**Report of the Auditor General on the Financial Statements of the Turks & Caicos Islands Government for the year ended 31st March, 2013.**

**Date of Audit Report: 19th March, 2014.**

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## Abbreviations Listing

| | |
|---|---|
| Automated SYstem for CUstoms DAta | ASYCUDA |
| Association of Chartered Certified Accountants | ACCA |
| Caribbean Development Bank | CDB |
| Department for International Development | DFID |
| European Union | EU |
| Certified General Accountant | CGA |
| Interactive Data Extraction Analysis | IDEA |
| International Education Standards | IES |
| International Federation of Accountants | IFAC |
| International Financial Reporting Standards | IFRS |
| International Public Sector Accounting Standards | IPSAS |
| International Standards on Auditing | ISA |
| National Audit Office | NAO |
| Payment Voucher | PV |
| Public Accounts Committee | PAC |
| Public Finance Management Ordinance | PFMO |
| Public Finance Management Regulations | PFMR |
| Public Procurement Ordinance | PPO |
| Public Works Department | PWD |
| Smart Stream | SS |
| Standard Integrated Government Tax Administration System | SIGTAS |
| Strategic Policy & Planning Department | SPPD |
| The Outstanding Loan Company Limited | TOLCO |
| Turks & Caicos Islands Government | TCIG |
| Value for Money | VFM |

## Key definitions

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

# 1. Auditor General's Executive Summary

This has been the completion of a very challenging audit of TCIG's 2012/13 annual public financial statements. Statements were provided on time by the Ministry of Finance. While the NAO was limited in its scope due to an imposed limitation of resources, I am especially grateful to my staff who applied an alternative approach to auditing which covered not only the financials, but compliance, internal controls and a fraud risk assessment. I am also grateful to the PS Finance, Accountant General, Treasury Department and those Accounting Officers who provided explanations and information in an effort to address queries raised by the NAO.

At the outset, in public administration it is rare to find that all aspects of a government's management of a particular activity or program that is working well. Equally it is rare to find that all aspects need to be improved. This report provides audit findings or conditions which are assessed against certain criteria such as compliance with laws, policies and procedures, best practice, and other measures in an effort to make the report as objective as possible. It also relies on providing evidence using various sampling methods which can then be used to interpret the financial health of the public financial statements.

While the NAO is here to provide positive reinforcement of improvements, it is equally, if not more importantly, here to highlight the areas for development so as to encourage those in authority to focus on improving the delivery of public services by assuring value for money in all of Government's activities.

**Risk & Controls**

Internal controls are designed to provide reasonable assurance on Government's activities in the areas of efficiency, effectiveness and economy of operations, reliability in financial reporting and compliance with applicable laws and regulations. In other words, internal controls are tools that help Accounting Officers to be effective and efficient while avoiding serious problems such as overspending, operational failures, and violations of law.

Arising out of the audit, it was ascertained that entity level or high level controls exist and are a key part of TCIG's public financial management framework. However, activity or operational level controls had not worked as intended. Activity level controls, especially transaction level financial controls are critical because they are mainly designed to prevent, detect and correct errors or omissions and minimize fraud.

"Soft controls" activities such as integrity and ethical values, management philosophy, operating style and managing change were evident as well as the "hard" controls such as regulations and written policies and procedures. However, compliance during the period under audit was inadequate and conformance with accepted standards, policies and procedures also disputed. While some of the financial regulations were introduced late in the year, there still existed other controls of a similar nature which were not adhered to or enforced. There were internal control deficiencies and material weaknesses identified in our audit which may have led to material misstatements. While I am confident that high level controls such as the outline framework, ordinances, regulations etc. have been implemented, the issue however, becomes adherence to and enforcement of the activity level controls and compliance with such laws and regulations.

Information and communication systems need to be strengthened to enable proper document management, record keeping and archiving. Technology must be embraced fully to automate some of the manual work that still exists in ministries and departments and to free up the administrative bureaucracy. A proper document management system is important. Monitoring activities need to be enhanced since there is evidence that controls have failed to prevent, detect and correct errors or omissions.

There are several reasons why some of the controls may not have worked as intended and they may range from persons not knowing that they exist, they may not be sufficiently trained or experienced, there are compensating controls that are utilized but have not been documented or the controls are being deliberately circumvented. Discussions must also take place to determine if the strategic priorities are in line with the operational realities of ministries and departments and budgets properly allocated to the several competing priorities which need it most. Also the activity level controls may take some time to work properly as officers become fully aware of them, but it should not be an excuse for basic control systems to not be working properly.

Control risk is high and efforts must be made to mitigate this risk. It is therefore strongly recommended that Accounting Officers and those charged with governance ensure that the requirements under law, policy, procedure, best practice or other measure such as goals and objectives be adhered to as far as possible.

The risk assessment and prioritization efforts are only in its infancy stages and need to be improved especially in the resource constrained environment since it is an environment which lends itself to resource competition in which resources may not be properly allocated to the priority areas that need it.

High risk exposures are evident. Red flags have already been identified in current and prior years' audited financials and there needs to be a focus on drilling down into the numbers utilizing a value for money audit approach to either confirm or dispel some of these risk exposures.

While on the one hand there are efforts to strengthen the public financial management framework at a high level, on the other hand there are non-compliances or circumventions of controls occurring at the operational level for various reasons. The outline structure is there but systems, processes, activity and transaction level controls are not working properly which can have an impact on the reliability of the public financial statements.

Future components of audit work must therefore center on risks of asset misappropriation, corruption, financial misstatement, waste, extravagance, abuse, conflicts of interests and related party transactions etc., to which I'll collectively refer as wrongdoing. These areas have not been properly focused on in audits over the last couple of years and assurance of this nature is in the public interest which makes it of paramount importance that the NAO be properly equipped to conduct such detailed audits. Without the requisite resources we cannot sufficiently audit and improper acts may be so "properly" recorded if left undetected with the passage of time.

**Audit Recommendations**

In the main, implementation of previous audit recommendations has progressed and audit recommendations from this 2012/13 Audit Report have been addressed or are being implemented in the near future.

**Audit Findings (See section 7 – 45 for detailed audit findings)**

All the audit findings and recommendations in this Audit Report have been agreed/accepted with the PS Finance and Accountant General. Some of the high risk findings are as follows;

- A lack of documentation such as quotations, purchase orders, contracts, inspection and post audit reports for concessions, certain approval letters, payroll information, travel advance register(s), outstanding commitments, business cases in whatever format and financial records on public debt.
- Several financial control exceptions over processing of expenditure coupled with inadequate expenditure management and control, lack of proper documentation and several mis-postings in relation to $19 million excess expenditure per line item or $9 million excess expenditure after taking into account improvements in other line items.
- Possible related party transactions and beneficiaries approving their own payments, the scope of which is to be expanded and investigated further with a view to forwarding any pertinent information to the relevant authorities.

- Arrears of revenue totaling approximately $26.6 million accumulated over several years, of which over 50% of it may be uncollectible.
- Little control effort over tracking and monitoring concessions of approximately $23 million which should be disclosed in the notes to the financials.
- Inadequate mechanisms in place to assure proper ownership and control over fixed assets. These fixed assets should be recorded and disclosed in the financials.
- Inadequate maintenance of payroll information.
- No proper fraud risk management mechanism in place.
- Inadequate management of unallocated stores.
- $12.7 million outstanding loans issued by TC Invest, most of which may be uncollectible. There was also insufficient due diligence conducted in the execution of an agreement in which non-performing loans were sold to TOLCO.
- Circumventing the approval process.
- Ineffective controls over expenditure in the Development Fund.
- Inadequate management of advances.
- Expenditure over $10,000 not fully in compliance with regulations.
- Lack of support documentation for items reported in the Contingent Liabilities Statement.

**Implications for the Financial Statements**

The foregoing has implications for the financial statements in that there is a risk of material misstatement and/or potential for error and/or fraud. It is on this basis that significant attention should be paid by those charged with governance and watchdog institutions, like the NAO, to ensure that any expenditure is both appropriately incurred and legitimately expensed. Errors were already evidenced by the series of mis-postings Accounting Officers referred to in the previously concluded PAC meetings during February 2014. While controls do not prevent fraud, a breakdown in controls increases such unwanted risks.

More controls may not be the answer, but dedicated attention on adherence to and enforcement of the activity level controls to prevent, detect, correct errors, identify omissions, ensure compliance with laws and deter wrongdoing can go a long way in strengthening the integrated public financial management framework.

The Auditor General has an essential role in ensuring that public funds are not only spent in line with the appropriations, but also that those funds are spent effectively to the benefit of the public. Our scope for this audit has not considered this risk of fraud, wastage, extravagance, abuse or wrongdoing because of the limits on resources. This, coupled with an inadequate activity level internal control system, increases the risk that public funds may not have been efficiently, economically and effectively spent. It therefore demands a broad coverage of audits for ministries and departments, governance institutions, coverage for statutory body audits via the external audit firms, audits of funds provided by the EU, special forensic and fraud audits, surprise cash count audits, valuation of inventory audits, assurance and verification on assets audits, compliance audits, risk and controls audits, good governance audits, capital development project audits, specialist audits in the area of IT and a myriad of other audits. The audit universe is large and dollar coverage extends not only for revenue but for expenditure ensuring that all funds are properly collected and all funds are prudently expended.

The NAO as an independent body has to provide credible and high quality audit reports on the use of public funds upon which the interested stakeholders can rely. It can only do so when appropriate resources are provided and its organizational placement is removed from potential undue influences of other authorities which it audits.

In concluding, entity or high level controls appear to be somewhat developed within TCIG's public financial management framework, while many of the activity/task/transaction level controls are either not adhered to or not enforced. This is evident from the fraud risk assessment, internal controls assessment and audit findings which impacts the reliability of the financials. Efforts must therefore be made to ensure that control and compliance mechanisms are properly integrated, adhered to throughout the public service and documented so that it can limit or reduce recurring errors or omissions, minimize the potential for fraud, reasonably assure value for money, support reliability of the public accounts and thus improve the overall financial health and reputation of TCIG.

The Audit Team Members for this 2012/13 TCIG Audit were as follows;

| Name | Position |
|---|---|
| Anand Heeraman | Auditor General |
| Sabrina A. Williams | Audit Manager, Certification |
| Keva L. Wilson | Audit Manager, Value for Money |
| Larissa T. Francis | Senior Auditor |
| Shakira F. Been | Auditor |
| Leila I. Astwood | Assistant Auditor |
| Maria Rolle | Assistant Auditor (Temporary) |
| Lakeia Lewis | Assistant Auditor (Temporary) |
| Letitia Williams | Assistant Auditor (Temporary) |

Table 1 – Audit Team Members

## 2. Auditor General's Opinion

**AUDIT CERTIFICATE**

**To the House of Assembly of the Turks and Caicos Islands**

We have audited the accompanying financial statements of the Turks & Caicos Islands Government, for the year ended 31st March, 2013, and the related notes to the financial statements, which collectively comprise the Government's financial statements as detailed in this report.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the relevant accounting principles; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In this regard, management is responsible for properly recording transactions in the accounting system and for establishing and maintaining an internal control system sufficient to permit the preparation of financial statements in conformity with the modified cash basis of accounting. This audit of the financial statements does not relieve management of this responsibility. Management also is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us;

- about all known or suspected fraud affecting the entity involving,
    - the management
    - employees who have significant roles in internal control over financial reporting, and
    - others where the fraud could have a material effect on the financial statements; and
- of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from current employees, former employees, public, or others.

Management is responsible for;

- addressing all significant deficiencies in the design or operation of the internal control over financial reporting that are reasonably likely to adversely affect the ability to record, process, summarize and report external financial data reliably and,
- identifying and ensuring that they comply with the laws and regulations applicable to its activities.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. This audit was conducted in accordance with general audit principles, given the imposed limitation on resources. We planned and performed the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments we considered the internal controls assessment for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. The NAO's audit process was neither designed to identify all deficiencies in the TCIG's system of internal controls nor to capture all non-compliances or non-conformances with relevant laws and regulations.

We designed our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgement regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Audits are, therefore, subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons the NAO cannot ensure that errors, fraud or other illegal acts, if present, will be detected.

***Opinion***

We have audited in accordance with general principles of auditing standards applicable to financial audits, the financial statements of the Turks & Caicos Islands Government (TCIG) as of and for the year ended 31$^{st}$ March, 2013, and the related notes to the financial statements, which collectively comprise TCIG's financial statements, and have issued our report thereon dated 19$^{th}$ March, 2014.

### *Entity's Internal Controls*

Our consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the audit findings outlined in Section 7 - 45, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. I have relied on the internal controls framework to assist me in forming an opinion on the financials. When taken together it can have a material impact on the financials.

### *Compliance with laws and regulations*

As part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, policies and procedures, non-compliance with which could have a direct and potential material effect on the determination of financial statement amounts. The results of our tests disclosed instances of non-compliance or other matters that are required to be reported which are described in Section 7 - 45.

### Basis for Disclaimer of Opinion Paragraph

Even though, the accounts and statements, in the main, conform to the requirements of section 45 of the PFMO 2012 and of the framework document prepared under the PFMO 2012 as at the 31$^{st}$ March 2012, there were however several control deficiencies and material weaknesses identified in this Audit Report (refer to Sections 7 – 45) which had a high probability of having a material impact on the financial statements, some of which could not be quantified;

1. A limitation in scope of the audit brought about by the lack of important documentation such as quotations, purchase orders, contracts, inspection and post audit reports for concessions, approval letters, payroll information, travel advance register(s), outstanding commitments, business cases in whatever format and financial records on public debt.

2. Several financial control exceptions over processing of expenditure coupled with inadequate expenditure management and control and several mis-postings in relation to approximately $19 million excess expenditure per line item (approximately $9 million excess expenditure after taking into account improvements in other line items).

3. Indications of possible related party transactions and beneficiaries approving their own payments, the scope of which is to be expanded and investigated further.

4. Arrears of revenue which totaled approximately $26.6 million accumulated over several years in which less than 50% may be collectible.

5. Little control effort over tracking and monitoring concessions of approximately $23 million and inadequate mechanisms in place to assure proper ownership and control over fixed assets both of which should be recorded or disclosed in the notes to the financials.

6. $12.7 million outstanding loans issued by TC Invest most of which may be uncollectible. There was also insufficient due diligence conducted in the execution of an agreement in which non-performing loans were sold to TOLCO.

7. A limitation in scope due to an imposed limitation on appropriate staffing resources which affected the ability of the NAO to perform detailed drill down work in areas that were considered high risk.

8. Other areas either individually or taken together which could have had a material impact on the financial statements were the inadequate maintenance of payroll information, no proper fraud risk management mechanism in place, inadequate management of unallocated stores, circumventing the approval process, ineffective controls over expenditure in the Development Fund, inadequate management of advances, expenditure over $10,000 not fully in compliance with regulations, a lack of support documentation for items reported in the Contingent Liabilities Statement and other incomplete information submitted.

**Disclaimer of Opinion**

Because of the significance of the matters as identified in the Basis for Disclaimer of Opinion Paragraphs, I do not express an opinion on these financial statements.

***Anand Heeraman FCCA, Auditor General - 19th March, 2014***

**Management's Response to Findings and Adjusting Entries identified after the year end.**

The entity's response to the findings identified in our audit is described after each audit finding. The entity's response and adjusting entries after the year end were not subjected to detailed auditing procedures applied in the audit of the financial statements and, accordingly, we also express no opinion on it.

## 3. NAO's General Mandate and Organizational Independence Concerns

The National Audit Office (NAO) is a governance institution established under Section 97 (1) of the TCI Constitution and its operational requirements are established under the NAO Ordinance dated 16th March, 2012. According to the NAO Ordinance Section 18 (1) the NAO will report on the result of the examination and audit and certify whether the accounts represent a true and fair view.

The new Public Finance Management Ordinance now allows four months for the presentation of financial statements by the Accountant General (due 31 July, 2013) and four months for the NAO to undertake its work and present audited statements (due 30 November, 2013). It is my responsibility under Section 49 (1) of the Public Finance Management Ordinance (PFMO) and Section 18 (1) of the NAO Ordinance to then form an independent opinion, based on the audit, on those statements and to report my opinion within a further four months.

According to the NAO Ordinance, Section 7 (2) and Section 18 (1) in carrying out his functions the Auditor General shall do so through the application of internationally recognized auditing standards.

The NAO is required under the laws to examine, audit and certify where appropriate whether or not the accounts and statements represent fairly the financial position of the TCIG and that it has been conducted with regularity and propriety. Further the NAO must ensure that reasonable precautions have been taken to safeguard the proper collection and payment of monies and to ensure that all expenditure to which such examination and audit relate has been lawfully incurred. The NAO is also required to assure the internal control system and internal audit services is adequate and that satisfactory management measures have been taken to ensure that public or other resources are procured economically and utilized efficiently and effectively.

It is clear that the placement of this Office was created to operate outside of the control or influence of any other authority which it audits. It is clear in the 2011 TCI Constitution that there is the establishment of the Auditor General AND an NAO. The Constitution also gives life to the NAO to have its own Ordinance to guide the operations. It is clear that the Auditor General is the Accounting Officer for the NAO. Revisions were made to 2012 NAO Ordinance to be consistent with the provisions in the 2011 TCI Constitution meant to supplement and complement the work of the Auditor General. The NAO's establishment as a separate entity was made under the TCI Constitution which notes that the Auditor General is a public office and the entity which supports the Auditor General is the NAO, a separate entity. The intention was also to mirror the UK NAO's structure as a separate independent entity. This is consistent with the Report of the Commissioner, Sir Robert Auld on recommendation number 58 for more effective internal and external audit systems. This is also consistent with a UK Hansard and Official report in December 2012 which indicated that the then Audit Office was split into two distinct bodies. This is also consistent with the organizational architecture and placement of the Cayman Islands Office of the Auditor General (OAG), another British Overseas Territory outside of the control of those entities it audits, which has 16 qualified and experienced professionals out of a staff of 19 as an effective watchdog institution compared to the TCI NAO which has 1 qualified and experienced professional out of a staff of 6.

It is illogical to have two audit departments falling within the purview of the public service. Being within the public service means that the NAO is exposed to the whims and fancies of those who oversee areas which should properly be within the domain of the NAO especially coming out of a period where there were matters of corruption. The NAO should not be auditing the same policies and procedures it has to follow, it is a conflict of interest in itself. The NAO should not be auditing the budgeting process of which it has to be a part. The NAO should not be staffing its operations in line with the civil service since the staffing required is of a different mix of skills and competencies than other professional accountants as noted in IES 8 for audit professionals under the IFAC body of which I am a member via the ACCA and CGA.

The organizational placement of the NAO is clear and decisions of staffing, finance, day-to-day operations, longer term development of the NAO, formulating the Auditor General's executive summary of the audit report, reporting matters to the PAC which impede my operations and in particular training for my staff, reside with the Auditor General and identified within the TCI Constitution and NAO Ordinance.

## 4. Scope/Objectives/Approach/Limitations

### 4.1 Scope

Data retrieved from IDEA for the period under audit was 1 April 2012 – 31 March 2013. Over 508,493 transactions were extracted throughout the audit process. The sample population varied depending on the areas audited, its' risks and potential impact and materiality.

Our audit covered areas under revenue and expenditure including a review of the entity-wide internal controls system. We utilized a best practice internal controls framework covering 18 entity level controls and 94 process or activity level controls to determine strengths and development areas within the internal control system. A Fraud Risk Assessment was also conducted which involved interviewing a number of public officers covering over 14 modular areas on fraud risk management totalling over 500 interview questions.

Over 20 audit programs were developed and/or revised in the planning stages, with over 200 audit tests designed to cover general compliance with relevant laws and regulations, internal controls over financial reporting and entity wide controls assessment.

### 4.2 Objectives

The objectives of this audit are outlined in Section 49 (1) of the Public Finance Management Ordinance 2012 and Section 18 (1) of the National Audit Office Ordinance. I've outlined the objectives within the NAO Ordinance as follows;

- ✓ the accounts and statements conform to the requirements of section 45 of the Public Finance Management Ordinance, 2012;

- ✓ the accounts and statements conform to the requirements of the framework document prepared under the Public Finance Management Ordinance, 2012 in force at the time of the relevant accounting period;

- ✓ the accounts represent fairly the financial position of the entity or give a true and fair view of the financial position of the entity;

- ✓ the internal control system and the provision of internal audit services within TCIG is adequate and complies with any instructions issued by the Permanent Secretary, Finance under section 14 of the Public Finance Management Ordinance, 2012;

- ✓ the financial affairs of the entity have been conducted with regularity and propriety in accordance with this Ordinance or any other applicable law;

- ✓ reasonable precautions have been taken to safeguard the proper collection of monies to which such examination and audit relate, and that the laws and instructions relating thereto have been duly observed;

- ✓ reasonable precautions have been taken in connection with the receipt, custody and issue of, and accounting for, property, monies, stamps, securities, stores, equipment, trust monies, trust property and other assets to which such examination and audit relate, and that the laws and instructions relating thereto have been duly observed;

- ✓ receipts, payments and other transactions are made in accordance with the applicable laws and instructions and are supported by adequate vouchers, and in particular that all expenditure to which such examination and audit relate has been lawfully incurred;

- ✓ satisfactory management measures have been taken to ensure that public or other resources are procured economically and utilized efficiently and effectively;

## 4.3 Approach

The following activities were performed;

1. Conducted risk assessments of all government accounts in relation to is dollar value, liquidity, consequence of a breakdown in the controls of the accounts, information sensitivity, computer system changes, organizational changes, complexity of the business system/regulatory environment and likelihood of any fraud/abuse/misconduct occurring.

2. Conducted meetings with the following Officers;

   - ► Andrew Mcrae (Financial Manager) - Ministry of Education/Youth/Sports
   - ► Arnold Ainsley (Accountant General) - Treasury
   - ► Athenee Harvey (Permanent Secretary) - Ministry of Finance
   - ► Cheryl Ann Jones (Permanent Secretary) – Ministry of Education/Youth/Sports
   - ► Clara Gardiner (Permanent Secretary) - Ministry of Border Control & Labor
   - ► Clifton Warner (Chief Magistrate)
   - ► Colin Farquar (Commissioner) - Police Department
   - ► Cyprian Kamaray (PFM Advisor) - Ministry of Finance (Treasury)

- ► Henry Saunders (former Revenue Controller) - Revenue Department
- ► Ian Astwood (Permanent Secretary) - Ministry of Government Support Services
- ► Joanne Williams (Management Accountant) - Treasury
- ► Kathleen Forbes (Senior Economist) - SPPD
- ► Larry Mills (Chief Immigration Officer) – Immigration Department
- ► Mark Greenway (HR Director) - HR Directorate
- ► Nigel Hearnden (Audit and Procurement Advisor) – Governor's Office
- ► Pamela Clarke (Senior Finance Officer)
- ► Peshina Williams (Financial Manager) - Police Department
- ► Rhondalee Knowles-Braithwaite (Attorney General) – Attorney General's Chambers
- ► Ria Ramnasibsingh (Director of Contracts) - Deputy Governor's Office
- ► Sally Jean Astwood (Management Accountant) - Treasury
- ► Shireen Gardiner (Financial Manager) - Ministry of Environment/Home Affairs
- ► Sigrid Lightbourne (Registrar General) - Registrar General's Office
- ► Stephen Turnbull (Chief Financial Officer) – Governor's Office
- ► Susan Malcolm (Permanent Secretary) - Ministry of Environment/Home Affairs

3. Conducted several electronic data reviews using IDEA, with the objective of identifying data to support our findings. The following were performed;

   - ► Extracted data and generated several reports from Smart Stream using IDEA
   - ► Reviewed documents based on pre-determined search criteria in IDEA
   - ► Used ASYCUDA to view entries of concessions in the system
   - ► Used SIGTAS to review revenue transactions

4. Analyzed the financial data extracted from Smart Stream for the period 1 April 2012 – 31 March, 2013.

5. Reviewed and analyzed sampled accounts, transactions, journals pertaining to amounts in excess of $1,500 etc.

6. Assessed whether there was compliance with the approved policies and procedures as well as the requirements identified in the Ordinances, and reported on any areas of non-compliance.

7. Assessed the internal controls over financial reporting so as to design suitable audit procedures and also to report on the effectiveness of same.

8. Conducted a fraud risk assessment but this assessment was not sufficient enough to provide a reasonable assurance that no material fraud has occurred.

9. Performed a criteria, condition, cause and effect exercise in order to maintain objectivity in the findings.[1] Risk and impact were also utilized.

10. Reviewed documents and other information as follows;

    - ► Agreements with Collections Companies (where applicable)
    - ► Annual Statement of Public Accounts and supporting documents and schedules
    - ► Appropriation Ordinance 2012
    - ► Approval letters
    - ► Available business cases
    - ► Bank confirmations for all TCIG bank accounts
    - ► Bank Reconciliations
    - ► Board of Survey cash count information
    - ► Certain memoranda
    - ► Cheque Issuing System
    - ► Cheques issued record book
    - ► Classification Of Projects / Priority Needs
    - ► Concessions Statement
    - ► Contracts
    - ► Copies of Journals and Prior Period Journals

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[1] Note that this is a new methodology for the NAO and while there may be different views on the cause or effects, the main objective is to have a framework that is objective in nature.

**Criteria:** The laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices, and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding the findings.

**Condition:** Condition is a situation that exists. The condition is determined and documented during the engagement.

**Cause:** The cause identifies the reason or explanation for the condition or the factor or factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective actions. Common factors include poorly designed policies, procedures, or criteria; inconsistent, incomplete, or incorrect implementation; or factors beyond the control of management. Auditors may assess whether the evidence provides a reasonable and convincing argument for why the stated cause is the NAO factor or factors contributing to the difference between the condition and the criteria

**Effect or potential effect:** The effect is a clear, logical link to establish the impact or potential impact of the difference between the situation that exists (condition) and the required or desired state (criteria). The effect or potential effect identifies the outcomes or consequences of the condition. When the engagement objectives include identifying the actual or potential consequences of a condition that varies (either positively or negatively) from the criteria identified in the engagement, "effect" is a measure of those consequences. Effect or potential effect may be used to demonstrate the need for corrective action in response to identified problems or relevant risks.

- Correspondence contained in the files at the Ministry of Finance
- Crown Agents Bank Statements
- Customs Ordinances
- Customs Tariff 2012
- Details of cost overruns
- Details of requisitions, purchase orders, invoices, vouchers and any other related correspondences
- Development Fund Supplemental Approvals
- Development Orders
- Disposal approvals
- Documents and letters provided
- Electronic Invoices
- Evaluation Reports Of Tender Documents
- Fixed Asset Registers
- Fixed Assets policy
- Gazettes
- General procurement rules in relation to the selection of contractors, consultants and suppliers
- Generally Accepted Government Auditing Standards (GAGAS)
- House of Assembly – Payroll files
- Information on investments held by TCIG
- International Financial Reporting Standards (IFRS)
- International Public Sector Accounting Standards (IPSAS)
- International Standards on Auditing (ISA)
- Listing of all loans sold to collections companies (where applicable)
- Loan confirmations
- Ministries' list of new and terminated employees
- Minutes of the meetings, minutes of the Special Meetings
- National Audit Office Ordinance
- Oath of Appointment – House of Assembly Members
- Outstanding Cheques Listing
- Payroll files
- Procedure For Completing A Warrant Process and Warrant Approval after PFMO implementation
- Public Financial Management Ordinance
- Public Financial Management Regulations
- Public Procurement Ordinance
- Smart Stream Securities Listing
- Store Registers

- Supplementary Appropriations
- Supporting documentation for all payments
- TCI Constitution Order 2011
- TCIG Bank Statements
- TCInvest statement of Loans as at March 31
- Tender Board/Procurement Board Minutes
- Travel Policy
- Treasury Supporting Documents
- Trial Balance
- Warrants
- Written representations

## 4.4 Limitations

Our report may not have considered issues relevant to any third parties; any use such third parties may choose to make of this Audit Report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use.

This Audit Report focuses on the annual public financial statements provided to the NAO on 31st July, 2013. The NAO is not responsible for any changes which may occur post that date except for audit adjustments recommended by the NAO.

The intended users of the audited financial statements wish to be confident about the reliability and relevance of the information which they use as the basis for taking decisions. Audits therefore provide information based on sufficient and appropriate evidence, and auditors should perform procedures to reduce or manage the risk of reaching inappropriate conclusions. However, given TCI's particular circumstance and the imposed limitation on resources to the NAO, this had a direct impact on the scope and objectives of our audit. Our reporting timeframe was affected by the inadequate documentation, severe shortage of critical staff, an increased scope of work, the level, complexity and impact of potential risks, compliance requirements under new law and the conduct of an internal controls and fraud risk assessment.

All future audits produced by the NAO will contain a component of auditable areas in financials, controls, compliance, risk and fraud, as the responsibility and management of public funds requires a higher level of accountability and transparency.

