



*Government of St. Lucia*

***Report  
of the  
Director of Audit  
for the  
Financial Year  
2017/2018***

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## INTRODUCTION

It is my pleasure to submit the Annual Report for the financial year 2017/2018 of the Office of the Director of Audit. The report is prepared in line with Section 6 (1) of the Audit Act which requires the Director of Audit to submit a report at least once a year to the Minister for transmission to the House of Assembly on

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

Therefore, I am pleased to present to the House of Assembly the Annual Report on the work of the Director of Audit for the financial year 2017/18.

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

Over the past few years, this office has continued to evolve in order to meet the challenges of a growing and ever changing Public Service. The office has undertaken several institutional strengthening activities in an effort to improve the quality of the audit product we deliver, as well as take steps to increase the audit presence. These initiatives are geared to having a positive impact on the Financial Management framework of the Government. Thus, the Office is constantly adjusting and realigning its audits to areas where a greater impact will be felt.

Methodologies have been adjusted, and while we continue to conduct our audits, in an objective and professional manner, our assessments and reporting will reflect the changes in the International Standards as guided by the International Organization of Supreme Audit Institutions (INTOSAI) standards. The Office also follows government accounting procedures and policies and continues to 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.

I also wish to acknowledge the valuable efforts of the staff of the Office of the Director of Audit who have been invaluable in assisting me fulfill the mandate of the office, and who work tirelessly to complete audits of high quality and within deadlines.

Copies of this report, as well as all other past reports can be obtained on our website at [www.auditstlucia.com](http://www.auditstlucia.com).



**Yvonne James**  
**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 of 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

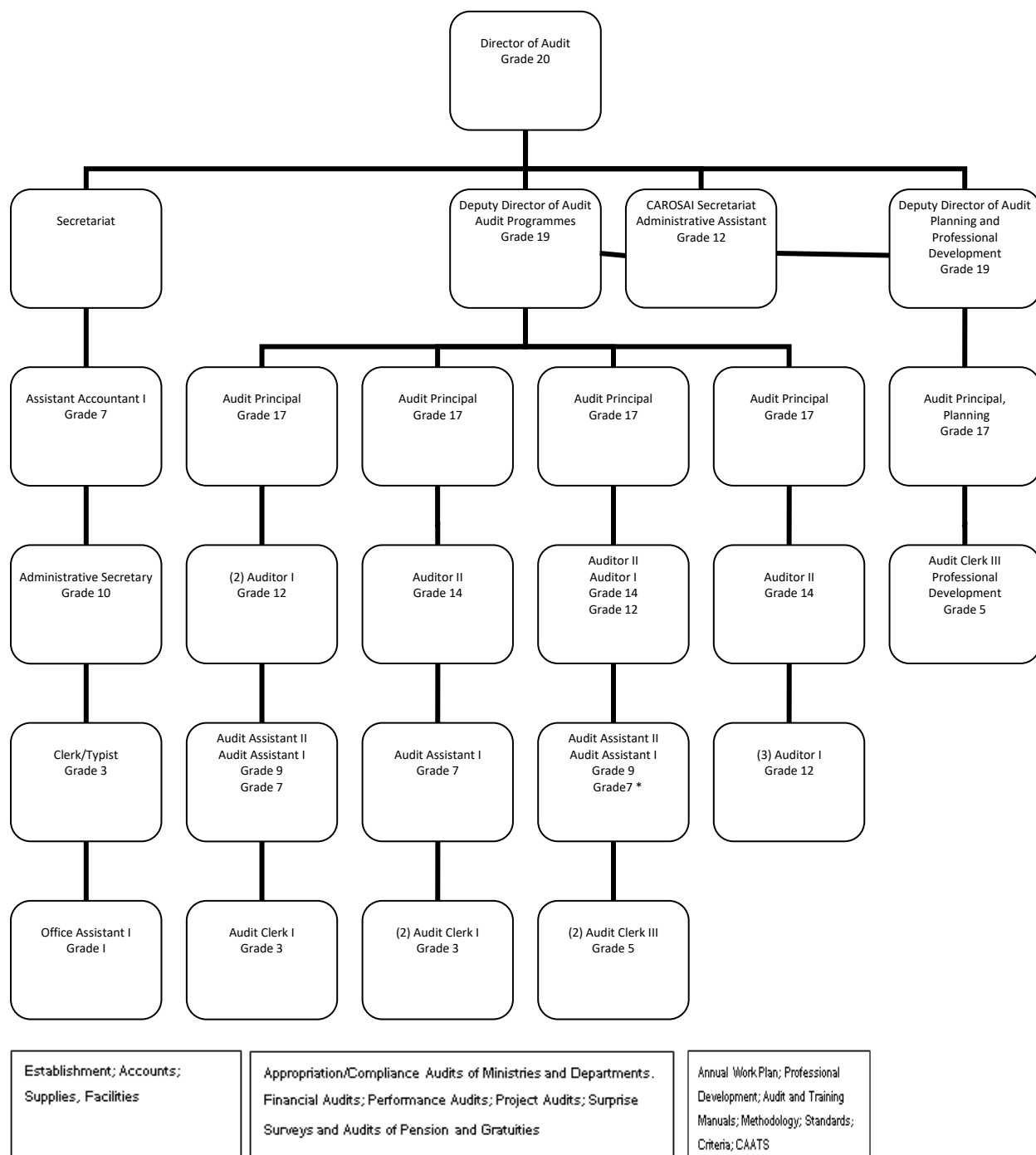
*Through innovation, we find better ways to conduct our work and to serve Parliament. We seek new audit approaches and methodologies to improve our quality, efficiency, and effectiveness. We value the ideas and creativity of our staff.*

### 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:



## TRIBUTE TO MRS. BERNADETTE FEVRIER-GEORGE



The Office of the Director of Audit (ODA) would like to pay tribute to the former Director of Audit, the late Mrs. Bernadette Fevrier-George. We were deeply saddened at the passing of Bernadette on November 19, 2017. Mrs. George was a respected employee of the Audit Office; employees and management were touched by her passing.

Bernadette was first appointed as an Audit Manager responsible for quality control in 2000. She became the Deputy Director of Audit with responsibility for Administration in 2009 and in 2015 was appointed Director of Audit. In her auditing career, of more than fifteen years, she gained experienced in performance, financial, operational and compliance audits. Mrs. George participated in the Canadian Fellowship Programme and was a fellow of the Canadian Comprehensive Auditing Foundation (CCAF). As Director of Audit she was the Secretary General of the Caribbean Organization of Supreme Audit Office (CAROSAI) from 2015-2016. Prior to this, as Deputy Director of Audit, Bernadette played an active role in CAROSAI.

Bernadette was an employee who was extremely concerned about the Office. She made many contributions, which resulted in the development and advancement of the Office. She was active and instrumental in the implementation of the risk based approach to financial auditing and the international standards for supreme audit institution. This approach has been implemented and used for over nine (9) years at the ODA. Her work with the Office will be remembered.

Bernadette, Ma George or Mrs George as she was fondly referred to by staff emanated humility, kindness, respect, strength, perseverance and a sense of humour.



We are grateful to Bernadette's contribution to the ODA. She will be greatly missed.

## 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.**

<b>OUTPUT</b>	<b>PERFORMANCE MEASURE</b>	<b>PERFORMANCE TARGET</b>
Performance/Value For Money Audit Report.	Number of Value for Money audits conducted and Reports submitted to Parliament.	Two (2) Value for Money Audit Reports submitted to Parliament.

**PROGRAMME - Planning and Professional Development**

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

<b>OUTPUT</b>	<b>PERFORMANCE MEASURE</b>	<b>PERFORMANCE TARGET</b>
Training workshops based on training needs.	Training received by all staff.	Increase in staff professional development by 25%. Staff to attend at least five (5) training workshops by March 2018.
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 2018.
Implementation of the International Standards for Supreme Audit Institutions (ISSAIs).	International Standards for Supreme Audit Institutions Compliance Assessment Report.	Implementation of 65% of recommendations in report by March 2018. Increase in quality of audits conducted in accordance with the standards by 50%.

**PROGRAMME: AUDIT OPERATIONS**

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

<b>OUTPUT</b>	<b>PERFORMANCE MEASURE</b>	<b>PERFORMANCE TARGET</b>
Audit reports on the donor funded projects.	Number of audits completed for the donor funded projects.  Number of reports that are submitted to the various implementing agencies within the deadlines given in the Terms of Reference.	Complete audits for six (6) projects by March, 2018.  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, 201/2011 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 three (3) audit reports on the results of audits of programmes conducted for Ministries, Departments and Foreign Missions by March 31, 2018.
Annual report	Timeliness of Audit Report.	Annual Report for 2017/18 submitted to Parliament before June 2018.
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 one (1) 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 **\$1,924,900.00** for the Office of the Director of Audit for the financial year 2017/18. Of this budget **\$1,551,043.00** was allocated towards salaries.

The programme detail estimated and actual expenditure for the financial year **2017/18** comprised the following:

CODE	DETAILS OF EXPENDITURE	REVISED ESTIMATES	ACTUAL 2017/18
<b>01</b>	<b>Audit Administration</b>		
101	Personal Emoluments	246,356.00	219,346.00
102	Wages	6,383.00	6,107.00
105	Travel and Subsistence	8,808.00	7,706.00
109	Office and General Expense	36,940.00	35,547.00
113	Utilities	112,631.00	98,865.00
115	Communication	11,943.00	10,989.00
116	Operating & Maintenance Services	29,750.00	35,581.00
118	Hire of Equipment & Transport	1,200.00	200.00
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>454,011.00</b>	<b>414,341.00</b>
<b>02</b>	<b>Audit Operations</b>		
101	Personal Emoluments	1,298,304.00	1,278,711.00
105	Travel and Subsistence	163,920.00	143,589.00
108	Training	6,469.00	7,049.00
115	Communication	2,196.00	2,219.00
	<b>TOTAL PROGRAMME EXPENDITURE</b>	<b>1,470,889.00</b>	<b>1,431,568.00</b>
	<b>TOTAL AGENCY EXPENDITURE</b>	<b>1,924,900.00</b>	<b>1,845,909.00</b>

## **STAFF MOVEMENT**

In order to facilitate the work programme of the Office a number of promotions, acting and temporary appointments and transfers were made for the financial year 2017/2018.

### **Promotions**

The Office Assistant I was promoted Clerk I at the Department of Physical Planning with effect from April 3, 2017 and a new Officer Assistant I was appointed.

An Audit Principal was promoted to the vacant post of Deputy Director of Audit June 1, 2017.

An Audit Clerk I was promoted Clerk III Ministry of Health and Wellness and a new Audit Clerk I was appointed June 1, 2017.

A Clerk/Typist was appointed in January 9, 2018.

### **Acting Appointments**

During the absence of the Director of Audit from April 10, 2017 to June 9, 2017 the Deputy Director of Audit, Planning and Professional Development was appointed to act Director of Audit.

An Auditor II was appointed to act Audit Principal from April 1, 2017 to March 31, 2018. This resulted in the following acting appointments – an Auditor I to act Auditor II, an Audit Assistant II to act Auditor I, an Audit Assistant I to act Audit Assistant II and an Accounts Clerk III of Ministry of Education to act Audit Assistant I.

The Clerk/Typist was appointed to act Secretary I at the Department of Housing, Urban Renewal and Telecommunications for the period August 1, 2017 to December 31, 2017. A temporary appointment of a Clerk/Typist was made to replace the one appointed to act. The Clerk/Typist was confirmed Secretary I December 30, 2017.

The Administrative Secretary of the ODA proceeded on vacation from September 19, 2017 to October 31, 2017 and was replaced with a Secretary IV of the Department of Equity, Social Justice, Empowerment and Human Services.

An Auditor I was appointed to act in the vacant post of Accountant II, Department of Finance – Accountant General's for the period August 2, 2017 to March 31, 2018. For the same period the Assistant Accountant II was appointed to act Auditor I and an Assistant Accountant I from the Department of Physical Planning was appointed to act Assistant Accountant II at the ODA.

For the period June 9, 2018 to July 8, 2018 an Audit Assistant I was appointed to act Audit Assistant II and an Audit Clerk II was appointed to act Audit Assistant I and a temporary Audit Clerk I was appointed for the same period.

With passing of the Director of Audit, the Deputy Director of Audit - Administration was appointed to act Director of Audit from December 1, 2017 to June 1, 2018.

The Administrative Secretary of the ODA was appointed to act Senior Administrative Secretary, Department of Home Affairs and National Security from February 20, 2018 to June 4, 2018. She was

replaced with a Secretary IV from Department of Physical Planning who was appointed to act Administrative Secretary.

**Temporary Appointment**

A Temporary Appointment of an Audit Clerk I was made for the period September 12, 2017 to May 20, 2018.

**Study Leave**

An Audit Clerk I was granted study leave without pay for one (1) year from August 28, 2016 to May 30, 2017 to pursue a Mathematics Pre-Science Programme.

**Transfer**

An Audit Assistant I was transferred to the post of Printer III National Printing Corporation with effect from January 9, 2018.

## **TRAINING**

Continuous personal and professional development of our staff is essential to provide quality audits. We focused on the development of skills and knowledge of staff as well as motivation. We created opportunities for staff to receive training provided by the Ministry of the Public Service, international bodies and organised in-house training hosted by senior officers.

### **Training Organized by the Ministry of the Public Service**

#### **Workshop on Leadership Development Experience – Caribbean Leadership Development**

The Deputy Director of Audit- Planning and Professional Development attended this workshop on May 19, 2017.

#### **Professional Supervisor Workshop**

This workshop was held on October 16-18, 2017, November 27-28, 30, 2017 and December 4-6, 2017. It was attended by an Audit Assistant I, Audit Assistant II, an Auditor II and 3 Auditor I(s).

#### **Senior Leader Programme**

This programme was for a six-month period and commenced February 2018. The Deputy Director of Audit – Administration and an Audit Principal participated in this programme. The objective was to improve the skills of senior leaders in the Public Service. Participants were expected at the end of the programme to practice strategic thinking and practical work-related behaviours as well as acquire international and global perspectives.

#### **Quality Management Systems**

An Auditor II was selected to attend this workshop held March 5 & 7, 2018.

### **In-House Training**

#### **Computation of Pensions**

This training was held on April 12, 2017 and attended by all staff members. Participants learnt how to compute pensions.

#### **International Financial Reporting Standards (IFRS) Training**

Audit Principals, Auditors and some Audit Assistants participated in this workshop held January 24-26, 2018. The objective was to acquire knowledge of the IFRS.

### **Training Organized by International Partners/donors**

#### **Debt Management Performance Audit**

The Deputy Director – Administration and the Deputy Director- Planning and Professional Development attended this training in St. Kitts from October 16-20, 2017.

#### **IDI Capacity Development Programme on Engaging with Stakeholders Strategy Development Workshop**

This training was hosted by Caribbean Organization of Supreme Audit Institution (CAROSAI). The objective was greater audit impact through stakeholder engagement. Participants were to develop

strategies and draft action plans for engaging with key stakeholders. Two Audit Principals attended this workshop in Jamaica from August 7-18, 2017.

**Procurement Audit Workshop**

Two Auditor II(s) attended this workshop in Jamaica from May 29, 2017 to June 2, 2017. This workshop was hosted by CAROSAI.

**SDG Audit Training – Audit Planning Meeting**

The Performance Audit Team attended this planning meeting in December 1-9, 2017 in Jaipur, India. The objective of this meeting was to review the audit planning documents for the SDG audit.

## STATUS OF WORK COMPLETED FOR 2017/18

<b>Audits Identified In The Work Plan</b>	<b>AUDIT CLIENTS</b>	<b>STATUS</b>
<b>Performance Audits</b>		
Constituency Development Programme	Ministry of Infrastructure	In Progress
Maintenance of Government/Government Occupied Buildings	Ministry of Infrastructure	Completed
Saint Lucia's Preparedness to Implement Sustainable Development Goals (SDG)	Ministry of Agriculture	In Progress
Baron Drive Relocation Project	Ministry of Physical Development	Not Conducted
<b>Foreign Mission Audits</b>		
Consulate of Cuba	Ministry of External Affairs	In Progress
Washington Mission	Ministry of External Affairs	In Progress
<b>Operational Audits</b>		
Audit of Payroll	Accountant General	On Hold
Procurement and Management of Pharmaceuticals drugs	Ministry of Health	On Hold
Non World Bank Funded Projects – Test of Controls	All Ministries and Departments	Not Conducted
Assessment of Mechanisms in Place to Address Poor Performance in Schools	Ministry of Education	Not Conducted
<b>Financial Audits</b>		
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
Technical and Vocational Educational & Training Council	Ministry of Education	In Progress
Settlement Upgrading Project	Department of Housing	Financials not submitted
Sir Arthur Lewis Community College SALCC	SALCC	Financials not submitted
Government of St Lucia Financial Statements 2010/2011	Accountant General's Department	Completed
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	Completed



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

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

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

**1.3** Annual financial statements are tabled in Parliament and are referred to the Public Accounts Committee, whose responsibility it is 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** This function of the PAC completes the accountability process and therefore must be carried out in order to hold to account those entrusted with the responsibility to spend public monies. In the absence of this function, the accountability process within Government is ineffective the pillars of accountability and transparency are weakened.

**1.5** The Public Accounts Committee convened one meeting during the second quarter of the financial year 2017/18.

**1.6** 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.

**1.7** **The financial statements of the Government of Saint Lucia for the year ended 2010/2011 was submitted and audited during 2017/2018. The management letter was issued but the audit report has not been issued due to non-submission of the adjusted financial statements by the Accountant General.**

**1.8** **The financial statements of the Government of Saint Lucia for the years 2012-2018 have not been submitted to the Director of Audit for auditing.**

**1.9** The Office of the Director of Audit has been unable to give an unmodified opinion on the financial statements for the past thirteen (13) years due to a number of material misstatements in the financial statements compounded by the existence of an extremely weak system of internal controls.

**1.10** In order for the Office to express an unqualified opinion on the financial statements, it is necessary that a number of key steps be taken by the Accountant General as well as those charged with governance to rectify the anomalies highlighted which has plagued the financial management system.

**1.11** These include but are not limited to

- Submission of certified financial statements annually within three months after the close of each financial year the accounts of the Government of Saint Lucia as stated in the Revised Laws of St. Lucia Cap 15.19 Finance (Administration) Act.
- Write offs of accounts with outdated balances which includes (Advance of Subsistence, Loss and Abandon Claims, Advance of Gratuity, Authorized Advances – Departments and Advances – Other Governments that were being forwarded from to year with little possibility of collectability.
- Preparation and presentation of Supplementary Estimates to Parliament
- Timely and accurate reconciliation of bank, sundry deposit, advances, expenditure and revenue accounts
- Proper recording and reconciliations of Public Debt
- An efficient filing system for documents used to support information reported on the financial statements.
- Preparation of financial statements in accordance with an international standard. While the Government of Saint Lucia accounting policies are based on the concepts embodied in the Revised Laws of Saint Lucia Finance (Administration) Act Cap 15.01. The current financial practices of the government are guided by the Finance (Administration) Act and its attendant Financial Regulations. This Act does not give guidance on measurement, treatment, presentation and disclosure of accounting information which is crucial for users of accounting information.

## **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.

**2.1.1** We completed the audit of five projects for the financial year ended 2017/18 namely:

- Disaster Vulnerability Reduction Project (DVRP)
- Caribbean Regional Communications Infrastructure Programme (CARCIP)
- Geothermal Resource Project
- SEMCAR
- OECS Regional Tourism Competitiveness Project

**2.1.2** 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
- Department of the Public Service
- Department of Sustainable Development
- Department of Tourism, Information and Broadcasting

**2.1.3** 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.

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

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

**2.2.2** 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.

**2.2.3** 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.

**2.2.4** 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.

**2.2.5** 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.

**2.2.6** 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.

## **FINDINGS AND RECOMMENDATIONS**

### **COMPLIANCE WITH APPLICABLE LAWS**

#### **❖ Delays in construction of Dennery Polyclinic**

**2.2.7** We examined the contract awarded for the construction of the Dennery Polyclinic in the amount of XCD 13,742,982.07.

