board of Governors should take the necessary steps to regularize legal ownership of the buildings.

- **Property Plant and Equipment was inadequately insured**

6.118 The decision to insure property plant and equipment or not should be based on the result of a risk assessment to determine whether the cost of insurance is higher than the assessed risk.

6.119 We found no evidence to suggest that the College conducted a risk assessment. We noted that out of the property plant and equipment schedule only motor vehicles were insured. Consequently, there is no insurance coverage for buildings, equipment, computer equipment and software, and library books with carrying values of **$7,818,548.40** and **$7,572,858.11** for the financial years ended March 31, 2015 and 2016 respectively.

6.120 Insuring these assets would be a very prudent business decision. It would provide an avenue for financial and business recovery in the event of theft, burglary and or natural disaster resulting in partial or full loss or destruction of property.

Implications and Risks
6.121 In case of adverse events there is the risk of severe financial loss and slow business recovery for the College should the assessed risks be higher than the cost of insurance.

Recommendation:
Management should carry out a risk assessment /cost benefit analysis on the property to determine whether the cost of insurance is higher than the assessed risk. If the cost is lower than the assessed risk it would be prudent if appropriate insurance coverage is taken to mitigate potential financial losses.

- **Annual physical count of asset was not conducted**

6.122 At least once a year, preferable closer to the year-end institutions should perform full count for Plant Property and Equipment (PPE) items.

6.123 We were informed by personnel of the institution that a physical count of assets was not conducted during the period under audit nor has it been done in recent years.

Implications and Risks
6.124 Assets which are no longer in use, in existence, damaged or disposed of could remain on the books, as well acquisitions may not be recorded, resulting in an over/understatement of assets that could adversely affect fair presentation of the financial statements. In addition, the College will be unable to account for all PPE that should be in its possession.

Recommendation
Annual physical count of all fixed assets should be conducted.

- **Some policies and procedures were not established**

6.125 Policies and procedures for bad debts should be instituted to ensure that the authorization, accounting treatment and overall responsibility for debtors and bad and or doubtful debts comply with the College's legislation and International Accounting Standards. The Bad Debt Write-off procedures specify steps that must be taken to designate an account as uncollectible and to remove such accounts from the general ledger account (e.g. write off).

6.126 We found that the College had no established policies and procedures for bad debts to provide guidance for writing off or for determining doubtful accounts.

6.127 In addition, we noted that there was no investment policy to guide the operations of the College. Investment decisions were made based on recommendation of the Bursar and not on any pre-approved existing conditions.

6.128 Also, there were no written policy for safeguarding and maintenance of fixed assets.

Implications and Risks
6.129 The College does not have proper policies and procedures to adequately assess the collectability and impairment of its debt.

6.130 The institution stands a risk of having monies tied up in investments that may not be suitable.

6.131 Assets may not be properly maintained, and that there may be unauthorized use of assets.

Recommendation(s)
- ❖ **A policy should be developed and implemented for bad debt and doubtful accounts.**
- ❖ **An investment and fixed assets maintenance policy should be developed and implemented.**

7. CAROSAI SECRETARIAT

7.1 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.

7.2 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.

7.3 Presently there are twenty-two (23) member Supreme Audit Institutions (SAIs) of CAROSAI - Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands (BVI), Curacao, Dominica, Haiti, Cayman Islands, Guyana, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia, St. Vincent and the Grenadines, Saint Maarten, Suriname, Turks and Caicos Islands, Trinidad and Tobago and Jamaica.

7.4 The CAROSAI Secretariat was located in Saint Lucia from 2005-2016 and the Director of Audit of Saint Lucia was the Secretary General. The Secretariat was transferred to Auditor General's Office of Jamaica from September 1. 2016.

7.5 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…

7.6 The Caribbean Organization of Supreme Audit Institutions (CAROSAI) secured financing toward the cost of a project Strengthening Country Systems for Better Investment Results. The overall objective of the project is to improve the ability of the Caribbean countries to more effectively implement capital investment projects and deliver on their development agenda, by enhancing the capacity of their country systems and institutions, with particular focus on accountability including legislative oversight and public procurement.

7.7 The project is being implemented using a stratified implementation approach. The initial activities of the project will be focused in three pilot countries, Guyana, Grenada and St. Lucia in the first 12 – 16 months, thereafter the project materials and tools will be disseminated throughout the member countries during planned regional workshops and meetings.

7.8 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.

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

- Dissemination of information
- Hosted the X Congress of CAROSAI in Paramaribo, Suriname – May 30 – June 3,2016
- Hosted Regional Workshop on Parliamentary Oversight – July 13-15, 2016
- Hosting of local and regional training on audit of capital projects