## 5. Risk & Controls Assessment

***TCIG's internal controls are ranked at 2.6 – Adequate* meaning that *some* control weaknesses/ inefficiencies are evident. Improvements are required to provide a reasonable assurance that objectives will be achieved**


The **control environment** sets the tone of the organization and influences the effectiveness of internal controls. This control element is adequate and sets the basis for other components of internal control, providing discipline and structure. The **risk assessment and prioritization** is the process used to identify, analyze and manage the potential risks that could hinder or prevent the achievement of goals and objectives and requires major improvement as there are potential risks which can impact the financial health of TCIG. The **control activities** are well established to minimize the identified risks and include structure, policies, and procedures but they are not working as intended. I**nformation and communication** is the means by which risks, policies, and procedures are shared with members of the organization but need significant improvement. By **monitoring** the effectiveness of internal controls, an organization ensures that their controls reflect the current environment.

***TCIG has elements of all of these control parameters and there is synergy and linkage among these components, forming an integrated system. The internal control system is intertwined with the entity's operating activities. The controls are somewhat built into the government's infrastructure and these "built in" controls support quality and empowerment initiatives, avoid unnecessary costs and enable quick response to changing conditions.***

***However, they are not being adequately adhered to and enforcement of these controls is necessary as it leaves TCIG open to unwanted risk exposures.***

Efforts should be geared towards the elimination of unnecessary paperwork and problems should be detected before they are brought to the attention to those charged with governance.

Recommendations should also come from the Accounting Officers and other Advisors as to ideas on how to eliminate redundant or burdensome controls and for officers to recognize opportunities to automate procedures and to identify deviations from Accounting Officers' standards and expectations so as to deal with it in a timely manner. There is much needed confidence in electronic data processing systems being used and it is encouraged to have regular objective self-assessments in the ministries, departments or sections. This can aid in the understanding and promoting of corporate governance within TCIG. A framework or model of system of internal control gives insights into effectively managing systems and their risks and controls. It serves as criteria or standards for assessment.

## 5.1 Responsibility for Internal Controls

Those charged with governance including the Accounting Officers have the ultimate responsibility for ensuring that an adequate system of internal controls is established and maintained. Effective Accounting Officers are objective, capable, and inquisitive, with knowledge of the activities of and risks run by the government. A strong, active National Audit Office, particularly when coupled with effective upward communication channels and capable financial, legal, and internal audit functions, is often best able to ensure the correction of problems that may diminish the effectiveness of the internal control system.

Accounting Officers typically delegate responsibility for establishing more specific internal control policies and procedures to those responsible for a particular activities or functions. Consequently, it is important for Accounting Officers to ensure that the managers to whom they have delegated these responsibilities develop and enforce appropriate policies and procedures.

Accounting Officers are responsible for promoting high ethical and integrity standards, and for establishing a culture within the organization that emphasizes and demonstrates to all levels of personnel the importance of internal controls. All levels of personnel need to understand their role in the internal controls process and be fully engaged in the process.

An essential element of an effective system of internal control is a strong controls culture. It is the responsibility of those charged with governance and the Accounting Officers to emphasize the importance of internal control through their actions and words. This includes the ethical values Accounting Officers display in their dealings, both inside and outside the public service and as identified in TCIG's employee handbook. The words, attitudes and actions of those charged with governance and the Accounting Officers affect the integrity, ethics and other aspects of TCIG's control culture.

An essential element of a strong internal control system is the recognition by every employee of the need to carry out their responsibilities effectively and to communicate to the appropriate level of Accounting Officers any problems in operations, instances of non-compliance with the code of conduct, or other policy violations or illegal actions that are noticed. This can best be achieved when operational procedures are contained in clearly written documentation that is made available to all relevant personnel which is evident in the Human Resources Policy Manual document.

While having a strong internal control culture does not guarantee that an organization will reach its goals, the lack of such a culture provides greater opportunities for errors to go undetected or for improprieties to occur or both.

## 5.2 Criteria for Assessment

A Rating Criteria was established upon which the assessment factors were ranked. A simple rating ranges from 1 – 5, with 1 being Very Strong Controls to 5 being Non-existent Controls).

- ≤1 –VERY STRONG CONTROLS *(Controls are operating efficiently and effectively, providing a significant level of assurance that objectives are being achieved.)*

- >1 - ≤2 – STRONG CONTROLS *(Controls are sound and targeted, and provide a reasonable level of assurance that objectives are being achieved)*

- >2 - ≤3 – ADEQUATE CONTROLS *(Some control weaknesses/ inefficiencies are evident. Improvements are required to provide a reasonable assurance that objectives will be achieved.)*

- >3 - ≤4 – WEAK CONTROLS *(Controls do not meet an acceptable standard, as many weaknesses / inefficiencies exist. Controls do not provide reasonable assurance that objectives will be achieved)*

- >4 - ≤5 –NON-EXISTENT CONTROLS *(Controls do not exist)*

*It should be noted that 1 and 5 are significant extremes.*

The control parameters are the control environment, risk assessment, control activities, information and communication and monitoring.

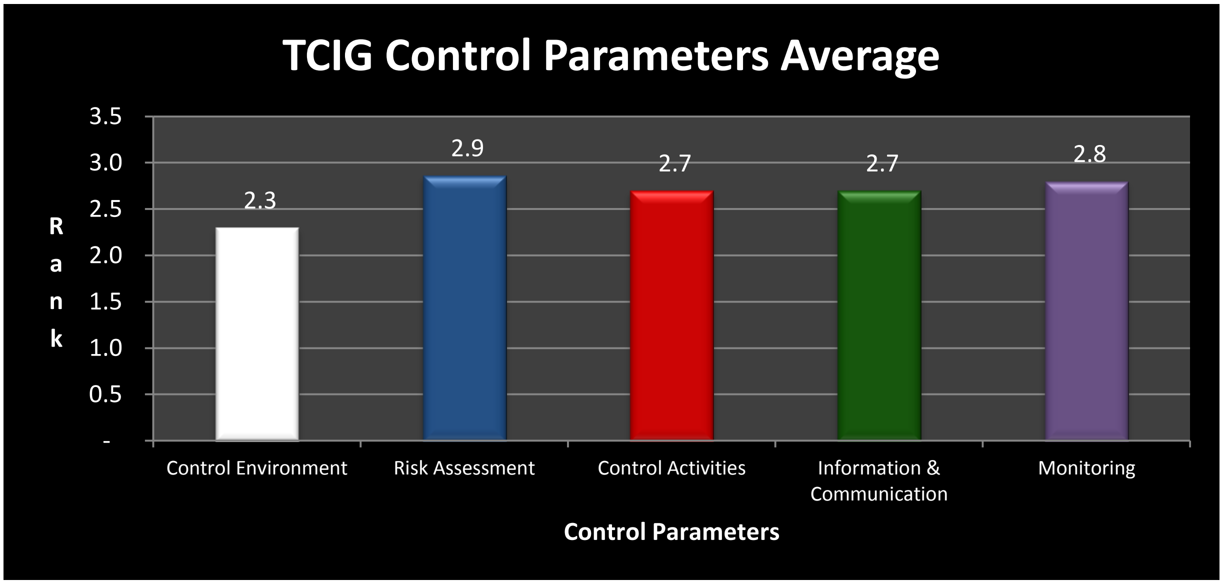


**Figure 1 – TCIG Control Parameters Average**

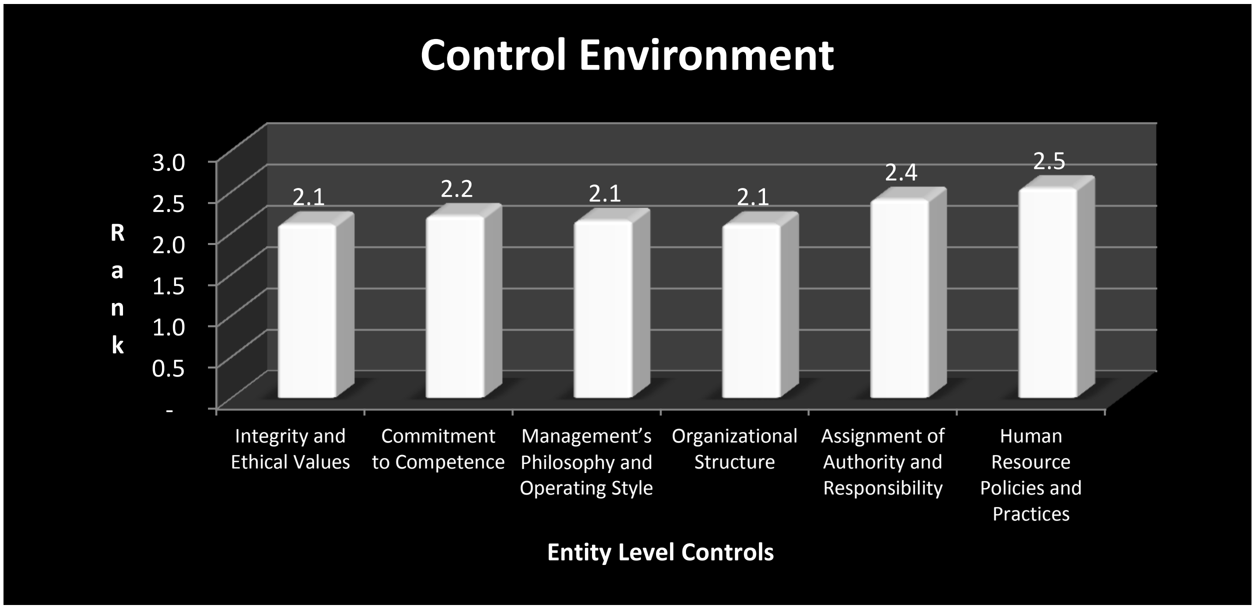


**Figure 2 – Control Environment (Rank 2.3 – Adequate)**

Accounting Officers have general objectives somewhat in line with strategic priorities in particular with the budget. Objectives and related plans do include measurable performance targets derived mainly from the budget set but indicators need to be assessed at least quarterly so that if there are changes, goals and objectives can be revised and new timelines set as required in order that they have a reasonable chance of being achieved by year end or within the prescribed/predetermined time limit. Also the overarching goals set for TCI should be reflected in the practical realities that ministries and departments are expected to function in. A more focused budgeting approach is required which identifies areas of prioritization in a constrained environment. Documentation of these performance goals are an issue which must be addressed.

"Hard" controls such as documented policies and procedures do exist and "soft" controls such as shared ethical values, including integrity, are established, and practised throughout the public service. However, further communication efforts are required to build these "soft" controls. A annual business ethics compliance form can help secure further demonstration of these controls throughout the public service. Employees do understand their control responsibilities in some departments/sections and "soft" controls are generally highly ranked which gives an indication of employees' personal undertakings to ensure that high standards are adhered to. However, there still exist pockets of weaknesses which need to be addressed by proper communication, training, awareness and encouraging a controls culture based on some of these widely accepted "softer" controls.


**Figure 3 – Risk Assessment (Rank 2.9 – Adequate)**

While no formal risk management process exists, Accounting Officers have informally identified relevant risks to achieving its' objectives, determined internal controls required to mitigate/transfer/accept those risks and implemented informal practices in response to those entity-wide risks. These informal practices are however largely undocumented. Accounting Officers need to have a basis for determining which risks are most critical to the operations of their department/ministries. It has been noted that with the advent of the new Internal Audit function, that key risks not previously contemplated by Accounting Officers will be addressed. The significant internal and external risks faced by an organization in the achievement of its objectives should be formally identified and assessed. This is a critical area which needs to be fully developed in conjunction with a Governance, Risk and Compliance (GRC) process.

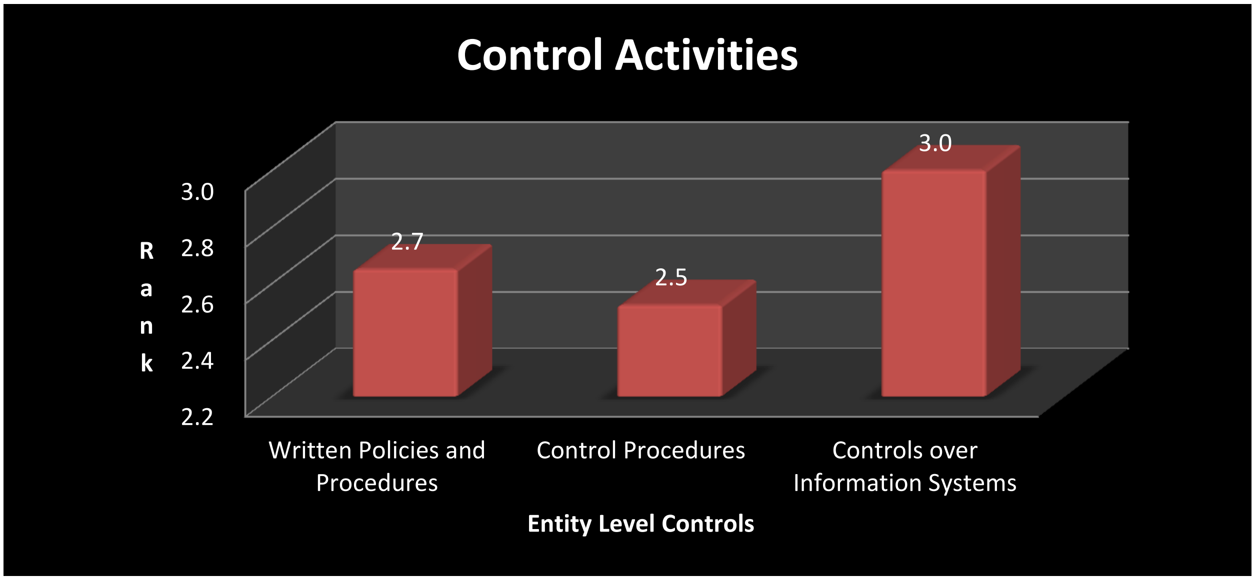


**Figure 4 – Control Activities (Rank 2.7 – Adequate)**

Key control activities exist but are not functioning totally as intended as evidenced by some of the findings in this Audit Report. Accounting Officers risk mitigation strategy is not adequately reflected within control activities but all indications are that activities/initiatives are being undertaken on an on-going basis to strengthen its internal control system and attendant activities. Control activities should be designed as an integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

Policies are designed to support the achievement of high level objectives but the risks should be established, communicated and practised so that people understand what is expected of them. Human resource policies and practices are consistent with the public service's ethical values and in line with the achievement of its objectives. Authority, responsibility and accountability are defined. However, improvement is still required in this area. Some positions/departments/ministries do not have the necessary knowledge, skills and tools to support the achievement of the objectives. Further strengthening of the human resource capability is being developed and attracted to meet the needs of an increasing responsibility of the public service.

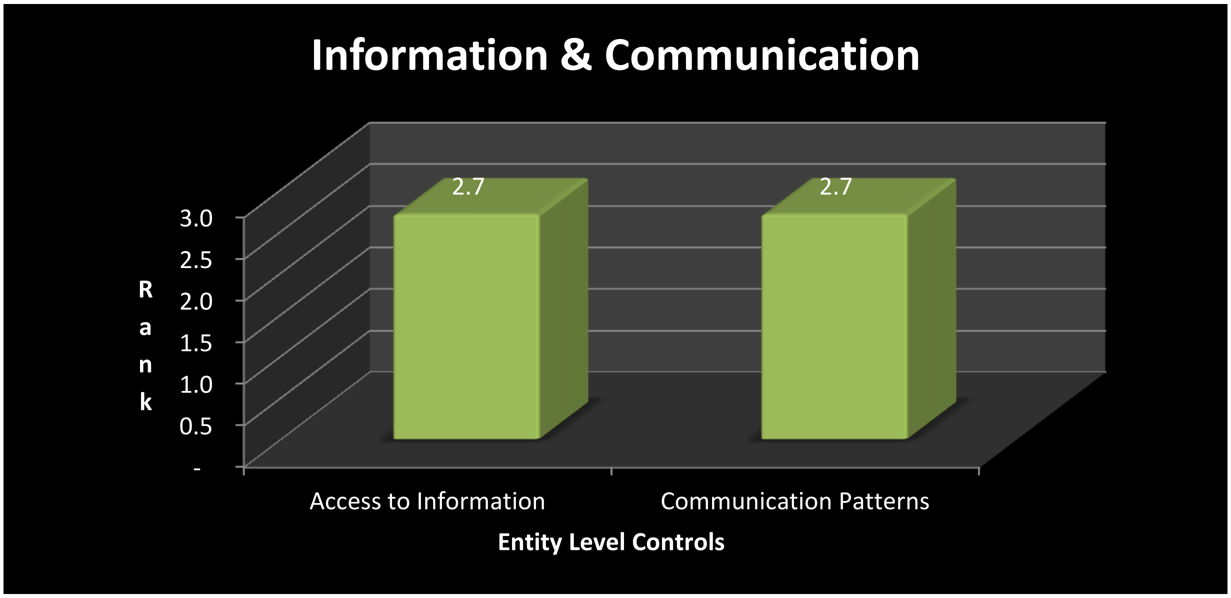


**Figure 5 – Information & Communication (Rank 2.7 – Adequate)**

Communication processes support the public service values and the achievement of its objectives. However, a customer-service oriented approach especially in Communication is required in branding and building TCIG's reputation. Information needs and related information systems should be reassessed as objectives change or as reporting deficiencies are identified. Keeping abreast of technological advancements as far as it is related to TCIG's operations is a critical requirement especially in a financially resource constrained environment.

An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving objectives. There is a key concern about the confidentiality of information which will be addressed in future audits.

Plans to guide efforts in achieving objectives are somewhat established and communicated. While key metrics are generally identified, collected, and communicated in some areas, more work is required to further entrench performance metrics throughout the public service and ensure proper linkages between strategic objectives, department, team and individual objectives including proper documentation.

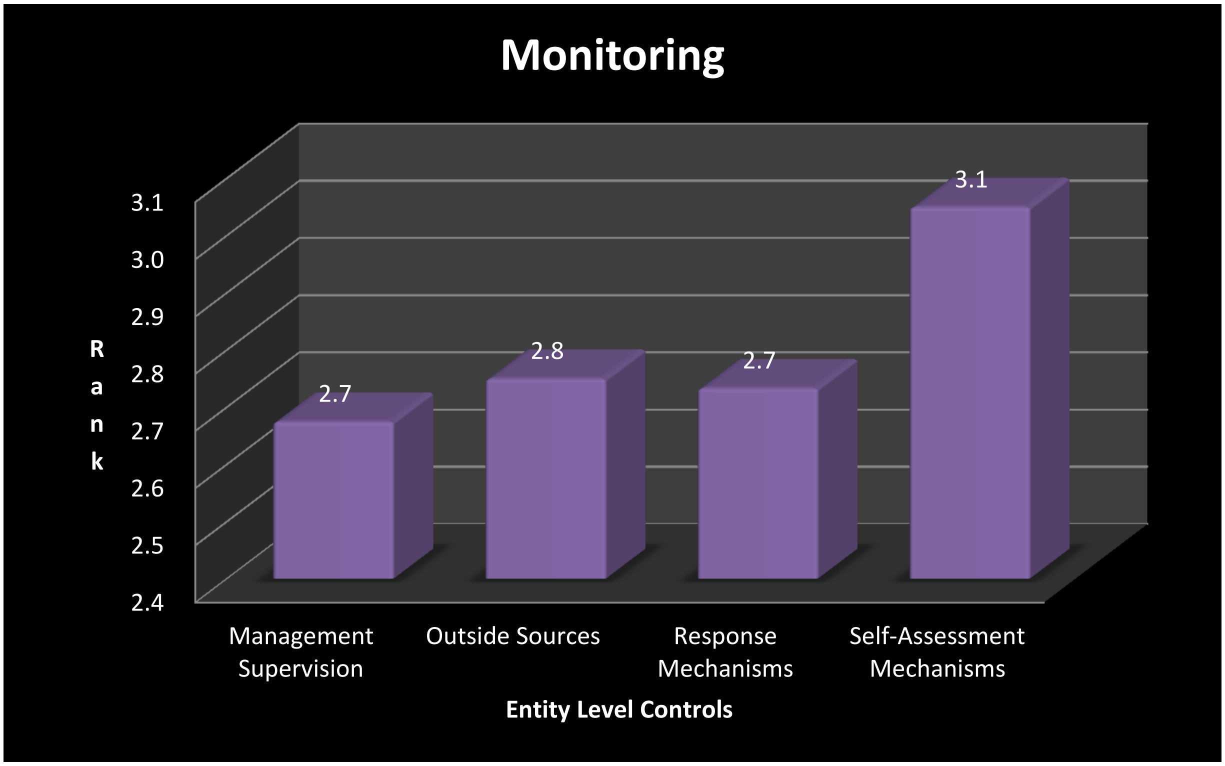


**Figure 6 – Monitoring (Rank 2.8 – Adequate)**

External and internal environments are monitored in some areas to obtain information that may signal a need to re-evaluate the objectives or control. At a very high level, full monitoring of external impacts is practiced. Consideration should be given to inviting members of Transparency International so as to conduct an assessment and ranking of the Turks & Caicos Islands on the Corruption Perception Index in the not too distant future.

Performance is monitored against targets and indicators identified but in some instances these are not properly documented. The assumptions behind objectives and systems though, should be periodically challenged.

Follow-up procedures should be established and performed to ensure appropriate change or actions occur as there appears to be a problem with ensuring that policies and procedures are adequately adhered to.

Accounting Officers should establish a means of determining the quality of the internal control system over time, through independent evaluations such as this control self-assessment or on-going, structured, and independent process checks with the assistance of the Internal Audit function. This effort can go a long way in dealing with the controls that have not been working as effectively as it should.

## 5.3 Tabular Results

| Entity Level Controls | Control Avg | Rank |
|---|---|---|
| Integrity and Ethical Values | 2.1 | ADEQUATE |
| Commitment to Competence | 2.2 | ADEQUATE |
| Management's Philosophy and Operating Style | 2.1 | ADEQUATE |
| Organizational Structure | 2.1 | ADEQUATE |
| Assignment of Authority and Responsibility | 2.4 | ADEQUATE |
| Human Resource Policies and Practices | 2.5 | ADEQUATE |
| Organizational Goals and Objectives | 2.7 | ADEQUATE |
| Risk Identification and Prioritization | 3.0 | WEAK |
| Managing Change | 2.9 | ADEQUATE |
| Written Policies and Procedures | 2.7 | ADEQUATE |
| Control Procedures | 2.5 | ADEQUATE |
| Controls over Information Systems | 3.0 | WEAK |
| Access to Information | 2.7 | ADEQUATE |
| Communication Patterns | 2.7 | ADEQUATE |
| Management Supervision | 2.7 | ADEQUATE |
| Outside Sources | 2.8 | ADEQUATE |
| Response Mechanisms | 2.7 | ADEQUATE |
| Self-Assessment Mechanisms | 3.1 | WEAK |
| | 2.6 | ADEQUATE |

**Table 2 – Tabular Results of Entity Level Controls Assessment - Average**

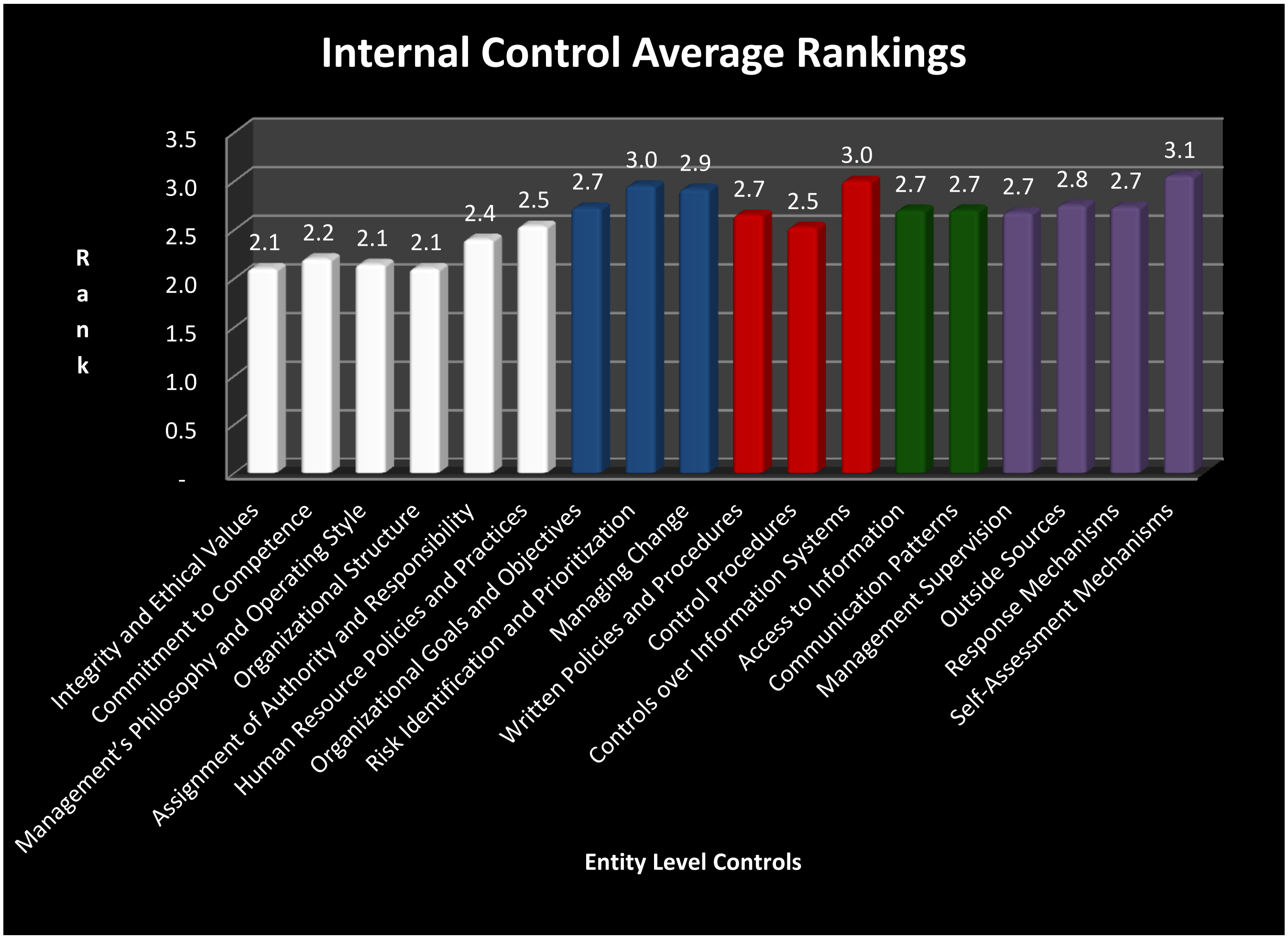


**Figure 7 – Internal Control Average Rankings per entity level controls**

## 6. Audit Findings – Sections 7 to 45

Sections 7 – 45 detail the Audit Findings.

They are ranked according to risk ratings of High, Moderate and Low.

Consideration of financial and reputational impact, materiality, probability and frequency of occurrence were considered.

## 7. Inadequate financial control in processing expenditure under $75,000 – High Risk

| | Population | | Sample | | | |
|---|---|---|---|---|---|---|
| **Description** | **No.** | **$** | **No.** | $ | % | % |
| Transactions under $75k | 44,131 | 43,164,109.42 | 2,435 | $7,013,429.06 | 6 | 16 |
| Transaction $75k and above | 304 | 68,384,292.20 | 304 | 68,384,292.20 | 100 | 100 |
| Total | 44,435 | 111,548,401.62 | 2,739 | 75,397,721.26 | 6.2 | 68 |

**Table 3 – Expenditure Population and Sample**

**Rank – High Risk** | **CONTROL DEFICIENCY**

Several tests were carried out on 2,435 transactions below $75,000 totalling $7,013,429.06 for compliance with the payment procedures as prescribed by the PFM, PFMR 72 (4) and PPO.

**1. Purchase Orders (PO) were not attached for all applicable invoices in Smart Stream.**

**Criteria**

A purchase order is a written contract between a buyer and a vendor detailing the type, quantity and agreed prices for goods and services to be rendered. Before the PPO, officers were required to prepare purchase order to request goods or services from vendors. The PO is also a Smart Stream requirement and control measure to ensure that all TCIG's commitments are captured in the accounting system.

**Payments $1,500 to Under $5,000**

PPO 31 (7) The officer must ensure that procurement is formalized by issuing a purchase order that details the exact nature of the goods or services purchased and the agreed price.

**Payments $5,000 to under $75,000**

PPO 32 (5) The officer must ensure that procurement is formalized by issuing a purchase order that details the exact nature of the goods or services purchased and the agreed price.

**High Value payments $75,000 Contracts**

PPO 50 (8) An officer must ensure, for payment purposes, that there is a Purchase Order in respect of a contract and, if relevant, a Cabinet Conclusion reference from the approval granted in the pre-procurement stage.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| P.O. were attached | 1,329 | 4,179,921.44 | 55 | 60 |

## 2. Payments for goods and services were not made within 30 days

**Criteria**

Best practice requires that creditors are paid within 30 day of invoicing date unless arrangements are made by the supplier for more days.