**2.2.8** We noted that while the contract was signed on February 28<sup>th</sup>, 2018 works did not commence in accordance with the General Conditions of Contract 1.1 which requires the start date of works be within 14 days of signing of the contract.

**2.2.9** We attempted to examine the reason for the delays, however the associated records for this activity were not submitted.

**2.2.10** Alternative procedures were then conducted and the following was noted:

- ❖ As at February 7, 2017 a judgement of bankruptcy was declared against the contractor by the court of Mixed Tribunal De Commerce de Fort-De-France.
- ❖ On November 14, 2017 a judgement of judicial restructuring proceedings was initiated, and the contractor was declared in receivership by the court of Mixed Tribunal De Commerce de Fort-De-France.
- ❖ Notification of acceptance of bid and award of contract by the implementing agency to the contractor was done on October 20, 2017 and the contract was awarded on February 28, 2018.

**2.2.11** Upon enquiry and discussions with the PCU we were informed that at the time of tender the said contractor had met the obligatory requirements, including financial, to participate in the tendering process, and as such, no further due diligence was required. Additionally, works had not commenced on the polyclinic because the contractor had submitted requests for information which the client had not yet provided a response to. As of the audit report date, no works have commenced on the Dennery Polyclinic, thus a delay of eight (8) months from contract signing.

**2.2.12** While there are currently no significant breaches to any Laws, Regulations or policies, the value of the contract and the length of delays warrants additional measures to ensure that the activity can be implemented and that any risks which may stem from the contractor's current financial situation be mitigated against.

**2.2.13** We further noted that, the contractor - in documents submitted in Current Contract Commitments/Works in Progress stated that he had one construction activity ongoing in Saint Lucia that would have been completed in November of 2017. Based on talks with the PCU, the said construction activity has not yet been completed at the time of Audit (September 2018).


### **Implications and Risks**

**2.2.14** The absence of all relevant documentation to facilitate pertinent audit procedures increases the risks that weaknesses, non-compliance with regulations, guidelines and policies may not be reported on.

**2.2.15** In this instance, the issues identified via our alternative procedures highlights the need for additional safeguards and measures to ensure that an activity of this scale will be successfully implemented despite the contractor's financial position. There is an increased financial risk including but not limited to – the Contractor's ability to remain a going concern, manage his project cash flows, and by extension, his ability to fulfil his contractual obligations efficiently and effectively.

**2.2.16** Additionally, lengthy delays in the commencement of the construction activity may further compound time lags of other activities such as the supervising consultancy. These may have adverse effects on the time and cost baselines.

### **Recommendations**

-  **We recommend that the current situation be assessed and additional measures put in place to closely monitor and ensure the budgeted activity is completed efficiently.**

✚ In future, documents must be made available to the auditors, in a timely fashion upon request in accordance with the Revised Laws of Saint Lucia Cap. 15.01 Financial Regulations No. 5 (g).

❖ **Climate Adaptation Financing Facility(CAFF) account noncompliant with Financial Regulations**

**2.2.17** The Revised Laws of Saint Lucia Cap 15.01 Financial Regulations Part 17 outlines the requirements for opening and operating a bank account with State funds. It dictates that “**bank accounts shall not be opened or operated except with the approval of the Accountant General.**”

**2.2.18** Section D (l) of the CAFF Operations Manual requires that the Saint Lucia Development Bank (SLDB) operate and maintain a CAFF Designated Account (DA) for the purpose of receipt of advances and disbursement of funds related to the implementation of the CAFF.

**2.2.19** Note 4 of the Notes to the financial statement states “The CAFF Designated Account although managed entirely by the St. Lucia Development Bank is being carried as a bank balance under the special Purpose framework.” Thus, this presentation reports the CAFF as part of the Project’s funds and should be maintained in accordance with Government’s Regulations.

**2.2.20** We saw no evidence that the Accountant General approved the opening and operations of the CAFF Designated account. According to Government’s Regulations, the authority of the operation of a bank account shall be granted **ONLY** to an accounting officer. The SLDB is not an accounting officer of the Government, and we did not see documentation where this legal requirement was waived.

### **Implications and Risks**

**2.2.21** The lack of adherence to the requirements of the Financial Regulations has resulted in the DVRP being non-compliant as it pertains to the CAFF account. Moreover, the Accountant General has no control over the movement of funds lodged into the said account which impedes her ability to monitor, control and report on funds belonging to the State as she is mandated to do.

### **Recommendation**

**The appropriate authorisation should be sort from the Accountant General and a copy of the authorisation be placed on file.**

❖ **Irregularities when dealing with Income taxes associated with individuals employed under PCU**

**2.2.22** The Revised Laws of Saint Lucia, Income Tax Act (Cap. 15.02), part 4 exemption income number 25, exemptions 1 (zk) and (zl) states that the income of the PCU staff, individual consultants, and project coordinator are free from tax - but only for specific projects - for which DVRP is not included. Furthermore,

section 78 of the Income Tax Act addresses the deduction of tax which should be made from payments to contractors.

**2.2.23** However, it was noted that for the period audited, salaries processed directly through government payroll system were taxed whilst those processed manually and paid via cheque were not taxed.

**2.2.24** Upon inquiry, we were informed that a request for dialogue with the Inland Revenue Department and the Management of PCU was made via email in January 2018 to clarify the deductions that should be made from payments to consultants. However, this meeting has not been conducted.

### **Implications and Risks**

**2.2.25** The failure to deduct applicable taxes from remittances from all relevant personnel may have serious implications such as penalties being imposed on the PCU.

### **Recommendations**

- + The management of PCU needs to adhere to the requirements of the Laws of St. Lucia Income Tax Act, and make the necessary deductions from remittances of consultants. Those deductions should in turn be remitted to the Inland Revenue Department (IRD).**
- + In order to facilitate this, an urgent meeting with the IRD needs to be held to seek clarification on income tax deductions.**

### **INTERNAL CONTROLS**

#### **❖ Inconsistencies with contract document and minutes of negotiation**

**2.2.26** When drafting contracts, it is fundamentally important that the particulars embedded in these contracts are clear and aligns with the minutes of negotiation and other supporting documents.

**2.2.27** We noted one instance where the payment to the consultant was stated differently on the contract document than it was presented in the minutes of the negotiation.

**2.2.28** **Civil Works Coordinator's** contract outlined in the schedule of payments a monthly salary was \$13,000.00 with no allowances. However, the negotiation minutes suggested a basic salary of \$10,000.00, telephone allowance of \$500.00 and vehicle allowance \$2,500.00, with a cumulative salary of \$13,000.00 with a gratuity payment at the end of contract on the basic salary.

**2.2.29** While the contract document states the gratuity at \$60,000, we note that his gratuity would be 25% of the Basic salary for which his "Monthly fee" was quoted as \$13,000.00, which is equivalent to \$78,000.

### **Implications and Risks**

**2.2.30** The absence of clear and consistently drawn up contracts increases the risk of disputes between employees and management – by extension – the State.

## Recommendations

- ✚ Future contracts to officers should be clear, consistent, align with the minutes of negotiation and highlight the proper break down of salaries and allowances.
- ✚ It may be necessary to consult with the Attorney General's Chambers to review contracts or to standardise clauses in contracts.

### ❖ The Contract Register was not properly maintained

**2.2.31** *The Revised Laws of Saint Lucia Chapter 15.01 - Procurement and Stores Regulations 25 (2)* requires that the details of any variations made, progress payments, final payments, payment of retention money, deductions for penalties and release of any security or bond deposited with respect to the contract - be contained in the Register.

**2.2.32** During the audit we noted that all the requisite information pertaining to awarded contracts were not entered into the Contract Register. Such as commencement date of contract activity, progress payments and the like.

## Implications and Risks

**2.2.33** The omission of information from the contract register is a contravention of the regulations. A register which is not well maintained - to reflect current and relevant information impedes the efficiency of analysing information and weakens management's ability to effectively monitor contract activities.

## Recommendation

**We recommend that the contract register be updated, and maintained in a timely fashion so as to be in compliance with the regulations as well as improve operational efficiency.**

### ❖ Contracts entered into were not recorded on the Procurement Plan, and inconsistencies noted between information on the Procurement Plan and Contract Register

**2.2.34** Project management best practice dictates that common information reflected in the procurement plan be consistent with that which is reflected on the contract register – as it pertains to contracts awarded.

**2.2.35** We compared information for fifteen (15) contracts issued during the financial year 2017/18 in the Contract Register against details as per the May 3, 2018 updated Procurement Plan and noted the following:

1. Five (5) of the contracts listed in the Contract Register were not recorded in the Procurement Plan. The aggregate sum of these five (5) contracts was USD 671,051 (XCD 1,803,319).
2. Two (2) contracts for which particular details were different on the two documents. For one such contract there was a difference of USD 568,037.16 (XCD 1,526,997) between the contract sum recorded on the two documents; with the Contract Register having the higher value. For the other contract we noted a difference with the commencement dates noted on the two documents.



## **Implications and Risks**

**2.2.36** When pertinent project management documents do not reflect consistent information, the credibility of all such information is lost and can provide inaccurate information to decision makers and other users of the information.

## **Recommendation**

**We recommend that the procurement plan and the contract register be adequately maintained and reviewed in order to reflect consistent information.**

### **❖ Activities reported on the Interim Financial Reports deviated from the evidence seen**

**2.2.37** As per the DVRP's Operations Manual the IFR's should contain a narrative outlining the major project achievements each quarter. An assessment of the IFR's revealed an aggregate total of one hundred and forty-three (143) itemized line activity achievements reported per the Quarterly Activity Statements for the year.

**2.2.38** During this assessment we noted the following:

1. Eight (8) itemized line activity achievements reported could not have been validated because the evidence was not found.
2. Four (4) itemized line activity achievements reported were inaccurate. These are listed below:
  - a. Contract was awarded for USD 308,091.00. We noted that the contract was awarded for USD 308,091 and XCD 244,239.
  - b. Construction of Choiseul Secondary School Block A was 60% complete as at the end of the quarter ended March 31, 2018. We were informed that there was a typographical error and it should have been Block C.
  - c. An achievement for Consultancy Services to assess the impact of Feral Pigs stated that negotiations with the selected firm was held on March 21, 2018. We noted that the negotiations were held on April 24, 2018. Also, that a contract had been awarded to Animal and Plant Life Agency, however, we were informed that a contract had not been awarded for this activity.
  - d. One of the achievements for the Public & Education Awareness Materials and Plans was that a firm had been selected for the production of a Jingle and Music Video. However, a selection had not been made.

## **Implications and Risks**

**2.2.39** Inaccurate information can be misleading to users of the information, influence poor decision making, and may adversely affect the efficiency of monitoring the activities under the Project.

## **Recommendation**

**It is imperative that due care be taken when compiling and reviewing relevant information, so as to ensure that the quarterly activity summaries are reported accurately in the IFR's.**

## ❖ **Insufficient project management tools and risk management planning**

**2.2.40** 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.

**2.2.41** In addition to a risk management plan, 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.

**2.2.42** However, we noted that there was no documented project management plan, risk 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. Also, that the procurement plan was not adequately maintained.

**2.2.43** 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.

**2.2.44** The absence of this plan and sub-plans has been highlighted in previous audit reports. However, to date, this issue remains unresolved and its impact can be seen in the following issues highlighted:

1. Activities that become inputs into other activities were completed late – the detailed design of the Soufriere Hospital and the rehabilitation of the Soufriere Hospital were contingent on the deliverables of the Vulnerability Assessment Studies and Value Engineering of Design options. Consequently, the delays in the assessment, adversely affected the timing of dependent activities.
2. Nineteen (19) activities which were budgeted to start prior to the end of the financial year had not started as per the information contained in the procurement plan. Of the Nineteen (19) activities identified twelve (12) were consultant services, two (2) were goods, one (1) was works and four (4) were training and operating costs.

**2.2.45** Explanations were given by the PCU as to the delays in the above stated activities.

### **Implications and Risks**

**2.2.46** The absence of an approved project management plan or work plan and its associated sub plans and risk management 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.

**2.2.47** Furthermore, one of the qualities of good information is that it be complete, omission of the actual status of the activities in the Procurement Plan does not give an accurate account of the activities to the users of the information provided therein.

## Recommendations

- ✚ A Risk Management Plan should be prepared, approved and adequately maintained throughout the life of the project by appropriately skilled persons;
- ✚ A Project Management Plan along with its associated sub plans should be prepared, signed off, and made available to the PCU to facilitate proper monitoring and control of the project.

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

**2.3.1** 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.

**2.3.2** The expected closing date of the Project was February 01, 2017, it was extended to August 2018 and then to February 2020.

**2.3.3** 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.

**2.3.4** 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.

## FINDINGS AND RECOMMENDATIONS

### CENTRAL GOVERNMENT'S ACCOUNTS

#### ❖ Country system was not fully used

**2.3.5** During the financial period, the PCU was expected to use the country system to process 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.

**2.3.6** As with the previous year, we again noted that direct processing of expenditure of approximately **USD\$844,738.63** or **EC\$2,270,826.40** representing **83.3%** of total expenditure incurred by the Project during the financial year was processed directly by the PCU and was not paid through the Accountant General's Accounts. When the country system is used as intended, expenditure is processed through the

Accountant General's accounting system (smart stream) and journals are prepared to record bank charges, revenue, and to effect adjustments to the account.

**2.3.7** We were informed that these payments were processed by the PCU due to delays experienced in attempting to use the country system. These delays mainly resulted from government's inability to meet the cash requirements at the times required by the PCU.

### **Implications and Risks**

**2.3.8** The PCU was unable to utilize the country system as intended, which should have resulted in more efficient accounting.

### **Recommendations**

**Greater dialogue and planning is required to ensure that the Country System can be fully utilized. The Implementing Agency, Accountant General's Department and the PCU must strategize to address the delays and cash flow issues which prevent for adequate processing of transactions.**

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

**2.3.9** 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.

**2.3.10** Our audit determined that capital expenditure financed by the International Development Agency (IDA/World Bank) funds for the financial year was **USD\$1,013,271.38** or **EC\$2,723,876.12**. However, the capital revenue reflected in the Central Government's accounts was **USD\$991,911.43** or **EC\$2,666,456.30**, an understatement of **USD\$21,359.95** or **EC\$57,419.82**.

**2.3.11** Also, we found that expenditure incurred by the GOSL from bond funds for the financial year was **USD\$5,054.55** or **EC\$13,587.64**. However, bond revenue to cover that expenditure was not recorded in the Central Government's accounts.

### **Implications and Risks**

**2.3.12** 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 of the Government of Saint Lucia being misstated and misleading to users. This could also affect the PCU's ability to fully utilize the country system in accounting for the project's revenue.

### **Recommendation**

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

#### **❖ Gratuity was incorrectly classified in Central Government's accounts**

**2.3.13** The account 2211206-0291001-3CA3 in the central government's accounts records salaries expenditure incurred under CARCIP and account 2211206-0291007-3CA3 is used to record gratuity payments. It was observed that gratuity totalling **XCD\$52,573.00** or **USD\$19,556.95** was recorded in the salaries expenditure account (2211206-0291001-3CA3) instead of the gratuity account (2211206-0291007-3CA3).

**2.3.14** Although an adjustment was made to correctly classify part of the gratuity totalling XCD\$12,250.00, it was noted that the adjustment was reflected in the accounts for financial year 2018/2019. Thus at year end 2017/2018, the central government's accounts are still incorrect.

### **Implications and Risks**

**2.3.15** This has resulted in an incorrect amount reflected in the central government's accounts.

### **Recommendation**

**An adjustment is required to reflect the correct amounts in the accounts.**

## **COMPLIANCE WITH TERMS OF CREDIT AGREEMENT AND APPLICABLE LAWS AND REGULATIONS**

### **❖ Consultancy commenced and was completed before approval to award contract was given**

**2.3.16** Procurement of consultant services using the Single Source procurement method requires the review and approval of the terms of reference (TOR) by the Bank. Subsequently the contract is approved by the relevant parties, the successful individual is issued a contract and the works commence upon signing of the contract.

**2.3.17** The PCU submitted the TOR for engaging the telecommunications advisor to provide technical assistance with negotiation of the Private Public Partnership to the Bank on August 4, 2018. By email dated August 8, 2018 the Bank gave its no objection to the TOR.

**2.3.18** It was observed that the contract between the Department of the Public Service and the Telecommunication Expert was entered into on August 7, 2017 for a sum of £10,000.00. The contract stipulated that the consultant shall perform the services during the period commencing August 7, 2017 and any other period as may be subsequently agreed by the parties.

**2.3.19** A request for an award of contract selection of consulting services –telecommunication advisor was made by the Permanent Secretary of the Department of Economic Development, Transport and Civil Aviation to the Minister of Finance on December 19, 2017. Four (4) months after the contract was entered into with the consultant on August 7, 2017. Given this, the contract was entered into before approval by the Minister of Finance.

**2.3.20** The Director of Finance by memorandum dated January 22, 2018 informed the Permanent Secretary of the Department of Economic Development, Transport and Civil Aviation that the Minister of Finance had granted approval for a contract by direct purchase to the Telecommunication Expert of England for the amount of £10,000.00. This approval was granted five (5) months after the contract was entered into on August 7, 2017.

**2.3.21** The Telecommunication Expert submitted a report on September 5, 2017 to the CARCIP which was reviewed by the Project Coordinator and submitted to the Permanent Secretary Department of Economic Development, Transport and Civil Aviation by the Permanent Secretary Department of Public Service on October 23, 2017. **This was an indication that work commenced before contract was approved by the Minister of Finance in January 22, 2018.**

**2.3.22** The Telecommunication Expert submitted an invoice for EC\$38,499.59 in September 7, 2017 which was four (4) months before the contract was approved. However, we note that he was paid in February 2018 subsequent to the signing of the contract.

### **Implications and Risks**

**2.3.23** Given the above, a contract was entered into which was not approved by the Minister of Finance, thus preempting the decision of the Minister. During the period of not having a contract the government was exposed to the risk of legal action in event of conflict or dispute.

### **Recommendation**

**The Implementing Agency as well as the PCU should ensure that the control system provides for adequate time to for negotiations, processing of contracts and approval prior to commencement and completion of works.**

- ❖ **No evidence was seen to indicate that the Project Steering Committee functioned as per the requirements of the financing agreement**

**2.3.24** Schedule 2 Section I B (1) (b) of Credit Number 5117-LC Financing Agreement between St Lucia and the IDA dated June 26, 2012 stipulates that the Project Steering Committee will be responsible for providing policy guidance to ensure prompt and efficient implementation of the project, including inter alia (i) reviewing progress made towards achieving the Project's objective; (ii) facilitating the coordination of Project activities and making recommendations for removal of any obstacles to the implementation of the Project; (iii) providing comments on reports and reviews prepared by the Project Coordinating Unit; and (iv) approving the Business or Training Plans in accordance with the Business Incubation and Training Grants manual.

**2.3.25** We were informed that a Project Steering Committee was established and maintained during the audited period. We requested minutes of the Committee's meetings to determine whether they functioned as required by the financing agreement. We were not provided with the minutes of the meetings. We were however informed that the Project Steering Committee focused mainly on the negotiation of the Buildout Broadband Network contract for the audited period.

### **Implications and Risks**

**2.3.26** Thus, we were unable to determine whether the Committee functioned as per the requirements of the financing agreement.

### **Recommendation**

**The necessary supporting documents should be provided for auditing.**

- ❖ **A Business Incubation and Training Grants Manager was not maintained at all times**

**2.3.27** One of the conditions of Credit Number 5117-LC Financing Agreement between St Lucia and the IDA dated June 26, 2012 stated in Schedule 2 Section I B (3) (a) is that the recipient shall appoint and maintain at all times during the implementation of the project, a firm or an individual to serve as Business Incubation and Training Grants Manager, with terms of reference and function satisfactory to the Association.

**2.3.28** The expected closing date of the project was stated as August 2018. The Business Incubation and Training Grant Manager resigned effective May 1, 2017, sixteen (16) months before the expected closing date of the project, with no replacement being hired.

**2.3.29** According to the terms of reference the Business Incubation and Training Grant Manager was responsible for disbursing, administering and monitoring of business incubator and training grants and reporting to the Project Steering Committee on all approved Business Incubation Grants or Training Grants.

**2.3.30** In the aide memoire of June 8-9, 2017 it was stated that the grants for both programs were to be fully awarded and disbursed by June 2017 with a few exceptions, the program was expected to be successfully completed. Thus, the Grants Manager resigned in May 2017 at the conclusion of the component activities.

**2.3.31** However, a spreadsheet detailing the status of business incubation grants as at October 2017 submitted to us by the PCU revealed that as at October 2017 out of twenty (20) business grants issued, nine (9) were not fully disbursed, three (3) were terminated and eight (8) were fully disbursed. Disbursements of grants continued throughout the audited period of March 31, 2018 and to date July 2018 not all grants have been disbursed.

**2.3.32** Further, it was stated in the variance analysis prepared by the Project that the business grants were expected to be completed and fully disbursed by September 2017; however, the resignation of the Business Incubation and Training Grant Manager led to some gaps with regards to the execution of the final round of business grants and follow up with trainers. Given the preceding, a Business Incubation and Training Grants Manager was still required.

### **Implications and Risks**

**2.3.33** From the PCU's reporting, the lack of a Business Incubation and Training Grants Manager resulted in the delays in the execution of the final round of business grants.

### **Recommendation**

**The PCU should at all times maintain the required staff necessary for the successful implementation of the Project.**

#### **❖ Reporting terms of some contracts were not met**

**2.3.34** Annex B Reporting Obligations of the Contract for Consulting Service #23 between the Department of Public Service and the Project Coordinator states that the Project Coordinator shall prepare monthly reports on progress of planned activities to be implemented and quarterly reports of a form and annex to the Interim Unaudited reports. The Permanent Secretary will review and provide feedback on all reports received.

**2.3.35** The monthly reports of planned activities to be implemented was not prepared by the Project Coordinator. In addition, no evidence was seen of review and feedback on quarterly reports submitted to the Permanent Secretary.

**2.3.36** The Procurement and Contract Management Officer was responsible for the updating of the procurement plan; however, this plan has not been updated. The conditions for payment on contract was not met. Notwithstanding, payments were made on these contracts.

**2.3.37** We also noted that the requirements of contract conditions for DIG contract #7 with CSDC payments was not adhered to. Payments should have been made in proportions but a lump sum payment was made.

### **Implications and Risks**

**2.3.38** 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.

### **Recommendations**

- ✚ 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.**
  
- ❖ No evidence of no objection by the Bank for extension of contract was seen**

**2.3.39** Section V Selection of Individual Consultants Appendix 1 – Prior Review – No 3 – modification of signed contracts of the Guidelines Selection and Employment of Consultants Under IBRD Loans and IDA Credits & Grants by World Bank Borrowers January 2011 states that in the case of contracts subject to prior review, before agreeing to (a) an extension of the stipulated time for performance of a contract, the borrower shall seek the Bank's no objection.

**2.3.40** The contract period for the Project Coordinator of CARCIP was extended from April 1, 2017 to August 31, 2018. It was noted that in the Aide Memoire dated June 8-9, 2017 annex 1, one of the activities that the PCU was required to do was to send a request for no objection to renew CARCIP's Project Coordinator contract. We saw no evidence that a no objection was sought for the extension of the contract.

### **Implications and Risks**

**2.3.41** The risk exist that the terms of employment may not be satisfactory to the Bank which could result in the payments made to the consultant being deemed ineligible and the Government of Saint Lucia having to reimbursed the Bank for these amounts.

### **Recommendation**

**The PCU should submit all required documents for the Bank's no objection.**

- ❖ The Procurement Plan was not approved and needs to be updated**

**2.3.42** Section 1.25 Procurement Plan in the Guidelines Selection and Employment of Consultants Under IBRD loans and IDA Credit and Grants by World Bank Borrowers January 2011 stipulates that the borrower shall update procurement plans throughout the duration of the project at least annually by including contracts previously awarded and to be procured in the next 12 months. All procurement plans and their updates or modifications shall be subject to the Banks's prior review and no objection before implementation.



**2.3.43** In the last management letter it was stated 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, a no objection of this updated plan has not been seen to date July 11, 2018.

**2.3.44** During this audit the procurement plan dated June 19, 2017 was submitted for auditing. The examination of the procurement plan revealed that not all the dates were indicated for some activities.

**2.3.45** Allocated and actual dates were not indicated for the Business Incubation grants round 1-7, round 2-6 and round 3. Also, for the activity Business Incubation grant (amendment for Medical Solutions resubmission) allocated and actual dates were not indicated.

**2.3.46** Actual dates were not indicated for activities - Skills Development and certification soft skills (soft skills + capacity building) – NSDC, Skills Development – Stipends, Skills Development and certification soft skills (soft skills + capacity building) – graduation and support for pilot application. These activities have been completed.

**2.3.47** Allocated date was not indicated for the activity Impact Assessment for the unified communication system.

**2.3.48** In discussion with the Finance Manager it was indicated that two of the activities TA legal and regulatory safeguards for open access for NTRC/Public Utilities and the Support for Pilot application #2 listed in the Procurement Plan will no longer be done. This was not indicated in the procurement plan.

### **Implications and Risks**

**2.3.49** The necessary information to track and monitor progress of some activities was not available, thus, impacting the PCU's ability to take remedial action if it became necessary.

### **Recommendation**

**The PCU should update the procurement plan and seek the Bank's no objection for any updates or modification made.**

#### **❖ Income tax deducted from salaries paid for Consultant and Project Coordinator**

**2.3.50** The World Bank Operational Memorandum, section 3(a), which relates to the Bank's policy on financial income taxes states that income taxes levied by the borrower countries on payment to consultants under consultant contracts 2 and on payments for salaries of PCU staff are not eligible for financing under Bank loans.

**2.3.51** Further, the Revised Laws of Saint Lucia, Income Tax Act (Cap. 15.02) part 4 exemption income number 25 exemptions 1 (zk) and (zl) states that the income of the PCU staff, individual consultants and project coordinator were free from tax but only for specific projects for which CARCIP is not included.

**2.3.52** It was noted that for the period audited salary for the Project Coordinator for the months August 2017 – March 2018 was paid via the GOSL payroll and tax was indicated on the salary slip as being deducted. The total amount deducted for tax was USD\$1,831.19 or EC\$4,922.60. For the months of April – July 2017 salary to the Project Coordinator was paid directly by the Project. The total amounts of USD\$20,000.00 or EC\$53,764.00 was paid to the Project Coordinator, there were no deductions for PAYE.

**2.3.53** Salary for the TA & Incubation Manager was paid via the GOSL payroll for April-May 2017. Deduction of PAYE totalling USD\$396.64 or EC\$1,066.25 was seen on the salary slip.

#### **Implications and Risks**

**2.3.54** The different requirements of the World Bank's guidelines and the Laws of Saint Lucia has caused an anomaly as the two requirements contradict each other. This then leads to ambiguity as to whether staff are required to pay PAYE or exempt and can have serious implications of penalties if it is deemed that they are required to pay and have not.

#### **Recommendation**

**The PCU should meet with the Inland Revenue Department to discuss the discrepancy and take the necessary steps to rectify the anomaly.**

#### **❖ Employer's contribution to NIC was not remitted in accordance with the regulations**

**2.3.55** The National Insurance Corporation Act Chapter 16.01 8 (1) states that "In each month, every employer shall complete the remittance statement appropriate to that month...not later than 7 days after the end of the month" and Chapter 16.01 11 (1) states that "For each contribution period for which an insured person is paid wages, the employer's contribution and the employee's contribution shall each be 5%..."

**2.3.56** For employees paid via the Government payroll, the employee's and employer's contribution is paid by the Accountant General's department.

**2.3.57** Employee's and Employer's contribution for the Project Coordinator of **USD\$557.99** or **EC\$1,500.00** for the months of May-July 2017 was paid in October 2017. Payments were made as much as **seven (7) months late**.

#### **Implications and Risks**

**2.3.58** The employee may not be entitled to benefits when it is required if the NIC is not paid on their behalf.

#### **Recommendation**

**Payments of NIC should be made on a monthly basis and for all employees.**

#### **❖ Bank account had an overdraft**

**2.3.59** The Revised Laws of Saint Lucia Financial Regulations No. 114 stipulates that an accounting officer shall not overdraw a bank account operated by him or her.

**2.3.60** The Project EC Dollar account 901329789 had an overdraft balance of **USD\$19,451.90** or **EC\$52,290.60**. We were informed that this account was overdrawn because a request for a transfer was processed before year end.

#### **Implications and Risks**

**2.3.61** The risk exist that charges could be incurred for overdrawn balances which could result in increased costs to the Project.

## **Recommendation**

**The PCU should monitor the bank balances to ensure that there are funds available before processing payments.**

## **INTERNAL CONTROLS**

### **❖ Annual physical inspection of assets was not conducted**

**2.3.62** The Operations Manual of the CARCIP states that at least one annual physical inspection of assets will be undertaken by the implementing agency and the PCU staff, preferably with the participation of the internal and external auditors.

**2.3.63** Revised Laws of Saint Lucia Cap 15.01 Procurement and Stores Regulation No.39 (3) require accounting officers to ensure that all inventories are checked against physical stocks on hand at least once a year and whenever there is a change of officer in care of an institution or establishment or of an occupant of Government quarters or Government assigned residence. Further, Regulation No. 43 states that all items of plant and equipment shall be entered in a plant and equipment register.

**2.3.64** The fixed asset register maintained by the PCU revealed that assets valued at **USD\$178,256.87** or **EC\$479,190.13** were purchased under the project. These assets are located at various locations. We were informed that an annual physical inspection of assets was not done.

**2.3.65** We conducted a physical count of a sample of assets at the Department of the Public Service and compared them with the fixed asset register. We noted that eighteen (18) of the assets with a purchase price of **USD\$11,855.96** or **EC\$31,871.19** were not at the location indicated on the fixed asset register. We could not verify some equipment -keyboards and mouse because the Project Coordinator was unable to locate these assets and was not aware whether these assets were disposed of or were still in their possession. Also, two (2) HP Envy laptops purchased for **USD\$2,352.88** or **EC\$6,325.00** could not be verified because their location was not known.

**2.3.66** Some of the items seen were not listed on the inventory listings of the receiving agency. Additionally, an equipment register was not maintained by the Department of Public Service within which the items received from the PCU should have been recorded.

**2.3.67** We were unable to verify the existence of the white D-Max Double Cab Van purchased in 2012 under the CARCIP for a sum of **USD\$31,211.62** or **EC\$83,903.08**. Investigations revealed that the vehicle was involved in an accident.

## **Implications and Risks**

**2.3.68** The risk exists that assets may be stolen, lost or misplaced without the implementing agency being aware.

## **Recommendation**

**The implementing agency and the PCU staff should with immediate effect conduct a count of all assets and thereafter conduct at least one annual inspection of assets.**

❖ **Payment Voucher was not signed by all three signatories**

**2.3.69** The Project Coordination Unit Guidance Notes require all payment vouchers and cheques be signed by three signatories. The first level signature should be from the PCU, the second level from the implementing agency and the final level from the Accountant General.

**2.3.70** For a sample of payment vouchers the examination revealed that these payment vouchers did not have the required three signatures as required. The signatures seen for the sample examined were from the P.C.U and the Accountant General Department.

**Implications and Risks**

**2.3.71** The implementing agency may not be aware of pertinent expenditures of the project.

**Recommendation**

**The PCU should have payment vouchers signed by all three levels of signatories.**

❖ **Operations Manual needs to be updated**

**2.3.72** The Operations Manual states that “upon selection, a contract must be prepared for the duration of the employment, signed by the Permanent Secretary and the Project Coordinator, the selected employee and a witness.”

**2.3.73** All contracts issued by the PCU were duly signed by the Permanent Secretary of the Department of the Public Service and the employee. The contracts were not signed by the Project Coordinator and a witness.

**2.3.74** We were informed that contract law requires the contract to be signed by the employee and the employer.

**Implication and Risk**

**2.3.75** The requirement in the operations manual is not in keeping with contract law.

**Recommendation**

**The PCU should revise their policies as it relates to persons responsible for signing contract documents in keeping with the requirements of current Laws and standards.**

❖ **Contract was not negotiated in a timely manner**

**2.3.76** It is expected that individuals are employed only when the contract documents have been signed and that contracts are negotiated in a timely manner.

**2.3.77** The expected closing date of the Project was slated for August 2018. The Project Coordinator’s contract period was July 1, 2015 to April 2017. Therefore, it was necessary that a Project Coordinator be contracted by May 2017 to enable continuity of the Project.

**2.3.78** An extension to the Project Coordinator’s contract for the period July 1, 2015 to August 31, 2018 was signed in July 14, 2017. We noted that the Coordinator worked for the period May-June 2017.

However, for the period May -June 2017 there was not a signed agreement/contract between the Project Coordinator and the Government.

### **Implications and Risks**

**2.3.79** In the event of a dispute during the time that the contract was not signed and work commenced there is no agreement that the parties can use to settle disputes. This puts the Government at a disadvantage.

### **Recommendation**

**The PCU should negotiate contracts in a timely manner to ensure that there is continuity in contract periods where needed.**

#### **❖ No evidence was seen to indicate that the payroll was reconciled**

**2.3.80** One of the procedures over salaries is that the Accountant must reconcile the salaries paid by the Accountant General against the records maintained by the PCU. **(The Operations Manual)**

**2.3.81** We were informed that the salaries paid are reconciled against the records maintained by the PCU. We were not given a reconciliation statement as evidence that the salaries paid by the Accountant General were reconciled by the PCU.

### **Implications and Risks**

**2.3.82** There is no evidence to indicate that the payroll was monitored in order to take corrective action if and when anomalies were discovered.

### **Recommendation**

**The PCU should prepare a reconciliation statement when reconciling the salaries paid by the Accountant General's department with their records. This will provide adequate documentation to assist in monitoring payroll and ensuring that adjustments are made when necessary.**

#### **❖ Insufficient project management tools**

**2.3.83** 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.

**2.3.84** 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.

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

## Implications and Risks

**2.3.86** 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.

## Recommendations

- ✚ **A Project Management Plan along with the associated sub plans should be prepared, signed off, and made available to the PCU to facilitate proper monitoring and control of the project.**
- ✚ **The PCU should ensure that adequately skilled personnel form part of project planning teams.**
- ✚ **Measures should be put in place to mitigate the risk of adverse timing of implementing activities.**

❖ **Evidence of receipt of goods was not seen in all instances**

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

**2.3.88** In addition, the Requisition Order forms used by the PCU make provision for an officer to sign upon the delivery and receipt of goods purchased.

**2.3.89** We noted four (4) instances where the requisition order forms were not signed to acknowledge the delivery and receipt of some items purchased during the year. These items were:

Invoice Date	Supplier	Item Purchased	Cost EC\$
27.02.17	Rayomed	Microplate reader	36,307.50
27.06.17	Techland	Tracker, scanner, handheld oscilloscope	30,000.00
19.05.17	Computer & Business Services Ltd	Dell laptop, galaxy notebook	13,865.77
03.04.17	Computer & Business Services Ltd	Desktop	4,149.00

## Implications and Risks

**2.3.90** There is no proof that goods purchased were actually received and correctly invoiced.

## Recommendation

**The PCU should ensure that all requisition order forms are signed when goods are received.**

## 2.4 GEOTHERMAL RESOURCE PROJECT

**2.4.1** 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.

**2.4.2** 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.

## **FINDINGS AND RECOMMENDATIONS**

### **CENTRAL GOVERNMENT ACCOUNTS**

#### **❖ Differences in expenditure reported by the Project and the amount reflected in the Central Government's accounts**

**2.4.3** Total expenditure incurred by the project for the period was US\$445, 617.29 or EC\$1,197,908.39, while total expenditure recorded in the Central Government's accounts was EC\$484,051.72. As a result, the project's expenditure was understated in the Central Government's accounts by EC\$713,856.67.

**2.4.4** We noted that journal adjustments totalling EC\$1,341,353.44 were prepared and posted by the Department but not yet approved by the Accountant General's office, thereby giving an aggregate expenditure in the Central Government's accounts of EC\$1,825,405.16 or EC\$627,496.77 in excess of the project's recorded expenditure.

**2.4.5** We were informed that expenditure reported in the Accountant General's accounts and on the journals reflected transactions for both grants<sup>1</sup> under the Geothermal Resource Development Project. The journal details did not contain any information which could be used to identify the specific grant which was used to finance the expenditure.

#### **Implications and Risks**

**2.4.6** Transactions in the Central Government's accounts are misleading as the expenditure pertains to both grants and not just the SIDS DOCK Grant and may therefore not be suitable for decision making.

#### **Recommendation**

**The Department should ensure that correct information is reported in the Central Government accounts and that transactions are adequately identified to differentiate between the two grants.**

#### **❖ Capital revenue was not completely recorded in the Central Government's Accounts**

**2.4.7** To ensure completeness of information in the Central Government's accounts, both capital expenditure and capital revenue related to the project must be recorded. Government's accounting policy requires that the capital revenue to match the capital expenditure be posted simultaneously in the Central Government's accounts. Therefore, capital expenditure and capital revenue should be the same.

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<sup>1</sup> (SIDS DOCL Grant No. TF18390 and GEF Grant No. TF018581)

**2.4.8** However, while the total expenditure recorded in the Central Government's accounts at year-end was EC\$484,051.72, we observed that EC\$554,801.44 was posted under the revenue account 5506203-0472000 for IDA grant funds thus resulting in an overstatement of EC\$70,749.72.

#### **Implications and Risks**

**2.4.9** The revenue recorded in the Central Government's accounts is inaccurate, giving rise to incorrect account balances. Consequently, the risk of compiling incorrect financial statements on behalf of the government as a whole is increased.

#### **Recommendation**

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

### **INTERNAL CONTROLS**

#### **❖ Accountant General's personnel approved one payment above the authorized limit**

**2.4.10** We observed that an officer from the Accountant General's Office with an authorized limit of EC100, 000.00 approved a payment voucher of US\$179,950.80 (EC\$483,743.74). Enquiry with the Accountant General's department confirmed that no changes had been made with regards to the officer's limit and thus, the officer was not authorized to approve such a transaction. This therefore contravened the Accountant General's internal policies.

#### **Implications and Risks**

**2.4.11** Authorization limits are set to ensure that payments at different levels are approved by personnel who Management deems competent and capable to review such transactions. Violations of such policies set by management could lead to the weakening of the internal control system established to protect against errors, losses and fraud.

#### **Recommendation**

**Management should ensure that controls measures implemented are adhered to at all times.**

#### **❖ Deviations from established procedures**

**2.4.12** In examining the accounting records, we noted some instances of deviations from established procedures. While these were few in nature and not material to impact the financial statements or the Auditor's opinion given, we would like to highlight these incidences so appropriate corrective action can be taken to strengthen the internal control system and operate more efficiently.

#### **○ Some payment vouchers did not have the required signatures**

**2.4.13** While we note that the PCU's internal policy<sup>2</sup> requires that all payment vouchers and cheques should contain three signatures<sup>3</sup>, we noted three incidences where the payment vouchers did not have all the required signatures although the cheques were properly endorsed.

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<sup>2</sup> Guidance notes

<sup>3</sup> 1 authorized officer from the Project Coordination Unit (PCU), 1 from the Implementing Agency (Accountant) and 1 from Accountant General's Department (any approver).



Name on Invoice	Description	Cheque Number	Amount	Missing Signature on Payment Voucher
Leo's Restaurant	Catering services	129	EC\$380.00	Department of Sustainable Development
Valerie Leon	Reimbursement for meals	162	EC\$118.00	Department of Sustainable Development
Accountant General	Reimbursement of salary	183	EC\$22,589.42	PCU

**2.4.14** We note that these incidences only occurred on the payment vouchers and therefore can be addressed with management instituting more stringent review measures prior to payments to ensure that the required signatures are affixed to vouchers.