PFMR 73 (1) Accounting Officers shall settle payments by their ministries or departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the budgetary warrant issued for the purpose, within a period of thirty days of their receipt.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Payments were made within 30 days. PFMR 73 (1) | 1,028 | 2,310,055.67 | 42 | 33 |

## 3. Payments were not marked 'certified true and correct' giving assurances that a responsible officer checked the calculations, that the goods or services were received and were as specified on the quotes in respect of pricing, quality and quantity.

**Criteria**

PFMR 72 (6) A public officer who signed an incorrect certificate in consequence of an unauthorised or irregular payment shall be required to explain the circumstances, and if found to have been negligent may be subject to disciplinary action in accordance with Part VIII of the Ordinance

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Invoices were Certified True and Correct. | 939 | **1,523,060.45** | **39** | **22** |

**4. All relevant supporting documentation was not attached to the invoice in Smart Stream.**

**Criteria**

PFMR 77 (4) For the purposes of this Regulation, a payment voucher or approved electronic documentation which is incomplete because its supporting documents are missing, shall be regarded as a missing voucher.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| All relevant supporting documentation was present. | 1086 | 2,178,175.29 | 45 | 31 |

**5. Expenses incurred in 2012/13 but were deferred to financial year 2013/14.**

**Criteria**

PFMR 71 (2) Expenditure properly chargeable to the account of a given year must, as far as possible, be met within that year and must not be deferred for the purpose of avoiding an excess on the amount provided in the estimates.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Bills incurred in fy 2012/13 were paid in FY 2013/2014 | 679 | 1,613,310.53 | 28 | 23 |

### 6. Expenditure was incurred for accounts that had excess expenditure.

**Criteria**

PFMR 72. (4) A public officer who approves a payment voucher or electronic documentation shall ensure that:-

f) there are sufficient funds uncommitted in the relevant expenditure sub-head to meet the expenditure

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Budget was sufficient and that over expenditure was necessary. | 457 | 3,755,381.38 | 19 | 54 |

### 7. Payments were approved by the same officer at level one and level two.

**Criteria**

Best practice requires that there is sufficient segregation of approval levels in order to reduce the risk of fraud and to ensure that adequate review is done of an invoice before it is paid.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Persons approving payments are authorized approvers and are only approving within their levels and their financial limits. | 903 | 2,458,578.05 | 37 | 35 |

### 8. Beneficiaries approved payments for themselves.

**Criteria**

Best practice requires that an officer should not approve any payment in which the said officer is the beneficiary. This control is to prevent factious employee expenses from being approved and paid.

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Beneficiary approved their own payments | 891 | 1,789,746.79 | 37 | 26 |

### 9. TCIG did not receive value for money for some payments.

**Criteria**

PFMR 72 (b) the prices charged are either according to contracts or approved scales or are fair and reasonable according to local rates;

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Invoices against waste and extravagance and generally to verify that TCIG has received value for payments made. | 766 | 1,665,319.59 | 31 | 24 |

### 10. Several invoices did not bear evidence of having been verified or arithmetically correct.

**Criteria**

PFMR 72 (d) the calculations and castings have been verified and are arithmetically correct

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Invoices bear evidence of having been checked for calculations where applicable | 640 | 1,778,282.78 | 26 | 25 |

### 11. Payments were made to vendors that did not have valid business licences.

**Criteria**

PFMR 72 (g) the persons named in the voucher are those entitled to receive payment;

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Vendors had valid business licenses | 209 | 744,906.10 | 9 | 11 |

**12. There were cases where goods and services were received after vendors were paid.**

**Criteria**

PFMR 72. 4) A public officer who approves a payment voucher or electronic documentation shall ensure that:-
(a) the services specified in the payment voucher or electronic documentation have been duly and competently performed;

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Goods were received prior to payments being authorized where appropriate | 735 | 1,724,378.63 | 30 | 25 |

**13. Several payments were noted as being posted to the incorrect account.**

**Criteria**

PFMR 72.(4) A public officer who approves a payment voucher or electronic documentation shall ensure that:-
(e) the classification of the expenditure and any deduction are correct;

**Condition**

| Tests conducted to check if | No. of Records exception | Amount $ | % of Records | % of Amounts |
|---|---|---|---|---|
| Descriptions on invoices confirm transactions are properly charged upon TCIG and that price is reasonable and that the expenditure is valid. | 878 | 2,005,845.86 | 36 | 29 |

## 14. There were several related party transactions.

**Criteria**

IAS 24

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity') [IAS 24.9].

- (a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. These disclosure requirements are in addition to those in paragraph 17. At a minimum, disclosures shall include:

(a) the amount of the transactions;

(b) the amount of outstanding balances, including commitments, and:

(i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and

(ii) details of any guarantees given or received;

(c) provisions for doubtful debts related to the amount of outstanding balances; and

(d) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

**Condition**

| **Tests conducted to check the existence of** | **No. of Records exception** | **Amount $** | **% of Records** | **% of Amounts** |
|---|---|---|---|---|
| Related party transactions | 424 | 244,523.43 | 17 | 3 |

**<u>Cause</u>**:

The following is the cause for

1. Non - compliance with financial regulation in respect of processing payments.
2. Lack of management oversight and supervision and supervisory controls.
3. Lack of review of payments before the approval process by approvers and managers.
4. No segregation of duties for approvers.

**<u>Effect or potential effect</u>**:

1. There is an increased probability of duplicate payments.
2. May result in excess expenditure.
3. Leave the system vulnerable to fraudulent activity.
4. Reduces the ability to budget properly for the next financial period expenditure because data capture might not be accurate.

**Recommendation**

Accounting Officers and Responsible Officers should ensure that payments are processed in compliance with PFMR (72) and best practices. There should be adherence to and enforcement of controls to prevent payments being approved before the requirements of the process being fulfilled.

**Action Plan**

| **Person Responsible** | **Accounting Officers** | **Estimated Completion Date** | **July 2014** |
|---|---|---|---|

Agreed……Every effort is being made to make payments within the requirements of PFMR72 and new payment procedures are being drafted and currently being review by the Internal Auditor, that will further help to improve and streamline the process.

In addition, a procurement manual is also being developed and will be implemented as soon as it finalized that will bring some clarity to Accounting Officers and Budget Holders.

| Detailed Findings Reference: | Page |
|---|---|

## 8. Inadequate financial control in processing expenditure over $75,000 – High Risk

| Rank – High Risk | CONTROL DEFICIENCY |
|---|---|

**Criteria**:

Guidelines for processing payments for 2012/2013 are outlined in the PFM 29 and 30, PFMR 68-78 (Into force 28th September, 2012). Before both regulations came into force there were generally accepted best practices and Smart Stream requirements for processing payments which were the same in principle as what is included in the PFM and the PFMR.

Section 30 requires that "Ministries, departments and statutory bodies ensure that effective processes are in place to provide confidence and ensure suitability, effectiveness, prudence, quality, good value and avoidance of error and other waste".

Section 72 of the PFMR sets out the requirements for processing payments and the responsibility of the approving officer.

73. (1) Accounting Officers shall settle payments by their ministries or departments for all goods and services received from other departments, public bodies, individuals and private institutions out of the budgetary warrant issued for the purpose, within a period of thirty days of their receipt.

(2) Where the amount authorized by warrant is sufficient and a delay in payment is caused by the negligence of an officer resulting in loss, damage, or the payment of interest or a penalty, the Permanent Secretary, Finance may impose surcharge in accordance with Part VIII of the Act.

**Condition**:

The total recurrent expenditure for 2012/2013 was $168,817,041. Of this, $57,268,640 was payroll cost and $111,548,401.62 was operating cost**.**

**Payments $75,000 and over**

Results of the review of **304** expenditure transactions $75,000 and above totalling $68,384,292 (Table 3 – Expenditure Population and Sample) for compliance with payment procedures as per best practices, PFM, PFMR and PPO are as follows:

The types of payments made for year 2012/2013 are as follows;

| Details | Amount $ | No. of Transactions | No. Examined | Comments |
|---|---|---|---|---|
| Subventions | 4,491,833.51 | | | Not tested |
| Inter-Health Canada | 24,295,007.00 | 47 | 13 | 1. Four bills did not have attachments totalling $5,402,532.<br>2. There were 11 cases where one officer approved at level 1 and level 2 in Smart Stream totalling $13,682,873.00<br>3. Six bills were not certified true and correct and approved for payment totalling $ 6,929,708.00 |
| NHIB | 18,000,000.00 | 16 | 16 | 1. 13 did not have attachments totalling $17,500,000.00<br>2. There were 10 cases where the same officer approved both level 1 and level 2 in Smart Stream totalling $15,000,000.00 |
| Civil Recovery | 3,488,889.80 | 20 | 12 | 1. 11 bills were not certified and approved for payment totalling $2,213,190.26<br>2. Two cases where the same officer approved at level 1 and Level 2 in Smart Stream |

| | | | | |
|---|---|---|---|---|
| | | | | totalling $616,293.41<br>3. One totalling $79,087.25 was incurred in the prior financial year. |
| SIPT | 5,971,649.55 | | | Included in other tests within this section |
| Voluntary Severance Payments | 1,071,392.14 | 10 | 10 | Ten did not have attachments |
| Interest & Loan | 7,372,043.81 | | | Included in public debt, not tested here. |
| Other | 3,693,476.39 | | | Included in other tests within this section |
| Total | 68,384,292.20 | | | |

Of the 304 transactions selected, 70 were tested totalling $12,240,590.62 as shown below;

1. **Payments were not posted to the appropriate accounts codes in Smart Stream**

**Criteria:**

(4) A public officer who approves a payment voucher or electronic documentation shall ensure that:-

(e) the classification of the expenditure and any deduction are correct;

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *Appropriate Account Codes Used* | 9 | 1,327,190 | 12.9 | 10.8 |

2. **Vendor bill did not agree with Smart Stream invoice totals**

**Criteria:**

(4) A public officer who approves a payment voucher or electronic documentation shall ensure that:-

(d) the calculations and castings have been verified and are arithmetically correct;

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *Smart Stream invoice totals agree with attached bills totals.* | 38 | 6,761,915 | 54.3 | 55.2 |

### 3. Expenditure incurred in 2012/2013 but paid in 2013/2014.

**Criteria:**

71. (1) The date of payment of any amount governs the date of the record of the transaction in the accounts; and therefore in no circumstance may payments be made before they are due for the purpose of utilising an anticipated saving on an item; nor may the unexpended portion of any item be retained for the purpose of setting it in reserve to meet impending payments or to be carried to a deposit or other account.

(2) Expenditure properly chargeable to the account of a given year must, as far as possible, be met within that year and must not be deferred for the purpose of avoiding an excess on the amount provided in the estimates.

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *Expenditure Posted to the Correct Year* | 8 | 1,176,505 | 11.4 | 9.6 |

### 4. Same officer approved payments at Level one and two for certain payments

**Criteria**:

Best practice required that any business process has adequate controls to prevent fraud, this include having segregation of duty controls to ensure that no one person has control of the processing payments.

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *Appropriately Authorized* | 43 | 7,651,545 | 61.4 | 62.5 |

### 5. CFO approval was not provided for expenditure

**Criteria:**

CFO approval should be obtained for all payments over $5,000 as required by PS, Finance email dated

27/06/2012.

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *CFO Approval* | 8 | 1,176,505 | 11.4 | 9.6 |

## 6. Payments did not have supporting documents

**Criteria:**

PFMR 77 (4) For the purposes of this Regulation, a payment voucher or approved electronic documentation which is incomplete because its supporting documents are missing, shall be regarded as a missing voucher.

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *All Supporting Documents Attached* | 30 | 3,376,505 | 42.9 | 27.6 |

## 7. Purchase Orders were not prepared for expenditure

**Criteria:**

PS, Finance email dated 27th June, 2012 directed accounting officers to issue purchase orders prior to receipt of goods and services.

**High Value payments $75,000 Contracts**

PPO 50 (8) An officer must ensure, for payment purposes, that there is a Purchase Order in respect of a contract and, if relevant, a Cabinet Conclusion reference from the approval granted in the pre-procurement stage.

**Condition:**

| CHECKS | No. of Exception | $ | % Records | % of Amounts |
|---|---|---|---|---|
| *Purchase Orders* | 50 | 8,520,663 | 71.4 | 69.6 |

**Cause**:

The following is the cause for

5. Non - compliance with financial regulation in respect of processing payments.
6. Lack of management oversight and supervision and supervisory controls.
7. Lack of review of payments before the approval process by approvers and managers.
8. Lack of segregation of duties for approvers.

**Effect or potential effect**:

5. There is an increase probability of duplicate payments.
6. May result in excess expenditure.
7. Leave the system vulnerable to fraudulent activity.
8. Reduces the ability to budget properly for the next financial period expenditure because data capture might not be accurate.

**Recommendation**

Accounting Officers and Responsible Officers should ensure that payments are processed in compliance with PFMR72 and best practices. There should be adequate control to prevent payments being approved before the requirements of the process are fulfilled.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Accounting Officers** | **Estimated Completion Date** | **March 31, 2014** |

Agreed…….New Payment procedures have been drafted by the Treasury and currently being reviewed by Internal Auditor, which includes measures that are in accordance with the recommendations. The procedure will be implemented once the review and consultation process is completed.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 9. Three quotes were not obtained for expenditure $1,500 to under $75,000 – High Risk

| Rank – High Risk | CONTROL DEFICIENCY |
|---|---|

**Criteria:**

For the period 1st April to 31st October, 2012, the following best practice should have been observed:

1. Quotes solicited from vendors for the supply of goods and services.
2. Quotes reviewed
3. Accept the best possible quote in terms of price, quality and the needs of the organization.

For the period 1st November, 2012 to 31st March, 2014, the requirements were:

**Public Procurement Ordinance 2012 Section 32**

(1) This section applies if the estimated value of a proposed contract is more than $5,000 but less than $75,000.

(2) If an appropriate framework agreement or approved list is in place, an officer must use it as an alternative to the rules set out in this section.

(3) An officer must obtain at least three written quotations.

(4) The officer must retain on file full details of each quotation, including the supplier approached, the contact person and the quotation details.

(5) The officer must ensure that procurement is formalized by issuing a purchase order that details the exact nature of the goods or services purchased and the agreed price.

(6) Exceptionally, if an officer is of the opinion that it is not reasonably practicable to obtain competitive or sufficient competitive quotations as required under this section, the officer must follow the procedure for obtaining a waiver set out in section 21.

NB. Before the Procurement Ordinance there were the Financial Instructions and Financial Secretary Circulars which required officers to obtain quotes and prepare contracts for goods and services purchases.

**Condition**:

**Review of Quotes for expenditure $1,500 to under $75,000**

For the period 1st November, 2012 to 31St March, 2013 expenditure between $1,500 to below $75,000 totalled $3,444,577.43 and consisted of 669 transactions. A request was made to the Accounting Officers for all the quotations used to select the appropriate supplier for expenditure in 2012/2013. Two Ministries and departments submitted quotes, Police and Ministry of Education. Both ministry and department submitted one quote for certain expenditure.

**Cause:**

1. Non-compliance with the Procurement Ordinance 2012 Section 31 (5) and 32 (1).
2. Lack of management oversight of areas.
3. Failure to file quotes by responsible departments.

**Effect or potential effect:**

1. Without proper compliance with Procurement Ordinance TCIG may not have obtained value for money for some expenditure.
2. May result in excess expenditure
3. Inferior goods and service may have been purchases resulting in short life cycle for certain items.
4. Reduces the level of competition resulting in unrealistic price increases for goods and services offers.

**Recommendation**

Accounting Officers should ensure that quotes are obtained for all relevant expenditure $1,500 to $5,000 [PPO Section 31 (5)] and from $5,000 to $75,000 [PPO Section 32].

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Accounting Officers** | **Estimated Completion Date** | **Immediately** |

Acceptable…..The PPO came into force in November 2012. The period November 2012 to March 2013 was used to educate persons on the requirements of the PPO; as such this was fully enforced in FY 13/14. However, in April 2013/14 the PPO was fully enforced regarding this requirement.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 10. $24 million Arrears of Revenue outstanding and a number of mis-postings– High Risk

| Rank | MATERIAL WEAKNESS |
|---|---|

**Criteria:**

PFMR Section 63 (1) (2) (3)

(1) Within thirty (30) days after the close of the financial year, each Accounting Officer shall submit to the Accountant General in a form approved by the Accountant General with a copy to the Auditor General, a return of all arrears of the revenue for which he is responsible.

(2) The return shall state for each revenue head and item the arrears outstanding at the end of that financial year.

(3) The Accountant-General shall, on receiving the individual returns consolidate them into a statement showing all the revenue outstanding under each revenue item as at the end of that financial year. The statements shall form part of the Government's annual statements of accounts.

**Condition:**

Received statement of Arrears from Treasury, when statement was compared to the Revenue Arrears provided by Ministries none of the figures were in agreement. The total arrears on the Statement provided from the Ministry of Finance were $18.9 million while the statement provided by the Ministries showed $24 million, a difference $5.1 million. This can be seen on Table 4 – Arrears of Revenue. **However, updated information in the Annual Statement of Public Accounts show the amount as being $26.6 million.**

**Risk:**

This increases the risk of TCIG not collecting the accurate amount of debt.

**Impact:**

TCIG is unable to get a reliable source of information concerning there Revenue Arrears. Because of this the resources and focus may be placed on the wrong department or section and hinder debt collect process. Also TCIG will not be able to collect on all the monies owned to them.

**Recommendation**

The statement of Arrears should be confirmed as true and correct by all departments before finalization. The department should also make available the support documentation to aid in this confirmation.

| Action Plan | | | |
|---|---|---|---|
| **Person Responsible** | **ACCOUNTANT GENERAL** | **Estimated Completion Date** | **March 31, 2014** |

**Acceptable**…The revenue arrears were provided by the Accounting Officers, however in some instances the current systems is not able to provide accurate arrears reports for dates in the past. Nevertheless, steps have been taken to improve the information gathering process and secure signed confirmation from each Accounting Officer. The Statement of Arrears for financial year ending March 31, 2014 now includes confirmation statement and require AO's signature.

| Detailed Findings Reference: | Page |
|---|---|

**Revenue Arrears that differ from Department Records 2012/2013**

| DESCRIPTION | STATEMENT | DEPARTMENT |
|---|---|---|
| **MINISTRY OF HEALTH &EDUCATION** | | |
| Contributions towards Special School | 12,234,889.00 | 19,306,236.00 |
| **MIISTRY OF FINANCE** | | |
| Hotel & Restaurant Tax | 86,809.00 | 102571.08 |
| Gaming Machine Tax | 232,462.00 | 448,270.58 |
| Casino Winning Tax | 615,013.00 | |
| Casino Permits | - | 4,900.00 |
| Casino location licence | 54000 | |
| Casino Certificates | 105,500.00 | 12,150.00 |
| Casino Business Licence | 25,000.00 | - |
| Import Duty | 883,235.95 | 852,881.88 |
| Business Licences | 3,250,399.00 | 3,435,655.00 |
| Bank Services Tax | 1,455.80 | |
| Stamp Duty | 1,192,500.00 | |
| Port authority | 200,000.00 | |
| DECR | 35,250.00 | |
| Road Safety | 682.75 | |
| Immigration Department | 9,367.35 | |
| **TOTAL** | **18,926,563.85** | **24,060,093.46** |
| **Total difference** | **-5,142,896.96** | |

**Table 4 – Arrears of Revenue**

## 11. Lack of investigation and post audits for Concessions totalling $23.9 million – High Risk

| Rank | MATERIAL WEAKNESS |
|---|---|

**Criteria**:

The Customs Ordinance Section 69 allow the Minister by order provide for the imposition of a tariff of import or export duties of customs upon goods which may be imported into or exported from the Islands or upon removal from bond, and without restricting the generality of the foregoing.

This section is the basis of the 2010 Customs General Tariff Order which permits the Collector of Customs to approve exemptions for the purpose associated with Government Institutions and Personnel.

The Customs Ordinance Section 70 allows the Minister to exempt in particular cases upon written application person or category of persons as he thinks fits subject to condition and restrictions as he see fit. The items exempted under Section 70 are required to be published in the Gazette before delivery unless the Collector of Customs for good cause approved the good to be delivered before being published in the Gazette. The following information should be published in the Gazette:

1. The name of the person or category of persons exempted; and
2. The value of the goods concerned and the amount of the duties of customs which would , but for exemption, have been payable in relation to those goods:

The Encouragement of Development Ordinance

**Section 7**. Every Developer who imports into these Islands any articles free of customs duty under the provisions of section 6 of this Ordinance shall—

(a) keep a record in such form and containing such particulars as shall be specified by the Collector of Customs of the articles so imported;

(b) cause such articles to be marked with a mark and in such manner as may be required by the Collector of Customs; and

(c) permit the Collector of Customs or any person authorized by him at any reasonable time to inspect such record and to examine any such articles for the purpose of satisfying himself of the accuracy of the particulars in relation to such article contained in such record.

**Section 9** (1) No articles imported under the provisions of a Development Order shall be given away or sold within five years of the date of importation except—

(a) with the written permission of the Governor, or

(b) on payment of all import duties of Customs leviable on the market value of such article or articles at the date of gift or sale.

(2) In the event that any Developer to whom a Development Order has been granted shall knowingly fail to comply with the provisions of this section the Development Order may be revoked by the Governor.

(3) Where any article is disposed of contrary to the provisions of subsection (1), the person to whom such article has been given or sold shall be liable, jointly and severally, with the Developer, for the payment of the import duties on the value of the article at the date of the gift or sale unless he proves that he did not know or have reason to suspect, and could not upon reasonable inquiry have ascertained, that the article had been imported in pursuance of a Development Order and was being disposed of contrary to the provisions of subsection (1).

(4) The provisions of section 10(4) shall apply mutatis mutandis to the recovery of sums due in respect of import duty payable under the provisions of this section as they apply to sums payable under the provisions of that section.

All concessions are required to be policed to ensure that the laws are being enforced and that items exempted are declared.

PFMR SCHEDULE B

Special Provisions relating to the Chief Financial Officer

(6) Pursuant to section 4(1)(i) of the Ordinance, all revenue exemptions including those offered under Development Agreements, land or other asset sales, licences, transfer fees, taxes, duties, fees and charges shall be first approved in writing by the Chief Financial Officer who shall receive a report that clearly explains the impact on Government revenues.

**Condition**:

A review was done of the concessions for 2012/2013 and during the review the following was noted:

1. Import duty concessions for 2012/2013 totalled $23,886,346.89 and there were 3971 transactions.
2. 183 approval letters and nine development orders were submitted for review.
    a. Comparison between the approval letters and the list of exemptions for 2012 was difficult because of limited information contained on the letters of approval.
    b. Two out of 183 approval letters had value of the items being exempted.
    c. 29 approval letters were not signed.
3. All items exempted were retrieved to ascertain whether they were published in the Gazette before the goods were delivered. The review revealed that:
    a. Four letters of approval were provided for review.
    b. Three of the four concessions approved were published in the Gazette as required by Customs Ordinance Section 70 (3).
    c. None of the three published items contained the value of the goods concerned and the amount of

the exemption.

d. One exemption was published in the Gazette but the approval letter was not provided for review.

e. At least two approval letters were noted for the periods February and March 2013 but the CFO's approval was not submitted for review.

f. No control record is maintained by Customs Department and Ministry of Finance to ascertain the number of application submitted and the number approved for 2012/2013.

4. A request was made to the Collector of Customs for inspection and post audit reports for 2012/2013 to ascertain whether post audits and inspections were being carried out by Customs as required by Section 7 (C) of the Encouragement of Development Ordinance. In an email dated 30th January, 2014, the Collector of Customs explained that she was unable to provide the required information to assist with the audit.
5. For the period 28th September, 2012 to 31st March 2013 the CFO approval was not submitted for concessions as required by PFMR Schedule B (6).
6. Request was made for information on items excepted that were disposed of within the five years of date of importation. No information was provided for review.
7. A sample of 1746 entries was examined and it was noted that 403 entries did not have approval letters attached to the electronic entry in ASYCUDA. Therefore the NAO was not able to ascertain whether the correct concession category and rates were applied as per the Customs Tariff 2012 and whether goods were reasonable and in keeping with the approval objectives.

**Cause**:

Non – compliance with Customs Ordinance, Encouragement of Development Ordinance and PFMR Schedule B (6).

**Effect or potential effect**:

1. No policing to ensure that developers are receiving exemptions for only item stipulated in the Development Orders.
2. No assurance that importers are maintaining records of exempted items.
3. No assurance that imported items that have been exempted are clearly marked and easily identifiable.
4. Exempted items may have been disposed of within five years resulting in loss of revenue.
5. Items may have been imported that was not approved.

**Recommendation**

Responsible officers should ensure that complete records are maintained for concessions and that inspection and post audits are done as required by the Custom Ordinance, Encouragement of Development Ordinance Section 7 and 9 and the Public Financial Management Regulations B Schedule B (6).

| Action Plan | | | |
|---|---|---|---|
| **Person Responsible** | **PS, Finance** | **Estimated Completion Date** | **July 2014** |
| Acceptable……Improvements in record maintenance have been instituted. | | | |
| Detailed Findings Reference: | | Page | |

## 12. Poor management of fixed assets, value uncertain – High Risk

| ***Items were not recorded, no tagged and controls were not adequate for safeguarding items.*** | |
|---|---|
| **Rank** | **CONTROL DEFICIENCY** |

**Criteria**:

The PFMR 127 – 128 states that:

1. Criteria for non-current assets are:
    a. Have a useful life of a year or more.
    b. Include furniture and equipment owned by TCIG.
    c. Required to be retained until written off and disposed of.
2. Accounting officers are overall responsible for items.
3. Public officers as custodians have responsibility for custody, maintenance, safeguarding and proper use.
4. A register shall be maintained in a form approved by the Accountant General for all assets.
5. Assets shall be appropriately marked or engraved to enable them to be easily identifiable.

**PFMR 131 – Maintenance and security of assets**

6. Accounting officers are responsible for the security and maintenance of the assets under their control.

**PFMR 133 – Disposal of Assets**

7. The PS, Finance must be informed of assets identified for disposal.
8. The Director of Contracts also has to be informed of assets identified for disposal in order to provide advice on the method of disposal so that the item can be disposed of properly.
9. Items for disposal should be valued and copy of the valuation report submitted to the PS, Finance for approval.
10. Approval for items valued at:
    a. Under $1,000 the PS, Finance may advise on an appropriate disposal method.
    b. Between $1,001 and $5,000 disposed through public auction. Details of the items should be advertised.
    c. Over $5,001 disposed through sealed bid tenders in unmarked envelopes addressed to the Tender Board and Tenders procedures followed as per the Public Procurement Ordinance.

**PFMR 134 – Board of Survey of Asset**

11. At the end of the financial year, Board of Survey may check the assets held by Ministries and departments.

**Condition**:

1. A sample of 41 ministries and departments in Grand Turk were visited to verify whether:

a. Records were maintained of the assets in their custody –registers
b. Whether responsible officers were maintaining and safeguarding assets.
c. Proper approval was obtained for disposal of assets and the method of disposal was approved by the PS, Finance.
d. Board of Survey made check at the end of the financial year.

The results of the verification are as follows:

i. One ministry recorded the vehicle assigned to them on their register.
ii. 22 (54%) ministries and departments did not maintain an asset register.
iii. 19 maintained registers but they were incomplete and not up to date. See Table 5 – Fixed Asset Review - Results by ministry and department.
iv. High value items such as buildings, North Caicos Port and the radar system was not recorded in any registers.
v. The Reverse Osmosis plants and plant system were not properly recorded. The register did not have the valuation for both the plant and the plant system.
vi. Inadequate security precautions for ten ministries and departments.
vii. Three ministries and departments relocated Items but the listing was not updated.
viii. One department disposed of items but did not produce the PS, Finance approval for the disposal as required by PFMR 133.
ix. 11 ministries and departments did not use serial numbers to easily identify them.
x. 19 registers did not have date of acquisition to track when items were purchased.
xi. There were no registers maintained for capital items such as North Caicos Port, Radar

2. All items of fixed assets $100 and over purchased from Central Purchasing Unit (CPU) were retrieved and sorted by program, then compared to the registers to test existence. The following exceptions were noted;

   a. 33 ministries and departments purchased items from CPU.
   b. 22 ministries and departments did not present registers to enable testing.
   c. 11 Ministries and departments did not use meaningful asset descriptions of items, which prevented the auditors from identifying whether the item existed or not.
   d. Two ministries and departments' assets were not consistently recorded when purchased. We noted some of the items that were not recorded included Dell laptop costing $3,373.80, external hard drives costing $105.24 and $110.48.

The statement of allocated stores was incomplete. We note only CPU was on the statements but during our physical verification of fixed assets were noted Department of Agriculture, Department of Disaster Management, Schools also maintain stores but were not on the statements. We were unable to value the items of stores for each because the listing maintained by the departments did not have valuation for the items.

The listing submitted for Mechanical workshop was incomplete; it did not have valuation for store items.

**Cause**:

The ministries and departments did not follow the PFMR and the Asset policy to maintain records of assets and to take the necessary precautions to safeguard TCIG fixed (non-current) assets.