- **Transaction date as per cheque was different from transaction date as per general ledger**

**2.4.15** Within our examination we noted two instances where the transaction date as per the cheque differed from the date in the general ledger. While the dates were within the same month it is still important that due care be taken in processing and reviewing general ledger transactions to ensure accurate information is recorded.

Cheque number	Transaction date as per cheque stub	Transaction date as per general ledger
129	26 May 2017	22 May 2017
130	26 May 2016	25 May 2017

**2.4.16** Again, in order to improve efficiency, management should ensure that there are proper reviews to highlight any of these incidences and take corrective action prior to finalizing the financial statements.

- **Internal policies do not give clear guidelines to the date by which reconciliation statements should be approved**

**2.4.17** The PCU's internal policies give guidance on the date by which reconciliations statements should be prepared. However, it does not address the date by which the statements should be reviewed, certified and any required corrective action should be taken. While deadlines on preparation of reconciliations are necessary, it is also important that the PCU extends its procedures to include timelines for the review process. This would further strengthen the PCU's system of internal control.

- **Appropriate operation continuity**

**2.4.18** We noted one instance where the PCU exceeded the grace period for the preparation of bank reconciliations for both accounts<sup>4</sup>. Bank reconciliations for August 2017 which should have been prepared by September 7, 2017 were prepared October 05, 2017, twenty (20) working days late. We were informed that the lateness occurred because both the officer who prepares the reconciliation statement and the officer who deputizes in her absence were both on leave. In instances of this nature, it is incumbent on the PCU to ensure that whenever leave is granted to staff that there are appropriate measures in place to facilitate operational continuity within the parameters that have been set for efficient operations.

<sup>4</sup> Bank account number 901385581 and 901385420

## **2.5 SEMCAR BUDGET AND REVENUE ENHANCEMENT PROJECT**

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

#### **❖ Revenue and expenditure were not recorded in the central government's accounts**

**2.5.1** 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.

**2.5.2** Our audit determined that total capital revenue received from the Canadian Department of Foreign Affairs, Trade and Development funds for the period was US\$1,442,758.69 or EC\$3,878,432.91 which was fully expended. In addition, revenue of US\$1,251.57 or EC\$3,364.47 was received from the sale of tender documents of which US\$225.54 or EC\$606.30 was expensed. However, no revenue or expenditure was recorded in the Central Government's accounts, resulting in an understatement of 100% of revenue and expenditure.

**2.5.3** The aforementioned understatements resulted from the absence of the required project's accounts in SmartStream to facilitate postings as budgetary allocations were not made for the grant in the central government's accounts.

#### **Implications and Risks**

**2.5.4** The Project's revenue and expenditure for the financial year is not reflected in the Central Government's accounts. If corrective action is not taken the Government's financial statements will not be fully reflective of the State's financial performance.

#### **Recommendation**

**Budgetary provisions should be made for funding and all necessary entries should be made to accurately reflect capital revenue and expenditure in the Central Government's accounts.**

### **INTERNAL CONTROLS**

#### **❖ Appropriateness of certification of invoices could not be ascertained**

**2.5.5** Financial Regulations 70 (2) states that the responsibility for any incorrect certification lies with the officer certifying the invoice. As such, it is important that the certifying officer affix his or her signature to the invoice. The certification process provides for proper internal controls which indicate that the transaction was approved and followed the prescribed guidelines.

**2.5.6** However, during the audit we noted three instances where invoices were stamped certified correct but the name of the officer who certified the invoices was not affixed. Consequently, we were unable to determine whether the persons who certified the invoices as correct were authorised to do so. The invoices pertained to the supplier B&B Money Savers Inc. and numbered 013594, 013595, and 013593.

#### **Implications and Risks**

**2.5.7** The lack of certifying signatures on invoices makes it difficult to determine whether established controls of authorizations and certification are adhered to and whether oversight is being effectively discharged.

## Recommendation

The PCU must ensure that all invoices are subjected to the same controls and that all personnel consistently discharge their function by properly certifying invoices. Reviewers must ensure that all procedures are adhered to prior to payment.

### ❖ Inadequate payment instrument signatories

**2.5.8** Regulation 117 of the Financial Regulations requires that cheques be signed and countersigned by authorized persons determined by the Accountant General.

**2.5.9** For the approval of financial instruments and bank transfer requests three signatories are required. During the audit we noted four cheques - number 13, 21, 43 and 60 as well as two transfer requests carry general ledger numbers 29 and 30 containing only two signatories.

**2.5.10** Additionally, we noted that a bank transfer in the amount of XCD \$134,410.00 was signed off by an officer from the Accountant General's department whose authorization limit stood at XCD \$100,000.00.

## Implications and Risks

**2.5.11** The inadequate authorization of payment instruments and bank transfer requisitions is tantamount to unauthorized payments and breach of internal controls.

## Recommendation

Approval and or authorization protocols should be adhered to at all times, and within set limits.

### ❖ Discrepancies noted on the fixed asset register

**2.5.12** It is expected that the information represented in the fixed asset register be in alignment with supporting documents. However, during the audit we noted a number of discrepancies as highlighted below:

Item	Register Record	Supporting Document Record	Type of Supporting Document
Color NETWPK Printer (Star Micronics SP742ME GRY Impact A)	2264616120601320	2264616120601328	Delivery Note
Color NETWPK Printer (Star Micronics SP742ME GRY Impact A)	2264616120601330	2264616120601332	Delivery Note
Receipt Printer (Page Wide Pro MFP 577DW HPI-CN6CKFY01Z)	St. Vincent & the Grenadines	Dominica	Delivery Note
Receipt Printer (Page Wide Pro MFP 577DW HPI-CN6CKFY021)	St. Vincent & the Grenadines	Dominica	Delivery Note
HP Pro Desk 600 with HP 20" Monitor	44 items (CPU & Monitor each)	25 items (CPU & Monitor each)	Invoice 23131
HP Pro Desk 800 with HP 20" Monitor	20 items (CPU & Monitor each)	39 items (CPU & Monitor each)	Invoice 23131

Item	Register Record	Supporting Document Record	Type of Supporting Document
HP Pro Desk 600 with HP 20" Monitor	Grenada -40 HP Pro Desk 600	Grenada – 39 – HP Pro Desk 600	Pre-Delivery/Shipment Inspection Certificate & Packing List
HP Pro Desk 800 with HP 20" Monitor	Grenada – 0-HP Pro Desk 800	Grenada – 1-HP Pro Desk 800	Pre-Delivery/Shipment Inspection Certificate & Packing List
HP Pro Desk 800 with HP 20" Monitor	SVG – 20 – HP Pro Desk 800	SVG -0-HP Pro Desk 800	Packing List
HP Pro Desk 600 with HP 20" Monitor	SVG – 0-HP Pro Desk 600	SVG – 20 – HP Pro Desk 600	Packing List
HP Proliant DL 380 G9 SFF CTO Server	Not recorded on Register	Dominica – 2 Database Servers	Acceptance Certificate and Invoice 23131
HP Laser Jet Pro M227fdw Laser Multifunction Printer	Total cost - \$4,661.25 XCD	Total cost - \$3,813.75 XCD	Invoice 1704-070
HP ProBook 450 G3 15.6" Notebook	Cost per item \$2,567.53 XCD	Total cost \$2,556.00 XCD	Invoice 1704-072
HP Essential Carrying case for 15.6" Notebook	Cost per item \$92.25	Total cost \$103.78 XCD	Invoice 1704-072
HP ProBook 450 G3 15.6" Notebook plus HP Essential carrying case	Cost per item \$2,150.23 XCD	Total cost \$2,240.08 XCD	Invoice 1704-034

## Implications and Risk

**2.5.13** Incorrect identification information on the register makes it difficult to locate and trace assets when the need arises.

## Recommendation

**We recommend that the PCU review the Register to ensure that the information recorded is accurate and complete.**

### ❖ Insufficient project management plans

**2.5.14** 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.

**2.5.15** However, we noted that there was no documented project management plan or any of the other required subsidiary management plans or planning documents except for the procurement plan. Of particular importance and concern is the absence of an adequately maintained project implementation plan which defines the project approach, sets baselines and specific targets, defines the project approach, highlights the timing of activities, sets milestones and states the responsible persons for the respective activities.

**2.5.16** This plan and sub-plans allows for a more efficient implementation, and control of project activities, and monitoring of any deviations from set baselines. This 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.

**2.5.17** 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**

**2.5.18** 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 that the project may not be run in the most effective manner resulting in mismanagement and poor monitoring. This may give rise to project delays or setbacks, cost overruns or failure to meet all of the project's objectives.

### **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**

**2.5.19** 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.

**2.5.20** We noted that a risk management plan was not available for review since one was not prepared.

### **Implications and Risks**

**2.5.21** The absence of an adequately maintained risk management plan is not reflective of project management best practice, and increases the likelihood of impact of the materialisation of risks, thereby adversely affect the overall success of the project.

### **Recommendation**

**A risk management plan should be prepared for all projects being implemented by the PCU.**

## **2.6 OECS REGIONAL TOURISM COMPETITIVENESS PROJECT**

**2.6.1** The Government of Saint Lucia has received a credit from the International Development Association in the amount of United States fifteen million dollars (US\$15,000,000.00) towards the financing of the OECS Regional Tourism Competitiveness Project.

**2.6.2** The objectives of the Project are to (i) facilitate the movement of tourists within the participating countries using ferries, (ii) improve selected tourism sites, and (iii) strengthen implementation capacity for regional tourism market development.

## FINDINGS AND RECOMMENDATIONS

### COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

#### ❖ Procurement plan not updated

**2.6.3** In examining of the Procurement plan we noted that not all required information was updated and not all completed activities were reported. This occurred because the PCU had transitioned to the World Bank's Systematic Tracking of Exchanges in Procurement (STEP) platform and discontinued use of its EXCEL database method of recording procurement activities. During this transition, the PCU encountered technical issues with updating the procurement plan on this new platform. As a result, the PCU was unable to have a fully updated procurement plan with documentation of all completed activities.

#### **Implications and Risks**

**2.6.4** The absence of adequately updated procurement information may impede the PCU's ability to efficiently and effectively monitor, control, report, forecast and budget procurement activities.

#### **Recommendation**

**The issues being experienced by the PCU with the STEP platform must be communicated to the Host of the platform at soonest in order to have the situation rectified. In the interim, Management should maintain the procurement plan using the EXCEL software in parallel with the STEP platform.**

#### **Management Response**

**2.6.5** *The PCU/Department of Tourism, Information and Broadcasting concurs that updates were not made to the Systematic Tracking of Exchanges in Procurement (STEP) on a timely basis; partly due to system glitches. As mentioned in the Recommendation, the issues identified with STEP have been reported to the World Bank. While some of these issues have been resolved there are a few minor issues that remain to be resolved.*

**2.6.6** *Consequently, the PCU has been maintaining the Procurement Plan (PP) in an EXCEL format parallel to the STEP platform in order to a) address the lack of information emanating from STEP and b) compensate for possible glitches in STEP. Notwithstanding, updates are being made to STEP on a timelier basis by the Procurement staff of the PCU.*

### 3. AUDIT OF FOREIGN MISSIONS

#### 3.1 CONSULATE OF TORONTO

##### BACKGROUND

**3.1.1** The Saint Lucia Consulate in Toronto is one of Saint Lucia's seven foreign missions. It was established to represent and safeguard St. Lucia's interest in Toronto and to look after the welfare and ensure the protection and security of Saint Lucian nationals in Canada.

**3.1.2** For the financial years 2015 to 2017, the Consulate's annual recurrent expenditure allocation accounted for on average 5.5% of the Ministry's total yearly budgets; and 11.17% of the combined yearly allocation for foreign missions as illustrated in the following table:

Financial Year	Approved budget (Ministry)	Approved budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved Allocation for Consulate	Percentage of Ministry's Budget	Percentage of budget for Foreign Missions
2014/15	24,040,000	12,240,389	50.92%	<b>1,266,075</b>	5.27%	10.3%
2015/16	25,885,400	12,686,663	49.01%	<b>1,430,376</b>	5.53%	11.3%
2016/17	26,894,400	12,854,457	47.8%	<b>1,525,086</b>	5.67%	11.9%

##### AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

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

**3.1.4** The Office of the Director of Audit conducts its audits under the authority of the Revised Laws of Saint Lucia Chapter 15.19 (Audit Act). The conduct of the audit was guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

**3.1.5** The audit focused on the three (3) financial years ending March 31, 2015 to 2017. In order to meet the audit objectives, the records and operations of the Consulate were assessed against the policies and procedures included in the following documents:

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

**3.1.6** We audited the operations at the Consulate which included:

- Expenditure
- Personnel Matters
- Revenue
- Cash on Bank and Cash on Hand
- Receipt Books Register
- Management of Fixed Assets, Equipment and Furniture
- Government Logbooks

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

## **EXECUTIVE SUMMARY**

**3.1.8** We conducted an audit of Saint Lucia's Consulate in Toronto for the period April 01, 2014 to March 31, 2017. During the course of the audit, we once again noted a number of serious weaknesses which are covered under the Audit findings section of this report. These weaknesses are mainly of noncompliance with the existing legislations/regulations, lack of proper internal control systems in place to manage, allocate and monitor the Consulate's limited resources and where such systems exist they are to a large extent neglected.

**3.1.9** It is critical that management implement a proper system of internal control that would enable the Consulate to function in accordance with government's policies, procedures, laws and regulations. Such a system should enable the Consulate to ensure that Government's resources are directed, monitored, and measured while accomplishing set goals and objectives. In addition, internal controls play an important role in preventing and detecting frauds/misappropriations and protecting the public resources, both physical and intangible. Implementing an effective structure is an essential responsibility of the management of any entity.

**3.1.10** Our key findings are summarized as follows:

**3.1.11** As have been highlighted previously, the Consulate's expenditure accounts were not monitored or reconciled with the Central's Government accounts during the audited period. This resulted in the Consulate incurring over and unauthorized expenditure, with there being significant differences between the Consulate's and Central Government's accounts.

**3.1.12** In addition, expenditure was also charged to accounts to which no funds had been allocated to in the Official Estimates of Expenditure or by supplementary provision, in one instance in as much as EC\$37,829.68. There were also instances where expenditure was incorrectly classified resulting in improper accounting and budgeting of expenditure.

**3.1.13** We note that imprests issued during the audited period were not retired at year end as required by the Regulations, we noted a carrying balance of EC\$4,545,355.29 at March 31, 2017. This meant that the expenditure incurred by the Consulate was not reflected in the Accountant General's General Ledger.



**3.1.14** We found that officers were appointed within the Consulate without approval from the Ministry of the Public Service and to further exasperate the situation, there were instances where these officers were paid under the expenditure item of “operating and Maintenance Service” account (116). Additionally, we did not see evidence that all members of staff at the Consulate signed an oath of secrecy which is of critical importance for this institution.

**3.1.15** We noted that revenue collected by the Consulate was not always remitted in a timely manner to the Department of External Affairs. In one instance a request had to be sent from External Affairs requesting the Consulate to remit its revenue on hand. This was done almost eight months after the first collection for the period, as a result revenue was not always recorded in the Consolidated Accounts in the financial year it was collected.

**3.1.16** There were inadequate controls over assets. The Consulate did not maintain neither a Fixed Asset Register nor an Equipment Register as required by government’s regulations. Logbooks were also not maintained for the two government vehicles maintained by the Consulate.

**3.1.17** As have been the case with most of the Foreign Missions and Consulates, we are of the view that the staff of the Consulate was not given the appropriate guidance and orientation regarding proper execution of responsibilities, and policies and regulations governing their operating environment.

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

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

## **DETAILED AUDIT FINDINGS AND RECOMMENDATIONS**

### **EXPENDITURE**

**3.1.19** Our audit looked at the expenditure cycle of the Consulate for the financial years ended March 31, 2015 to March 31, 2017 which included:

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

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

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

Account	Revised Estimates and allocated amount	Actual expenditure as per Consulate's records	Over-expenditure
<b>2014/2015</b>			
105000	30,091.00	35,966.65	5,875.65
106000	8,000.00	11,231.51	3,231.51
109000	15,000.00	18,248.04	3,248.04
110000	600.00	1,410.44	810.44
111000	1,500.00	1,938.00	438.00
112000	400.00	1,081.51	681.51
118000	0.00	4,084.08	4,084.08
127000	1,500.00	1,987.41	487.41
<b>2015/2016</b>			
105000	25,091.00	29,213.60	4,122.60
106000	5,000.00	19,687.29	14,687.29
107000	6,000.00	44,083.33	38,083.33
109000	15,000.00	26,043.99	11,043.99
110000	600.00	1,970.48	1,370.48
112000	400.00	1,508.99	1,108.99
116000	33,200.00	45,524.93	12,324.93
118000	0	11,065.53	11,065.53
127000	1,500.00	1,997.55	497.55
<b>2016/2017</b>			
106000	10,000.00	31,172.67	21,172.67
107000	6,000.00	15,032.54	9,032.54
109000	15,000.00	57,818.86	42,818.86
1100000	600.00	15,918.49	15,318.49
112000	400.00	872.41	472.41
116000	32,200.00	53,443.02	21,243.02
118000	3,000.00	15,151.35	12,151.35
127000	1,000.00	1,607.98	607.95
Capital	0	37,829.68	37,829.68

### Implications and Risk

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

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

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

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

**3.1.25** We found expenditure totalling EC \$52,979.29 for the financial years audited were incurred against accounts for which no budgetary or supplementary provisions were made, thus resulting in unauthorized expenditure as reported in the following table:

<b>Account Number</b>	<b>Expenditure Description</b>	<b>Amount EC\$</b>
<b>2014/2015</b>		
118	Hire of Equipment & Transportation	
	<b>Total</b>	<u>4,084.08</u>
		<b>4,084.08</b>
<b>2015/2016</b>		
118	Hire of Equipment & Transportation	<u>11,065.53</u>
	<b>Total</b>	<b>11,065.53</b>
<b>2016/17</b>	Capital	<u>37,829.68</u>
	<b>TOTAL</b>	<u><b>37,829.68</b></u>
	<b>Grand Total</b>	<b>52,979.29</b>

### **Implications and Risk**

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

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

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

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

Period	Expenditure as per the Consulate Records EC\$	Expenditure reported in the Accountant General's accounts EC\$	Difference EC\$
2014/2015	904,478.74	882,854.71	21,624.03
2015/2016	983,824.80		5,541.76
2016/2017	1,023,285.74	978,283.04	684,904.50
		338,381.24	

**3.1.29** As a result, for the financial years audited the Accountant General's accounts were grossly understated by a total of \$712,070.29.

**3.1.30** Also, in addition to the accounts not being reconciled we found no documented evidence to indicate that the accounting records were being subjected to periodic checks by a senior officer.

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

**3.1.32** In examining the accounts, we also noted a vast difference between the information captured by the accounting module used by the Accountant General's Department and the module used by the Budget Office. We noted that the information captured in the module (Funds Control) maintained by the Budget Office contained more information than that maintained by the Accountant General's Department. As a result of journals adjustments posted to the accounts by the Department which to date have not yet been approved nor reported as expenditure in the Accountant General's accounts. As at, the time of this audit (August 2017), unposted journals of \$1,509,619.85 was reflected in the Central Government's accounts. The following are the totals for each audited year:

Year	Expenditure as per Accountant General's accounts (Account Balance) EC\$	Total expenditure processed by Budget Office (Funds Control) EC\$	Difference EC\$
2014/2015	882,854.71	1,201,757.58	(318,902.87)
2015/2016			
2016/2017	978,283.04	1,167,093.84	(188,810.80)
	338,381.24	1,007,917.98	(669,536.74)

**3.1.33** It must be noted that total expenditure reported by the Budget Office for the period under audit exceeded the amounts reported by the Consulate due to personal emolument payments made by the Ministry which is not processed by the Consulate totalling EC \$654,979.41.