**Effect or potential effect**

1. There is no record of all assets including the acquisitions for the year 2012/2013.
2. There may be assets acquired that are unsuitable to fulfil the purpose of the ministries and departments. Unnecessary items acquired resulting in unused or idle capacity.
3. For the assets that are not tagged, items would not have a unique identifier to accurately identify items for recording.
4. No security or poor security systems can threaten the safety of assets. TCIG has suffered loss, stolen or damaged assets during 2012/2013 because of poor or no security to buildings. We noted at least four robberies where TCIG has suffered loss or equipment and damage to property. We could not quantify the total loss because the assets were not properly recorded.

**Recommendation**

Accounting officers and responsible officers must comply with the provision of the PFMR 127 -0128, 131, 133 – 134 and the Fixed Asset Policy for recording, maintenance and safeguarding of assets.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **July 2014** |

Agreed…….Instructions have been issued to Accounting Officers to forward their up to date asset registers to the Accountant General's Office on or before 21st February 2014. This would allow the Accountant General's Office to compile the information and have It readily available when the Assets Module is purchased in FY 14/15. Kindly note the purchase of this module is included in the Capital Budget for FY14/15.

| | |
|---|---|
| Detailed Findings Reference: | Page |

**Table 5 – Fixed Asset Review - Results by ministry and department**

| **Min./Dept.** | **Register** | **Security** |
|---|---|---|
| Treasury | No Asset Register | 1. Fire Extinguishers not |

| | | |
|---|---|---|
| | | maintained.<br>2. No supporting documentation for authorized drivers for vehicle. |
| Maintenance Dept. PWD | No register | Security system not operational. |
| Min. of Education | A register was maintained but it is incomplete and not up to date.<br>1. No serial numbers for items of equipment such as printers, computers<br>2. Items were relocated but the register not updated.<br>3. No valuation of items.<br>4. Items were noted in good condition but when examined was broken.<br>5. Items were put in storage but listed as being in certain offices within the ministry. | Fire extinguisher not maintained.<br>Security alarm system not operational. |
| Min. of Border Control | No Register. | No security system and no fire extinguishers. |
| Maritime and Fisheries | A register was maintained but not up to date. List was dated and signed off on 1st April, 2011.<br>Damaged items were on the list since April 2011. No documentation for request for disposal.<br>Good effort by the department to | No security system and fire extinguishers not maintained. |

| | | |
|---|---|---|
| | record items in compliance with the PFMR. Items tagged and serial and model numbers noted. | |
| Planning Dept. | Register maintained but it did not have serial numbers or tags for items of furniture and equipment. No valuation. Items were listed but not on the site. | No security system.<br>No fire extinguishers. |
| House of Assembly | No register provided. | Security System. |
| Immigration Dept. | No register maintained. | No security system. Sensitive area where immigration stamps, passports and travel documents are kept. |
| Registrar General's Office | No register maintained. | No alarm system. Sensitive areas where birth, deaths and marriage information is maintained. |
| Revenue Control unit | No register maintained. | No alarm system. |
| Dept. of Agriculture | No register maintained. | No security system |
| Employment Services Dept. | No register maintained | No security system. |
| Valuation Department | Register maintained but is not up to date. We noted that a computer was listed for Grand Turk office but on inquiring about the item NAO was told that it went to Provo. Incomplete in that it does not contain serial numbers for items such as scanners, fax and computers, no valuation for items and does not stat the condition of the items. | No fire extinguishers and the alarm system are not operational. |

| | | |
|---|---|---|
| | The NAO was informed that items were disposed of but no documentation was submitted to show that the disposal was approved by the PS, Finance. | |
| TCI Publishing Dept. | Register maintained but was incomplete. No serial numbers were recorded for items such as computers and equipment. No valuation for items. | No security system. Office was recently broken into and a computer stolen. |
| Deputy Governor's Office | No register maintained. | Operation security system and additional security access need to access and exit the building. |
| Dept. of Economics Planning and Statistics | No register maintained | Operational security system. |
| Customs Dept. | No register maintained. | Operational security system but no fire extinguishers. |
| Budget Dept. | No register maintained. | No fire extinguisher. |
| Land Survey and Crown Land Dept. | Register maintained but not up to date. Last updated 2011. | |
| Premier's Office and Cabinet Office | No register maintained. | Nonfunctional fire extinguisher and alarm system not working. |
| Environmental Health | Register maintained but not complete. It does not contain serial numbers for items of equipment and no valuation of items.<br><br>Recorded vehicle assigned to office on register. | No security. Department was broken into and chemicals valued $4,000 was stolen. The vehicle was broken into, fuel and the battery was stolen. Water was stolen from the public tank. (Police report attached).<br><br>No fire precautions. |

| | | |
|---|---|---|
| Human Resource Directorate | No register maintained. | No fire precaution. |
| Public service Commission | No register maintained. | No fire precautions |
| Education Dept. | Register maintained. | No security precautions. Department was previously robbed via a whole in the roof. The whole has not been repaired since the robbery. No fire prevention controls. Vehicle not operational. Block three sustained damages and is not in use. |
| Police Headquarters | Register maintained but not updated since 2011 and does not reflect the changes since moving to their new headquarters. | One robbery since moving to their new location.<br>The headquarter houses the Armory.<br>No fire precautions. |
| Police Station | Register maintained but last updated in 2011 and incomplete. The register does not have serial numbers for equipment and valuation for items.<br>The register does not reflect the movement of item to new locations. | No fire precautions. |
| Disaster Management | Register maintained but incomplete. No serial numbers were noted for laptops, desktops digital camera and printers. No valuation for items listed. | Operational security system. |
| Min. of Environment and Human | No register maintained. | No security system. Vehicle |

| | | |
|---|---|---|
| Affairs | | sustained damage such as cracked window. Verbal report was made to the Mechanical Superintendent. |
| Min. of finance | No register maintained. | |
| Judiciary Dept. | No register maintained. | Court has a watchman. |
| T C Invest | No register maintained. | |
| Wellness Center | No register maintained. | |
| Min. of Health | Register maintained but incomplete. It did not contain serial numbers for laptops and printers and no valuation for all items. . | All officers have access to sensitive information. |
| Governor's Office | Register maintained but incomplete. Register did not have valuation for all items, serial numbers for equipment such as computers, printers and scanner. | Operation security system. |
| Department of Social Development | Register maintained but incomplete. The register did not contain serial number for equipment such as scanners, printers and computers.<br><br>Items were moved to other offices but not recorded. Items were moved to other depts. But not recorded. | Department maintains sensitive information but cabinets where files are kept cannot lock and the room where the files are located does not have a door.<br><br>Items to be disposed of are stored in a room and not organized (fire hazard). No fire precautions and no alarm system. |
| Attorney General's Chambers | Register maintained but not up to date. It did not reflect a desktop computer that was replaced with | Operational security system – cameras etc. |

| | | |
|---|---|---|
| | a laptop.<br><br>No valuation for all items. | |
| Min. of Government Support Services | Register maintained but not up to date. The register did not reflect a desktop that was replaced with a laptop.<br><br>No valuation for all items and no record of the condition of the assets. | Operational security system, |
| Drug and mental Health Unit | Register Maintained but incomplete. No valuation of items and no record of condition of items. Items such as computers, printers, fax and scanners listed but the item descriptions were not sufficient. The brands of the items were not recorded. | No security precautions.<br><br>Previous broken into in June, 2013. Items stolen were television, mini refrigerator and modem. No incident report provided. |
| Water Undertaking | No register maintained. Department is responsible for high value items such as pumps etc. for three Reverse Osmosis plant in Grand Turk and one in Salt Cay.. | There is a watchman. |
| Land Registry | Register maintained but not up to date. Items such as bookshelf, filing cabinets, desk and chairs were not recorded on the list. | Security alarm system operational.<br><br>Four fire extinguishers that were not maintained. |
| Post office | Register maintain but not up to date and complete. The list did not include two new desktop computers and three telephones.<br><br>No valuation for all items and no | Four fire extinguishers that were not maintained. |

| | | |
|---|---|---|
| | serial numbers for equipment. Listing show computers, photocopier, fax, scanners, and phones that were not working. | |

## 13. Inadequate management, control and documentation in relation to excess expenditure per line item of $19 million – High Risk

| Rank – High Risk | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria**:

The Appropriation Ordinance is the perimeter by which Ministries and departments may spend. Once the Appropriation Ordinance is approved by the House of Assembly and sanctioned by the Ministry of Finance via General Warrant then spending can legally take place.

The Accounting Officers in various ministries are responsible for managing and controlling expenditure. Guideline to assist them in the management and controlling of expenditure is contained in the Public Finance Management Ordinance 2012 (PFM), the Public Finance Management Regulations 2012 (PFMR) and the Public Procurement Ordinance 2012 (PPO). The PFM was enacted on the 1st April, 2012, the PFMR was enacted on the 1st September, 2012 and the PPO enacted on the 1st November, 2012.

Based on the enactment dates for the various regulation tests were done on transactions for 2012/13 expenditure records. In the interim before the PPO and the PFMR were enacted benchmarks for test of transactions were best practices and Smart Stream requirements.

The PFM requires:

**Accounting Officers**

S17 (3)

To ensure that;

Adequate control is exercised over the incurring of commitments and contingent liabilities.

Effective systems of internal control and internal audit are in place in respect of all transactions and resources under his or her control.

**Excess Expenditure**

PFMO 26. (1) Where, in exceptional circumstances, at the close of accounts for any financial year it is found that moneys have been expended on any expenditure in excess of the amount appropriated for it by an Appropriation Ordinance or a Supplementary Appropriation Ordinance or for a purpose for which no moneys have been voted and appropriated, the amount of the excess expended, or not appropriated, as the case may be, shall be included in a statement of expenditure in excess.

(2) The Minister shall lay every statement of expenditure in excess before the House of Assembly, which shall refer it to the Public Accounts Committee of the House, and the Minister shall at the same time send a copy of the statement to the Governor.

(3) The Public Accounts Committee shall report to the House of Assembly on a statement of expenditure in excess

referred to it under subsection (2) within six months after the statement is referred to it.

(4) Where on receiving any report of the Public Accounts Committee issued under subsection (3) the House of Assembly, by means of a resolution, allows the excess or the amount expended but not appropriated to stand charged to public funds, the sum required to meet that excess or such amount as shall be allowed shall be included in a Supplementary Appropriation Bill for appropriation.

PFMR 49 (2), (3) and (4) requires:

(2) Where expenditure cannot be met by virements within the vote from items with savings, then provision for supplementary funds shall be sought, in which case an application for supplementary funds may be made to the Permanent Secretary, Finance.

(3) Applications for supplementary provision shall be reviewed by the Permanent Secretary, Finance and submitted to the Minister for consideration; and if after examination and, where necessary, consultation with the Accounting Officer concerned, the need for the Supplementary provision is agreed, the amounts of such provision shall be included by the Minister in supplementary estimates to be submitted to the House of Assembly for appropriation by a Supplementary Appropriation Ordinance.

(4) Notwithstanding that supplementary estimates may have been submitted to the House of Assembly for approval, no action shall be taken by any Accounting Officer which creates a commitment on public funds before the House of Assembly approval is obtained.

**Condition**:

The total recurrent expenditure for 2012/2013 was $168,817,040 and total budgeted was $180,242,382 including supplementary for the year resulting in a savings of $11,425,342. We commend those Accounting Officers who tried to manage their expenditure in keeping with the financial regulations. See table below.

| **Budget** | **Supplementary** | **Total Budget** | **Actual** | **Variance $** | **Variance %** |
|---|---|---|---|---|---|
| **180,048,016** | **194,366** | **180,242,382** | **168,817,040** | **11,425,342** | **6** |

**Expenditure Cost 2012/2013**

| **Description** | **Budget** | **Supplementary** | **Total Budget** | **Actual** | **Variance $** | **Variance %** |
|---|---|---|---|---|---|---|
| Payroll | 57,634,736 | | 57,634,736 | 57,268,639 | 366,097 | 1 |
| Operating Cost | 122,413,280 | 194,366 | 122,607,646 | 111,548,401 | 11,059,245 | 9 |
| **Total** | **180,048,016** | **194,366** | **180,242,382** | **168,817,040** | **11,425,342** | **6** |

**Excess Expenditure not covered by HOA approval**

1. There were 32 ministries and department that incurred expenditure in excess of their appropriated amount for 2012/2013 totalling $9,055,118 in contravention of the 2012/2013 Appropriation Ordinance.

The total gross excess expenditure for 2012/2013 was $19,003,370 which includes excess payroll expenditure of $6,753,454 and excess operating cost of $12,249,916. See table below for Ministries' gross excess expenditure.

**Note: It was revealed by Accounting Officers that there were a number of mis-postings. These have to be investigated by the NAO but will not form part of this audit report. Overall, explanations were received from the Accounting Officers on the excess expenditure and have to be considered in conjunction with other related findings in this audit report.**

**Table – Gross Excess Expenditure by Ministry 2012/2013**

| Prog. No. | Description | Amount $ |
|---|---|---|
| 001 | Governor's Office | (231,474.00) |
| 003 | Police | (1,110,508.00) |
| 004 | Attorney General's Chambers | (3,656,222.00) |
| 005 | Judiciary | (243,776.00) |
| 006 | Audit Office | (183,644.00) |
| 014 | Statutory Charges | (3,069,168.00) |
| 016 | Min. Border Control and Labour | (726,946.00) |
| 051 | Min. Environment and Home Affairs | (2,923,729.00) |
| 052 | Government Support Services | (1,867,823.00) |
| 054 | Min. of Finance and Tourism/Trade | (1,434,545.00) |
| 055 | Min. Health and Education | (3,405,940.00) |
| 056 | Chief Executive Office | (149,595.00) |
| | **Total** | **(19,003,370.00)** |

Business cases were provided for two items of excess expenditure totalling $1,360,590.73, they are as follows:

2. $1,000,000 for additional Civil Recovery Work Cost. The business case was approved by the CFO
3. $360,590.73 for supplementary funds for rental of buildings. This business case was not signed.

**Table – Excess Expenditure by Program**

| Min/Prog. | Min/Prog. Description | Budget | Actual | Under/(Excess) | Under/(Excess) |
|---|---|---|---|---|---|
| | | US $ | US $ | US $ | % |
| 01 | Office of the Governor | | | | |
| 001 | Governor's Office | 852,139 | 912,738 | (60,599) | (7) |
| 085 | Electoral Office | 113,191 | 165,489 | (52,298) | (46) |
| **03** | **Office of the Governor Total** | **965,330** | **1,078,226** | **(112,896)** | (12) |
| 03 | Police | | | | |
| 009 | Police General | 14,997,315 | 15,199,296 | (201,981) | (1) |
| 010 | Anti-Drugs Unit | 0 | 221,843 | (221,843) | |
| 011 | Police Marine Branch | 0 | 162,654 | (162,654) | |
| **03** | **Police Total** | **14,997,315** | **15,583,793** | **(586,478)** | (4) |
| 012 | Attorney General's Chambers | 13,662,306 | 16,003,996 | (2,341,690) | (17) |
| **04** | **Attorney General's Chambers Total** | | | **(2,341,690)** | |
| 14 | Statutory and Other Charges | | | | |
| 022 | Pensions and Gratuities | 5,000,000 | 5,564,838 | (564,838) | (11) |
| **14** | **Statutory and Other Charges Total** | | | **(564,838)** | |
| 16 | Ministry of Border Control and Labour | | | | |
| 061 | Immigration Department | 2,946,836 | 3,127,564 | (180,728) | (6) |
| 073 | Registration and Citizenship | 337,089 | 338,040 | (951) | (0) |
| 075 | Immigration Services Unit | 0 | 56,432 | (56,432) | |
| 096 | Ministry of Border Control and Labour | 404,587 | 448,534 | (43,947) | (11) |
| **16** | **Ministry of Border Control and Labour Total** | | | **(282,058)** | |
| 51 | Ministry of Environment & Home Affairs | | | | |
| 051 | Road Safety Department | 528,995 | 532,224 | (3,229) | (1) |
| 057 | Environmental Health | 2,622,763 | 4,141,351 | (1,518,588) | (58) |

| | | | | | |
|---|---|---|---|---|---|
| | Department | | | | |
| 060 | Prison Service | 1,956,186 | 2,111,465 | (155,279) | (8) |
| 074 | Fire Department | 353,574 | 652,575 | (299,001) | (85) |
| **51** | **Ministry of Environment & Home Affairs Total** | | | **(1,976,097)** | |
| 52 | Government Support Services | | | | |
| 110/103 | Government Support Services | 532,676 | 1,345,438 | (812,762) | (153) |
| 004 | Works Programme | 0 | 17,569 | (17,569) | |
| 048 | Post Office | 374,501 | 382,089 | (7,588) | (2) |
| 077 | Energy and Utilities Department | 163,744 | 179,187 | (15,443) | (9) |
| 081 | EMS Project Management Division | 277,911 | 280,071 | (2,160) | (1) |
| 093 | Computer Unit | 1,168,157 | 1,317,205 | (149,048) | (13) |
| **51** | **Government Support Services Total** | | | **(1,004,570)** | |
| 54 | Ministry of Finance and Trade/Tourism | - | - | - | |
| 070/111/093 | Ministry of Finance and National Insurance | 707,959 | 735,880 | (27,921) | (4) |
| 019 | Customs Department | 2,560,528 | 2,601,861 | (41,333) | (2) |
| 025 | Revenue Control Unit | 695,974 | 733,976 | (38,002) | (5) |
| 054/078 | Port Authority | 0 | 6,746 | (6,746) | |
| 095/105 | Tourist/Trade Department | 3,335,784 | 3,523,416 | (187,632) | (6) |
| **54** | **Min. of Finance & Trade/Tourism Total** | | | **(301,635)** | |
| 55 | Ministry of Health and Education | | | | |
| 072/112 | Ministry of Health | 42,412,615 | 43,548,899 | (1,136,284) | (3) |
| 033 | Ministry of Education | 1,552,355 | 1,585,737 | (33,382) | (2) |
| 034 | Education Department - Zone 1 | 2,239,318 | 2,539,724 | (300,406) | (13) |
| 035 | Tertiary and Further Education | 4,180,000 | 4,300,967 | (120,967) | (3) |
| 039 | Raymond Gardiner High School | 990,022 | 1,020,267 | (30,245) | (3) |
| 040 | Marjorie Basden High School | 851,284 | 869,744 | (18,460) | (2) |
| 079 | Education Department Providenciales | 3,937,316 | 4,168,805 | (231,489) | (6) |
| **55** | **Ministry/Department total** | | | **(1,871,233)** | |

| | | | | | |
|---|---|---|---|---|---|
| 56 | Chief Executive Office | | | | |
| 090 | Chief Executive Office | 355,032 | 368,656 | (13,624) | (4) |
| **56** | **Chief Executive's Office Total** | | | **(13,624)** | |
| | | | | | |
| | Total All Ministries and Departments | | | **(9,055,118)** | (5) |
| | | | | | |
| | Total Budget | | | 180,242,382 | |

4. There were five ministries and departments who incurred expenditure and did not have budget allocations totalling $465,544. CFO approval was not provided for the five ministries and departments that did not have budget allocations but had expenses posted to accounts.

Further, funds control mechanisms were not in place to prevent the programs and accounts from being utilized by the ministries and departments.

**Table – Excess Expenditure by Account**

| AC # | Account | Budget | Actual | Variance $ | Variance % |
|---|---|---|---|---|---|
| 311 | Wages | 3,907,125 | 4,652,377 | (745,252) | (19) |
| 315 | Allowances | 7,648,303 | 7,871,826 | (223,523) | (3) |
| 321 | Pension and Gratuities | 5,000,000 | 5,525,231 | (525,231) | (11) |
| **Total Personnel Costs** | | 16,555,428 | 18,049,434 | (1,494,006) | (9) |
| | | | | | |
| **Other Recurrent Expenditure** | | | | | |
| 323 | Local Travel and Subsistence | 974,835 | 1,339,954 | (365,119) | (37) |
| 328 | Communications Expenses | 1,517,801 | 1,527,026 | (9,225) | (1) |
| 337 | Maintenance Expenses | 5,334,335 | 6,426,328 | (1,091,993) | (20) |
| 343 | Professional and Consultancy Services | 1,341,755 | 2,121,047 | (779,292) | (58) |

| | | | | | |
|---|---|---|---|---|---|
| 344 | Computer License Software and Hardware Maintenance | 727,199 | 742,296 | (15,097) | (2) |
| 357 | Grants and Contributions | 3,379,265 | 3,407,199 | (27,934) | (1) |
| 360 | Social Welfare | 1,130,000 | 1,139,687 | (9,687) | (1) |
| 362 | Medical Treatment Local | - | 10,322 | (10,322) | |
| 375 | Claims against Government | 5,000 | | 5,000 | 100 |
| 380 | Other Sundry Expenses | 1,332,300 | 1,923,162 | (590,862) | (44) |
| 380 | Civil Recovery Expenses | 5,000,000 | 7,331,087 | (2,331,087) | (47) |
| 392 | Hospital Provisional Charges | 23,400,000 | 24,295,007 | (895,007) | (4) |
| 398 | Prior Year Adjustments | - | - 1,180 | 1,180 | |
| **Total Other Recurrent Expenditure** | | 44,142,490 | 50,261,934 | (6,119,444) | (14) |
| | | | | | |
| **Total Recurrent Expenditure** | | 60,697,918 | 68,311,369 | (7,613,451) | (13) |

5. Expenditure was posted to two accounts that did not have a budget allocation. Further, funds control mechanisms were not in place to prevent transactions from being posted to these accounts.

6. 14 Ministries and departments incurred excess expenditure for both payroll and operating cost. 34 ministries and departments incurred in excess for payroll expenses totalling $6,753,454 and 80 ministries and departments incurred excess expenditure for operating cost totalling $12,249,916. Note that reference to ministries and departments are also called programs.

**Table – Excess by Payroll and Operating Cost**

| Description | Excess | Ministries/ Departments |
|---|---|---|
| Payroll | (6,753,454) | 34 |
| Operating Cost | (12,249,916) | 80 |
| **Total** | **(19,003,370)** | |

At the time of this report the Supplementary Appropriation for excess expenditure was not approved by the House of Assembly as required by PFM 25- 26.

7. Expenditure totalling $1,732,711.75 was incurred against 86 accounts within ministries and departments that did not have budget allocations in contravention of PFM Section 22 which required funds to be authorized before they are expended.

Also in contravention of PFMR 29 (3) (a) which states that 'no expenditure may be charged to a head which does not fall within the ambit of a vote'.

**Account with no Budget Allocation**

| Min. | Prog. | A/c | No. of Rec | Amount |
|---|---|---|---|---|
| 1 | 91 | 32803 | 3 | 90.97 |
| 1 | 92 | 32803 | 3 | 656.98 |
| 3 | 10 | 34304 | 1 | 2,200.00 |
| 3 | 10 | 31008 | 51 | 5,298.32 |
| 3 | 10 | 31507 | 24 | 5,400.00 |
| 3 | 10 | 31010 | 51 | 5,589.11 |
| 3 | 10 | 32803 | 2 | 9,616.36 |
| 3 | 10 | 31505 | 36 | 25,185.60 |
| 3 | 10 | 31501 | 238 | 33,463.27 |
| 3 | 10 | 31001 | 109 | 135,090.66 |
| 3 | 11 | 31507 | 18 | 3,633.00 |
| 3 | 11 | 31008 | 44 | 4,212.83 |
| 3 | 11 | 31010 | 44 | 4,292.76 |
| 3 | 11 | 31505 | 9 | 6,180.00 |
| 3 | 11 | 31501 | 158 | 28,924.44 |
| 3 | 11 | 31001 | 97 | 115,411.19 |
| 14 | 23 | 31001 | 124 | 157,579.43 |
| 16 | 73 | 31505 | 16 | 5,196.00 |
| 16 | 75 | 32803 | 3 | 307.97 |
| 16 | 75 | 31507 | 3 | 499.5 |
| 16 | 75 | 31010 | 18 | 1,045.77 |
| 16 | 75 | 31008 | 18 | 1,534.80 |
| 16 | 75 | 31501 | 21 | 3,390.00 |
| 16 | 75 | 32601 | 17 | 18,185.54 |
| 16 | 75 | 31001 | 18 | 31,468.50 |

| | | | | |
|---|---|---|---|---|
| 52 | 4 | 31001 | 2 | 48.6 |
| 52 | 4 | 32803 | 11 | 54.12 |
| 52 | 93 | 34305 | 2 | 67,500.00 |
| 52 | 103 | 32601 | 17 | 9,996.67 |
| 52 | 108 | 32601 | 91 | -10,580.00 |
| 52 | 108 | 33705 | 1 | 450 |
| 52 | 108 | 31010 | 94 | 615.83 |
| 52 | 108 | 31008 | 94 | 883.16 |
| 52 | 108 | 31108 | 296 | 4,122.55 |
| 52 | 108 | 31105 | 296 | 6,044.07 |
| 52 | 108 | 33707 | 2 | 6,050.00 |
| 52 | 108 | 31001 | 184 | 22,547.50 |
| 52 | 108 | 31101 | 401 | 136,511.92 |
| 52 | 110 | 33005 | 1 | 880 |
| 52 | 110 | 31103 | 1 | 1,026.61 |
| 54 | 17 | 31505 | 1 | 1,000.00 |
| 54 | 93 | 32305 | 2 | 398 |
| 54 | 119 | 33005 | 2 | 682 |
| 54 | 119 | 32803 | 2 | 738.47 |
| 54 | 119 | 33503 | 2 | 831.25 |
| 54 | 119 | 31010 | 2 | 1,192.50 |
| 54 | 119 | 31008 | 2 | 1,932.00 |
| 54 | 119 | 34305 | 2 | 3,840.00 |
| 54 | 119 | 38030 | 1 | 6,255.42 |
| 54 | 119 | 33001 | 2 | 7,062.12 |
| 54 | 119 | 33707 | 2 | 7,561.75 |
| 54 | 119 | 32601 | 2 | 8,227.13 |
| 54 | 119 | 33718 | 2 | 16,265.13 |
| 54 | 119 | 31001 | 2 | 21,232.40 |
| 54 | 119 | 39101 | 4 | 268,931.86 |
| 55 | 106 | 31108 | 50 | 152.1 |
| 55 | 106 | 31105 | 50 | 233.22 |
| 55 | 106 | 31010 | 81 | 804.03 |
| 55 | 106 | 31008 | 81 | 1,046.98 |
| 55 | 106 | 32601 | 43 | 4,028.01 |
| 55 | 106 | 31101 | 53 | 4,887.48 |

| | | | | |
|---|---|---|---|---|
| 55 | 107 | 31103 | 3 | 965.75 |
| 55 | 112 | 34239 | 21 | 13.99 |
| 55 | 112 | 34201 | 1 | 86.25 |
| 55 | 112 | 34240 | 8 | 174 |
| 55 | 112 | 31103 | 4 | 566.08 |
| 55 | 112 | 32803 | 54 | 611.01 |
| 55 | 112 | 34305 | 14 | 707.34 |
| 55 | 112 | 31005 | 6 | 2,403.85 |
| 55 | 112 | 31108 | 140 | 2,414.67 |
| 55 | 112 | 32305 | 28 | 2,535.00 |
| 55 | 112 | 31105 | 138 | 2,954.94 |
| 55 | 112 | 31506 | 99 | 3,030.00 |
| 55 | 112 | 33001 | 86 | 4,130.36 |
| 55 | 112 | 34236 | 5 | 6,000.00 |
| 55 | 112 | 31507 | 86 | 6,433.50 |
| 55 | 112 | 31010 | 363 | 15,489.23 |
| 55 | 112 | 31008 | 352 | 15,693.00 |
| 55 | 112 | 31501 | 194 | 18,365.00 |
| 55 | 112 | 31505 | 78 | 28,795.95 |
| 55 | 112 | 31101 | 142 | 68,354.99 |
| 55 | 112 | 31001 | 390 | 334,516.74 |
| 56 | 6 | 31005 | 1 | 48.9 |
| 56 | 90 | 38029 | 66 | 242 |
| 56 | 90 | 31505 | 11 | 9,513.32 |
| 56 | 116 | 31501 | 4 | 760 |
| | | **Total** | **5,301** | **1,732,711.75** |

Duties and responsibilities of Ministries and Departments

A Ministry or department referred to in sub-regulation (1) of this Regulation shall ensure that—

(a) all resources, including money, human capital and capital assets are allocated and deployed to best effect;

(b) steps are taken to minimize—

(i) risks;

(ii) liabilities; and

(c) all control totals such as those contained in the approved estimates and warrants are strictly observed.

At the time of the report the expenditure incurred against accounts without budget was not approved by the House of

Assembly.

No CFO approval was provided for the $1,732,711.75 expenditure that was incurred against accounts that were not budgeted for in the Appropriation Ordinance 2012/2013.

Further, funds control mechanisms were in place to prevent the ministries and departments from spending against accounts without budgetary provision.

8. All Warrants for Virement were not copied to the Auditor General as required by PFMR 50 (4) which states that copies of Warrants for Virement should be sent to the Auditor General on approval of application by PS, Finance.
9. Copies of the following Warrants for 2012/2013 were not made available to the NAO:
    a. Accountant General's Warrant – PFMO 28 and PFMR 68. A General Warrant was submitted totalling $179,133,446 showing the revised estimates for 2012/2013. The Approved Appropriation Ordinance 2012/2012 totalled $180,048,014. The revised amount was not taken to the House of Assembly for approval. The Accountant General explained that the Warrant was not enacted and it was an attempt by the former CFO to adjust the budget figures.
    b. Advance Warrants – PFMO 32 (1)
    c. Imprest Warrant – PFMR 68
    d. Provisional Warrant – PFMR 5
    e. Contingency Warrant – PFMO 10. Ministries and departments had excess expenditure or incurred expenditure for which no provision was made totalling over $9 million. Section 10 requires that the Minister may by Contingencies Warrant authorize an advance form the Consolidated Fund to meet that need and shall forthwith report the action to Cabinet.
    f. Departmental Warrant – PFMR 47.

    Further, the Ministry of Finance did not declare that any of the above Warrants were not applicable to the financial year during the NAO's request for all the Warrants for 2012/2013.

10. Warrants for Virement for 2012/2013 were not laid before the HOA as required by PFMR 50 (6).
11. It was revealed at the PAC meeting that the statement of excess expenditure contained a number of mis-postings. The Auditor General will be conducting a review of the mis-postings and will provide a report to the PAC.

**Cause**:

12. Non-compliance with the Appropriation Ordinance 2012/2013 in respect of excess expenditure.
13. Non-compliance with the regulation for the administration of Warrants and Warrants Virement.
14. Lack of management oversight in respect of expenditure management and control.
15. Faulty budgets prepared by ministries and departments.

16. No training on budgetary preparation and control.
17. Funds control mechanisms were not employed to prevent expenditure being incurred against programs and accounts that did not have budget allocation.

**Effect or potential effect**:

18. Excess expenditure.
19. Cash flow management problems.

**Recommendation**

Accounting Officers should comply with the PFM, PRMR and the PPO in respect of managing and controlling expenditure….. Accepted

A proper audit trail should be kept of expenditure in excess of that budgeted and regular monitoring of over expenditures done so that the correct allocations are made to the budget holder's department on a timely basis. This helps ensure that mis-postings and other adjustments are made within the accounting year and true expenditures not properly authorized are addressed.

**Action Plan**

| Person Responsible | PS, Finance<br>Accounting Officers | Estimated<br>Completion Date | March 31st, 2014 |
|---|---|---|---|

Accounting Officers have complied with the PFMO with regards to the excess expenditure, by allowing the Minister to lay each statement of excess before the House of Assembly within four months after the end of the financial year, which was done in this instance. However, the PAC has 6 months to produce a report to the HOA regarding the statement of excess. The PAC did not adhere to this timeline which has delayed the excess from standing charged to the public funds.

With reference to the virement request, currently there is a mechanism that is put in place in which all virements are forwarded to a central location electronically. Also provision is being made for the virements for FY2013/14 to be laid before the HOA before the end of FY2013/14.

It should also be noted that statutory expenditure, that is Ministry 14, does not need to be appropriated.

| Detailed Findings Reference: | Page |
|---|---|

## 14. Inadequate maintenance of payroll information – High Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria**:

Before the PFMR, best practice required that employees hiring and termination is approved by management before salary payments are made to staff. There were also requirements that files are maintained for all employees.

Public Finance Management Regulation 2012 (PFMR)

PFMR 85 (3) states that:

Accounting Officers are responsible for ensuring that personal emolument records maintained for all of the permanent staff within their Ministries and Departments are correct, and that all changes and variations in applicable rates are duly notified to the Accountant General.

PFMR 85 (6) states that:

No employee shall be included on the payroll until a copy of the letter of appointment and a copy of the letter of acceptance of the appointment have been received by the Accountant General; and no action will be taken which would result in changes of salary or allowance to any public officer until proper authority has been received.

**Condition**:

A sample of 333 employee files from the following offices were chosen for review:

- Human Resource Directorate – 268 files
- Police – 45 files
- House of Assembly – 20 files

1. The review was carried out on employees who joined the service and who were terminated from the service during financial year 2012/13. The following were the results of the review:

    a) 30 files requested from Human Resources Directorate were not presented for review.
    b) 10 files requested from Police were not presented for review.
    c) One file requested from the House of Assembly Office was not presented for review.
    d) Eight Oaths of Appointments were not submitted by the Governor's Office for review.
    e) 99 files did not have letters of Appointment and /or Termination where applicable.
    f) Two letters of appointment and termination were not signed.
    g) **73 cases where** salary and/ allowance authorized on files did not agree with SmartSteam data.

h) 51 cases where no Appendix B forms were on the files at Treasury.

i) One Appendix B Form was signed but the form was incomplete, the required information such as salary and allowances due to the employee was not noted on the form.

j) For 132 employees the information on Treasury files did not agree with Human Resource Directorate, Police and House of Assembly Office's files.

k) 241 files maintained by Human Resource Directorate and Police did not have copies of Appendix B Forms.

2. An officer was overpaid housing allowance totalling $18,415 in March, 2013. The amount was recouped on 22nd March, 2013.

**Risk**:

a) All emoluments may not have been approved.

b) Salary and allowance rates paid to some officers may not be the appropriate rates.

c) Missing files.

d) Fictitious employees.

**Impact**:

a) Staff may have been overpaid.

b) Excess expenditure for staff cost.

c) Incomplete or no records for some employees.

**Recommendation**

Human Resource Directorate, Police and Treasury should ensure that records are maintained for all employees and there should be reconciliation at least quarterly with Treasury records. Also the payroll should be reviewed at least quarterly by someone independent of the payroll function to ensure that termination are captured, to prevent overpayments and to ensure that the payroll system reflects the decision communicated by the Human Resources Directorate.

**Action Plan**

| Person Responsible | Accountant General<br>PS Finance | Estimated Completion Date | To be determined |
|---|---|---|---|

Agreed …The overall process has been reviewed and changed to allow HRD to enter and update the payroll records for all employees. The payroll department is now responsible for quality controls check and balances before making the run. In addition, there is now a monthly review conducted by a Finance Manager in the Treasury to ensure that approved changes including terminations are treated appropriately.

| | |
|---|---|
| Furthermore a payroll processing procedure is being development with input from all of the stakeholders and will be implemented as soon as it is completed | |
| Detailed Findings Reference: | Page |

## 15. Inadequate fraud risk management mechanism in place – High Risk

| Rank | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria**:

Organizations suffer massive losses annually due to various frauds committed by employees, customers, suppliers and others. Best practice requires that fraud risk assessments should be performed periodically to identify potential fraud schemes and events that need mitigating.

The objectives of a fraud risk assessment are to enable management to:

1. Identify the organization's vulnerability to fraud.
2. Allow management to implement proactive measures to prevent fraud.

**Condition**:

A fraud risk assessment was performed for 2012/2013. The methodologies used for the fraud risk assessment were surveys and interviews with some Accounting Officers, certain Head of Departments and Financial Managers.

The results of the assessment are as follows:

1. TCIG does not have an Ethics Statement.
2. TCIG does not have written fraud policy and procedures.
3. TCIG does not provide an anonymous way to report suspected violations of the ethics and anti-fraud programs.
4. Fraud incidents are not promptly and thoroughly investigated.
5. No record is maintained of fraud incidents.
6. There is no loss prevention function.
7. No fraud risk assessments were carried out for the period 1st April, 2012 to 31st March, 2013 for any of the eighty Ministries and the Departments that operated during the stated period.
8. Employees are not educated concerning fraud.
9. There are no fraud awareness programs outlining management's views on fraud.
10. At least three cases of fraud were noted during the interviews involving cash shortages at revenue collection points totalling $23,200.
11. Three cases of fraud were noted in previous years concerning loss of cash totalling $57,000 that needs to be addressed.

**Cause**:

1. No fraud policies and procedures to include management responsibility for fraud and how to conduct fraud risk assessments.

2. Management attitude and awareness towards fraud.
3. Internal control deficiencies;
    a. Absence of management oversight.
    b. Lack of segregation of duties.
    c. Lack of communication
    d. Absence or weak policies and procedures
4. Management is not willing to prosecute or ask officer to resign with payback clauses.
5. Lack of fraud training.

**Effect or potential effect**:

1. Fraudulent financial statements
2. Asset misappropriation
    a. Loss of cash
    b. Loss of non-current assets
3. Bribery and corruption
    a. Conflict of interest situations.
    b. Bribery
4. Employees receiving illegal gratuities via fraudulent expense claims.

**Recommendation**

1. Management should develop fraud policies and procedures and fraud awareness programs for the public service.
2. All incidents of fraud should be responded to promptly and records maintained.
3. Accounting officers should perform fraud risk assessments for all programs under their ministry at least annually.
4. Fraud plans should be developed and executed for all ministries and departments.
5. There should be continuous monitoring of fraud systems.
6. There should be dedicated officers trained and assigned to monitor fraud within ministries and departments.
7. Management should be training in fraud detection and prevention.

.

**Action Plan**

| Person Responsible | Accounting Officers | Estimated Completion Date | July 2014 |
|---|---|---|---|

Acceptable…A review will be conducted in association with the MOF and Internal Audit to develop appropriate fraud policies and procedures.

| | |
|---|---|
| | |
| Detailed Findings Reference: | Page |

## 16. Inadequate management of stores resulting in misstatement in the Unallocated Store Statement – High Risk

| Rank | MATERIAL WEAKNESS |
|---|---|

**Criteria**:

**Public Finance Management s (PFM**) 36

1. Every Ministry and Department of government shall maintain adequate records of stores.
2. The Minister may make regulations or issue orders governing the acquisition, receipt, issue, custody and control of such stores.
3. Every person shall be personally responsible for the proper custody, care and use of government stores under his or her control.
4. An accounting officer shall be responsible for the general supervision and control of all government stores within the ministry or department under him or her and for the due performance of their duties by his or her subordinate staff in relation thereto.

**Condition**:

1. The statement of allocated stores was incomplete. During our visits to the Ministries and Departments we noted that the Department of Agriculture, Department of Disaster Management, the Schools and the Wellness Center maintained stores. Review of the Statement of Unallocated Stores revealed that figures on the statement were for Central Purchasing Unit (CPU) only.
2. Review of the asset listing for the Ministries and Departments that were not included on the Statement of Unallocated Stores revealed that there were no valuations for store items.
3. Review of the inventory listing submitted for Public Works Department (PWD) - Mechanical Workshop revealed that the Workshop was also not included in the statement of unallocated stores. Further there was no valuation for items of stores on the listing.
4. The NAO was unable to attend all of the surveys for the stores at the end of March, 2013, because the members of the Board of Survey did not present timely schedules to the NAO. Therefore, the NAO was unable to observe the stock take to verify whether the counts were carried out in accordance with prescribed procedures and best practice.

**Cause**:

1. The procedures for managing stores were not followed.
2. Weak controls for accounting for stores items.
3. Lack of training for responsible officers on how to managing of stores and record keeping.

**Effect or potential effect**:

1. The Statement of Unallocated Stores is incomplete and inaccurate because the balances for all of TCIG stores were not included in the statement.
2. No control of the distribution over items of stores leading to unauthorized use.

**Recommendation**

Accounting Officers and responsible officers should comply with the provision in the PFM 36. Accounting Officers should also review the programs for which they are responsible to capture all stores and to ensure that proper stores records maintained.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Accounting Officers** | **Estimated Completion Date** | **March 31, 2014** |

Agreed…..This matter is currently being addressed and action has been taken by Accounting Officers to ensure that the various stores are accounted for in the FY13/14. In addition, the Board of Survey has been instructed to ensure that all stores locations are assessed for FY13/14.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 17. $12.7 million outstanding loans issued by TC Invest – High Risk

**Uncollectable Amounts**

| **Rank** | **MATERIAL WEAKNESS** |
|---|---|

**Criteria:**

In accordance with best practice, borrowers are bound by the loan contract to make payments in the amount specified on the contract including interest until the loan is paid in full. Lenders are required to explore all possible avenues for the collection of amounts outstanding, including the seizing of collateral signed over to them in the contractual agreement.

**Condition:**

There is currently $12,687,310 outstanding on loans issued by TC Invest. There is uncertainty on TCIG's plans for recoverability of the outstanding amount. This is made up of Loans Receivable – General of $9,733,368, Loans Receivable – Insurance of $109,124 and Loans Receivable – TOLCO of $2,844,818*.

**Risk:**

The outstanding amount may not be recoverable.

**Impact:**

There could be possible write off of the outstanding amount and TCIG could suffer a loss as a result.

**Recommendation**

Management should evaluate whether or not the outstanding amount is recoverable. If not, recommendations should be made to the House of Assembly for write off if required and persons brought to account for this.

**Action Plan**

| **Person Responsible** | **PS Finance/ Accountant General** | **Estimated Completion Date** | **On-going** |
|---|---|---|---|

Acceptable…..The portfolio is fully secured by real estate valued at about $30 million. Furthermore, current collection measures will result in principal receipts of about $1.0 million and interest revenue of about $500,000 for fiscal 2013/14. TCIG also recently started delinquency collection actions with legal counsel from the AG Chambers.

| Detailed Findings Reference: | Page |
|---|---|

*Auditor General's Note as at 19th March, 2014 3:20 pm: Checks made by the NAO indicate that a proper due diligence was not performed in securing such as contract which sold debt from TC Invest over to TOLCO.

## 18. No financial limits stated on Smart Stream Securities listing and circumventing the approval process – High Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria:** PFMR Section 72(2)(3)

An Accounting Officer may designate in writing and by name, specific persons who have the authority to approve payment vouchers or approved electronic documentation on his or her behalf, and prescribe the financial limits and other conditions within which the authority may be exercised.

The Accountant General and the Auditor General shall be –

(a) Advised of the names of the public officers so designated and the financial limits within which they may exercise their authority,
(b) Provided with the specimen signatures of those public officers; and
(c) Advised when the authority of any public officer to sign payment vouchers or an electronic documentation is withdrawn.

In accordance with best practice, officers should not be authorized to approve payments at both first and second level within Smart Stream. Additionally, officers should not be approving payments of which they are the beneficiary.

**Condition:** The Smart Stream Securities listing provided by the Application Technical Support Officer does not show in every instance the financial limits of the officers authorized as approvers. A check of the Workgroup Definition module within Smart Stream also does not state the financial limits of each approver.

Testing carried out on 118 Smart Stream transactions of the dollar amount $50,000 and above revealed that 42 transactions were approved at first and second level by the same officer, with no supporting documents attached for these transactions. The expenditure of those transactions totalled $35,127,873.

**Risk:** There is no clear separation of first and second level approvers in terms of monetary value. As a result Management would not be unable to confirm if approving is taking place at the correct level. Officers approving at both first and second level could result in instances of persons approving payments for which they are the beneficiary. Additionally, officers could be approving invoices that are erroneous, i.e. no supporting documents attached, incorrect account code, department or amount if there is no first level approver to review transactions.

**Impact:** Unqualified persons approving high amounts. Incorrect information being approved. Approving of fraudulent or fictitious invoices.

**Recommendation**

***There should be adequate separation of duties within the approval process. Approving should be performed by different employees at different levels. One employee should not be approving at both levels or act as data entry and an approver. Management should ensure that the proper steps are taken to properly update and maintain the Smart Stream Securities listing, and that information is provided in accordance with regulations.***

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | Athenee Harvey – PS Finance<br>Arnold Ainsley – Accountant General | **Estimated Completion Date** | July 2014 |

**Management Response:**

Acceptable…The entire payment process is being reviewed, including the appropriate separation of duties.

| | |
|---|---|
| **Detailed Findings Reference**: | **B15/2 – B15/9** |

## 19. Ineffective controls over expenditure in the Development Fund – High Risk

| Issues identified in the operation of the Development Fund programme. (ineffective controls to ensure warrants issued are not overspent) | |
|---|---|
| Rank | CONTROL DEFICIENCY |

**DEVELOPMENT FUND**

**CRITERIA**

- Controls are in place to ensure that issued warrants are not overspent according to PFMR 2012 Sec 46 to Sec 48.

**CONDITION**

- SPPD has developed a document which details the manner in which warrants should be used, controlled and monitored. Warrants are prepared by SPPD and signed by the PS Finance only after cabinet has approved that the contract be awarded to a specific company/business, a warrant is then issued to the responsible Ministry or Department.
- During audit testing we found that a number of projects (21) overspent the warrant that was authorized and issued for that particular project. This includes (2) projects where Supplementary Appropriation was approved for 2012/2013 and the warrant was overspent as well.

**CAUSE**

- Even though controls are in place to prevent the overspending of warrants, they are not effective. When cost overruns are detected by the Ministry/Dept, SPPD is not contacted for review of the project amount. This is contrary to the Appropriation Ordinance if these amounts have not been approved. Once payments are placed on the system and the amount exceeds the Estimates of that particular project a funds exception is incurred. It was noted that funds exceptions are cleared by Treasury however SPPD is not aware of the clearance, only when an expense report is requested to track the progress of the Development Programme.

**EFFECT**

- If a Ministry or Dept. is able to overspend without the proper authority (warrant), the Accounting Officer must be surcharged if a reasonable explanation is not provided. Overspending without authority can hinder the progress of other projects within the Development Fund budget as funds that are not used are absorbed by other projects.

**Recommendation**

Stronger controls must be implemented by the Accountant General to mitigate the problem of overspending of warrants. The authorization and approval of warrants need to be strengthened to prevent unauthorized use of warrants (spending against funds that have not been authorized) the system must be reviewed to enable SPPD to enter approved warrant amounts against approved estimates for projects. The system should also be changed to require a valid warrant number to enable the department or Ministry to spend on a particular project.

There must be regular review of project accounts by SPPD to identify overspending and to monitor the spending of the Ministry or Department.

Accounting Officers must ensure that all legal requirements are satisfied over the control and authorization of public funds as set out in the Public Finance Management Regulations 2012.

**Action Plan**

| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **Immediately** |
|---|---|---|---|

Agreed….Instead of undertaking monthly reviews of capital spending the process is now reviewed on a bi-weekly basis.

| | |
|---|---|
| Detailed Findings Reference: | Section 4.5 (V), Page 27 |

| DETAILS | # OF PROJECTS | ACTUAL 2012/2013 | WARRANTS 2012/2013 | ACTUAL LESS WARRANTS |
|---|---|---|---|---|
| Total # of projects where actual <warrant | 21 | 4,405,575 | 4,939,176 | 533,601 |
| Total # of projects were actual >warrant | 21 | 9,128,391 | 7,937,521 | (1,190,870) |
| Total # of projects where no warrant issued | 1 | 324 | 0 | (324) |
| Total # of projects where warrant issued but no funds spent | 3 | 0 | 116,380 | 116,379 |
| Total # of projects where actual=warrants issued | 3 | 1,628,076 | 1,628,076 | 0 |
| | **49** | **$15,162,366** | **$14,621,153** | **($541,214)** |

**Table 6 – Actual versus Warrants for 2012/13**

*75 warrants were issued against 49 projects for 2012/2013. (Multiple warrants were issued for projects depending on the agreed upon intervals for releasing funds).

| DETAILS | 2012/2013 |
|---|---|
| Estimated Expenditure (A) | 24,548,587 |
| Actual Expenditure (B) | 15,162,366 |
| Under spent (C=A-B) | 9,386,221 |
| % under Savings Estimation (C/A) | 38% |
| Warrants Issued (D) | 14,621,153 |
| Excess of Actual over warrants issued | (541,214) |
| % of warrants over- spend 2012/13 | 3.7% |
| %of warrants over-spend 2011/2012 | 21% |

**Table 7 – Breakdown of total estimate, actual expenditure and warrants issued for 2012/13**

## 20. Lack of support documents to verify Donor Funding received – High Risk

| Issues identified in the operation of the Development Fund Programme (Lack of support Documents to verify Donor funding received) | |
|---|---|
| Rank | CONTROL DEFICIENCY |

**DEVELOPMENT FUND- GRANT AND AID RECEIPTS**

**CRITERIA**

- All Donor funding was properly accounted for in the financial and all documents pertaining to agreed upon activities for use of funds are maintained in accordance with PFMR 2012 Sec 96 which states:-

96. (1) The Accountant General shall-

(a) issue instructions to Accounting Officers specifying the precautions to be taken in particular cases to safeguard accounting records and documents and, in particular, those which have been stored on electronic or other media;

(b) ensure that all receipts and payment vouchers or approved electronic documentation lodged with him or her are properly secured, and that they and all other accounting documents are kept in an orderly manner so that they are available when required.

**CONDITION**

- Total Grant & Aid was $13,102,715.31
- Grant and Aid received from various sources were properly accounted for as reported in the statements however they were not properly documented. We requested support documents from Treasury to enable us to verify what the funds were to be used for in the financial year 2012/2013. The journals placed on the system to record the receipt of funds did not have proper descriptions to at least assist with the identification. Treasury stated that in order for this information to be compiled they would consult with various departments who benefitted from the funds to find out what it was to be used for and also the source donor. SPPD verified all information within the statement for CDB and DFID.
- The statement needs to be adjusted to remove expenditure totalling $23,938.74, which represents a workshop conducted for contractors which was a workshop sponsored by CDB (CTCS Workshop) a decision should be made as to whether this is a development fund project or as a recurrent expenditure.

**For the CTCS workshop which was held there is a savings of $17,061 (CDB $41,000 – expenses incurred $23,939) we cannot confirm whether funds were expended from other areas for this workshop.**

**CAUSE**

- The lack of proper documentation to verify donors' funds received and accounted for in the accounting system is caused by insufficient documentation within the system at journal stage and the deficient filing practices.

**EFFECT**

- No verification of funds received from sources, would cause the statements to be questionable with respect to the integrity of the donor funds received and expenses incurred.

**Recommendation**

We recommend that the Treasury design and implement controls to ensure that all documentation received from donors to verify monies donated to TCIG is securely filed for inspection and review. These documents must be properly maintained and secured according to the requirements of the Public Finance Management Regulations 2012 Sec 96.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **July 2014** |

Acceptable….Files are now being prepared for inspection for the next financial year.

| | |
|---|---|
| Detailed Findings Reference: | Section |

| **FURTHER BREAKDOWN OF GRANT AND AID SOURCES** | | |
| --- | --- | --- |
| | | |
| **DONOR** | **AMOUNT** | **PROJECT** |
| SIMON WOOD | 65,091.29 | BIGHT COMMUNITY PARK PROJECTS (NOT YET USED) |
| CDEMA | 600.00 | INFO REEQUESTED BUT WAS NOT PROVIDED BY TREASURY |
| RUBIS | 5,000.00 | MINISTRY OF HEALTH PROJECT/CONTRIBUTION FOR PURCHASE OF A VAN FOR WELLNESS CENTRE |
| UNDP - GRANT | 2,483.51 | REIMBURSEMENT IN RELATION TO A HYOGO FRAMEWORK FOR ACTION (HFA) WORKSHOP |
| CDB | 41,000.00 | CTCS WORKSHOP FOR CONTRACTORS |
| CDB | 60,000.00 | CENSUS & POVERTY ASSESSMENT PROJECT #4327 |
| DFID | 79,268.47 | NATIONAL TREE #4790 |
| DFID | 176,306.20 | CHOLERA #4846 |
| UNIVERSITY OF THE WEST INDIES | 10,000.00 | MINISTRY OF HEALTH PROJECT/CONTRIBUTION FOR PURCHASE OF A VAN FOR WELLNESS CENTRE |
| PAYMENTS FOR WORKSHOP HELD | (23,938.74) | THIS SHOULD HAVE BEEN UNDER A DEV FUND PROJECT OR RECURRENT EXP 2012/2013 CTCS WORKSHOP |
| GRANT FROM OTHER NON-GOVERNMENT SOURCES | 415,810.73 | |
| | | |
| FCO | 6,000,000.00 | SIPT COSTS |
| FCO | 1,150,000.00 | REFURBISHMENT OF MRYTLE RIGBY HEALTH HEALTH #4928 |
| GRANT RECEIVED FROM ANTI CRIME - CAPACITY BUILDING | 279,869.73 | |
| | 7,429,869.73 | |
| | | |
| | | |
| EU BUDGET SUPPORT | 5,094,126 | BUDGET SUPPORT/VARIOUS |
| | | |
| CDB | 162,909.14 | |
| | | |
| | 13,102,715.31 | |

**Table 8 – Breakdown of Grant & Aid Sources**

## 21. Inadequate management of advances – High Risk

| Rank | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria**:

Best practice requires organizations to have policies for advances and loans to public officers setting out the types of advances/loans that are available to public offices and bodies. Best practice as related by the Accountant General for advances are as follows:

Types of Advances

a. Advance due to vacation leave, to a maximum of the employee's monthly salary.
b. Settlement advance of one month's pay; available to expats in the first month of employment.
c. Unforeseen domestic emergencies

Qualifying Criteria

d. Must be established staff member
e. Cannot have another loan outstanding
f. Can only have two advances for the financial year

Approval

g. Under the new PFM, advances should be approved by the Accountant General.

Payments

h. All advances are paid by the Treasury.

Repayment Periods

i. The Ordinance allows for a maximum of 3 months for repayment, but most advances are recovered in total from the next salary payment.
j. The Public Service Handbook however allows for a maximum of 6 months in the case of settlement advances

Maintenance of Records

k. The Treasury is responsible for maintaining an advance/loan register.
   l. The register as at March 31, 2013 was handed over to the auditors.

Procedures for delinquent advances/loans

m. There was no formal procedure during the year under review, but we have just put in place a new Debt Management Unit in the Treasury and they are charged with the responsibility of following up delinquents.
n. The follow up procedure will be included in the new advance policy guidelines under development.

Unrepayable advances/loans procedures

o. If all avenues have been exhausted including legal action then under the PFM Regulations the Accountant General can apply to the PS Finance to write off amounts under $500, without seeking approval from the Cabinet, although the PS Finance is required to report the write off to Cabinet as soon as possible after the action is taken.
p. For amounts over $500, the Accountant General will need to recommend the write off to the PS Finance who will then seek approval from the Cabinet, after which the write off will have to be reported to the House of Assembly at the end of each quarter.

**Condition**:

1. On reviewing PFM, PFMR and the Public Service Hand Book there is no detailed guidance on how staff salary advances/loans and advances/ loans to public bodies should be administered. The previous financial regulations, namely the Financial Instructions (FI) Paragraph 0509 to 0512 addressed how advances should be administered. Further, inquiries of the HR Directorate and the Treasury Payroll section revealed that there is no policy used as a guide for HR and Payroll with processing advances/loans. Below are areas addressed by the FI that are not included in the current financial regulations:

   FI 0509 -0512:

I. Advances must be recommended by the Head of Department.
II. Advances must be approved and administered by Chief Secretary.
III. Personal advances are limited to motor vehicle purchases, medical expenses for treatment abroad, study expenses and unforeseeable domestic emergencies.
IV. Except in the case of advance for motor vehicle purchase advances will be made without charging interest and subject to the financial constraints such as:
    a. Total advances must be limited such that monthly repayments do not exceed one-third of monthly salary.
    b. Maximum repayment period must be limited to 36 months for loans.
    c. In the case of advances for purchase of car, motor cycle or other tangible assets the amount of advance must be limited to 80% of the purchase price including duty. Also the item must be fully

insured by the officer for the duration of the repayment period.

d. The officer must have completed his probationary period and be within retirement age for the duration of the repayment period.

e. The Financial Secretary/PS, Finance will from time to time fix the rate of interest in respect of advances for the purchase of motor vehicles. Interest is currently at the rate of 5% per annum for the period of the loan; repayments of principal and interest will be by equated monthly installments. Should the advance be repaid in full before the expiry of the loan period, the interest payable will be recalculated and a refund made.

V. Officer travelling on official duty within or outside the TCI are allowed to draw an advance in anticipation of the subsistence allowance to which they will be entitled but not in excess of the subsistence allowance for one month.

VI. The advance is accountable for immediately on the officer's return to their home base and no such advance may be drawn whilst any portion of a similar advance is outstanding.

VII. If an advance is not retired within one month of the return from duty the total advance shall become repayable immediately.

VIII. Officers proceeding on vacation leave may apply to have an advance of salary in respect of the period of the leave. This advance will be charged against the officer's personal Advance Account and not against the provision for Personal Emoluments.

2. Review of advances revealed the following:

I. Advances were approved for three officers who had not completed repaying previous advances.

II. Salary payments totalling $35,921 paid via the payable module in Smart Stream was being charged to the advance account instead of the requisite salary, wages and allowances accounts.

III. There were 8 cases where officers left the service and had advance balances totalling $9,708.

IV. Comparison of the Bank of Nova Scotia Christmas advance with the Treasury Schedule Scotia Bank Christmas advances revealed that:

a. The Treasury schedule shows that deductions were made from 129 officers' salary but did not show the amount of advance that was awarded.

b. Three loan amounts on Treasury Schedule did not match with what was on the Bank of Nova Scotia schedule.

c. 16 persons were not on the Bank of Nova Scotia approved Christmas advance list but on

Treasury Schedule as having the advance.

d. Six persons were listed by one name on the Bank of Nova Scotia Schedule and another name on the Treasury Schedule.

e. 238 officers were on Bank of Nova Scotia Listing but not on Treasury schedule.