**3.1.34** This then further highlighted the fact that there were no documents which reported the total expenditure incurred by the Consulate for any period. For instance, the information reported by the Consulate in the monthly statements of expenditure was void of any salaries paid through central government but assigned to the Consulate. Likewise, the information maintained in the Accountant General's accounts did not report all expenditure incurred by the Consulate. We compiled information from the Consulates monthly expenditure statement as well as the Accountant General's accounts and noted expenditure as follows:

Period	Expenditure as per Consulate Records EC\$	Expenditure paid through Central Government EC\$	Total Annual Expenditure EC\$
2014/2015	904,478.74	234,774.00	1,139,252.74
2015/2016	983,824.80	234,774.00	1,218,598.80
2016/2017	1,023,285.74	185,431.41	1,208,717.15
<b>Total</b>	<b>2,949,418.96</b>	<b>654,979.41</b>	<b>3,566,568.69</b>

### Implications and Risk

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

- **Imprest account were not retired at end of year**

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

**3.1.37** Imprest Account 4503004 0534821 1001 was used to record imprests and replenishments for the three years. At the end of March 31, 2017 the accounts reflected EC \$4,545,355.29, as shown in the table below:

Imprest No.	Imprest Amount \$	Opening Balance \$	Balance at Year-end \$
#24/14/15	308,283.00	3,088,050.26	3,464,479.76
#14/15/16	308,083.00	3,464,479.73	3,758,519.23
#23/16/17	320,960.00	3,758,219.23	4,545,355.29

**3.1.38** We further examined the accounts and noted that at the audit period (October 2017) these imprests had not been retired.

### Implications and Risk

**3.1.39** When imprests are not retired, all expenditure incurred by the entity will not be accurately reflected in the expenditure accounts and in the government's financial statements at the end of the financial year.

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

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

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

**3.1.42** We noted that for the month of April 2015, total expenditure for Passages (107) as per the Summary of Expenditure Statement was \$595.33, however an adjusted amount of \$2,498.01 was reflected on the Imprest Summary for the said month. This resulted in a difference of \$1,902.72, cheque No. 4384 which was traced to the bank statement as having been uncashed.

**3.1.43** Personnel of the Ministry of External Affairs should thoroughly and critically review the replenishment of expenditure statements and provide the appropriate guidance to ensure proper classification of transactions.

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

### **Implications and Risk**

**3.1.45** Expenditure accounts that were misclassified would not be accurately reflected in the government's accounts and possibly in the financial statements if not identified and corrected.

### **Recommendations**

- **Management should obtain supplementary provisions to cover the over-expenditure incurred during the audited financial years.**
- **The Consulate should exercise a greater level of control over expenditure by complying with the financial policies governing expenditure that are given in the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation NO. 10 (2)).**
- **The Consulate's expenditure accounts should be reconciled every month in accordance with the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation NO. 10 (4) (c)).**
- **The outstanding imprests should be immediately reconciled and retired and the related expenditure should be brought to account. Additionally, any excess funds from the imprest at the end of the financial year should be paid to the Accountant General.**
- **Management must ensure that its operations are within the provisions of the Finance Act Section 20 and the Estimates of Expenditure of the Government of Saint Lucia.**
- **Management should always ensure that expenditure is correctly classified.**

## **PERSONNEL MATTERS**

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

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

**3.1.47** We noted that the Consul General appointed cleaners and drivers throughout the audited period. However, we saw no evidence that permission was sought from or given by the Permanent Secretary of the Department of the Public Service. In addition, we were not presented with any appointments letters or contract detailing the terms and conditions of employment for these officers.

**3.1.48** Further, we noted that in most instances funding for these services were made from the Operating and Maintenance Service Account (116) and not under Wages (102) as per the Government's Chart of Accounts.

### **Implication and Risk**

**3.1.49** This practice could result in the appointment and payment of salaries to excessive officers for additional posts and posts not within the establishment of the Consulate.

- **Education Allowance paid prior to its approval by the Department of the Public Service**

**3.1.50** We noted that on February 17, 2017, a refund of CAD \$3,723.27 was made to the Consul General for tuition fees. However, education allowance was not included in her contract of employment signed on January 10, 2017. Therefore, payments were made without the appropriate authority.

**3.1.51** We however noted that a memo dated May 23, 2017 was sent from the permanent Secretary, Department of The Public Service authorizing the payment of an education allowance of CAD \$7,446.54 on behalf of the consul general's daughter.

### **Implication and Risk**

**3.1.52** Such practices could lead to the unauthorized and over expenditure being incurred by the consulate.

- **Departmental leave was not taken**

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

**3.1.54** Further, we expect departmental leave to be calculated as three quarters ( $\frac{3}{4}$ ) of an officer's annual leave entitlement, and must be taken in the period in which it becomes due.

**3.1.55** When it is not possible to adhere to the preceding, Personnel Circular No. 36 of 1990 requires that "any departmental leave due and not taken in the year in which it is earned will be forfeited unless it is deferred by the Permanent Secretary". Also, "leave can be accumulated for up to a period of four years but should at no time exceed the officer's annual leave entitlement."

**3.1.56** We noted that the Receptionist at the Consulate General's office did not take the required departmental leave during 2016/17. The annual leave entitlement for the officer was twenty-four (24) days, therefore her annual departmental leave should be eighteen (18) days, however only two (2) leave days was taken by the officer during that year.

**3.1.57** Further, we saw no documented evidence to indicate that a request was sent to the Permanent Secretary, Department of the Public Service for permission for deferment of such leave.

At the end of the 2016/17 period, we noted that the officer's accumulated leave balances of thirty-nine (39) days, were in excess of her annual leave entitlements.

### **Implications and Risk**

**3.1.58** When personnel are allowed to override controls implemented by management without any implications, it reflects weakness over the monitoring and reporting of personnel matters at the Consulate.

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

**3.1.59** The Orders for the Saint Lucia Foreign Service No. 2.10 (1) and (2) require all officers to sign a declaration of secrecy upon the assumption of duties with copies kept on file at the Consulate and the Department of External Affairs. However, we saw no documentary evidence in the files maintained by the Consulate or the Department of External Affairs that the Consul Generals employed May 4, 2015 and January 10, 2017 respectively were administered the oath of secrecy.

### **Implication and Risk**

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

### **Recommendations**

- **All appointments of non-established personnel to the Consulate should be appropriately approved before they are made, and a copy of the Letter of Appointment placed on the officer's file.**
- **The contracts of employment should be sent to the Ministry of the Public Service for vetting and approval before they are signed by all parties.**
- **Management should ensure that the appropriate authority for payment is always received prior to payments being made.**
- **The Ministry should ensure that officers take their annual departmental leave or request deferment in the event that such leave cannot be taken in compliance with the requirements of Staff Orders No. 6.10 and Personnel Circular No. 36 of 1990.**
- **All employees at the Consulate should be administered the oath of secrecy before taking up office and a copy placed on their personnel file.**

## **REVENUE**

- **Revenue collected were not paid into the Consolidated Fund on a timely basis**

**3.1.61** Revised Laws of St. Lucia cap 15.01, Financial Regulations No. 48 states:

*"Whenever an officer or a person other than the Accountant General, a sub accountant or a collector of revenue receives public money he or she shall as soon as possible pay it to the Accountant General or a sub-accountant or a collector of revenue and obtain a receipt for it."*

**3.1.62** We noted that while revenue collected by the Consulate was remitted to the Accountant General's account throughout the audited period, this was not done in a timely manner. We saw several instances where monies were remitted months after collection and in some instances outside of the financial year it was received by the Consulate. Details are as follows:



Period of collection	Date Deposited into Treasury	Remarks
<b>2014/2015</b>		
April – June	08/15/2014	Five months after first collection
July – Sept	11/17/2014	Five months after first collection
Oct – Dec	02/02/2015	Four months after first collection
Jan – March	07/06/2015	Six months after first collection
<b>2015/2016</b>		
April – June	07/06/2015	Three months after first collection
July	08/31/2015	1 month after first collection
Aug 2015- March 2016	05/04/2016	Nine months after first collection
<b>2016/2017</b>		
April - October, 2016	12/06/2016	Eight months after first collection
November 16 - Jan.2017	02/21/2017	Four months after first collection
Feb.2017-March 2017	05/17/2017	Three months after first collection

### Implication and Risk

**3.1.63** The government uses a modified cash basis of accounting thus revenue should be recorded in the year it is received. The current manner with which funds are remitted proves challenging to determine whether all amounts collected are accounted for in the government's accounts. Late remittances also place challenges on the State's ability to effectively manage its cash flow and meet commitments.

- **Transfer of funds from the passport account to the operating account**

**3.1.64** As previously stated, any revenue collected on behalf of the state must be paid into the Accountant General's accounts as soon as possible.

**3.1.65** We noted instances where the passport revenue was transferred to the operating account during the 2014/15 and 2015/16 financial years. While some funds were reimbursed, at March 31, 2017 a total of Cad \$5,526.67 was still owing to the passport account.

**3.1.66** We also observed that in all cases, when monies were transferred to the operating account, there was an existing balance on the operating account at that time. In one instance on November 26<sup>th</sup>, 2015, CAD\$2,526.67 was transferred to the operating account whilst the balance on the account at that date was CAD\$100,979.81. Thus, we were unable to determine the justification for transferring these funds from the passport account.

### Implication and Risk

**3.1.67** When monies not allocated for are expended it makes it difficult to keep track of actual expenses.

### Recommendations

- Revenues collected should be remitted on a timely basis to head Office for payment into the consolidated fund.
- The revenue collected should be used only for the business of revenue activities and not to finance the operating expenses of the Consulate.
- The amount of Cad \$5,526.67 which was owing to the passport account at March 31, 2017 should be paid back into the passport account.

## RECEIPT BOOKS REGISTER

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

**3.1.68** Although the Consulate maintained a receipt books register as required by the Accountant General's Circulars and the Revised Laws of Saint Lucia Chap 15.01(Financial Regulations) No. 67 (1-3) all the required information on the date and requisition number and to whom books were issued was not being recorded in the register.

**3.1.69** We noted that because the information "to whom issued" was not being recorded in the register, "not applicable" was recorded under the column for "date returned". This information is important as it documents the existence of segregation of duties between the individual maintaining the register and receiving funds.

### Implications and Risk

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

### Recommendation

- **All required information should be recorded in the Receipt Book Register logbook in accordance with the Revised Laws of Saint Lucia Chap 15.01(Financial Regulations) No. 67 (1-3).**

## MANAGEMENT OF PROPERTY, EQUIPMENT AND FURNITURE

- **Fixed assets and equipment registers were not maintained**

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

**3.1.72** In addition, the Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No. 43 (1) requires that an equipment register be kept in which all items shall be recorded including the description of the equipment, name of manufacturer, registration and serial numbers, date received, source of supply, period of warranty and ancillary equipment and spares supplied.

**3.1.73** We noted that although fixed assets and equipment were purchased and in possession by the Consulate, fixed assets and equipment registers were not maintained. As a result, we were unable to verify that all items purchased were properly accounted for.

**3.1.74** While inventory listings were maintained, they cannot be used substitutes for fixed asset and equipment registers as the lack all necessary information such as date purchaser, serial number where applicable, any warranty guaranteed or spare parts included.

### **Implications and Risk**

**3.1.75** When such records are not kept, it becomes difficult to not only account for the location of furniture and equipment, but also their condition, maintenance and if necessary replacement status.

- **The handing over exercise was not done as required by the regulations**

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

**3.1.77** In October 2016, the Consular General's contract term ended and the new Consular General was appointed. At this time, an inventory of all furniture and equipment should have been done to ensure that all government assets were appropriately handed over. The Procurement and Stores Regulations requires that both the outgoing officer and the incoming officer perform a physical count of all assets and prepare a handing over certificate signed by both parties.

**3.1.78** While a physical count of items on hand was conducted by the incoming Consular General on December 08, 2016, we were unable to adequately compare the items listed to previously existing listings.

### **Implications and Risk**

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

- **Items refunded to the former Consular General were not verified upon purchase or demitting of office.**

**3.1.80** We noted that during the period April to September 2016, prior to the Consul General demitting Office a refund was made to him of CAD \$6,032.63/ECS14,237.01 for the purchase of household items. However, we were unable to verify the items listed for refund against the associated receipts issued since in most instances the receipts did not itemize the purchases. This also prevented us from conducting a physical examination of the items to verify their existence and that they were still in the possession of the Consulate.

**3.1.81** Personnel of the Consulate informed us that physical counts were not carried out neither when the items were purchased nor prior to the Consul General demitting office. Hence, were unable to provide insight to the location of the items.

### **Implications and Risk**

**3.1.82** When refunds are provided and physical verifications not carried out, it inhibits the Department's ability to properly account for all government's assets.

- **Not all inventory listings were signed and dated**

**3.1.83** Note 2 on the official inventory form states:

2. The officer checking will sign within the 'quantity' column and will inset the date of the check..."

**3.1.84** We noted that the inventory forms that were submitted for the kitchen, store room and back office were not signed and dated.

### **Implications and Risk**

**3.1.85** When inventory listings are not signed and dated by the responsible personnel control measures designed to ensure that there is proper accountability for and control of inventory are overridden. Further, management is unable to monitor whether physical counts are done as required by the regulations.

### **Recommendation**

- **Management should ensure that Fixed Assets and Equipment Registers are maintained in accordance with the Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No. 43 (1).**
- **A handing over exercise should be done whenever there is a change in officer or occupant of a government assigned residence in accordance with the procedures set out in the regulations.**
- **Whenever, refunds are to be given for items purchased from personal funds, a physical verification must be done and the items recorded on the inventory listings.**
- **Officers updating or preparing the inventory forms should ensure that such forms are always signed and dated upon completion of the check.**

## **LOGBOOKS**

- **Log books for government vehicles were not maintained**

**3.1.86** The Revised Laws of Saint Lucia Cap. 15.01 Procurement and Stores Regulation. No. 45(1) & (2) states: (1) An accounting officer shall ensure that log books are kept in respect of each vehicle or other equipment assigned to his or her Department.

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

**3.1.87** The Consulate was provided with a Driver and maintained the following vehicles during the period:

- 2010 Lincoln Town Car (April 01, 2010 – June 30, 2014)
- 2014 Cadillac XTS (July 01, 2014 to March 31, 2017)

**3.1.88** However, the Consulate did not maintain a log book. Consequently, the information required by the regulation was not recorded.

#### **Implications and Risk**

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

#### **Recommendation**

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

## 3.2 NEW YORK MISSION

### BACKGROUND

**3.2.1** The Department of External Affairs supports seven foreign missions which includes the United Nations/New York Mission. It was established to represent and safeguard St. Lucia's interest at the United Nations and to look after the welfare and protect the welfare of Saint Lucian nationals in New York.

**3.2.2** According to the Accountant General's accounts and the Estimates of Revenue and Expenditure for the financial years 2015 to 2017, the Mission's annual recurrent expenditure allocation accounted for on average 13.5% of the Ministry's total annual budget; and approximately 27.4% of the combined allocation for foreign missions annually as illustrated in the following table:

Financial Year	Approved budget (Ministry)	Approved budget (Foreign Missions)	Percentage allocation (Foreign Missions)	Approved Allocation for Mission	Percentage of Ministry's Budget	Percentage of budget for Foreign Missions
2014/15	24,040,000	12,240,389	50.92%	3,439,950	14.3%	28.1%
2015/16	25,885,400	12,686,663	49.01%	3,552,864	13.73%	28.0%
2016/17	26,894,400	12,854,457	47.8%	3,353,512	12.47%	26.1%

### AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

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

**3.2.4** The Office of the Director of Audit conducts its audits under the authority of the Revised Laws of Saint Lucia Chapter 15.19 (Audit Act). The conduct of the audit was guided by the International Auditing Standards for Supreme Audit Institutions (ISSAI) issued by the International Organization of Supreme Audit Institutions (INTOSAI).

**3.2.5** The audit focused on the three (3) financial years ending March 31, 2015 to 2017. In order to meet the audit objectives, the records and operations of the Mission were assessed against the policies and procedures included in the following documents:

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

**3.2.6** We audited the operations at the Mission which included:

- Expenditure
- Personnel Matters
- Revenue

- Cash on Bank and Cash on Hand
- Receipt Books Register
- Management of Fixed Assets, Equipment and Furniture
- Government Logbooks

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

## **EXECUTIVE SUMMARY**

**3.2.8** The audit of the United Nations / New York Mission again highlights a number of weaknesses which comprise mainly noncompliance with the existing legislations and regulations, lack of proper internal control systems in place to manage, allocate and monitor the Mission's limited resources and where such systems exist they are to a large extent neglected. These weaknesses are further explained under the detailed audit findings section of this report.

**3.2.9** Our audit team found that established processes which would enable the Mission to function in accordance with government's policies, procedures and financial regulations were not always adhered to and thus the system of internal controls which would prevent and detect frauds and or misappropriations did not always work efficiently or effectively. As a result, we noted the following:

**3.2.10** The Mission's expenditure accounts were not monitored or reconciled with the Central's Government accounts during the audited period which resulted in the mission incurring over and unauthorized expenditure. Further, we noted significant differences between the accounts reported by Mission's and that of the Central Government.

**3.2.11** In addition, expenditure was also charged to accounts to which no funds had been allocated to in the Estimates or by supplementary provision, in one instance we noted that payments were being made through expenditure item 132- Professional & Consultancy Services in as much as EC\$98,895.16. Further investigation revealed that this amount was not being reimbursed by the Accountant General's office from May 2015 however the payments are still being made by the Mission. There were also instances where expenditure was incorrectly classified resulting in improper accounting and budgeting of expenditure.

**3.2.12** We noted that imprests issued during the audited period were not retired at year end as required by the Regulations, resulting in expenditure of EC\$11,395,241.11 at March 31, 2017 not being reflected in the Accountant General's General Ledger.

**3.2.13** We found that officers were appointed within the Mission without contracts of employment resulting in unauthorized salaries of US\$488,578.47/EC\$1,327,418.85 during the audited period. Additionally, we did not see evidence that all members of staff at the Mission signed an oath of secrecy which is of critical importance.

**3.2.14** We noted that revenue collected was not always fully remitted into the Accountant General's office, and a difference of US\$20,285.73/EC\$55,114.30 between amounts collected during the audited period and amounts remitted into the Consolidated Accounts. In addition, we noted as at March 31, 2017, the balance

on the bank account stood at one hundred and fifty thousand, seven hundred and thirty, twenty-seven cents. (US\$150,730.27/EC\$409,519.07).

**3.2.15** There were inadequate controls over assets. The Mission did not adequately maintain its Fixed Asset nor Equipment Registers. Also, logbooks were not maintained for the two government vehicles maintained by the Mission, as required by government's regulations.

**3.2.16** It is also management's responsibility to ensure staff members receive the necessary orientation about their roles and responsibilities. Within the Government service orientation would involve among other things, introduction to government rules, policies and financial regulations.

**3.2.17** As have been the case with most of the Missions/Consulates, we are of the view that the staff of the Mission was not given the appropriate guidance and orientation regarding proper execution of responsibilities, and policies and regulations governing their operating environment.

**3.2.18** We encourage management of the Mission to review and implement our recommendation, in ensuring that their practices are in line with Government Policies and procedures and best practices. This will help to ensure that the benefits of our audits are fully realized and support the mission's continuous improvement.

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

- Failure to take corrective action on findings previously highlighted thereby not implementing recommendation of the Director of Audit;
- Establishing an efficient internal control system governing expenditure and other financial operations at the mission and;
- Orientation, guidance and training of staff on government's policies, procedures and regulations.

## **DETAILED AUDIT FINDINGS AND RECOMMENDATIONS**

### **Expenditure**

- **Vote accounts were not maintained in the prescribed format**

**3.2.20** The Revised Laws of Saint Lucia Cap 15.01 (Financial Regulations) No. 10 (3) requires accounting officers to keep a vote account in the format prescribed which reports approved estimates, supplementary provisions, reallocations, expenses and balances. While the Department of Foreign Affairs records expenditure reported by the Mission through monthly statements of expenditure to the Government's accounting system, this does not absolve the Mission from maintaining vote accounts which reports:

- The total approved estimates
- Supplementary provisions and Reallocated fund
- Total expenditure
- Credits received to the account
- Actual balances on the accounts



- And any outstanding commitments

**3.2.21** We noted that the Mission submitted monthly statements of expenditure to the Department detailing all expenditure for the period, however, no vote accounts were maintained neither did the mission keep a ledger or record of the information stated above.