V. TCIG issued Christmas advances to seven officers totalling $11,500 during 2012/2013. The account showed a balance of $6,388.33 at the end of March 2013. Included in the balance was $1,000 not repaid by an officer at the end of March 2013 and $5,100 for four officers who left the service without repaying the balance on the 2011/2012 Christmas Advance.

VI. Five out of nine persons received both advance of salary for January 2013 totalling $18,428.40 and Bank of Nova Scotia Christmas advance during the month of December 2012.

VII. For the month of January, 2013 no deduction were made from officers' salaries for General advances.

VIII. There were two persons who received more than two advances per year, outside of the normal practice of two advances per year.

IX. An ex employee's advance account had a balance of $57,630.38 at 31st March, 2013. The ex-employee entered into a payment plan where he is required to pay TCIG $750 per month until the balance is repaid. The balance on 1st April, 2012 was $59,130.38, for 2012/2013 financial year the ex-employee total repayments were $1,500 or two instalment of his payment plan. The ex-employee repayment for 2012/2013 should have been $9,000 if he had complied with the payment plan.

3. There is no follow-up on delinquent loans or advances such as items (2) II, V and IX.

4. The NAO requested the Travel Advance register for review as at 27th November, 2013 the register was not submitted to be audited. Review of the subsistence international travel accounts revealed that there were 234 transactions where travel advances were paid by 41 Ministries and Departments totalling $156,422.84.

5. No general advance/loans register is being maintained by the Treasury as required by the Travel Policy.

6. During 2011/2012 $12,000,000 was advanced to NHIB to assist with paying Inter Health Canada for clinical services. Payments were approved by the CFO via email dated 24th September, 2011. This was discussed in Public Accounts Committee (PAC) on 17/11/2013 by the PS, Health. PS, Health provided PAC and the NAO with information with the required information detailing the amount of the advance to the public body. Review was done of the Advances statements and it was noted that the $12,000,000 advances to NHIB does not appear on TCIG Advance statement for 2011/2012 and 2012/2013.

**Cause**:

I. The new financial ordinance and regulations do not give direction on how advances should be administered therefore there are no guidelines for management.

II. Lack of review of advances monthly to ensure that all advances and loans are repaid and delinquent amounts are recouped.

**Effect or potential effect**:

1. Unpaid advances balances which may have to be written off.
2. The advances may be misstated because not all advances and loans are captured on the statements.

**Recommendation**

Management should formula a policy for advance and loans to public officers and bodies. The policy should address the types of advances and loan that are available and the criteria for qualifying for these advances and loans. It should also address repayments and how to deal with delinquent loans and advances.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **PS, Finance<br>Accountant General** | **Estimated Completion Date** | **April 2014** |

Agreed…Staff advance policy is already drafted and being reviewed by both internal audit and NAO. It will be implemented as soon as the consultation process is completed.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 22. No Information Presented for Audit – High Risk

| Rank | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria:**

PFMO Section 48 (2):

The Auditor General and any person authorized by him or her shall have a right of access at all reasonable times to all such documents as appear to him or her to be necessary for the purposes of conducting an audit under subsection (1), and shall be entitled to require from any person holding or accountable for any such documents such information and explanation as he or she thinks necessary for those purposes.

National Audit Office Ordinance Section 28(1)(a)(b)

(1) A person commits an offence if that person –

(a) without reasonable excuse and contrary to paragraph (a) of subsection (1) of section 20, fails to provide the Auditor General or a person authorised by him or her with all such explanation and information as the Auditor General or that person may reasonably require;

(b) without reasonable cause fails to provide, or wilfully obstructs access to, any item as required by paragraph (b) of subsection (1) of section 20;

Public Financial Management Ordinance 2012 Schedule 2

(l) a summary statement of commitments and contingent liabilities outstanding for the supply of goods and services for each vote at the end of the financial year being a summary of the amount included for such commitments and contingent liabilities in the statement signed by accounting officers under paragraph 2 (b);

**Condition**:

Each Permanent Secretary/Head of Department was asked to verify and/or provide a listing of any outstanding commitments for their Ministries and departments as at March 31, 2013. Of the 13 Ministries, we received information from six Ministries and departments. Two Ministries/departments stated that they did not have any outstanding commitments. Information from the Ministry of Border Control & Labour was provided after the deadline had passed.

**Risk:**

Due to the lack of information provided we are not able to give a clear picture of invoices that are outstanding at the close of the financial year.

**Impact:**
Lack of information provided by the Permanent Secretary/Head of Department can result in a delay of the audit and an un-favourable report for the Ministry and/or Department.

**Recommendation**

Permanent Secretaries and/or Heads of Departments should fully adhere to and comply with the laws as stated within the Public Finance Management Ordinance…Agreed

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | **April 2014** |

The MOF also requested the same information from the Ministries/Department and submitted all that was received. The MOF cannot determine if there are any other items outstanding if the information is not forthcoming from the Ministries/Departments. The procedure is being reviewed and new measures will be adopted to ensure the best possible result.

| | |
|---|---|
| Detailed Findings Reference: | Page B1/1 |

## 23. Incomplete information provided for Audit – High Risk

| Rank | SIGNIFICANT DIFICIENCY |
|---|---|

**Criteria:**

National Audit Office Ordinance Section 28(1)(a)(b)

(1) A person commits an offence if that person –

(a) without reasonable excuse and contrary to paragraph (a) of subsection (1) of section 20, fails to provide the Auditor General or a person authorised by him or her with all such explanation and information as the Auditor General or that person may reasonably require;

(b) without reasonable cause fails to provide, or wilfully obstructs access to, any item as required by paragraph (b) of subsection (1) of section 20;

**Condition:**

Information provided by the Ministries was incomplete, most notably that of the Ministry of Environment & Home Affairs, the Ministry of Education and the Ministry of Health. Ministries failed to provide a complete list of outstanding commitments which included vendor names/ID's, invoice numbers and dates, payment dates, cheque numbers and invoice status where applicable.

The Ministry of Health, the Ministry of Education and the Ministry of Environment & Home Affairs provided amounts that were grouped citing HR Matters, reconciliation, Litigation, Grace Bay Cultural Market, The Bight Cultural Market, Hair Braiders – The Bight etc. with no breakdown of these payments, which made it difficult to verify these amounts on Smart Stream.

**Risk:**

Incorrect and/or extremely late payments could be made as a result of insufficient information. As a result of extremely late payments the reputation of TCIG with creditors could be tarnished.

**Impact:**

There could be difficulty with verifying information on the accounting system. There is insufficient information to back up the payment if amounts are grouped.

**Recommendation**

Ministries/Departments should provide complete listings which include vendor names/ID's, invoice numbers, invoice dates, amounts and status where applicable. All payments should be individually listed with full details of the payment.

| Action Plan | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | **April 2014** |
| Accepted ….New Payment procedures have been drafted by the Treasury and currently being reviewed by Internal Auditor and National Audit Officer, which includes measures that are in accordance with the recommendations. The procedure will be implemented once the review and consultation process is completed. | | | |
| Detailed Findings Reference: | Page B1/1 | | |

## 24. Lack of support documentation attached to payments for verification – High Risk

| ***Issues identified in the processing of Development Fund payments (lack of support documentation attached to payments for verification)*** | |
|---|---|
| **Rank** | **CONTROL DEFICIENCY** |

**CRITERIA** - Transactions in relation to the Development Fund for the financial year were tested to verify that:

1. Expenditure is appropriate.
2. Appropriate coding used.
3. Totals agree with invoice.
4. Posted to correct year.
5. PV Appropriately authorized.
6. Are business cases available for project?
7. Supporting Docs. On system.
8. Purchase Orders.

Key:

| | | |
|---|---|---|
| **N** | - | No Exceptions |
| **Y** | - | Exceptions |
| **Y1** | - | Exception pending explanation |
| **N1** | - | No Exception explanation required |
| **N/A** | **-** | Not Applicable |

**CONDITION** - While carrying out the expenditure testing, a few transactions stood out in particular as significant. These were:

1. Referring to Journal ID AP 1204182 0. There was a payment of $321,000.00 with no comments or attachments included to support this transaction. Also worth noting is that there was one person approving this transaction on both levels.

2. These three transactions refer to Journal ID's: AP 1204182 0 36890, AP 1205022 0 28233 and AP 1205022 0 28233. There were payments of $229,270.73, $320,500.00 and $200,000.00 in which all three transactions lacked attachments and/or comments that would support reason for payment. These three transactions were also approved by one person on both levels.

3. On Journal ID: AP 1209132 0 30250, the sum of $9397.00 was paid for purchases of furniture from a Vendor. This transaction has been targeted as significant because of the description of items that were

bought.

4. Also a few transactions were made to a particular vendor, all of which exceeded $10,000. These transactions stood out because there were no supporting documents on Smart Stream, the expenditures are for unspecified purposes, approvers are the same and no purchase orders were attached. Transactions listed below:

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 52 | 108 | 1 | 41101 | 4848 | 1001 | SERVICE RENDERED | 13,276.71 |
| 52 | 108 | 1 | 41101 | 4850 | 1001 | 150412 SERVICE RENDERED | 13,276.71 |
| 52 | 108 | 1 | 41101 | 4850 | 1001 | CEERT 2 CERTIFICATE # 2 | 29,295.61 |
| 52 | 108 | 1 | 41101 | 4850 | 1001 | 3 certificate # 3 | 82,534.21 |

**Check 1: Expenditure is Appropriate**

**Criteria** – Expenditure was considered to be appropriate when money allocated to the given ministry/program coincided with the nature of the posted ministry/program. It was also considered appropriate when a well-defined description and/or invoice were provided with the given transaction to explain the expenditures purpose.

**Condition** – Based on the checks and tests that were performed on each expenditure entry, there was a total of *389* entries that didn't exactly meet the criteria. These entries resulted in a percentage of *26%* not meeting this criterion.

**Cause** – Reasons why a condition has been noted are as follows:

- Transactions exist where the assistant auditors were unable to determine its proper means for expenditure due to the fact that there weren't any invoices to provide as a source of supporting documents.
- Transactions exist where the assistant auditors were unable to determine its proper means for expenditure due to the fact that they were journal entries *(Denoted as Y1)*
- Transactions exist where the assistant auditors noted entries as being cancelled *(Denoted as N/A)*. Therefore, they were unable to determine its proper means for expenditure.
- Transactions exist where the assistant auditors were unable to determine its proper means for expenditure due to the fact that they were not on the warrant list *(Denoted as Y1).*
- Transactions exist where the assistant auditors were unable to determine its proper means for expenditure due to the fact that there wasn't a well-defined description inserted in the entry *(Denoted as N1).*

**Effect** – This condition can have the following effects:

- Expenditure meant for specific projects can be spent irresponsibly on the incorrect projects. Therefore resulting as a misuse of funds. It also creates the problem of having to go into Smart Stream and performing a reversal transaction.

REFER TO TABLE

**Check 2: Appropriate Coding Used**

**Criteria** – Using the correct coding is considered appropriate when the transaction/entry's description coincides with the ministry, program, account, sub-account, and source of funds.

**Condition** – Based on the checks and tests that were performed on each expenditure entry, there were *394* entries that didn't fulfil the mentioned criteria. This resulted in a percentage of *26%* not being able to meet the criteria.

**Cause** – Reasons why a condition has been noted are as follows:

- Transactions exist where the assistant auditors noted entries as being cancelled *(Denoted as N/A)*. Therefore, they were unable to determine if appropriate coding was being used.

- Transactions exist where the assistant auditors were unable to determine if appropriate coding was being used due to the fact that they were journal entries *(Denoted as Y1).*

- Transactions exist where the assistant auditors noted entries that had mis-postings. For these transactions, the following coding was being used:

| MTY | PROG | SUB_PROG | ACCOUNT | SUB_ACCOUNT | SOF | POSTING YEAR |
|---|---|---|---|---|---|---|
| 55 | 112 | 9 | 42301 | 4604 | 3099 | 2012 |

*Appropriate Coding:*

| MTY | PROG | SUB_PROG | ACCOUNT | SUB_ACCOUNT | SOF | POSTING YEAR |
|---|---|---|---|---|---|---|
| 55 | 072 | 9 | 42301 | 4604 | 3099 | 2012 |

These transactions were *denoted as Y.*

- Transactions exist where the assistant auditors were unable to determine if appropriate coding was being used due to transactions that did not have proper descriptions (some of which were considered to seem vague), no proper invoices attached, and uncertainty of what the transaction was for. *(Denoted as N1)*

**Effect** – The possible effect for not meeting this criterion could result in expenditure wastage. Meaning money will be spent for the incorrect project.

- Transactions exist where the assistant auditors were unable to determine if appropriate coding was being used due to transactions that did not have proper descriptions (some of which were considered to seem vague), no proper invoices attached, and uncertainty of what the transaction was for. *(Denoted as N1)*

**Check 3 – Totals Agree With Invoice**

**Criteria** – Having totals agree with invoice means the invoice attached via Smart Stream must agree with the totals on the Excel Spreadsheet, which is a reflection of exactly what is in Smart Stream.

**Condition** - Based on the checks and tests that were performed on each expenditure entry, there were 794 entries that didn't fulfil the mentioned criteria. This resulted in a percentage of *53%* not being able to meet the criteria.

**Cause** – Reasons why a condition has been noted are as follows:

- Transactions exist where the assistant auditors noted entries as being cancelled *(Denoted as N/A).* Therefore, they were unable to determine if the totals on Smart Stream matched the invoice attached.

- Transactions exist where the assistant auditors noted entries that did not have an invoice attached *(denoted as Y),* entries that had an invoice, but it was unable to open *(denoted as Y),* and entries that had an invoice, but were not specified for its purpose *(denoted as N1).*

- Transactions exist where the assistant auditors were unable to determine if totals matched attached invoice was being used due to the fact that they were journal entries *(Denoted as Y1).*

**Effect** – The possible effect for not meeting this criterion could result in overspending or under spending. There would be no certainty in the use of that particular expenditure.

**Check number 4- Posted to the correct year**

**Criteria:** The aim of this test was to examine all transactions which occurred within the financial year April 1st 2012-March 31st 2013. According to section 71(2) of the PFM Regulations, expenditure properly chargeable to the account of a year must, as far as possible, be met within that year and must not be deferred for the purpose of avoiding an excess on the amount provided in the estimates. However, consideration was made for those transactions that were made late March 2012. It was important to follow this criterion in order to identify any fraudulent activity and/or non-compliance with TCIG policies and procedures.

**Condition:** Based on the statistics gathered from the expenditure testing, we noted that about 77% of the transactions were indeed posted to the correct financial year. Leaving around 23% of these transactions unconfirmed.

**Cause:** The reason for the condition above, in particular, the 23% of uncertainty were due to: *transactions that were journal entries*, *transactions that had no attachments and or comments*, *transactions that had invoices/ attachments that were dated more than a year prior to the financial year that was being examined* and then there were *those transactions that were cancelled*. Transactions that were labelled as "journal entry" were unable to open therefore it was difficult to confirm the contents of the invoice and other information on smart stream. Likewise, with transactions that had no attachments or related comments on smart stream it was difficult to determine the actual date that the transaction occurred and was posted. In two transactions there were invoices that were dated two years before this financial period, therefore these two transactions were label with an "Y1" for exception pending explanation.

**Effect/Potential Effect:** One potential effect of not knowing/ and not having transactions posted to the correct FY would be that expenditure for that year would not be accurately accounted for; therefore portraying an imprecise picture for future budgeting (and expenditure).

**<u>Check number 5- Payment Voucher ('PV') appropriately authorized</u>**

**Criteria:** According to PFM Regulations, section 76(1), all payments shall be made in accordance with instructions issued by the Accountant General. Based on previous precedent, it is mandatory that all invoices/ attachments/ supporting documents be appropriately authorized. That is, both levels of authorization when need be should be approved by the lawful persons (lawful persons include public officers authorized by the Accountant General and Accounting Officers). Secondly, any supporting documents for a transaction must be authorized, signed and dated before payment. It is important to follow this criterion in order to identify any fraudulent activity and/or non-compliance with TCIG policies and procedures.

**Condition:** 59% of the transactions were found to be appropriately authorized, that is, attachments/ supporting documents and PV level approvals were properly stamped, signed and dated; the remaining 41% of the transactions were missing at least one of these features or all.

**Cause:** The 49% of transactions referred to above were due to: 9 out of 1484 or about 1% accounted for those transactions that had attachments but were not legible or could not open at the time of the "check" (N1). About 5% accounted for (Y1) journal entries (note that we are unable to open and view a transaction that is labeled as a journal entry) whereas about 16% of the transactions accounted for those that were cancelled (N/A). As for the remaining 19% these were transactions that completely lacked attachments, and or comments or included same person authorization (Y).

**Effect/Potential Effect**: One possible effect of not having PV Appropriately authorized is having duplicate payments being made. Another is encouraging fraudulent activities which may include persons being cheated or becoming cheaters of the system, that is, they may be paid less or more money than what is actually due for a particular payment. Overall, when documents and transactions are not properly authorized it may create way for non-authorized personnel to approve payments, which may result in monetary loss to TCIG.

**Check 6 – Business Cases are attached**

**Criteria** – According to Schedule B of the Public Finance Management Regulation, "…Accounting Officers shall ensure that the Chief Financial Officer is consulted on all recurrent and non-recurrent expenditure, promissory notes, or other financial commitments over the value of $10,000 and obtain his or her approval in writing in advance of any commitment being incurred by the Government."

**Condition** - Based on the checks and tests that were performed on each expenditure entry, there were 1452 entries that didn't fulfil the mentioned criteria. This resulted in a percentage of *97%* not being able to meet the criteria.

**Cause** – Reasons why a condition has been noted are as follows:

- Transactions exist where the assistant auditors noted as being cancelled, therefore no business cases were needed for the entry. *(Denoted as N/A)*
- Transactions exist where the assistant auditors noted as being less than criterion range of $10,000, which meant no business case was needed. *(Denoted as N/A)*
- Transactions exist where the assistant auditors noted that business cases were required, but there weren't any. *(Denoted as Y).*
- Transactions exist where the assistant auditors noted that the totals on the business cases did not match the totals of the expenditure allocated for the project the business case was designed for. *(Denoted as Y1).*

**Effect** – Not being able to meet this criterion would mean that large sums of money are being spent on projects without a proper explanation that is supposed to be defined within the business cases.

**Check number 7- Supporting Documents On system**

**Criteria**: Supporting documents are important as they stand to confirm or justify any payments made on behalf of

TCIG. PFM regulation section 77 summarizes that if vouchers or supporting documents for a payment are lost, misplaced or inadvertently destroyed, accounting officers shall notify the Accountant General immediately and in turn the Accountant General shall then submit a full written report to the PS of Finance with a copy to the Auditor General. PFM Regulation section 77 (4) , makes clear that a payment voucher or approved electronic documentation which is incomplete because its supporting documents are missing, shall be regarded as a missing voucher. Overall transactions are expected to have supporting documents where applicable.

**Condition:** About 47% of all transactions had supporting documents, therefore leaving the larger portion of transactions without the necessary supporting documents about (53%).

**Cause:** About 35% of all the transactions were denoted by N/A, this meant that some transactions did not require supporting documents such as salary or NHIP and NIB payments; on the other hand, some transactions were cancelled. About 12% of the transactions had absolutely no supporting documents when it was required (Y). Transactions that were denoted by N1 (1%) and Y1 (5%) represented those cases where further information was needed on supporting documents in order to support claims (see line 1458 of expenditure sheet for one particular case) and journal entries respectively.

**Effect/ Potential effect:** When there is a lack of supporting documents for applicable transactions it is hard to determine if: payment amounts are correct; reconcile payments with invoices hence determine if expenditure is appropriate and also "pin point" fraudulent activity. Overall this condition of no supporting documents can cause the TCIG large material loss.

**Check number 8- Purchase Orders**

**Criteria:** As it relates to contracts more than $5,000 but less than $75,000, the Procurement Ordinance section 32(5) states that the officer must ensure that procurement is formalized by issuing a purchase order that details the exact nature of the goods or services purchased and the agreed price. Based on Audit practice, a Purchase order (PO) must be issued when obtaining any goods and/ services outside the government from values between $0-$75000 with the exception of monthly utilities rents etc.

Condition: there were only 67 of 1484 transactions about 5% that had a purchase order (N). The remaining 95% of the transactions either were not applicable for a PO or was applicable but did not include one.

**Cause:** About 68% of the transactions were not applicable for a PO (denoted by N/A); this was the case for cancelled transactions, transactions that occurred monthly (utilities salaries etc.) and those transactions that were

$75,000 and more. Y represented those transactions that required a PO but failed to include one (about 22%). The remaining 5% represented those transactions that were journal entries (denoted by Y1).

**Effect/ Potential Effect:** One potential effect of not creating a PO where it is applicable is that there may be a lack of control over spending; this is because a PO allows for planning, budgeting and allocating of funds. Secondly, a PO allows one to reconcile what was ordered from a vendor to that which was actually received from the vendor.

**Recommendation**

Management should ensure that all payments placed on the accounting system have support documentation attached to the payment. Before any payment is approved management must ensure that these items are attached to the payment. All payments must be in accordance with the Public Finance Management Ordinance 2012.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | April 2014 |

Agreed…..New payment procedures are being implemented and enforced, including the requirement to provide adequate documentation.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 25. Possible duplicate Items Identified – High Risk

| *Issues identified in the processing of Development Fund payments. (Duplicate items identified)* | |
|---|---|
| **Rank** | **CONTROL DEFICIENCY** |

**CRITERIA** – Payments authorized were not duplicated and are in accordance with the PFMO 2012.
A duplication check was made on all transactions for the Development Fund for the financial year. This was done by grouping together the transactions by Description and by amount. There were 1027 entries that were assigned to test for duplications. It was required of us to identify what were duplicates and what were not.
The key was as follows:

| | |
|---|---|
| **Yes Duplication** | **Y** |
| **No Duplication** | **N** |
| **Possible Duplication** | **P** |

**CONDITION -** Based on the results, out of 1027 transactions 8 are possible duplications.

1. Ministry 54, program 018, account 42699, sub account 4327, source of fund 1001.

| | | |
|---|---|---|
| ESMIT00001 190412 | 1,850.00 | 26/04/2012 |
| ESMIT00001 19042012 | 1,850.00 | 26/04/2012 |

Payment for 26/04/2012 and both payments with the same amount $1,850.00 and description. We were unable to view the details of this payment and therefore classified it as a possible duplicate due to the fact that both payments carried the same information, same name and dates. There were no supporting documents attached.

2. Ministry 54, program 018, account 42699, sub account 4327, source of fund 1001.

| | | |
|---|---|---|
| SUSAN00012 4512 | 1,850.00 | 05/05/2012 |
| SUSAN00012 4512SS | 1,850.00 | 05/05/2012 |

Payment for 05/05/2012, both payments with the same amount $1,850.00 and description. We were unable to view the details of this payment and therefore classified it as a possible duplicate due to the fact that both payments carried the same information, same name and dates. There were no supporting documents attached.

3. Ministry 52, program 108, account 41101, sub account 4850/4848, source of fund 1001.

| | | |
|---|---|---|
| 150412 SERVICE RENDERED | 13,276.71 | 21/04/2012 |
| 15042012 SERVICE RENDERED | 13,276.71 | 21/04/2012 |

Services Rendered payment for 21/04/2012, both payments with the same amount $13,276.71 and description. However the 1st transaction was posted to Sub account 4850 and the 2nd to 4848. We were unable to view the details of this payment and therefore classified it as a possible duplicate due to the fact that both payments carried the same information, same name and dates. There were no supporting documents attached.

4. Ministry 16, program 096, account 41110, sub account 4403, source of fund 1001.

| | | | |
|---|---|---|---|
| ACTUAL | AMPUG00001 150907 | 13,465.00 | 14/12/2012 |
| ACTUAL | AMPUG00001 150907 | 13,465.00 | 22/01/2013 |

Payment for 14/12/2012 and 22/01/2013, despite being posted at different dates, both payments have the same amount, description, name and invoices. The 2nd transaction was approved by the same person on both levels. Therefore we classified it as a possible duplicate.

A few other findings are as follows:

| | |
|---|---|
| **Cancellations** | **164 of 1027** |
| **Appears to be a Cancellation but is saying paid** | **25 of 1027** |
| **In Journal** | **31 of 1027** |

**RISK** –Payments can be illegally transferred or diverted by making duplicate payments. Also Invoices can be falsified or duplicated in order to generate a false payment.

**IMPACT** – Duplicate payments can exhaust the organization's funds. The vendor gets paid twice and while some duplicate payments are later discovered through the kindness of honest vendors, many are found through expensive recovery audits or remain hidden and are never resolved.

**Recommendation**

Management must ensure that there is proper record keeping and that the necessary steps are taken in the payment process. It is important to take proactive steps and introduce additional sophisticated controls to avoid duplicate payments.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | July 2014 |

Acceptable…A review is being conducted to determine whether or not there were duplicate payments and the measure that must be taken to avoid a reoccurrence.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 26. Expenditure > $10,000 not approved in accordance with regulations – High Risk

| Rank | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria**:

PFMR Schedule B Section (5) requires that

Accounting Officers shall ensure that the Chief Financial Officer is consulted on all recurrent and non-recurrent expenditure, promissory notes, or other financial commitments over the value of $10,000 and obtain his or her approval in writing in advance of any commitments being incurred by the Government.'

**Condition**:

**Review of Business Cases**

1. As communicated by the PS, Finance in an email dated 20/09/2013, the CFO approves expenditure $10, 000 and over as required by the PFMR via business case applications (business case form). Prior to the stipulations in PFMR for the CFO to approve expenditure $10,000 and over it was the practice for the CFO and Ministry of Finance to approve payments $5,000 and over via business cases.

2. All expenditure for 2012/2013 valuing $10,000 and over were obtained and compared to the business cases submitted by various ministries and departments to ascertain whether business cases were prepared and approved for all item where applicable. Total Expenditure $10,000 and over for 2012/2013 was $124,493,742. The total business cases submitted by ministries and departments pertaining to general expenditure were $4,792,256.01. Total expenditure $10,000 and above for the period 1st October 2012 to March 2013 were $54,899,370 and the total business cases received for the mentioned period was $1,395,632.05.

3. There was one case where the CFO approved the actual invoice paid to Caicos Beach Development Ltd for $395,455 on 13/9/2012.

4. There was a business case for Ministry of Border Control for additional funds to purchase Passports in the amount of $72,400 approved by CFO on 21st June 2012.

5. Review of 36 business cases revealed the following:

    a. 18 did not have the account number where the expenditure should be posted.
    b. 13 were not signed by the PS, Finance and the CFO.

**Cause**:

1. Non- compliance with Schedule B Section (5) of the PFMR.
2. Lack of training of the relevant managers and staff on the financial regulations before implementation.

**Effect or potential effect**:

1. Excess expenditure without approval.
2. Cash flow problems.

**Recommendation**

All Accounting Officers should ensure that all expenditure above $10,000 is approved by the Chief Financial Officer as required by the PFMR Schedule B Section (5)…Accepted

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Chief Financial Officer**<br>**PS Finance**<br>**Accounting Officers** | **Estimated Completion Date** | **April 2014** |

There is no legal requirement for a business case as such and the laws currently mention that authorisations need only be in writing therefore an email would suffice in meeting this requirement. The main purpose of the CFO authorisation is to ensure that the expenditure does not affect the fiscal targets that the Government has agreed with the Secretary of State in the FSPS rather than as a final check on its validity, as that is the responsibility of the Accounting Officer.

Ongoing contract from previous years such as rent and statutory payments such as loans and interest payments would not require the CFO approval every year. Furthermore, the former CFO signed almost all the cheques over $10,000, as an indication of his approval. In FY 2013/14 a written instruction was issued by the CFO outlining which recurrent expenditure would require CFO approval and a prescribed CFO approval form was also introduced.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 27. Lack of support documentation for items reported in the Contingent Liabilities Statement – High Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**CRITERIA**

- All amounts disclosed in the Contingent Liabilities Statement are in compliance with Best Practice guidelines which require that relevant supporting schedules or documentation are available to support disclosures in the statement.

**CONDITION**

- Within the Statement, Treasury disclosed an amount of $219,449,840 which represents the result of a draft actuarial report that was done in 2006.
- There is no reliable and up to date valuation for Pension Scheme available to support this amount which was placed in the statement.
- No final report has been issued as stated by Ministry of Finance. TCIG conducted a voluntary Severance payout in 2012 where a majority of Civil Servants became redundant and left the service. This activity effects the amounts disclosed substantially as persons who would have been illegible for pensions are no longer with TCIG.
- An amount was disclosed of $4m representing possible payout to Trade Winds Industries as the case is in arbitration. The Treasury Advisor was consulted in order to garnish reliable information to support the amount, he advised that this was a verbal statement made by the CFO and he has no support documents to verify the amount.
- Our office consulted with the Attorney General (Acting) and was advised that the $4m is not accurate; the actual amount should be $1m. The Attorney General (Acting) stated that this can be confirmed but she would have to consult with Edwards Wildman (Law firm handling the case) to provide data. She verbally confirmed the amount but the written documentation has not been furnished to support the amounts.

**CAUSE**

- Mechanisms are not in place to ensure that identified contingent liabilities are always supported by reliable sources of estimates even if there will not be a payout.
- There must be a distinguishing criteria implemented to ensure that possible provision are properly accounted for and not placed in the Contingent Liabilities statement. Due to the fact that the potential liability is seen as a probable outflow of resources if the estimate is reliable then this should be treated as a provision.

**EFFECT**

- Unrealistic amounts disclosed in the statement without documents to prove whether the amount has a probability of possible outflow or if the likelihood of the event is remote or not.

**Recommendation**

The Accountant General must ensure compliance with Best Practice guidelines and initiate training for Treasury staff responsible for the preparation of financial statements on relevant standards or best practice guidelines to ensure knowledge transfer in that area.

Agreed. The treasury will endeavour to ensure that contingent liabilities declared will have the requisite support and certification by the Accounting Officers.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | |
| Detailed Findings Reference: | | Section 4.5 (V), Page 27 | |

## 28. All contracts for 2012/2013 were not submitted for review – Moderate Risk

| Rank | MATERIAL WEAKNESS |
| --- | --- |

**Criteria**:

Best practice requires that the right contract is in place for the given necessity. It should include as appropriate a definition of what is to be provided and requirements to be met, an agreed level of service and mechanism for payment reduction if not met. And also an agreed exit strategy and agreed break options. - (Policy and Standards Framework: Contract Management Framework, from gov.uk)

PPO 2012
18 (2) The accounting officer must, therefore, ensure that each decision, document, quotation, tender or contracts under this Ordinance is made available for inspection and monitoring by the Permanent Secretary, Finance, Director of Contracts, Auditor General, and Head of Internal Audit or, in each case, his or her nominee.

PPO 50. (1) An officer must ensure that a contract entered into on behalf of the government is evidenced in writing.

PPO Interpretation
3 (1) "services" includes the employment of consultants or temporary employment agencies services and the hiring and renting of premises;

**Condition**:

**Review of Contracts**

All contracts for the period 1st April, 2012 to 31st March 2013 were requested from the Accounting Officers.
The total expenditure incurred on rental of office and accommodation for 2012/2013 was $4,792,698.38 consisting of 78 vendors. 11 rental and accommodation leases were submitted for review totalling $749,503.20.

Total expenditure incurred on security services for 2012/2013 was $586,709.22 for five security companies. No security contracts were provided for review.

The contracts that were provided totalled 54 and were analysed, the results are shown on Table A. The table indicates that only 23% of the contracts had outlined the duration or period of time covered and 39% had no authorization signature. This is important for verification and review purposes. It stands as reassurance that the document was appraised or reviewed by the parties responsible before being approved.

**TABLE A**

| DESCRIPTION | AMOUNT | PERCENTAGE | COMMENTS |
|---|---|---|---|
| **NO. OF CONTRACTS** | 56 | 100% | |
| NO. WITH STATED DURATION | 13 | 23% | |
| NO. WITHOUT SIGNATURE | 22 | 39% | |
| NO. OF SHORT CONTRACTS | 18 | 32% | |
| SHORT CONTRACTS WITHOUT SEAL | 13 | 72% | % OF SHORT CONTRACTS |
| SHORT CONTRACTS WITH SEAL | 5 | 28% | |

The following contracts were not submitted for review:

1. Rents – Ministry of Government Support Services
2. Ferry Service -
3. K-9 Training – Customs Dept.
4. Management of the Parade -
5. Updated contracts for bus service for schools last contracts were dated 2004 – Ministry of Education.
6. Contracts for Management of the Dump – Ministry of Health.

**Cause**:

1. Lack of compliance with the requirement of the Public Procurement Ordinance.
2. Lack of management oversight of areas such contracts management.
3. Poor record keeping.

**Effect or potential effect**:

1. No criteria to measure performances against.
2. Cost overruns.
3. Might not get what was intended by the project.
4. Dispute issues in the line of expectations between both parties because the obligations were not clearly outlined.
5. Lack of control where project is concern because the precise stipulations were not clearly defined in a contract.
6. Contract may be unfavourable to TCIG.

| | | | |
|---|---|---|---|
| **Recommendation** | | | |
| Contract should be prepared and executed for the required expenditure. Copies of contracts should be filed and control record maintained…Accepted | | | |
| **Action Plan** | | | |
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **May 2014** |
| Instructions have been issued to ensure the PPO ordinance is followed in all instances. In addition work is underway to ensure that all contracts listed above that were not submitted (excluding rents) be looked into. Thus far the contracts for the school bus have been submitted to the PPOB to commence the tendering process. Bids were received and contracts awarded early this year. In addition Ministry of Health is currently working on the tendering of the Management of the Dump. | | | |
| Detailed Findings Reference: | | Page | |

## 29. Dishonoured cheques of $0.2 million not included in Statement of Revenue Arrears – Moderate Risk

| Rank | MATERIAL WEAKNESS |
|---|---|

**Criteria:**

It is best practice for all Dishonoured cheques that are not paid before the end of the financial year is included in the Statement of Revenue Arrears. This is because Dishonoured cheques are still amounts owed to government.

**Condition:**

It is not possible to obtain the exact figure of the dishonoured cheques that were neglected in the statement due to the lack of details presented in the dishonoured cheque listing. Cheques that had adequate information were checked against the Statement of Revenue Arrears. Results showed that there was a failure to include at least $222,886.23 worth of Dishonoured Cheques. Departments such as The Post Office and Judiciary had multiple dishonoured cheques but no Revenue Arrears on the Statement.

**Risk:**

An incorrect total of Revenue Arrears and continued acceptance of Bad debt (through the collecting of dishonoured cheques).

**Impact:**

The full extent of the government Arrears will not be discernible. This in turn will hinder any attempt to collect the full amount owed to TCIG.

**Recommendation**

Proper evaluation of the dishonoured cheques to insure that all dishonoured cheques are include in the Revenue Arrears Statement. Insuring the list is up to date on the payments and detailed.

**Action Plan**

| Person Responsible | Treasury Department | Estimated Completion Date | Done |
|---|---|---|---|

Acceptable….Dishonoured cheque list will be added to the Revenue Arrears Statement in the future.

| Detailed Findings Reference: | Page |
|---|---|

Note: Dishonoured cheques were included in the accompanying annual public financial statements subsequent to the identification of this audit.

## 30. No contract monitoring process and permanent files maintained of contractors – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria**:

The Public Procurement Ordinance 2012 Section 55 requires:

1. An officer to ensure that:
   a. Contracts are monitored throughout the period of the contract.
   b. That the performance of the contractor is regularly reviewed and recorded in writing.
   c. Report to the Director of Contracts any incidences of non-performance by contractor.
   d. Provide a report to Director of Contracts at period not exceeding three months on the performance of contracts.
2. Director of Contracts must provide reports to the Deputy Governor on the performance of all contracts.

**Condition**:

1. Contract monitoring process as per PPO Section 55 has not been implemented. Request was made to the Director of Procurement for contract monitoring documents for 1st November, 2012 to 31st March, 2013. We noted in the director's email dated 4th October 2013 that the procedures for contract monitoring were not implemented for 2012/2013.
2. Permanent files are not maintained for contractors. Request was made to the Director of Procurement for contractors' files for audit review. We noted in her email response dated 4th October, 2013 that separate files were not maintained for contractors.

**Cause**:

1. Non-compliance with PPO 2012.
2. Lack of management oversight of areas.
3. Poor record keeping.

.

**Effect or potential effect**:

1. The system does not capture information needed to improve the performance and the outcome of projects.
2. Financial problems are not identified so that corrective action may be taken to prevent cost overruns.
3. System does not facilitate identification of problems that require additional scrutiny.
4. No historical information on contracts therefore preventing the ability to do proper due diligence review of contractors.

| | | | |
|---|---|---|---|
| **Recommendation** | | | |
| Accounting Officers must ensure that all the procedures for the tender process are implemented as required by the Public Procurements Ordinance Section 55. | | | |
| **Action Plan** | | | |
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **July 1, 2014** |
| **Agreed……Currently all records pertaining to contractors are maintained by the Ministry of GSS. These records are filed by contract awarded and quality of work of the contractor during the project. In addition PWD has commenced the issuance of written weekly/monthly site monitoring reports. This occurs for all projects that involves the PWD department.** | | | |
| Detailed Findings Reference: | | Page | |

## 31. Control weakness over dishonoured cheques – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria**

**PFMR Section 58 (3) (4)**

(3) In any case where a cheque is dishonoured, recovery measures shall be instituted immediately by the Accounting Officer; and all instances of dishonoured cheques shall be brought to the immediate attention of the Accountant General.

(4) All original dishonoured cheques shall be retained and kept in safe custody; this is because such cheques represent important prima facie evidence of a debt due to Government and may be in any legal action which may be taken to recover the amount due and any incidental expenses that may have been incurred.

**Condition**

The listing of dishonoured cheques as at March 28th 2013 lacked many of the important and vital details such as the dates, names of payee and the department it was paid toward**.** Also the lists of cleared cheques for 2013 were accompanied by a reason why cheques were dishonoured. 49% of these were dishonoured because of insufficient funds. The other 51% had missing signatures, missing dates, post-dated, missing payee and etc., highlighting a lack of proper and complete examination before the acceptance of cheques.

**Risk**

A lack of proper monitoring and collection of monies due to vital information not recorded properly and maintained.

**Impact**

Increase in the number of dishonoured cheques because of minor errors. There will be a lack of revenue because of the limited information available which will result in an inability to collect on dishonoured cheques.

**Recommendation**

Cheques should be analysed properly for correctness before acceptance. Proper and detailed records should be kept of all dishonoured cheques to aid in the collect process.

**Action Plan**

| Person Responsible | Treasury Department | Estimated Completion Date | March 2014 |
|---|---|---|---|

Acceptable…The dishonoured cheque register maintained by the Treasury always includes the relevant dates;

| | |
|---|---|
| the payee is however always TCIG and a column is now included for the revenue account code. | |
| Detailed Findings Reference: | Page |

## 32. Virements were not processed in keeping with Public Finance Regulations – Moderate Risk

| Rank | MATERIAL DEFICIENCY |
|---|---|

**Criteria**

50. (1) The Permanent Secretary, Finance has discretionary powers to vary the amount allocated within a vote, provided that—

(a) the total amount authorized by the House of Assembly for that vote in an Appropriation Ordinance is not exceeded;

(b) the variation is not so large or important as to represent a change in policy;

(c) the changes made are not novel or contentious;

(d) any virements made will from the outset not involve heavy liabilities in future years;

(e) the variation does not relate to personnel emoluments; and

(f) the variation is within the same vote.

(2) All virements within a Vote shall be the subject of an application for virements addressed to the Permanent Secretary, Finance—

(a) showing the amounts involved;

(b) identifying the items where extra provision is required;

(c) identifying, where appropriate, any delegated authority for the re-allocation;

(d) giving appropriate explanation for the shortfall in the original provision;

(e) clearly identifying the items with the anticipated savings; and

(f) giving appropriate explanations and the reasons for the savings being available.

(3) In order to ensure that the savings identified are genuine, items from which funds have been transferred will no longer be eligible for the provision of additional funds by a Supplementary Appropriation Ordinance or subsequent virements.

(4) On approval of an application by the Permanent Secretary, Finance under this Regulation, a warrant for virements within a vote shall be issued to the Accountant General and copied to the Accounting Officer and Auditor General.

(5) Expenditure on the item which has had its available funds increased by the warrant shall at all times remain within the limits of any warrant currently in force.

(6) A schedule of all virements approved under this Regulation shall be laid before the House of Assembly not less than two times during the financial year.

**Condition**

All General Warrants No. 001 of 2012 was not submitted to the NAO for review. Our review of General

Warrant No. 002 of 2012 revealed the following:

1. The General Warrant totalled $179,133,446 and the Appropriation Ordinance 2012 totalled $180,048,014. A variation of $914,568.
2. The adjustment to the Appropriation Ordinance 2012 was made on the 8th November, 2012 but was not subsequently laid on the Table of the House of Assembly for approval as required by PFMR 50 (6).
3. Review of the Virement Warrants for 2012 revealed the following:

a) Savings in 18 programs were being allocated to other programs in contravention of Section 50 (1) of the PFMR where it states that the PS, Finance has discretionary powers to allocate within a vote.

b) The virements did not show details of the accounts affected by transfers.

c) No adjustments were made to the Expenditure Statement and the Smart Stream accounting system to reflect the changes.

4. Funds were being transferred from the Contingency Fund account but the accounting records do not reflect the movements of the funds. In fact the balance on the account at 31st March 2013 was $66,000. Based on the Virement Warrants reviewed $3,752,553 should have been reflected.
5. Savings from payroll were being utilized for operating cost in contravention of PFMR 50 (1) (e).

**Cause**

a) Non-compliance with PFMR 50.

b) Lack of management oversight.

c) Lack of training and awareness of the financial ordinances and regulations.

.

**Effect or potential effect**

a) Excess expenditure

b) Cash flow problems.

.

**Recommendation**

Accounting Officers should comply with PFMR 50 for processing virements.

**Action Plan**

| Person Responsible | Accounting Officers | Estimated Completion Date | Immediately |
|---|---|---|---|

Agreed….The Budget Office developed a Virement procedure document and a new application form in compliance with PFMR 50 that is now being used by all ministries and department. In addition, all virements

| | |
|---|---|
| and supplements are also entered into Smart Stream so that the system controls the expenditure.<br>The excess expenditure supplement for 2012-13 was presented to the HOA within the timeframe required. | |
| Detailed Findings Reference: | Page |

## 33. Inadequate financial records on Public Debt Statement – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**CRITERIA**

- Opening balances on the Public Debt Statement for 1 April 2012 were agreed with closing balances on system for 31 March 2012.
- All totals for Interest and principal repayments were accurately represented in the Financial Statements.

**CONDITION**

- The opening balances for TCIG loans on the Public Debt Statement submitted by Treasury did not agree with GL opening and closing balances.
- We noted that journals created during the period were incorporated into the opening balances in the statements causing the opening balances to not reflect the totals in the GL.
- Interest payments were not accurately placed in the statement. However principal repayments were accurately reflected. Supporting schedules of interest and principal repayments agreed to the GL.

**CAUSE**

- It was observed that with Treasury preparing the Public Debt Statement, opening balances for loans also had added or subtracted from it, the journal entries that were placed through the system instead of showing the journals separately on the schedule. Loans for CDB and the amounts for RBTT Commercial loans were affected. This occurs when there is no final check of totals in the statements against GL at the end of the period.

**EFFECT**

A Public Debt Statement that does not represent the true state of borrowings by TCIG.

**Recommendation**

The Accountant General must implement controls to ensure that all financial information is adequately reviewed and signed off by the appropriate person before being presented for audit. Controls must be in place to ensure that General Ledger totals are correctly transcribed to underlying financial statements. Financial statements must be compared to general ledger balances to ensure that all figures have been accurately presented/transferred.

**Action Plan**

| Person Responsible | Athenee Harvey | Estimated Completion Date | July 2014 |
|---|---|---|---|

| | |
|---|---|
| Acceptable…. A process is now in place to ensure that all AO have verified and confirmed all submissions to the Accountant General before it is submitted to NAO. Financial statements will further be reconciled with the ledger before presenting statements to NAO. | |
| Detailed Findings Reference: | Section 4.5 (V), Page 27 |

## 34. Arrears do not have verification signature of Accounting Officers – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria:**

**PFMO Schedule 2 Section 2(D)**

A statement of arrears of revenue signed by the accounting officer showing the amount outstanding at the end of the financial year for each source of revenue and containing information in the form the Accountant General may direct; a nil return should be submitted if appropriate;

**Condition:**

None of the attachments received from treasury from the Ministries had any signatures verifying the information presented in the statement of arrears.

**Risk:**

There is a risk of reporting incorrect figures. Also if there is a discrepancy with an amount on the statement there is no way to confirm that the said amount was presented.

**Impact:**

This may lead to the statement continuously being modified and the total amount owned to government unclear.

**Recommendation**

All accounting Officers should provide a sign and date list of their Ministry's Arrears for the period requested.

**Action Plan**

| Person Responsible | Accounting Officers | Estimated Completion Date | March 31, 2014 |
|---|---|---|---|
| Acceptable….Statement of Arrears in a form approved by the Accountant General now in place. | | | |
| Detailed Findings Reference: | Page | | |

## 35. No segregation of duties within the Cheque Issuing System – Moderate Risk

| Rank | SIGNIFICANT DEFICIENCY |
|---|---|

**Criteria:**

Best practice requires that there should be segregation of duties within computerized systems. In regards to the Cheque Issuing System, Cashiers should only be able to send and search sent cheques. The Head Cashier should have bank receipting access, and the Operations Manager should have access to add new bank and new bank employee information. Everyone should not have the same access to the system.

**Condition:**

Treasury uses the Cheque Issuing System for distribution of cheques to payees. According to Management there should be different levels of access to the Cheque Issuing System. I.e. The Operations Manager, in addition to regular access, being send and search cheque screens for payees collecting cheques, should have access to add new bank and new bank employee information. The Head Cashier should have bank receipting access in addition to regular access. All other cashiers should only have regular access which includes sending and searching cheques for payees collecting cheques.

Seven persons are authorized cashiers within the Grand Turk Treasury, one of which is located in the Customs Department. Of the seven authorized cashiers, four persons were tested, which included the Operations Manager and the Head Cashier, to verify their access levels within the Cheque Issuing System.

As at October 3, 2013, all persons tested had the same access to the Cheque Issuing System.

**Risk:**

An increased risk of errors and omissions when information is entered into the banking and bank receipting modules of the system. There is also a risk of purposeful sabotage of the system and other staff members.

**Impact:**

Possible collusion with Treasury and bank employees due to the fact that Treasury revenue collectors can enter new bank employee information.

**Recommendation**

Management should input proper segregation of duties within the Cheque Issuing System to restrict access to certain functions from those persons who are considered regular users.

**Action Plan**

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|---|---|---|---|
| **Person Responsible** | Athenee Harvey – PS Finance<br>Arnold Ainsley – Accountant General | **Estimated Completion Date** | **April 2014** |

| | |
|---|---|
| **Acceptable**….The system is being reviewed to ensure that there is appropriate segregation. | |
| Detailed Findings Reference: | Page |

## 36. Unauthorized sharing of Smart Stream password to other officer – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria:**

PFMR Section 91(6)(7)

Where passwords are used as a security check for accessing data in a computer based accounting system for whatever purpose, including the authorisation or approval of transactions by electronic means or the alteration or deletion of any data, the passwords shall be kept secret by the person to whom they are allocated.

Any public officer who communicates a password to another public officer and causes loss or damage to the Government shall be liable to disciplinary action.

**Condition:**

There are two persons authorized to print cheques within the Treasury, the Operations Manager and the Head of Accounts Payable. In the absence of the Head of Accounts Payable, the Financial Accountant prints cheques using the user ID and password of the Head of Accounts Payable.

**Risk:**

Sharing passwords puts both the employee and the organization at risk for numerous inconsistencies, such as:

- Loss/Damage of important information
- Fraudulent activities, most notably collusion
- Sabotage to staff members and the organization's information
- Due to unauthorized personnel not being trained in the proper use of the system, this can result in erroneous information being input into the system

**Impact:**

As a result of password sharing in this area, incorrect payees and/or amounts can be entered on cheques. There can be increase wastage of special cheque paper as a result of numerous cancellations and waste of the employer's time. Cheques can be paid to close associates as a result of collusion, and there could be false representation of the original user's ID and password.

**Recommendation**

Each staff member should have a unique user ID and password for the systems within their Department. Persons should not be sharing their user ID's and passwords with each other. Management should ensure that all staff is equipped with the proper access to be able to carry out their tasks.

| Action Plan | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | **Done** |

Acceptable…….User ID and password was reviewed and rationalised. Staff members are now equipped with the proper access to carry out their task.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 37. Lack of Access Management – Moderate Risk

| Rank | CONTROL DEFICIENCY |
|---|---|

**Criteria:** In accordance with best practice, when a person leaves the Public Service, the user ID and password of that person becomes deactivated and is no longer usable.

**Condition:** Testing carried out on 70 journals for the accounting period revealed that 11 journals showed that they had been entered/posted by a former employee of TCIG ('HSWASEY'). According to Smart Stream the last payment for this employee was September 2003.

**Risk:**

There is a risk that the former employee's user account may not have been deactivated when he/she left the job. The employee could have left the job in a disgruntled nature and could cause damage to the system if access is still available.

**Impact:**

As a result the former employee may still have access to the system. If the employee still has access to the system and causes damage, this could result in an uncertain amount of down time for TCIG.

**Recommendation**

Management should ensure that all persons that have left TCIG are properly removed from all systems. The super user status of the above mentioned person should be transferred to an existing employee of the organization.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | **March 2014** |

Acceptable…This issue is being reviewed and corrective measures will be put in place as soon as possible.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 38. Cash Flow Statement not in compliance with IPSAS 2 – Low Risk

| Rank | OBSERVATION |
|---|---|

**CRITERIA**

The IPSAS standard 2 requires

- Cash Flows from interest and dividends received and paid shall be disclosed separately and classified as operating, investing or financing activities.

**CONDITION**

- The draft Consolidated Cash Flow Statement for the year ended 31 March 2013 does not show interest income separately from Total Domestic Revenue Collected.
- Interest Income must be categorized under operating activities as $668,059.

**CAUSE**

- Overall non-compliance with IPSAS 2.
- Inconsistent implementation of standards by management.
- Failure to review standard requirements against internal policies.

**EFFECT**

- Distorted cash flow statement
- Misuse of information by users of the financial statements.

**Recommendation**

Treasury must ensure that the requirements of IPSAS 2 are fully adhered to. Officers must acquaint themselves with the requirements and Management must ensure that staff is continually updated on these requirements.

**Action Plan**

| Person Responsible | Athenee Harvey | Estimated Completion Date | July 2014 |
|---|---|---|---|

Acceptable…..Interest will be disclosed in accordance with IPSAS 2 in the future.

| Detailed Findings Reference: | Page |
|---|---|

## 39. 16 accounts had estimated figures but have no revenue posted – Low Risk

| Rank | OBSERVATION |
|---|---|

**Criteria**

**PFMR Section 26**

For the purpose of discharging his or her duties and responsibilities under section 13 of the Ordinance, the Minister shall provide the information to the House of Assembly which includes —

(b) estimates of all revenue to be raised during the financial year to which the budget relates;

**PFMR Section 40**

(1) The Accounting Officer shall ensure that the draft estimates relating to his or her Ministry or department are prepared in conformity with these Regulations.

(2) The Accounting Officer is responsible, in particular, for ensuring that-

- (a) all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of his department during the financial year;
- (b) the estimates have been prepared as completely and accurately as possible;
- (c) the estimates have been framed with due regard to economy and efficiency;
- (d) the requisite authority has been obtained, where necessary, before provision is made in the estimates;

**Condition**

16 accounts had estimated figures but no revenue was produced for the financial year totalling $2,583,946. These include five ministries with estimates ranging from $200 for Phytosanitary Certificate to $1,500,000 for Sand Mining. When inquiry was made into the lack of revenue the Accountant officers stated that many of the projects have either been discontinued are not underway yet. (Table 9 – Non-performing revenue accounts).

**Risk**

There is a risk of over estimating the budget for the financial year.

**Impact**

The ministry or department will not be able to meet their budgeted goal and this may give the appearance that they are not putting enough effort into creating or collecting revenue.

**Recommendation**

There should be more planning and organization before the budget is issued. Consideration should be given to projects that have not yet been finalized due to equipment not being available or contract delay. Also communication is essential between the Account Officers, Revenue Department and the heads of department.

**Action Plan**

| Person Responsible | Accounting Officers | Estimated Completion | April 2014 |
|---|---|---|---|

| | | | |
|---|---|---|---|
| | | **Date** | |

| | |
|---|---|
| Acceptable….Ministries/Departments are now collaborating with the Budget Office and Revenue Department to improve forecast models. In addition, the requisite actions were taken to update the revenue codes for the new financial year. | |
| Detailed Findings Reference: | Page |

# EXPLANATIONS OF NON-PREFORMING REVENUE ACCOUNTS 2012/2013



| | | Revenue Estimates | Actual Revenue | Surplus/(Shortfall) | COMMENTS FROM MINISTRIES |
|---|---|---|---|---|---|
| | | FY 2012/13 US $ | FY 2012/13 US $ | FY 2012/13 US $ | |
| 06 | Audit Office | | | | |
| | Audit fees | 10,000 | - | (10,000) | No finance and administrative staff |
| | Total Audit Office | 10,000 | 0 | (10,000) | |
| 51 | Ministry of Environment & Home Affairs | | | | |
| 16063 | Road Safety Fines | 50,000 | | (50,000) | |
| 16068 | Ante and Post-mortem | 1,000 | | (1,000) | Revenue head was removed from 086 budget by Revenue Department |
| 16069 | Impound Fees | 3,000 | | (3,000) | Revenue head was removed from 086 budget by Revenue Department |
| 16070 | Pytosanitary Certificate | 200 | | (200) | No one has utilised this service and the projection was based on feedback we got from a few plant nurseries; it was severely underestimated |
| 16071 | Plant Impound Permit | 3,000 | | (3,000) | We have done a paper seeking Cabinet's approval for plant import permit fees and we have had no success in this endeavour. |
| 18021 | Sale Of Confiscated Goods | 500 | | (500) | |
| 18046 | Clinical and Surgical Services | 6,000 | | (6,000) | We are waiting on equipment and tools to properly hold clinics. The veterinarian is also Acting Director and we are severely understaffed. We also need the bus to get repaired in some areas before clinics can be held. |
| 18048 | Farm Rental Equipment | 1,000 | | (1,000) | Revenue head was removed from 086 budget by Revenue Department |

## TABLE C (con't)
## EXPLANATIONS OF NONE PREFORMING REVENUE ACCOUNTS 2012/2013

| | | | | | |
|---|---|---|---|---|---|
| 18049 | Farm Equipment Sales | 10,000 | | (10,000) | Revenue head was removed from 086 budget by Revenue Department |
| 18050 | Livestock Production | 1,000 | | (1,000) | Revenue head was removed from 086 budget by Revenue Department |
| 18051 | Farm Inputs | 10,000 | | (10,000) | Revenue head was removed from 086 budget by Revenue Department |
| | Total Ministry of Environment & Home Affairs | 85,700 | 0 | (85,700) | |
| 54 | Ministry of Finance | | | | |
| 16101 | Sand Mining | 1,500,000 | | (1,500,000) | A result of the Sand Mining Contract not being finalized, however work is still being carried out to ensure this revenue collection can commence this year. |
| 18004 | Dishonoured Revenue Cheques | (90,254) | | 90,254 | Accounting treatment of bounce cheques to be reviewed. |
| 18023 | Sale of Customs Forms and Tariffs | 500 | | (500) | |
| | Total Ministry of Finance | 1,410,246 | 0 | (1,410,246) | |
| 55 | Ministry of Health & Education | | | | |
| 16055 | Migrant Health Processing Fee | 1,078,000 | | (1,078,000) | The collection of Migrant Health Fees was not under the Government during the Financial Year stated, it was under NHIP. As a result, there were no actuals seeN for that period. The Migrant Health Fees is currently under the Ministry since May 2013. |
| | Total Ministry of Health & Education | 1,078,000 | 0 | (1,078,000) | |

Table 9 – Non-performing revenue accounts

## 40. No reconciliation for 2 Deposit Accounts resulting in overspends – Low Risk

| Rank | OBSERVATION |
|---|---|

**Criteria**:

**Public Finance Management Regulations (PFMR**)

93. (1) Deposit accounts may only be opened with the specific approval of the Accountant General and for the purpose of accounting for moneys owed to a third party.

(2) The responsibility for keeping proper accounts for deposits which relate solely to the Accountant General or which otherwise do not fall within the responsibility of any other Ministry or department rests with the Accountant General.

(3) With respect to deposits other than those referred to in sub-regulation (2) of this Regulation, the prime responsibility for keeping proper accounts for such deposits lies with the Accounting Officer concerned; and in such cases, the Accountant General also has a responsibility to investigate and take any necessary action to deal with a deposit account which becomes overdrawn or which has been dormant for any considerable period of time or which has not been reconciled with the Treasury accounts.

(4) Any deposit which has remained unclaimed for a period of five years may, with the approval of the Accountant General, be paid into the Consolidated Fund; thereafter the Accountant General may refund the deposit to any person entitled to it where he is satisfied that the claim is authentic.

(5) Any refunds after the deposit has been transferred to the Consolidated Fund shall be paid from voted expenditure.

**Condition**:

1. Comparison of the deposit statement with the trial balances revealed that the $76,500 for TC Invest is not reflected in the deposit account #74903 on the deposit statement but not in Smart Stream.
2. The following department did not provide Treasury with reconciliations for their deposit accounts.
    a. Judiciary.
    b. Police.
    c. AIDS
3. During the review of the balances on the Statement and Smart Stream we noted that the following

Department overspent the amount in the account and for the payroll accounts more was paid to NIS and TC Invest than was deducted from officers' salaries.