### Implication and Risk

**3.2.22** When records are not maintained by the mission detailing the approved estimates and the expenditure charged against it, Mission officials would be unaware of whether expenditure confines to allocated budget.

- **Unauthorized Expenditure**

**3.2.23** When estimates are approved by Parliament, official documented estimates are presented to each Ministry to indicate the confines with which they are expected to spend. Additionally, quarterly allocations are provided to Ministries based on the availability of funds. It is extremely important that expenditure is curtailed to exist within the parameters set by the budget office as over expenditure offsets the balance of revenue and available resources to expenditure.

**3.2.24** Hence, it is of utmost importance that official estimates and corresponding allocations be communicated to individual department heads, section and unit leaders which include Ambassadors and Consul Generals, as well as the support staff who are responsible to maintain the accounts (Assistant Secretaries or Accounting staff at the foreign missions.)

**3.2.25** We found that the mission did not record the official estimated amounts or any other amounts pertaining to approved supplementary provisions or allocations during our audit period.

**3.2.26** Additionally, we found expenditure totalling EC \$101,261.69 for the financial years 2014/15 and 2015/16 incurred against accounts for which no budgetary or supplementary provisions were made, thus resulting in unauthorized expenditure as reported in the following table:

Account Number	Expenditure Description	Amount EC\$
<b>2014/2015</b>		
118	Hire of Equipment & Transportation	1,249.72
120	Grants & Contributions	271.69
132	Professional & Consultancy	<u>98,895.16</u>
	<b>Total</b>	<b>100,416.57</b>
<b>2015/2016</b>		
118	Hire of Equipment & Transportation	<u>845.12</u>
	<b>Total</b>	<b>845.12</b>
	<b>Grand Total</b>	<b>101,261.69</b>

**3.2.27** We noted that in 2016/17, according to the mission's records there was expenditure of \$978.08 and \$155,406.88 against expenditure items 120 – Grants and Contributions and 132- Professional and

Consultancy Services respectively for which there were no budgetary provisions, however no expenditure was recorded by the Accountant General's office under these expenditure items.

**3.2.28** Further, we noted that expenditure under 132 – professional and Consultancy Services was for salary to Michelle Joseph, however, this amount was not being reimbursed by the Accountant General from May 2015.

### Implication and Risk

**3.2.29** Again, we must highlight that expenditure charged to vote accounts which were not approved violates government's financial policies and procedures resulting in unauthorized expenditure. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the regulations.

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

**3.2.30** We compared total expenditure reported in the Accountant General's accounts against the expenditure reported by the Mission. We noted a number of differences for each expenditure account highlighted below for each audited year.

Period	Expenditure as per the Mission Records EC\$	Expenditure reported in the Accountant General's accounts EC\$	(Over)/Under Accountant General's accounts EC\$
2014/2015	3,751,082.20	2,810,668.59	(940,413.61)
2015/2016	3,810,251.09	2,758,863.46	(1,051,387.63)
2016/2017	2,743,730.61	690,227.85	(2,053,502.76)

**3.2.31** As a result, for the three years audited the Accountant General's accounts are grossly understated by a total of \$4,045,304 and thus represent inaccurate information regarding the total expenditure incurred by the Mission. This inaccuracy represents faulty and unreliable information to the users of this information for any decision making purpose.

**3.2.32** In examining the accounts, we also noted a vast difference between the information captured by the accounting module used by the Accountant General's department and the module used by the Budget Office. We noted that the information captured in the module (Funds Control) maintained by the Budget Office contained more information than that maintained by the Accountant General's department. As a result, there were journals posted to the accounts by the Ministry which to date were not reported as expenditure in the Accountant General's accounts. The following are the totals for each audited year:

Year	Expenditure as per Accountant General's accounts (Account Balance) EC\$	Total expenditure processed by Budget Office (Funds Control) EC\$	Over)/Under Accountant General's accounts EC\$
2014/2015	2,810,668.59	3,879,528.66	(1,068,860.07)
2015/2016	2,758,863.46	3,418,248.39	(659,384.93)
2016/2017	690,227.85	2,612,869.29	(1,922,641.44)

**3.2.33** In addition, we also compared expenditure reported by the Mission against the amount reported in the Budget Office's records. We noted total expenditure reported by the Budget Office exceeded the amounts reported by the Mission due to personal emolument payments of EC\$501,875.79 made by the department which is not processed by the mission.

**3.2.34** However, it was found that in 2015/2016 total expenditure as per the Mission's records of EC\$3,810,251.09 exceeded the amount recorded in the Budget Office's records.

**3.2.35** These findings have highlighted the deficiencies in the documentation and reporting of total expenditure incurred by the Mission for any period. Information reported by the Mission in its monthly statements of expenditure was void of any salaries paid through central government but assigned to the Mission. Likewise, information maintained in the Accountant General's accounts did not report all expenditure incurred by the Mission. We compiled information from the Mission's monthly expenditure statement as well as the Accountant General's accounts and noted expenditure as follows:

Period	Expenditure as per Embassy Records EC\$	Payroll paid through Central Government EC\$	Total Annual Expenditure EC\$
2014/2015	3,751,082.20	188,767.88	3,939,850.08
2015/2016	3,810,251.09	178,503.43	3,988,754.52
2016/2017	2,743,730.61	134,604.48	2,878,335.09
<b>Total</b>	<b>10,305,063.90</b>	<b>501,875.79</b>	<b>10,806,939.69</b>

#### Implication and Risk

**3.2.36** When accounts are not reconciled errors and omissions in the accounts will not be detected and addressed in a timely manner. Also, accounting information will be unreliable to users for decision making purpose. Failure to compile complete records also hampers management's ability to accurately review data and make informed decisions.

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

**3.2.37** The Revised Laws of Saint Lucia Cap 15.01, Finance Act requires accounting officers to operate within the boundaries of the estimated amounts for each vote account. Further, accounting officers must also ensure that budget allocations provided are not exceeded without approval from the appropriate authority.

**3.2.38** During our audit, we noted several instances where actual expenditure reported by the Mission exceeded the revised estimates and budgeted allocations. The following are the authorized accounts for which expenditure exceeded budgeted funds:

Account	Revised Estimates	Actual expenditure as per Embassy records	Over-expenditure
<b>2014/2015</b>			
102	248,877.00	332,303.03	83,426.03
105	27,026.00	119,092.70	92,066.70
106	13,000.00	32,039.15	19,039.15

Account	Revised Estimates	Actual expenditure as per Embassy records	Over-expenditure
109	15,000.00	44,888.49	29,888.49
110	600.00	3,666.46	3,066.46
111	1,500.00	12,695.12	11,195.12
112	400.00	981.07	581.07
123	20,000.00	34,341.05	14,341.05
115	47,000.00	90,067.49	43,067.49
116	65,000.00	74,167.15	9,167.15
117	1,128,351.00	1,239,101.11	110,750.11
118	0	1,249.72	1,249.72
120	0	271.69	271.69
127	3,000.00	5,210.77	2,210.77
132	0	98,895.16	98,895.16
137	319,000.00	366,721.73	47,721.73
<b>TOTAL</b>	<b>1,888,754.00</b>	<b>2,455,691.89</b>	<b>566,937.89</b>
<b><u>2015/2016</u></b>			
102	307,721.00	327,127.03	19,406.03
105	18,744.00	187,873.17	169,129.17
106	10,000.00	23,157.17	13,157.17
107	5,000.00	79,931.47	74,931.47
109	15,000.00	53,439.82	38,439.82
110	600.00	11,172.49	10,572.49
111	1,500.00	1,610.23	110.23
113	15,000.00	28,612.70	13,612.70
115	47,000.00	72,463.80	25,463.80
116	46,300.00	81,969.30	35,669.30
117	1,128,351.00	1,170,635.21	42,284.21
120	1,000.00	14,800.47	13,800.47
132	0	169,534.56	169,534.56
137	356,691.00	507,841.15	151,150.15
<b>Total</b>	<b>1,952,907</b>	<b>2,730,168.57</b>	<b>777,261.57</b>
<b><u>2016/2017</u></b>			
105	18,744.00	36,849.97	18,105.97
107	9,000.00	34,120.19	25,120.19
109	15,000.00	29,039.75	14,039.75
110	600.00	916.55	316.55
113	15,000.00	18,659.13	3,659.13
120	0	978.08	978.08
127	1,000.00	3,212.52	2,212.52
132	0	155,406.68	155,406.68

Account	Revised Estimates	Actual expenditure as per Embassy records	Over-expenditure
137	356,691.00	434,268.05	77,577.05
<b>Total</b>	<b>416,035.00</b>	<b>713,450.92</b>	<b>297,415.92</b>
<b>Grand Total</b>			

### Implication and Risk

**3.2.39** Expenditure in excess of revised estimates is unauthorized expenditure and may cause the state to exceed the budget which has been formulated to spend monies efficiently. Unauthorized expenditure can render an accounting officer liable to be surcharged in accordance with the regulations.

- **Imprest account were not retired at end of year**

**3.2.40** For each audited year, we noted that an imprest was issued at the beginning of the year. Each Imprest warrant indicates that the imprest should be retired at the end of the financial year as its repayment terms. However, we noted that none of the imprests were retired and each had a carried forward balance for the next period.

**3.2.41** Account 4503001 0534823 1001 was used to record imprests and replenishments for the three years. At the end of March 31, 2017 the accounts reflected EC \$11,395,241.11, which had not been retired by the Department of Foreign Affairs.

### Implication and Risk

**3.2.42** When imprests are not retired, all expenditure incurred by the entity will not be accurately reflected in the expenditure accounts and in the government's financial statements at the end of the financial year.

### Recommendations

- **As a matter of priority the Department of External Affairs along with the Mission, should implement a proper accounting system that would assist in providing the necessary records and documentation**
- **Management should obtain supplementary provisions to cover the over-expenditure incurred during the audited financial years.**
- **The Mission should exercise a greater level of control over expenditure by complying with the financial policies governing expenditure that are given in the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation N0. 10 (2)).**
- **The Mission's expenditure accounts should be reconciled every month in accordance with the Revised Laws of St. Lucia Cap 15.01 (Financial Regulation N0. 10 (4) (c)).**
- **The outstanding imprests should be immediately reconciled and retired and the related expenditure should be brought to account. Additionally, any excess funds from the imprest at the end of the financial year should be paid to the Accountant General.**
- **Management must ensure that its operations are within the provisions of the Finance Act Section 20 and the Estimates of Expenditure of the Government of Saint Lucia.**

## PERSONNEL MATTERS

**3.2.43** The Staff Orders and The Foreign Service Orders give policy guidance on the management of personnel matters. The Department of the Public Service also issues policy directives to ministries and departments. Our audit of personnel revealed several deviations from some of these policies.

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

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

**3.2.45** As have been previously reported we noted that the Mission had not rectified the status of Michelle Joseph and that her contract had not been renewed. Miss Joseph continued to be paid for professional services by the Mission at a monthly salary of US\$5,200 (US\$187,200 for the period) with no contract detailing the nature of the service and the terms and condition of employment. We also found that estimates of expenditure for the three-year period March 31st 2014- April 1st 2017 did not make provision for the services provided by Miss Michel to be included into the Mission's structure.

**3.2.46** Further, we noted that the Accountant General's department, as of May 2015, no longer made reimbursements for expenditure amounts relating to Michelle Joseph.

### Implication and Risk

**3.2.47** This practice could result in the appointed and payment of salaries to excessive officers for additional posts not established for the Mission. There also exists a great risk that funds collected by the Mission which should be remitted to the consolidated fund be used to finance unauthorized expenditure since it is no longer being reimbursed.

- **Appointment letters for some officers were not submitted**

**3.2.48** We found that during the three-year period a driver was assigned to the Mission when approval was given for his temporary employment on June 17th 2014, for six months with effect June 18th, 2014 to December 17th 2014. We noted that to date, this officer is still employed at the Mission and receives a monthly salary of US\$2,400.00 (total for the period US\$65,883.87).

**3.2.49** Similarly, we noted that an officer was employed to the post of Consular Agent on a temporary status from October 1, 2010 as per the appointment letter. However, the employment letter did not indicate an end date to the temporary status, nor did we see any additional appointment letters indicating permanent status or an end date. Thus, the employee continued to receive a monthly salary of US\$3,274.85 (total for the audit period US\$117,894.60).

- **Appointment to positions with no budgetary provisions**

**3.2.50** We found that the transfer of the Consul II from the Miami Consulate to the New York Mission without appropriate budgetary adjustments caused unauthorized expenditure under the New York Mission's accounts. We noted that the Officer who was appointed at the Miami Consulate, was re-assigned to the New York Mission effective August 15, 2015 until March 31st, 2016, by a memo dated August 10th, 2015

from the Permanent Secretary, External Affairs in the first instance. In April 2017, her status was regularized through a memo from the Permanent Secretary, Department of External Affairs declaring the transfer permanent. However, we saw no documentation reassigning the budgetary provisions from the Miami Consulate to the New York Mission.

**3.2.51** The above discrepancies have resulted in the following unauthorized/over expenditure for the New York Mission:

Year	Unauthorized/Over Expenditure EC\$
2014/2015	380,317.29
2015/2016	436,057.56
2016/2017	511,044.00
<b>Total</b>	<b>1,327,418.85</b>

**Implication and Risk**

**3.2.52** It is important that appointments should only be made to established posts for which there is a budgetary provision, and approval sought from the Department of Public Service. Failure to do so will continue to result in unauthorized/over expenditure within the particular vote accounts with financial data reflecting inaccurate and misleading information.

- **Leave not taken in accordance with leave policies**

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

**3.2.54** Departmental leave is to be calculated as  $\frac{3}{4}$  of an officer’s annual leave entitlement, and must be taken in the period in which it becomes due. When it is not possible to adhere to the preceding, Personnel Circular No. 36 of 1990 provides that “any departmental leave due and not taken in the year in which it is earned will be forfeited unless it is deferred by the Permanent Secretary”. Also, “leave can be accumulated for up to a period of four years but should at no time exceed the officer’s annual leave entitlement.”

**3.2.55** We noted the following instances where the required departmental leave days were not taken by officers, and as such these officers’ leave balances had accumulated in excess of their annual leave entitlement:

Officer/Year	Annual Entitlement	Total Leave	Departmental Leave	Leave Taken	Leave Balance	Excess of Annual Entitlement
Kimberly Louis						
2014/15	28	70	21	22	48	20
2015/16	28	76	21	35	41	13
2016/17	28	69	21	14	56	28
Ignatius Francis						
2014/15	24	58	18	26	32	8
2015/16	24	56	18	17	39	15

Officer/Year	Annual Entitlement	Total Leave	Departmental Leave	Leave Taken	Leave Balance	Excess of Annual Entitlement
2016/17	24	63	18	Nil	63	39
Victoria Bousquet						
2014/15	20	45	15	14	31	11
2015/16	20	51	15	15	36	16

**3.2.56** We saw no documentation to indicate that a request was sent to the Permanent Secretary, Department of the Public Service for permission for deferment of such leave.

#### **Implication and Risk**

**3.2.57** Overriding controls implemented by management without any implications, reflects weakness over the monitoring and reporting of personnel matters at the Mission.

- **No evidence of Oath of secrecy taken by officers**

**3.2.58** The Orders for the Saint Lucia Foreign Service No. 2.10 requires that all officers are to sign a declaration of secrecy at the time of assumption of duties with copies kept on file. We were not provided with any documented evidence of this for any officers at the time of their employment at the Mission.

**3.2.59** It is important that officers sign this declaration since it provides for the authority for nondisclosure of any sensitive and confidential information which officers may be privy to.

#### **Implication and Risk**

**3.2.60** The Mission and the Department of External Affairs is not afforded disciplinary recourse if such controls are not adhered to by officers as there is no documentary evidence indicating that officers are aware and have agreed to the level of secrecy required as holders of these positions.

#### **Recommendations**

- **All appointments of non-established personnel to the Mission should be appropriately approved before they are made.**
- **Review of all personnel employed and paid ensuring all contracts and letters of appointments are adequately filed**
- **The contracts of employment should be sent to the Ministry of the Public Service for vetting and approval before they are signed by all parties.**
- **All appointments of non-established personnel to the Mission should be appropriately approved before they are made, and a copy of the Letter of Appointment place on the officer's file.**
- **Management should ensure that the appropriate authority for payment is always received prior to payments being made.**
- **The Ministry ensures that officers take their annual departmental leave or request deferment in the event that such leave cannot be taken in compliance with the requirements of Staff Orders No. 6.10 and Personnel Circular No. 36 of 1990.**



- **All employees at the Mission should be administered the oath of secrecy before taking up office and a copy placed on their personnel file.**

## **PLANT, PROPERTY AND EQUIPMENT**

- **All information required by the regulations was not recorded in the Fixed Assets Register**

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

**3.2.62** We found that while a fixed asset register was maintained which reported the item by code and description, date of purchase, initial value, depreciation percentage, present value and remarks on their condition, it did not include the registration and serial numbers, source of supply, period of warranty and ancillary equipment and spares supplied.

**3.2.63** As a result, we were unable to verify that the equipment recorded in the register was indeed the items purchased as we were unable to verify the serial numbers. In addition, we noted that not all fixed assets were recorded in the Register.

**3.2.64** Subsequent to the Audit, a revised fixed assets register containing most of the required information, with the exception of the date received in all instances was submitted by the Mission.

### **Implication and Risk**

**3.2.65** When such records are not adequately kept, it will be difficult for the Mission to keep track of the location of furniture and equipment, as well as their condition, maintenance and if necessary replacement statuses.

- **Mission to seek permission for the disposal of items**

**3.2.66** The Revised Laws of Saint Lucia Cap. 15.01 (Procurement and Stores Regulations) Part 13 No(s) 83 to 86 states the requirements of the Law for disposing of all government assets. The Regulations requires an appointment of a board of condemnation and states the specific procedures which the board and accounting officer should follow when disposing of assets.

**3.2.67** A listing containing the following items to be disposed of, was submitted by the Mission, these items were examined by Audit, and note that because of their condition, some can be donated to be utilized by another institution/organization:

- 9 phones (good condition, but change in system);
- 1 heater;
- 1 Linksys broadband and wireless networking 924 port switch);
- 1 HP photo smart printer (S/N MY46M20VV & HP adapter (S/N PRT043205);
- 2 TV base S/N 13EB-3TB0101 (Televisions are mounted on the walls);
- 1HP CPU (S/N 3CR92550K59);

- 1 Built CPU;
- 9 photographs of past Government Officials;
- 2 obsolete ink cartridges HP 10A (no longer have printers);
- 1 Logitech keyboard (OID SC71707);
- 2 HP keyboards (S/N BF52310296 & S/N BF52310294); and
- 1 HP monitor (S/N CN51622T6)

### Recommendations

- **Management should ensure that all relevant information is recorded in Fixed Assets Register in accordance with the Revised Laws of Saint Lucia Cap 15.01 (Procurement and Stores Regulations) No. 43 (1).**
- **Management should review the items and advise the Mission of the most appropriate manner to dispose of the assets.**

### REVENUE

- **No authorized list for revenue collected**

**3.2.68** All revenue collected on behalf of the government must be approved by the appropriate authority and a Statutory Instrument (S.I.) supporting this approval is issued. Therefore, every government entity should have as a reference the S.I. that supports the prices charged for services rendered.

**3.2.69** We noted that revenue for the following services was being collected by the Mission. We requested the authority for the prices charged for those services but we informed that these prices were not supported by any legal instrument.

Service	Fee Charged US\$
Visa Application	50.00
Passport Photos	\$10.00
Lost Passport Letter	\$20.00
Service fee for NIC retirement Benefits/Registry Application	\$10.00

**3.2.70** As no Statutory Instrument was submitted for the collection of the said revenue by the Mission, these revenues were unauthorized.

### Implication and Risk

**3.2.71** When revenues are collected without the relevant legal authority, prices charged may not be standardized and in addition, the charging of the unauthorized prices can be challenged by the general public.

- **Revenue not fully remitted to Head Office**

**3.2.72** Revenue collected by government agencies are to be paid into the Accountant General's Department and recorded in the year it is received under the government's modified cash basis of accounting.

**3.2.73** We noted that the Mission remitted revenue throughout the audited period to the Accountant General's office. However, when we conducted a comparison of remittances against collections for the relevant period, differences were noted as illustrated below:

Year	Revenue as per Audit US\$	Revenue Paid to the Accountant General US\$	Revenue retained on Bank Account US\$
2014/2015	\$144,889.84	140,280.43	\$4,609.41
2015/2016	\$142,942.60	134,493.75	\$8,448.85
2016/2017	\$106,023.10	98,795.63	\$7,227.47
<b>Total</b>	<b>\$393,855.54</b>	<b>\$373,569.81</b>	<b>\$20,285.73</b>

**3.2.74** Further we noted that the mission continued to maintain substantially high balances in the Revenue Bank Account. As at March 31st 2017, the balance on the Bank Account stood at US\$150,730.27.

### Implications and Risk

**3.2.75** The government uses a modified cash basis of accounting thus revenue should be recorded in the year it is received. Late remittance of revenue could also strain government ability to meet budgetary commitments.

### Recommendations

- **The Ministry obtains legislative approval for the prices charges for all services that it renders to the public;**
- **All passport revenues collected on behalf of the state must be remitted to Saint Lucia for payment into the consolidated fund.**

### CASH AT BANK AND CASH ON HAND

- **Lack of segregating of duties for Bank transactions**

**3.2.76** Good accounting and management control practices states that bank accounts must be reconciled by an individual other than the person writing checks and recording amounts in the company's general ledger.

**3.2.77** During the audited period, four (4) bank accounts were being maintained by the Mission:

- Operating Account No. 226004431873 (Bank of America) **closed May 2016;**
- Operating Account No. 4998167696 (Citi Bank) opened May 2016;
- Revenue Account No. 2260004431886 (Bank of America) **closed May 2016;** and
- Revenue Account No. 4998167709 (Citi Bank) opened May 2016.

**3.2.78** We are aware that the Mission has a small staff contingency, however we noted that the officer responsible for bank reconciliations is also responsible for preparing and dispatching of cheques/payment instruments.

## **Implication and Risk**

**3.2.79** Lack of segregating or separating of such duties, makes it easier for dishonest actions to go undetected.

## **Recommendations**

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

## **GOVERNMENT LOG BOOKS**

- **Log Books not maintained**

**3.2.80** During the audited period, two (2) vehicles were always maintained by the Mission:

- 2013 Ford Truck Explorer (leased from August 2012 to August 2015); and
- 2013 Lincoln MKS (leased from July 2012 to July 14, 2015).
- 2015 Toyota Highlander (leased from September 2015); and
- 2015 Toyota Sienna (leased from July 14, 2015).

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

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

- (e) details of traveling done or works performed;
- (f) details of oils, fuels and spares used;
- (g) details of servicing or repairs;
- (h) authorization for travel or other operation.”

**3.2.82** During the audited period, the Embassy had no recording of such information, as logbooks were not maintained for the vehicles.

**3.2.83** These controls are put in place to help prevent the misuse of Government vehicles, therefore management should ensure that they are always enforced.

## **Implication and Risk**

**3.2.84** When logbooks were not maintained, internal controls implemented by government over the use of the government vehicle may not have been adhered with or sufficiently monitored.

## **Recommendation**

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

## 4. COMPLIANCE AUDITS

### DEPARTMENT OF EQUITY

#### COMMON OBSERVATIONS

4.1 The following were common findings across the areas audited:

##### ❖ Accounts not reconciled

4.2 The Revised Laws of Saint Lucia Cap 15.01, Financial Regulations No. 10 (4) (c) indicates that vote accounts should be reconciled at the end of every month item by item with the Accountant General's accounts.

4.3 The Ministry's expenditure, advance, sundry deposits and revenue accounts were not reconciled with the Accountant General's accounts. Thus, the amounts reported in the Accountant General's accounts may not be accurate and thus cannot be relied on. The amounts reported by the Accountant General in the general ledger were:

<i>Account</i>	<i>Accountant General Accounts Balance as per 2015</i>	<i>Accountant General Accounts Balance as per 2016</i>
Advances	\$4,184,246.84	4,184,246.84
Re-current Expenditure	33,511,412.45	34,774,966.06
Capital Expenditure	6,951,576.86	6,875,885.01
Revenue	299,812.26	272,839.48
Sundry Deposits	147,270.36	359,759.62

4.4 Differences were noted between the records of the Ministry and the amount recorded in the Accountant General's accounts. For example, the total revenue recorded in the Ministry's Statement of Revenue for 2015/2016 was \$269,500.23, however \$272,839.48 was recorded in the Accountant General's accounts, giving rise to a difference of \$2,839.29.

4.5 Had the accounts been reconciled the differences would have been identified and corrected.

#### **Implications and Risks**

4.6 Lack of reconciliation may result in errors and omissions going undetected. This will result in financial information for the Ministry not accurately reflected in the Accountant General's accounts if corrective action is not taken.

#### **Recommendation**

**The accounts for 2015 and 2016 should be reconciled and the necessary adjustments made so that financial information is accurately reflected in the Accountant General's accounts. In addition, the Ministry should commence reconciling its accounts with the Accountant General's accounts on a monthly basis.**

#### ❖ **All documents were not submitted for auditing**

**4.7** It is the requirement of the Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No (5) (1) (g) that accounting records are produced for audit when requested by the Director of Audit. Further accounting officers are responsible for the care and safekeeping of receipts, payment instruments and other accounting records in his or her custody and shall retain them until they are destroyed in accordance with Regulation No. 157. Thus, it is incumbent upon an accounting officer to have an efficient filing system so that documents required can be easily retrieved.

**4.8** The following documents were not submitted to us upon request:

- Thirty-two (32) original invoices for 2014/2015 and all original invoices for 2015/2016 needed to verify information recorded in the sundry deposit accounts;
- Fifty-nine original invoices for expenditure;
- listing of authorized approvers for the two years audited;
- Revenue statements for 2014/2015 could not be found and thus, was not presented;
- Journals and other supporting documents to verify fortnightly wages of \$6,644,611.50 and \$6,765,600 for 2014/2015 and 2015/2016 respectively.

**4.9** In addition, not all bank deposits books required to conduct the audit at the Soufriere Constituency Council were presented. The total revenue recorded as collected for the three months audited - July 2015, October 2015 and January 2016 was \$7,429.54. We were unable to verify that \$3,939.50 or 54% of that amount was deposited as bank deposit books were not presented.

#### **Implications and Risks**

**4.10** The unavailability of information resulted in a limitation of scope. We were unable to ascertain the completeness of amounts reported in the sundry deposits accounts for the year 2015/2016, that all amount collected were deposited and to determine and verify the revenue figures for the Ministry for 2014/2015.

#### **Recommendation**

**The Ministry should make sure an efficient filing system is in place so that documents are safeguarded and can be easily retrieved when needed.**

#### **SPECIFIC OBSERVATIONS**

**4.11** The observations in this section are stated under and relate to the specific audit area.

#### **EXPENDITURE**

##### ❖ **Actual expenditure was in excess of allocations and revised estimates**

**4.12** Revised Laws of Saint Lucia Cap 15.01, Financial Regulations No. 10 (2) requires an accounting officer to maintain control over the department's expenditure to ensure that the amounts provided in the Estimates are not exceeded. In addition, according to Financial Regulations No. 37 an accounting officer and any officer duly authorized by him or her incurring expenditure in excess of amounts appropriated or otherwise ... shall be liable either jointly or severally, under Part 10 of the Act.

**4.13** Section 23 and 24 of the Revised Laws of Saint Lucia Cap 15:01 Finance Act No.3 of 1997 also give guidance of the use of reallocation and virement warrants.

**4.14** Our audit revealed numerous instances where actual expenditure exceeded the revised estimates as detailed in the table below.

Head/Sub Head	Description	Revised Estimates	Actual Expenditure as per Accountant General	Expenditure in excess of revised estimates
<b>2014/2015</b>				
<b>RECURRENT</b>				
5101002-101000	Personal Emoluments	352,674.00	354,998.47	2,324.47
5103002-113000	Utilities	104,773.00	119,253.72	14,480.72
5103002-137000	Insurance	22,091.51	29,918.46	7,826.95
5113001-113000	Utilities	931,267.00	1,024,048.99	92,781.99
<b>CAPITAL</b>				
5103268-1992	ROCT	70,000.00	70,234.00	234.00
5103278-3352	Survey	115,238.01	121,038.32	5,800.31
<b>TOTAL</b>				<b>530, 315.25</b>
<b>2015/2016</b>				
<b>RECURRENT</b>				
5101003-102000	Wages	20,538.00	47,194.93	26,656.93
5101001-105000	Travel & Subsistence	34,416.00	35,261.00	845.00
5103002-105000	Travel & Subsistence	140,113.00	142,725.91	2,612.91
5103002-113000	Utilities	97,000.00	123,679.75	26,679.75
5111001-102000	Wages	366,571.00	385,068.51	18,497.51
5111001-109000	Office & General	32,779.00	32,976.41	197.41
5113001-101000	Personal Emoluments	135,410.00	153,088.27	17,678.27
5113001-113000	Utilities	540,000.00	973,896.68	433,896.68
5113001-116000	Operational & Maintenance	3,088,397.00	3,094,537.89	6,140.89
5114001-101000	Personal Emoluments	229,184.00	235,313.37	6,129.37
<b>TOTAL</b>				<b>539, 334.72</b>

### Implications and Risks

**4.15** Expenditure was incurred without proper authority, and the budgetary provision exceeded.

### Recommendation

**The Ministry should seek approval for the amounts in excess of the revised estimates.**

- ❖ **Difference between revised estimates calculated by Audit and that recorded by the Accountant General's Department**

**4.16** The revised estimates obtained from the audit when compared to the revised estimates reported by the Accountant General were different for ten (10) accounts. Those differences are given in the table:

Head/subhead	Description	Revised Estimate as per Audit	Revised Estimate as per Accountant General	Difference
<b>2014/2015</b>				
<b>RECURRENT</b>				
5114-110	Supplies & Materials	6,350.00	6,986.00	(636.00)
5111-132	Professional & Consultancy	18,0000.00	0.00	18,000.00
<b>CAPITAL</b>				
5103268	ROCT	400,000.00	0.00	400,000.00
<b>2015/2016</b>				
<b>CAPITAL</b>				
513268	Community Development Programme	585,000.00	500,000.00	85,000.00
5103278	Multiple Indicator Cluster Survey	20,397.80	6,400.00	13,997.80
5103280	Social Safety Net Reform	981,114.08	966,092.00	15,022.08
5103283	BNTF 7 <sup>th</sup> Programme	3,870,215.00	890,137.00	2,980,078.00
5113207	Soufriere Enhancement Programme	3,047,855.00	0.00	3,047,855.00
5113208	Laborie Market	1,334,410.00	0.00	1,334,410.00
5113209	Gros Islet Human Resource Dev Centre	2,902,506.00	0.00	2,902,506.00

### Implications and Risks

**4.17** Information in the general ledger/account balance in smart stream for the above accounts are inaccurate and if not corrected will result in inaccurate balances being reported in the year-end financial statements.

### Recommendation

**The Ministry should make the necessary adjustments so that accurate information will be reflected in the general ledger.**

### REVENUE

#### ❖ Cash was not deposited daily or in full

**4.18** The Revised Laws of Saint Lucia Cap. 15:01 Financial Regulation No. 45 (1) requires a collector of revenue other than a sub-accountant who receives any duties, taxes, licences, fees, rents or other public monies whether or not forming part of the revenues of the Government of Saint Lucia to pay the whole of the amounts received daily either into a bank to the credit of the Consolidated Fund Services Account or to the Accountant General or to a sub-accountant.

**4.19** We noted that cash collected at the Gros Islet and Vieux Fort Constituency Councils were not deposited daily. Details of some of the late deposits are as follows:



Date Collected	Date Deposited	Amount	Time Lag (days)
<b>2014/2015</b>			
Gros Islet			
12.12.14	23.12.14	\$530.00	11
15.04.15	23.01.15	\$530.00	8
<b>Vieux Fort</b>			
17.11.14	01.12.14	\$1,000.00	14
18.11.14	01.12.14	\$370.00	13
19.11.14	01.12.14	\$100.00	12
21.11.14	01.12.14	\$142.00	11
17.12.14	29.12.14	\$200.00	12
18.12.14	29.12.14	\$1,000.00	11
19.12.14	29.12.14	\$1,000.00	10
<b>2015/2016</b>			
Gros Islet			
21-29.04.15	30.04.15	\$690.00	9
24-31.08.15	31.08.15	\$670.00	8
17-20.11.15	01.12.14	\$1,213.00	14
6-14.01.16	14.01.16	\$1,374.00	9
22.01.16	29.01.16	\$600.00	8
<b>Vieux Fort</b>			
01-15.07.15	16.07.15	\$1,912.00	16
14-28.10.15	02.11.15	\$2,085.00	20
05.01.16	11.01.16	\$1,030.00	7

**4.20** It was further observed that at the Vieux Fort Constituency Council not all amounts received were deposited in full, and we found no evidence of deposits for some amounts. For the three-month sample, a total of \$22,384.40 was collected, however, we were only able to verify total deposits of \$16,363.34 a difference of \$6,471.05 as detailed below:

Date received	Receipt Number	Amount	Date deposited	Deposit Book Number	Amount Deposited	Difference
03.11.14 – 04.11.14	2815297-2913304	2308.00	04.11.14	326939	2429.00	121.00
06.11-14.11.14	2913305-2913311	474.00	14.11.14	326940	356.00	118.00
17.11.14	2913312-2913313	165.00	Not seen	Not seen	Not seen	165.00
17.11.-28.11.14	2913314-2913326	3,066.00	01.12.14	326941	3,066.00	-
01.12.-8.12.14	2913327-2913335	2,520.00	08.12.14	326942	2,036.00	484.00
09.12-12.12.14	2913336-2913338	2,030.00	12.12.14	326943	2,030.00	-
15.12-17.12.14	2913339-2913343	1,364.00	18.12.14	326944	1,364.00	-
17.12-19.12.14	2913344-2913348	2,230.00	Not seen	Not seen	Not seen	2,230.00
22.12-24.12.14	2913349-2913352	1,180.00	29.12.14	326947	1,180.00	-
02.02.15	2913391-2913398	659.00	02.02.15	343957	2,195.00	1,536.00
04.02-05.02.15	2913399-2913400	1,080.00	Not seen	Not seen	Not seen	1,080.00
06.02-16.02.15	2981601-2981614	1,021.40	16.02.15	343958	1,335.00	313.60
19.02-27.02.15	2981615-2981623	4,287.00	03.03.15	343962	4,712.45	424.45

**4.21** The table indicate deposits made from bank deposit book voucher number 326939 to 326947 and from 343957 to 343962. The Bank Deposit Voucher Book was used sequentially with deposit vouchers 326945-326946, 326948-326949 and 343959-343961 cancelled.

**4.22** As indicated above, there was no evidence of bank deposits for receipts totalling \$3,475.00 and shortfall existed in the daily deposits totalling \$2,996.05. We saw no evidence that these amounts were subsequently deposited.

**4.23** Of significant concern was that the cash book was stamped by the Treasury Department and Treasury Receipts issued for monies which we could not substantiate as being deposited. One such example was for receipts 2913327-2973335 totalling \$2,520.00 where only \$2,036.00 was seen as deposited, yet the treasury receipt number 561462 showed full payment of \$2,520.00. As evidenced from the table above, the amounts collected prior and subsequent to that specific deposit was deposited in full and thus the shortfall of \$484.00 was not seen as deposited according to the bank deposit books.

### **Implications and Risks**

**4.24** The risk of theft and loss of cash increases when amounts are not deposited daily or in full which can result in a loss of revenue to government.

### **Recommendations**

- ✚ **The Ministry should monitor depositing practices of Constituency Councils and make sure that collectors of revenue are depositing all monies collected on a daily basis.**
- ✚ **The situation at Vieux Fort should be further investigated and the cash management system should be reviewed to determine the optimal system for accounting for cash.**
- ✚ **The Accountant General needs to stress to officers receiving and reviewing cash books and accompanying documents the importance of ensuring all documents are thoroughly reviewed and all funds accounted for.**

### **❖ Authority for fees charged were not seen**

**4.25** All fees charged should be supported by a statutory instrument, which a copy should be made available to the Constituency Councils.

**4.26** For the three (3) Constituency Councils that were audited it was observed different rates/fees were charged for revenue collected for market dues, trade licenses, rental of property, hawkers silence's, cemetery fees, fish dues and sundry receipts.

**4.27** We requested a copy of the fees charged for the services offered. We were not presented with the documented authority for the fees that were levied by the Constituency Councils.

**4.28** We were informed by the Department that the current fees charged by the councils are not documented.

### **Implications and Risks**

**4.29** As a result, we were unable to validate the fees charged were the correct fees and to determine the total revenue which should have been collected. Also, unauthorized fees were charged for services rendered.

### **Recommendation**

**The Ministry should seek authority for the fees charged by the councils for services rendered, and ensure that a copy of the authorized fees is given to all Constituency Councils.**

❖ **Receipts were not properly cancelled**

**4.30** The Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No.51 stipulates that when it becomes necessary to cancel a receipt all copies bearing the same serial number shall be marked 'cancelled' and signed by a responsible officer.

**4.31** For a sample of receipts examined at the three Constituency Councils audited it was observed that some of the receipts were not properly cancelled. The receipts were marked cancelled but were not signed by a responsible officer.

**Implications and Risks**

**4.32** Receipts may not be legitimately cancelled and this could result in fraudulent behaviour, resulting in loss of revenue.

**Recommendation**

**All cancelled receipts should be marked as cancelled and signed by a responsible officer.**

❖ **Accounts were not submitted to the Accountant General's department as stipulated**

**4.33** Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No. 57 stipulates that collectors of revenue shall submit their accounts at intervals not exceeding one month to the Accountant General or to the sub accountant for verification and certification of amounts paid in.

**4.34** It was observed that pay-ins were done in excess of one month by the Gros Islet Constituency Council. Details are stated below:

<b>Period of Cash Book</b>	<b>Date to be Verified</b>	<b>Date of Treasury Stamp</b>
24 – 31 August 2015	1 October 2015	10 November 2015
4 – 8 September 2015	9 October 2015	10 November 2015

**4.35** Internal control measures are implemented to reduce the risk of error and omission and ensure that corrective action is taken on a timely basis when such do occur.

**Implications and Risks**

**4.36** Errors and omissions will not be detected on a timely basis.

**Recommendation**

**The Councils should submit their cashbooks by the time stipulated.**

❖ **No evidence seen of internal checks**

**4.37** The examination of a cash account by the Accountant General or a Sub-Accountant shall not in any way absolve an accounting officer from his or her responsibilities under regulation 5 (Revised Laws of Saint Lucia Cap 15.01 Financial Regulation No 58).

**4.38** Additionally, internal supervision or checking of the cashbook should be documented in the form of a signature or stamp as it serves as a basis for establishing responsibility and accountability.

**4.39** We saw no evidence that the cash books of the three Constituency Councils audited for the years 2015 and 2016 were reviewed by senior officers.

### **Implications and Risks**

**4.40** The supervisory function is an essential component of any internal control system and it helps to provide assurance regarding the reliability of financial information. The absence of proper supervision of operations can adversely affect the Ministry's ability to report financial information with a reasonable level of assurance.

### **Recommendation**

**The Department should have persons conducting reviews to sign such documents indicating that the reviews were conducted.**

## **ADVANCE ACCOUNTS**

### **❖ Advances were not retired**

**4.41** In keeping with the Revised Laws of Saint Lucia Cap 15.01, Financial Regulations No. 105 (1) an advance shall be repaid within the time and in accordance with the terms and conditions stipulated.

**4.42** During our examination, we found sixty-six advance accounts with outstanding balances for the years 2014/2015 and 2015/2016. The total value of these advances was \$45,017,966.09 at March 3, 2016. This amount is recorded as an asset in the accounts of the Government. Investigations revealed that the amount have been expended and is therefore incorrectly classified as these advances have not been retired. Most of these advances were granted from 2007 up to 2013 and should have been retired against approved budgets, supplementary estimates and quarterly allocations by year end according to the terms of repayments.

**4.43** We noted that as at January 2018 adjustments have been made to correctly classify some of these amounts. The total value of advances at the time of this report (January 15, 2018) was \$4,184,246.84 for seven (7) advance accounts.

<b>No.</b>	<b>Account No.</b>	<b>Account Name</b>	<b>Balance as at 31.03. 15</b>	<b>Balance as at 31.03.16</b>
1	5101001-0533D33	Advance for Youth Awards 2012	34,430.00	34,430.00
2	5101001-0533D53	Multiple Indicator Cluster Survey	107,240.00	107,240.00
3	5101001-0533D76	Local Government Community Projects	623,220.00	623,220.00
4	5101001-0533D83-2112	SSDF Hope Holistic Opportunity	1,250,000.00	1,250,000.00
5	5101001-0533D84	Local Government Community Projects	1,150,000.00	1,150,000.00
6	5101001-0533D91-2AA2	BNTF 5 <sup>th</sup> Programme	942,100.00	942,100.00
7	5103001-0533C63-2AB3	For implementation of the koude	1,000,000.00	1,000,000.00
	<b>TOTAL</b>		<b>4,184,246.84</b>	<b>4,184,246.84</b>

### **Implications and Risks**

**4.44** The amounts in these advance accounts represents expenditure and not an asset. This means that incorrect information is reflected in the Central Government's accounts which will impact the truthfulness and fairness of the financial statements of the Government of Saint Lucia.

#### **Recommendation**

**The Ministry should continue to take the necessary action to clear the outstanding balances in the advance accounts.**

### **SUNDRY DEPOSIT ACCOUNTS**

#### **❖ Unused amounts for commitments not transferred to revenue**

**4.45** It is the policy of the government that funds be committed for expenditure incurred but not yet paid at year end and that these expenses be paid in the following year. The total amount outstanding is transferred to a sundry deposit account and any unspent amount should be transferred to revenue.

**4.46** It was observed that in four (4) instances outstanding commitments for 2013/2014 were still included in sundry deposit accounts as at 2015 and 2016. These amounts should have been transferred to revenue. The details are as follows:

<b>Account Number</b>	<b>Description</b>	<b>Unused Funds 2014/2015</b>	<b>Unused Funds 2015/2016</b>
5101001-0601493	Outstanding Commitment Capital	54,664.54	54,691.54
5101001-0601494	Outstanding Commitment- Recurrent	8,143.35	7,509.43
5111001-0601494	Outstanding Commitment- Recurrent	2,725.11	2,725.11
<b>TOTAL</b>		<b>65,533.00</b>	<b>64,926.08</b>

#### **Implications and Risks**

**4.47** The amounts committed which were unused can be utilized for other unauthorized purposes.

#### **Recommendation**

**The Ministry should transfer all unused committed funds to revenue.**

#### **❖ Outstanding commitments paid with current year's allocation**

**4.48** At the end of each financial year, a listing of all commitments to be paid in the following year is submitted to the Office of the Budget for approval. It is expected that all amounts approved for outstanding invoices would be paid in the following year from these committed funds.

**4.49** We noted that thirteen (13) invoices on the outstanding listing of commitments for 2013/2014 to be paid in the financial year 2014/2015 from funds of the sundry deposit account. Of these, seven (7) were not paid, and the remaining six (6) totaling \$4,472.14 were paid from budgetary funds allocated for the financial years 2104/15, 2015/16, and not from funds of the sundry deposit account where allocations were made.

**4.50** Invoice number 14815 for \$5,951.10 for J.E Bergasse which was included on the approved listing of outstanding commitment for 2013/14 was not seen as paid, however we noted for J.E Bergasse invoice number IN261465-1 for \$6,355.33 which was not on the approved listing of outstanding commitments was paid from the sundry account – outstanding commitment.

**4.51** During the year 2015/2016, twenty (20) invoices on the outstanding listing of commitments for 2014/2015 which should have been paid in 2015/2016 were not paid. The Details are as follows:

No.	Supplier	Invoice/NIC#	Invoice/Description	Amount
<b>Outstanding Commitments 2013/14</b>				
1	Peter Albert	166652	Ciceron Community	48,768.00
2	Super J			300.00
3	Cuthbert Joseph		Work done Gros Islet	835.88
4	E & J Enterprises	1123		143.43
5	E & J Enterprise			891.50
6	Odel Inc			6,000.00
7	J E Bergasse	14815		5,951.10
	<b>TOTAL</b>			<b>62,889.91</b>
<b>Outstanding Commitments 2014/15</b>				
1	Margaret Norlay	202495	Catering service	521.00
2	LUCELEC		March 2015	339.01
3	LUCELEC		March 2015	238.10
4	LUCELEC		February 2015	29.89
5	LUCELEC		March 2015	191.40
6	LUCELEC		January 2015	344.72
7	LUCELEC		February 2015	66.40
8	LUCELEC			378.18
9	LUCELEC		February 2015	125.17
10	LIME		Telecommunication exp	187.90
11	Winhall Joshua		Stipend-Mayor	1,500.00
12	Ignatius Evans		Stipend-Councilor	350.00
13	Vernon Valmont		Stipend-Councilor	350.00
14	Billie Jn Baptiste		Stipend-Councilor	350.00
15	Isaac Mathurin		Stipend-Councilor	350.00
16	Catherine Julien		Stipend-Councilor	350.00
17	Patrick John		Stipend-Councilor	350.00
18	Monty Maxwell		Stipend-Councilor	350.00
19	Examin Philber		Stipend-Councilor	350.00
20	Vision Express			1,308.00
	<b>TOTAL</b>			<b>8,029.77</b>

### Implications and Risks

**4.52** This has resulted in the budgetary allocation for current year not utilized for the purposes intended and not available for planned activities.

### Recommendation

**All amounts committed should be used to pay expenditure for which approval was granted. These expenditures should not be paid out of current year's allocation.**

#### ❖ Incorrect posting

**4.53** It is expected that expenditure are posted to the correct accounts.

**4.54** The funds for the invoice for Allied Sales Ltd of \$7,087.00 was committed under sundry account 5111001-0601493; however, payment and posting of that amount was done under account 5101001-0601493. Also, funds for amount due to Theresa Placide of \$2,241.47 committed under sundry account 5111001-0601494 was paid and posted under account 5101001-0601494. These amount were charged to the wrong programs and should be adjusted.

**Implications and Risks**

**4.55** Inaccurate information is reflected in the accounts.

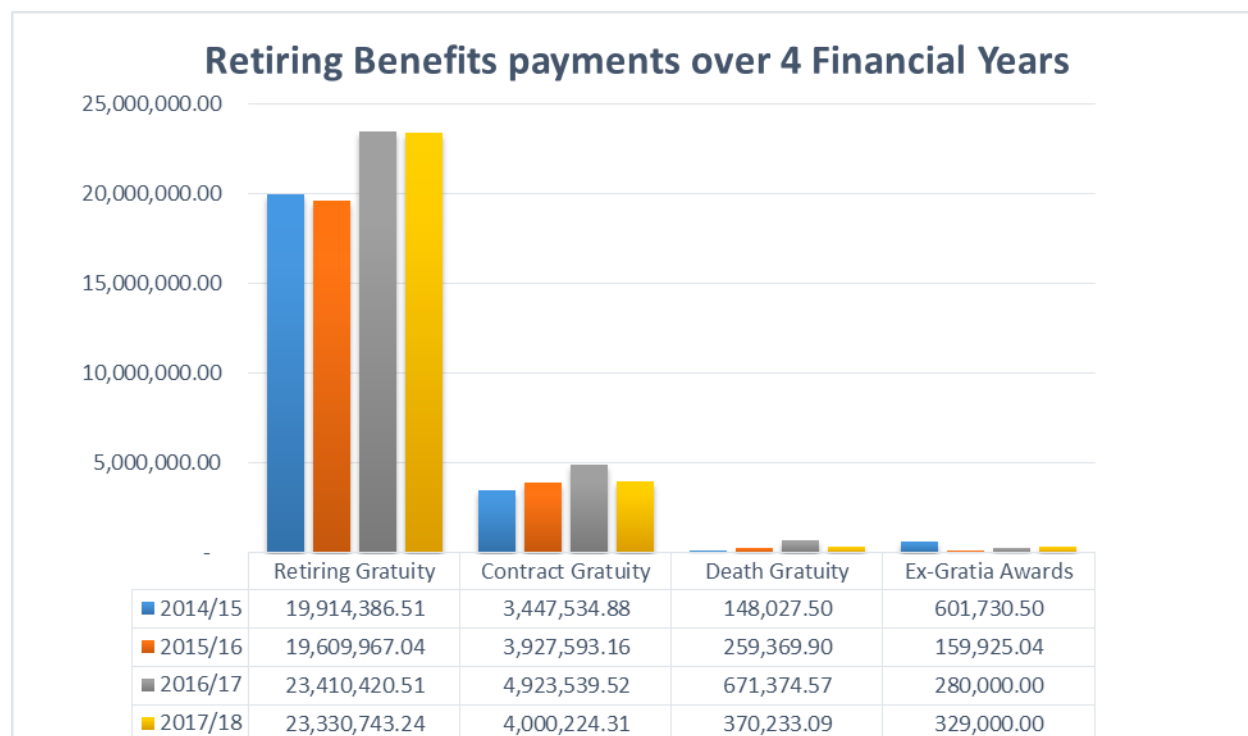
**Recommendation**

**Correcting journals should be done to adjust the accounts to reflect accurate figures.**

## 5. VERIFICATION OF RETRIEMENT BENEFITS 2015/2016

5.1 As part of our responsibility, the Office of the Director of Audit reviews pension and gratuity payments made by the Government of Saint Lucia annually. Over the past four (4) financial years, the total payments of retiring and contract benefits has increased by approximately 17% and 16%, while death gratuity increased by over 100%.

5.2 The payments made for retiring benefits in 2017/2018 per the Accountant General's accounts was \$28,030,200.64. Thus, the costs associated with retiring benefits, warrants significant controls over the process, to ensure that the payments made are in accordance with the guiding laws and regulations so that inaccuracies will be kept to a minimum.



5.3 Our examination revealed significant internal control deficiencies within the overall pension computation process. The following provides management with an overview of conditions requiring attention:

1. There is a lack of a comprehensive policy and procedure manual. As a result, there is a lack of consistency in the application of the prescribed Law and the preparation and completion of the benefit computation forms. This has led to errors and inconsistencies in documents submitted due to -
  - i. Files missing pertinent documentation; and
  - ii. Differences between information on documents submitted and Pension forms.
2. There is evidence of a lack of adequate review as amounts are at times calculated correctly, yet an incorrect amount paid to the individual.



3. Over the last five (5) years there has been inconsistent follow-up action and non-response to our findings from the Accountant General or the Department of the Public Service.
4. We have noted that the departments do not have a systematic approach for the verification of existing pensioners to ensure that deceased pensioners are removed from the current payment system immediately.

**5.4** For, the financial year 2017/18, we received computations for a total of two hundred and seventy-six (276) approved benefits totaling \$19,690,630.82. Of these, one hundred and eighty-four (184) payments were for retiring, ex-gratia awards and death benefits totaling \$17,079,190.36, and ninety-two (92) were contract gratuity totaling \$2,611,440.46.

<b>Benefits</b>	<b>Amount Paid \$</b>	<b>No. of Payments Made</b>
Retiring Gratuity	16,656,432.26	128
Death Gratuity	180,758.10	2
Ex-gratia Awards	242,000	54
<b>Total</b>	<b>17,079,190.36</b>	<b>184</b>
Contract Computations	2,611,440.46	92
<b>Total</b>	<b>19,690,630.82</b>	<b>276</b>

**5.5** For payments approved for the financial year 2017/18 we noted the following:

#### **Ex-gratia Awards**

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

#### **Retiring Gratuity**

**5.7** We noted twenty-three (23) anomalies, totaling fifty-eight thousand, two hundred and eighty-nine dollars and seventeen cents (\$58,289.17): twenty-one (21) instances of underpayment and two (2) instances of overpayment of computations of reduced pension and gratuity as follows:

- There were five (5) instances where the incorrect pensionable service was used in the computation in the computation resulting in the underpayment of reduced annual pension of \$476.77 and gratuities of \$2,383.79;
- There were thirteen (13) instances where 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 \$10,458.55 and gratuities of \$52,292.75;
- There were three (3) instances where the incorrect apportionment of the officers' aggregate salary was used, resulting in one instance of underpayment of gratuity of \$3,184.10 and annual reduced pension of \$636.82 and two (2) instances of overpayments of gratuity of \$1,662.47 and annual reduced pension of \$332.50;

- One officer was acting and immediately confirmed in the post during the last three years prior to retirement, however the aggregate salary was used in the computation, resulting in an underpayment of annual reduced pension of \$809.54, and gratuity of \$4,047.71;
- There was one instance where an officer was not in the post for the last three years prior to retirement, however the aggregate salary for the last three years was not used resulting in an overpayment of gratuity of \$1,956.73 and reduced annual pension of \$391.34.

## **Death Gratuity**

**5.8** Payments for two death gratuities were verified during this financial period, we noted in one computation the qualifying period was reported as September 14, 1981 to July 13, 2008, however supporting documentation submitted reflects the qualifying period as August 01, 1982 to July 13, 2008, resulting in the qualifying period being 311 months instead of 321 months. This resulted in an overpayment of death gratuity of \$3,242.79.

## **Contract Gratuity**

**5.9** Contract gratuity for one officer was computed as \$38,331.68, however, the audited gratuity amount which should have been paid was \$37,348.57, resulting in an overpayment of \$983.11.

**5.10** We noted that during the period March 01 – 29, 2016 the officer was on sick leave and was therefore entitled to 35% of his monthly salary of \$6,467.13 or \$2,263.50. Although for the sick leave period, the correct salary was quoted on the computation form, the calculations were done using his full monthly salary, thus resulting in the overpayment.

**5.11** In addition, contract gratuity of 155,995.25 as per the Accountant General's Accounts could not have been verified as the required supporting documented evidence were not submitted to our office.

## **General:**

**5.12** We 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 exceeded the maximum periods of pensionable service:

- I. Period of no-pay leave included in the qualifying service period;
- II. Instances of the correct qualifying period dates being recorded on the computation form yet the qualifying periods were incorrectly calculated, for example:
  - The 35 years 1 month was reflected as 443 months, and 28 years reflected as 350 months;
  - The period August 01, 1986 – August 31, 1994 was calculated as 9 years;
  - The period March 02, 1976- September 30, 2017 was calculated as 39 years 6 months; and
  - The period August 01, 1995 – August 31, 2012 was reported as 18 years;

- III. There were instances of the incorrect dates of qualifying periods being recorded on the computation form, however the correct qualifying period was reflected.
- IV. Statements from the National Insurance Corporation was not always included in the documentation submitted;
- V. There were instances where amounts were posted under the incorrect expenditure item in the Accountant General's accounts, including a death gratuity paid under Retiring Benefits expenditure item, 4402007-0104001;
- VI. All necessary information in reference to employment was not always provided, e.g. date when police constables are promoted to senior police constables, when teachers are made permanent, when officers report for duty when that date was different to date of appointment or promotion.

### **Recommendations**

- + As with our previous report, we again recommend that management take 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 again urge management to ensure that all required information is included in the documentation and computations are carefully verified prior to processing.**

## 6. PERFORMANCE AUDIT

6.1 The Revised Laws of Saint Lucia, Cap 15.19 (Audit Act) Section 6 (2) states: each Report of the Director of Audit

6.2 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.*

6.3 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.

6.4 We completed the performance audit of the Maintenance of Government/Government Occupied Buildings. This report was issued to Parliament under separate cover. We commenced work on the performance audits of Constituency Development Programme and St. Lucia's Preparedness to Implement the SDGs. These audits are ongoing.

## **7. STATUTORY BODIES, PUBLIC BODIES AND GOVERNMENT COMPANIES**

**7.1** 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; and
- 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.

**7.2** 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.

**7.3** 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.

**7.4** 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 fulfill 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.

**7.5** 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.

**7.6** 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.

**7.7** In keeping with the requirements of the Act, the Director of Audit requested from public bodies, statutory bodies and Government Corporation their audited financial report. Details of reports received are:

	STATUTORY BODY	LAST AUDITED REPORT RECEIVED
1	Folk Research Centre	2016
2	<b>Pitons Management Authority</b>	<b>Not received</b>
3	Saint Lucia National Trust	2014
4	<b>Free Zone Management Authority</b>	<b>2018</b>
5	<b>Banana Industry Trust</b>	<b>2018</b>
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	<b>St. Lucia Fish Marketing Corporation</b>	<b>2008</b>
12	<b>Computer Centre Ltd</b>	<b>Not received</b>
13	National Conservation Authority	2017
14	National Community Foundation	2015
15	<b>National Skills Development Centre</b>	<b>2010</b>
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	<b>Tourism Development Board</b>	<b>2011</b>
24	<b>Castries City Council</b>	<b>1998</b>
25	St. Lucia Tourist Authority	2016
26	<b>St. Lucia National Housing Corporation</b>	<b>2010</b>
27	<i>St. Lucia Marine Terminals Ltd</i>	2014
28	Saint Lucia Bureau of Standards	2014
29	<b>Cultural Development Foundation</b>	<b>Not received</b>
30	St Lucia Electricity Services (LUCELEC)	2015
31	<b>Financial Intelligence Authority</b>	<b>Not received</b>
32	<b>Southern Tourism Development Corporation</b>	<b>2012</b>
33	Soufriere Regional Development Foundation	2015
34	International Financial and World Investment Centre	2014
35	National Telecommunications Regulatory Commission (NTRC)	2016
36	<b>Saint Lucia Gaming Control Authority</b>	<b>Not received</b>
37	<b>Sports Saint Lucia Incorporated</b>	<b>Not received</b>
38	<b>Soufriere Marine Management Association</b>	<b>Not received</b>
39	St Jude's Hospital	2014
40	St Lucia Mortgage Finance Company Limited	2016
41	National Water & Sewerage Commission	2015
42	<b>BELFUND Incorporated</b>	<b>Not received</b>
43	National Utilities Regulatory Commission	2016
44	Carnival Planning & Management Agency	2015
45	<b>Radio St. Lucia</b>	<b>2012</b>

7.8 The annual audited financial statements and the auditor's report were received from two (2) of those contacted for the financial year 2018. They were:

## **BANANA INDUSTRY TRUST**

### **Introduction**

7.9 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.

7.10 The Government of Saint Lucia **contributed capital** of **\$1,807,000** to the Banana Industry Trust. For the financial year 2018 the total **assets** of the Trust were **\$2,572,131** and its **liabilities** were **\$430,938**. The Trust has an accumulated deficit of **\$11,705,884** and for the financial year made a loss of **\$10,750**.

### **Independent Auditor**

7.11 PKF Chartered Accountant & Business Advisers

### **Auditor's Opinion**

7.12 The auditor issued unqualified opinions on the financial position of the Trust as at March 31, 2018 and the Trust's financial performance and cash its flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities.

## **FREE ZONE MANAGEMENT AUTHORITY**

### **Introduction**

7.13 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.

7.14 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**

7.15 2017 – BDO

### **Auditor's Opinion**

7.16 The auditor issued unqualified opinions on the financial position of Free Zone Management Authority as at March 31, 2018 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.

## **8. CAROSAI SECRETARIAT**

**8.1** 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.

**8.2** 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.

**8.3** 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.

**8.4** The CAROSAI Secretariat was transferred from Saint Lucia to Jamaica in 2016; however, the Office of the Director of Audit, on behalf of CAROSAI, continued to oversee the implementation of the project Strengthening Country for Better Investment Results, until its closure in 2017.

**8.5** 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.

**8.6** The Office of Director of Audit was responsible for the financial management of the project. It was 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.

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