- 73308 – Human Rights Commission $135.
- 74501 – NIB $12,320.
- 74701 – TC Invest $2,610.

4. We noted mis-postings to the general departmental account 73250 totalling $22,226 for Judiciary and AIDS Department.

   - Judiciary $7,800 posted to 73250 instead of 73205
   - Aids Dept $14,426 posted to 73250 instead of 73250-5045

**Cause**:

1. Noncompliance with PRMR 93.
2. Lack of management oversight.

**Effect or potential effect**:

a) Mis-posting.
b) No assurance that the balances are correct.
c) Accounts are overdrawn

**Recommendation**

Responsible officers should maintain records and reconcile deposit accounts at least monthly to ensure compliance with PFMR 93.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey** | **Estimated Completion Date** | **July 2014** |

Agreed…..Treasury staff has been assigned to work along with the respective Ministry/Department to ensure that there are regular deposit account reconciliations.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 41. Lack of segregation of duties – Low Risk

| Rank | OBSERVATION |
|---|---|

**Criteria:**

Segregation of duties is a key concept in internal controls. It is one of the most effective internal controls in combating employee fraud. Segregation of duties contributes to an organization's system of checks and balances. The concept of segregation of duties is to separate key responsibilities in each business process such as:

- *Preparing*
- *Reviewing*
- *Approving*
- *Reconciliation*

**Condition:**

There is no segregation of duties especially noted within the role of the Financial Accountant. Currently, the Financial Accountant has access to numerous levels considered to be of high importance and security within the Treasury.

1. The Financial Accountant is a second level approver within the Smart Stream System, second level approving is not limited to the Treasury, but to all departments within TCIG.
2. The Financial Accountant can enter and post journals.
3. The Financial Accountant is one of two signatories who can sign on cheques and prints cheques in the absence of the Head of the Accounts Payable Department.

**Risk:**

There is a risk of fraudulent activities being committed due to the employee being able to carry out a financial process from start to finish. There is also a risk of high levels of errors being committed due to the lack of a second party review.

**Impact:**

There can be misappropriation of funds due to the officer's high level of access and being able to carry out a financial process from start to finish. Incorrect information can be input into the system if there is no review by a second party.

**Recommendation**

Preparing, reviewing, approving and reconciliation of transactions should be performed by different employees.

No one person should be responsible for doing everything within an organization. When duties cannot be separated, compensating controls should be considered. Compensating controls can be preventative, detective or monitoring controls that are executed by an independent, supervisory-level employee who does not have preparing, reviewing, approving or reconciliation responsibilities for the process.

| Action Plan | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | |

**Acceptable**…..The payment process is so designed that no one person can prepare, review, approve and reconcile a transaction. An individual can only carry out one of these functions in a transaction; the other functions must be done by other authorised personnel. Amendments have been made to ensure more appropriate segregation of duties.

| Detailed Findings Reference: | Page |
|---|---|

## 42. Insufficient Knowledge of System Operations – Low Risk

| Rank | OBSERVATION |
|---|---|

**Criteria:**

In accordance with best practice loan interest generated by the system should be verified periodically to ensure that the system is generating the correct amounts.

**Condition:**

The current system operated by the TCInvest Banking Unit to track loans and the interest payments is the Gresham Computing Real Time Integrated Banking System. There is difficulty with the manual calculation of the loan balances and interest payments as output by the system. An attempt was made to manually calculate the loan interest to mirror information that was obtained from the system, however, staff were unable and/or had difficulty explaining the manual calculation of interest. Additionally, there is no indication that verification of the amounts output by the system is carried out.

**Risk:**

If staff is unable to calculate this information manually and there is no verification of the system outputs, there can be no assurance that the information being produced and the amounts outstanding that are produced by the system is indeed correct.

**Impact:**

If the system malfunctions, there is no one able to perform relevant calculations manually. As a result, there can be over or underpayment of amounts owed.

**Recommendation**

Periodic verification of the system should be conducted, possibly in the form of a spread-sheet that mirrors the system's output. This information should be manually prepared and compared to the output generated by the system.

**Action Plan**

| Person Responsible | Athenee Harvey – PS Finance<br>Arnold Ainsley – Accountant General | Estimated Completion Date | To be determined |
|---|---|---|---|

| | |
|---|---|
| **Acceptable**…. This banking software calculates interest daily, taking into account any payment made during the month. The manual calculation would therefore need to be conducted in the same manner. | |
| Detailed Findings Reference: | Page |

## 43. No reconciliation information for two accounts – Low Risk

| No reconciliation information for two accounts held by TCIG and no information for one of these accounts as listed on the bank confirmation from First Caribbean International Bank ('FCIB') | |
|---|---|
| Rank | OBSERVATION |

**Criteria:**

In accordance with best practice, all bank account and balances should be captured within the Financial Statements. Additionally, PFMR Section 101(10) states:

The balance of every bank account as shown in the bank statement shall be reconciled with the corresponding cash book balance at intervals determined by the Accountant General, but in any case at least monthly; and the reconciliation statement, where appropriate, shall be either filed or recorded in the cash book.

**Condition:**

Review of bank confirmations from FCIB revealed that bank accounts 1598914 and 1153807 with balances of $4,334 and $354.91 respectively were not included within the bank balances on the TCIG Financial Statements. Management was unable to provide us with information for account number 1598914. Correspondence received from Treasury via FCIB stated that the bank was not in possession of the file for this account. Additionally, there were no reconciliation statements on file for these accounts.

**Risk:**

Due to the lack of information and reconciliation for these accounts there is a risk of fraudulent activities being committed by anyone who has access to these accounts.

**Impact:**

As a result there can be misuse of TCIG funds. Additionally, the bank balances within the TCIG Financial Statements would be misstated due to all accounts not being included.

**Recommendation**

Management should ensure that controls are in place to capture all bank balances for TCIG. An investigation should be conducted on these accounts to determine how they were opened. Although the amounts on these accounts are not material, Management should have detailed knowledge of all accounts held by TCIG. They should ensure that proper record keeping and reconciliations are performed and that periodic checks are made to verify that all account information is properly maintained.

**Action Plan**

| | | | |
|---|---|---|---|
| **Person Responsible** | **Athenee Harvey – PS Finance**<br>**Arnold Ainsley – Accountant General** | **Estimated Completion Date** | **March 2014** |

Agreed……The bank accounts were reviewed and the two accounts mentioned were closed and the funds transferred to TCIG's main account at FCIB. All bank accounts are now reconciled on monthly basis.

| | |
|---|---|
| Detailed Findings Reference: | Page |

## 44. 20 National Priority Projects totalling $2.7 million not undertaken – Low Risk

**Issues identified in the operation of the Development Fund Programme.**
**(Project identified as National Priority are not undertaken )**

| **Rank** | **CONTROL DEFICIENCY** |
|---|---|

**DEVELOPMENT FUND**

**CRITERIA**

- Development fund projects are scrutinized to determine whether the project is of national priority, and are properly categorized to determine whether a project should be funded through the Development Fund programme or as recurrent expenditure.

**CONDITION**

- This section is of paramount importance to the audit in order for us to understand how projects are categorized as this is an important area completed by SPPD. We have consulted with the Senior Economist on this matter we received a document which state the prioritization rankings of the projects were submitted to the CFO for approval.
- The prioritization gives precedence to those projects that are committed to pay for by law, contract or agreement; this followed by those projects that will improve TCIG operations through saving costs e.g.: reducing rent and those that would improve the image of TCIG.
- This document is currently used to prioritize all projects.
- SPPD provided documentation on how projects are categorized, either as Development Fund expenditure or recurrent expenditure.
- In reviewing the Development Fund Statement we noted a number of projects that were of national priority were not executed during the period. Out of a total estimated expenditure financed by "TCIG Consolidated Fund transfers (1001)" of $21,763,243, a total of 20 projects totalling $2,688,350 were not undertaken during 2012/2013. This represents 12% of the estimated expenditure for this area. Also there were projects which were overspent which reflect unplanned overages.
- Projects that were approved were not executed because of delays with PWD surveys to proceed with the project. PWD was faced with a number of problems hence the inability to implement some $2m worth of projects. When the request is made for new project funding by DEPS/SPPD, Ministries through their PSs would submit the list of projects ranked in order of priority along with an initial business case. When the projects are approved for the financial year, SPPD will work with the various departments and if the works involved are civil works then a team which comprises of SPPD and PWD will meet with the Ministry concerned to advance the project. This entails the Ministry defining the scope of works for the

project, so that PWD can conceptualize this with drawings if there is a need for that, or other technical support be it structural etc. However, the problem arises when the Ministry cannot articulate appropriately or define the scope of works properly so the time lapses before a consensus is achieved, and the project is not implemented. Also PWD had some capacity constraints as they have responsibility for implementing all government projects throughout the islands.

- All projects reviewed under the Development Fund appear to be properly categorized under the development Budget. In prior years 2005 to 2007 items which should have been categorized as recurrent were placed in the Development Budget.

**CAUSE**

- The significant variances of projects not undertaken by ministries and Departments suggest poor project execution rate or a lack of proper planning of development needs. Such variances reduce the reliability of the budget process.

**EFFECT**

- Under-utilised resources in areas/projects that were not undertaken.
- Allocation of resources to projects that will not be undertaken in the financial year.
- The inclusion of high priority projects that are not under taken gives rise to inclusion of projects that were not approved through the Appropriation Ordinance.

**Recommendation**

There should be better planning within the Development Fund Expenditure budget with regard to projects that will not be ready for undertaking in the financial year.

**Action Plan**

| Person Responsible | Athenee Harvey | Estimated Completion Date | July 2014 |
|---|---|---|---|
| Acceptable …New measures are being put in place to develop a medium term expenditure framework policy | | | |
| Detailed Findings Reference: | Section 4.5 (V), Page 27 | | |

| TABLE: PROJECTS NOT UNDERTAKEN DURING 2012/2013 | | | | | | |
|---|---|---|---|---|---|---|
| **Project** | **Funding Source** | **Description** | **Budget FY 2012/13** | **Actual Expenditure FY 2012/13** | **Under/(Excess) Expenditure FY 2012/13** | **Actual Expenditure FY 2011/12** |
| | | | | | | |
| 4669 | 1001 | Counter-part Contribution for BNTF 6 | 12,831 | | 12,831 | - |
| 4783 | 1001 | Upgrading of Salt Cay Clinic | 90,000 | | 90,000 | - |
| 4784 | 1001 | Furniture & Equipment for Middle Caicos Clinic | 100,000 | | 100,000 | - |
| 4799 | 1001 | Agricultural Development | 50,000 | | 50,000 | - |
| 4803 | 1001 | Furniture and Equipment for K1 & K2 at Five Cays Community Centre | 6,116 | | 6,116 | - |
| 4829 | 1001 | Additional Court Room at Supreme Court | 18,403 | | 18,403 | - |
| 4831 | 1001 | Renovation of Providenciales Magistrate's Court - building a second court room | 414,000 | | 414,000 | - |
| 4834 | 1001 | Consultancy Fees for the design of the NEOC in GDT | 80,000 | | 80,000 | - |
| 4863 | 1001 | Video Linking and Cell Pods | 15,000 | | 15,000 | - |
| 4864 | 1001 | New Patrol Vessels for Police | 180,000 | | 180,000 | - |
| 4865 | 1001 | Remodel of MHRC o Fire Department | 200,000 | | 200,000 | - |
| 4868 | 1001 | Refurbishment of Former Chief Secretary's Office | 326,000 | | 326,000 | - |
| 4870 | 1001 | Construction of Warehouse and Office - Customs Grand Turk | 250,000 | | 250,000 | - |
| 4872 | 1001 | Conch Visual Survey | 20,000 | | 20,000 | - |
| 4879 | 1001 | Home for Juvenile Girls Phase 1 & 2 | 93,000 | | 93,000 | - |
| 4880 | 1001 | Additional Toilet Block for Clement Howell High School | 265,000 | | 265,000 | - |
| 4881 | 1001 | Construction of Canteen for Clement Howell High School | 80,000 | | 80,000 | - |
| 4882 | 1001 | Construction of New Block - Ianthe Pratt Primary School | 180,000 | | 180,000 | - |
| 4907 | 1001 | Construction of Detention Center - Providenciales | 300,000 | | 300,000 | - |
| 4915 | 1001 | Replace DDME Computers | 8,000 | | 8,000 | - |
| | | **TOTAL PROJECTS NOT UNDERTAKEN** | **2,688,350** | | **2,688,350** | **-** |
| **NOTE:** | | | | | | |
| 1001' | Total Funded from TCIG Consolidated Fund Transfer | | | | | |
| EXTRACTED FROM TCIG DEVELOPMENT FUND STATEMENT 7 | | | | | | |

**Table 10 – Projects not undertaken during 2012/13**

## 45. TC Invest loan balances were incorrectly stated and no reconciliations done – Low Risk

| Rank | OBSERVATION |
|---|---|

**CRITERIA**

Check that Loan balances as at year end 31/3/2013 for TCInvest were properly accounted for on TCIG financial statements.

**CONDITION**

1. All loan balances brought over from TCInvest were compared to balance confirmations received from various banks such as Scotia Bank, CDB and confirmations from NIB.
2. Based on the information, the loan balances at year end did not agree with the balances on the confirmation. As a result, reconciliations for these banks were requested for the period ended, however were not received from Treasury.
3. The differences identified were subsequently agreed. The document received from Treasury showing loans taken on from TCInvest did not agree with the bank confirmations.

| | |
|---|---|
| NIB Loans Per Statement | $2,723,960 |
| Per Confirmation | $2,724,142 |
| Difference | (182) |
| CDB loans #5 and #( | $1,626,223 |
| Confirmation | $1,626,314 |
| Difference | (91) |

**CAUSE**

- No reconciliation of loan balances before taking on the balances.
- There is no evidence that Treasury confirmed balances with external entities before placing journals to GL which consequently caused the amounts recognized to be different from what was actually owed.

**EFFECT**

1. The loan balances on the Public Debt Statement would be understated and would mislead users by presenting erroneous balances for the period.

**NOTE:**

**DEBT RATIOS WERE CALCULATED ON DEBT SERVICING AND TOTAL DEBT FOR THE PERIOD 2012/2013**

**Recommendation**

Controls must be put in place to ensure that all loan accounts are reconciled monthly so that any discrepancies

| | | | |
|---|---|---|---|
| can be identified and corrective action taken on a timely basis. | | | |
| **Action Plan** | | | |
| **Person Responsible** | **Accountant General-Arnold Ainsley** | **Estimated Completion Date** | **On-going** |
| Acceptable …..Loan accounts are now reconciled on a quarterly basis, in accordance with principal and interest payment intervals. | | | |
| Detailed Findings Reference: | | Section 4.5 (V), Page 27 | |

**Appendices Listing 1 – Summary of 2011/12 Audit Recommendations and Implementation Status**

**1. Excess expenditure without statutory approval**

a) All legal requirements should be satisfied over the control and authorisation of public expenditure.

b) Procedures should be in place to limit the use of the 'funds exception' screen in the accounting system.

c) TCIG must consider adopting internationally recognised best practices on fiscal transparency.

> Response: Statement of Excess was provided to NAO for 2012/13 audit, in accordance with PFMO 26(1). Additional recommendations from the 2012/13 audit were accepted and will be implemented for 2013/14.

**2. Accounting Officers did not comply with the requirements of National Audit Office (NAO) 2012 Part V sec 21.**

We recommend that Accounting Officers adhere to the NAO Sec 21 and be aware of the consequences that will follow if this is not adhered to.

> Response: Accounting Officers were reminded of their responsibilities and the potential consequences.

**3. Issues relating to the operation of the Development Fund**

Budgets should be prepared at a more realistic point. The Funds mechanism in Smart Stream should be used; projects should be regularly reviewed by the responsible Department; Expenditure from the fund must be properly approved and transparent

> Response: Addressed in the responses to the 2012/13 audit findings.

**4. Failure of the treasury to produce timely and accurate financial statements**

Bank reconciliation issues must be addressed; better review of the entries into the system; Hire additional staff to improve operations.

> Response: Corrected in the financial year 2012/13. Bank reconciliations are completed and reviewed on a monthly basis for all bank accounts.

**5. Accounting issues**

Consideration should be given to implementing consolidation accounting. Significant Potential liabilities should be identified and disclosed in the statement of Contingent and Material Liabilities.

> Response: Statement of Contingent Liabilities was provided for the 2012/13 audit. Additional recommendations from the 2012/13 audit were accepted and will be implemented for 2013/14.

**6. Statement of Unallocated Stores not provided for audit**

This statement should be compiled and submitted for audit.

> Response: Statement of Unallocated Stores was provided for the 2012/13 audit. Additional recommendations from the 2012/13 audit were accepted and will be implemented for 2013/14.

**7. No mechanism to assess departments' / ministries' performances**

Financial management reform initiatives should be considered and pursued. Departments / ministries should report on their performance when submitting future budget requests.

> Response: Provisions of the PFM Ordinance in this regard are now being enforced.

**8. Issues relating to the operation of the Conservation Fund**

Accounts should be submitted for audit; Policy and management procedures of the fund should be finalised; ineffective monitoring of the fund expenditure identified.

> Response: Fund was discontinued as required by PFM Ordinance 2012

**9. Lack of effective monitoring and control of arrears in revenue**

Procedures for monitoring, controlling and reporting revenue in arrears should be established by all revenue collecting departments / ministries.

> Response: The new Revenue Commissioner and restructured Revenue Department is now responsible for administering the revenue in arrears.

## Appendices Listing 2 – Audit Journal Adjustments

| Account | | | DR | CR | Comments |
|---|---|---|---|---|---|
| 54 | 119 | 82045 | 1,694.88 | | European Investment Bank Loan |
| 54 | 119 | 82046 | 35,397.24 | | European Investment Bank Loan |
| 54 | 119 | 39101 | | 37,092.12 | INTEREST EXPENSE - EIB |
| | | | 37,092.12 | 37,092.12 | |
| 54 | 021 | 91001 | 0.12 | | |
| 54 | 119 | 82035 | | 0.12 | CDB Loan - (5SFR-OR) |
| 54 | 021 | 91001 | 90.42 | | |
| 54 | 119 | 82039 | | 90.42 | CDB Loan - (9SFR-OR) |
| 54 | 119 | 82028 | 262.83 | | National Insurance Board (NIB) Loan # 1 |
| 54 | 021 | 91001 | | 262.83 | |
| 54 | 021 | 91001 | 445.11 | | |
| 54 | 119 | 82032 | | 445.11 | National Insurance Board (NIB) Loan # 3 |
| | | | 798.48 | 798.48 | |
| 5 | 13 | 73250 | 7,800.00 | | Court auction proceeds paid into wrong account. |
| 5 | 13 | 73205 | | 7,800.00 | |
| 54 | 21 | 31005 | 2,564.55 | | To correct posting of overtime for Treasury Staff |
| 54 | 21 | 55001 | | 2,564.55 | to advance account |
| 54 | 21 | 32002 | 5,879.06 | | Honorarium Paid to Treasury Staff posted to |
| 54 | 21 | 55001 | | 5,879.06 | Advance account |
| 51 | 100 | 31101 | 1,414.41 | | Wages Posted to advance accounts |
| 51 | 101 | 31101 | 451.43 | | |
| 55 | 112 | 31101 | 1,006.06 | | |
| 55 | 107 | 31101 | 793.20 | | |
| 54 | 21 | 55001 | | 3,665.10 | |
| 54 | 25 | 32002 | 9,250.00 | | Honorariums for RCU staff posted to advance accounts |
| 54 | 21 | 55001 | | 9,250.00 | |
| 52 | 8 | 31505 | 2,295.00 | | |
| 54 | 21 | 55001 | | 2,295.00 | Arrears of Housing paid to A Gordon posted to advances |
| | | | 31,453.71 | 31,453.71 | |

## Appendices Listing 3 – Adjusting entries discovered after the reporting period

| Account | DR | CR | | |
|---|---|---|---|---|
| 54 119 74900 | 35,258.56 | | Loans Receivable General | Adjusting entries to TCInvest accounts transferred to TCIG to record the differences between accrual and cash basis of accounting |
| 54 119 74902 | | 69,994.45 | Loans Receivable TOLCO | |
| 54 119 74904 | 34,541.51 | | TCI Bank TCInvest | |
| 54 119 74905 | 16,011.42 | | Other Receivables TCInvest | |
| 54 119 17001 | 19,441.52 | | Interest Income | |
| 54 119 74901 | | 65,616.81 | Loans Receivable Insurance | |
| 54 021 91001 | 30,358.25 | | Consolidated Fund | |
| | 135,611.26 | 135,611.26 | | |
| 55 37 33802 | | 61.50 | 2926 | To record staledated cheques at the end of the year |
| 52 094 33508 | | 374.00 | 3032 | |
| 51 060 36005 | | 30.00 | 3035 | |
| 05 013 33522 | | 60.00 | 3042 | |
| 56 002 35816 | | 2,810.00 | 3476 | |
| 51 060 36005 | | 3.50 | 3547 | |
| 51 060 36005 | | 30.00 | 3594 | |
| 56 002 35816 | | 2,200.00 | 3857 | |
| 55 039 32301 | | 50.00 | 3961 | |
| 14 023 38405 | | 199.40 | 3979 | |
| 06 014 32301 | | 25.00 | 4509 | |
| 55 033 35803 | | 500.00 | 4568 | |
| 55 033 35803 | | 500.00 | 4581 | |
| 55 033 35808 | | 210.00 | 4593 | |
| 06 014 32301 | | 25.00 | 4632 | |
| 54 021 74801 | | 16.80 | 5143 | |
| 55 089 34305 | | 150.00 | 5346 | |
| 52 008 32401 | | 14.85 | 5450 | |
| 04 113 34305 | | 593.00 | 5452 | |
| 51 060 36005 | | 30.00 | 5583 | |
| 52 045 34505 | | 934.30 | 5701 | |
| 51 060 33801 | | 1,222.50 | 5944 | |
| 55 063 36101 | | 7,458.00 | 5944 | |
| 03 009 33003 | | 250.00 | 6082 | |
| 51 101 36010 | | 100.00 | 6231 | |
| 03 009 33719 | | 105.00 | 6420 | |
| 04 066 16029 | | 50.00 | 6458 | |
| 04 113 32301 | | 330.00 | 6609 | |
| 52 110 35002 | | 250.00 | 6620 | |
| 16 073 18101 | | 5,000.00 | 6678 | |
| 55 089 31101 | | 154.78 | 6740 | |
| 05 013 33522 | | 60.00 | 6927 | |
| 05 013 33522 | | 60.00 | 6939 | |
| 52 082 33707 | | 80.00 | 6957 | |
| 52 082 33707 | | 400.00 | 6969 | |
| 55 032 34218 | | 1,500.00 | 6975 | |
| 52 082 33707 | | 160.00 | 6988 | |
| 52 082 33707 | | 320.00 | 7000 | |
| 52 082 33707 | | 240.00 | 7001 | |
| 05 013 33521 | | 45.00 | 7085 | |
| 52 082 33707 | | 160.00 | 7091 | |
| 52 082 33707 | | 480.00 | 7160 | |
| 52 044 33799 | | 589.68 | 7266 | |
| 55 112 42699 | | 100.00 | 7282 | |
| 54 021 52017 | 27,932.31 | | Scotia Chequing Account | |
| | 27,932.31 | 27,932.31 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 54 | 19 | 15004 | 7,272.08 | | Rtd chq for receipt 219903482 chq # 011383 | Returned Cheques for Caribbean Energy Distributors and Island Express Agency Received fom Bank September 2013. |
| 54 | 19 | 15006 | 2,072.61 | | Rtd chq for receipt 219903486 chq # 011383 | |
| 54 | 19 | 15005 | 4,763.25 | | Rtd chq for receipt 219903484 chq # 011383 | |
| 14 | 68 | 33503 | 44.00 | | Bank charges on rtd chq for Caribbean Energy Distributors ltd #011383 | |
| 54 | 21 | 52017 | | 14,151.94 | Rtd chq # 011383 Caribbean Energy Distributors | |
| 54 | 19 | 15004 | 1,010.00 | | Rtd chq for receipt219904820 chq # 266 | |
| 54 | 19 | 15006 | 226.85 | | Rtd chq for receipt 219904822 chq # 266 | |
| 14 | 68 | 33503 | 44.00 | | Bank charges on rtd chq for Island Express Agency #266 | |
| 54 | 21 | 52017 | | 1,280.85 | Rtd chq # 266 Island Express Agency | |
| | | | 15,432.79 | 15,432.79 | | |
| 54 | 021 | 52010 | | 190.95 | Bank Charges | Entries are to adjust carrying balance to actual bank balance. Entries for periods 05/2007 to 09/2009 were not recorded. |
| 54 | 021 | 52010 | 24,985.00 | | Funds recorded | |
| 54 | 021 | 52010 | | 51,487.50 | pmt 24/10/2007 | |
| 54 | 021 | 52010 | 130.00 | | Bank Charges | |
| 54 | 021 | 52010 | | 105.53 | Bank charges 16/09/2008 | |
| 54 | 021 | 52010 | | 102,656.93 | Invoice pmt posted 16/09/2008 | |
| 54 | 021 | 52010 | | 53,983.50 | Trans re flight risk insurance renewal posted 26/09/2008 | |
| 54 | 021 | 52010 | | 6,954.50 | Procurement costs posted 11/03/2009 | |
| 54 | 021 | 52010 | | 5,011.20 | Procurement costs posted 31/07/2009 | |
| 54 | 021 | 52010 | 5,735.43 | | Funds recorded posted 07/08/2009 | |
| 54 | 021 | 52010 | | 56,093.20 | FX deal to cover Pa insurance Renewal posted 22/09/2009 | |
| 54 | 021 | 52010 | | 5,468.56 | FX deal to cover procurment cost posted 28/09/2009 | |
| 54 | 021 | 91001 | 251,101.44 | | Crown agents adjustment | |
| 54 | 021 | 91001 | 130.00 | | Correction to bank charges posted incorrectly | |
| 54 | 021 | 91001 | 130.00 | | Bank Charges | |
| 54 | 021 | 52010 | | 130.00 | Correction to bank charges posted incorrectly | |
| 54 | 021 | 52010 | | 130.00 | Bank Charges | |
| 54 | 021 | 52010 | 200,100.00 | | Reversal of PYA Adjustment | |
| 54 | 021 | 91001 | | 200,100.00 | Reversal of PYA Adjustment | |
| | | | 482,311.87 | 482,311.87 | | |
| 54 | 025 | 17001 | 121,588.79 | | | Adjustment to bring the principal in line with the bonds |
| 54 | 021 | 64001 | | 121,588.79 | | |
| | | | 121,588.79 | 121,588.79 | | |
| 55 | 034 | 33102 | 640.03 | | See Attached Schedule | Entries to adjust for mismatched wire charges and fees |
| 54 | 021 | 52017 | | 640.03 | | |
| 55 | 035 | 35705 | 306.19 | | Chq No. 717846 cancelled in error | |
| 54 | 021 | 52017 | | 306.19 | | |
| 03 | 009 | 33501 | 80.00 | | Wire Charges for Simcom International | |
| 54 | 021 | 52017 | | 80.00 | | |
| 04 | 012 | 38028 | 5,253.34 | | Posting correction to Wire Transfer to 33 CL Law Ltd. | |
| 54 | 021 | 52017 | | 5,253.34 | $8,263.51 Less Charges posted $3,010.17 | |
| | | | 6,279.56 | 6,279.56 | | |
| 54 | 021 | 33503 | 2,142.31 | | Wire charges adjustment | |
| 54 | 021 | 52017 | | 2,142.31 | | |
| 54 | 021 | 52017 | 1,117.14 | | Wire charges adjustment | |
| 54 | 021 | 33503 | | 1,117.14 | | |
| 54 | 021 | 33503 | 8.67 | | Bank Charges Adjustment | |
| 54 | 021 | 52017 | | 8.67 | | |
| | | | 3,268.12 | 3,268.12 | | |
| 54 | 021 | 52017 | 1,400.00 | | Reversal of Chq No. 4780 not paid | |
| 14 | 023 | 38405 | | 1,400.00 | | |
| | | | 1,400.00 | 1,400.00 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 54 | 021 | 52012 | 1,606,689.10 | | Xfr To TD 06/09/2006 | |
| 54 | 021 | 91001 | | 1,606,689.10 | Xfr To TD 06/09/2006 | |
| 54 | 021 | 91001 | 1,603,000.00 | | Xfr To TD 22/09/2006 | |
| 54 | 021 | 91001 | 4,000,000.00 | | Xfr From TD 22/09/2006 | |
| 54 | 021 | 91001 | 8,000,000.00 | | Credit memo code 114 on 22/09/2006 | |
| 54 | 021 | 91001 | 4,033,689.10 | | Xfr To TD 22/09/2006 | |
| 54 | 021 | 52012 | | 1,603,000.00 | Xfr To TD 22/09/2006 | |
| 54 | 021 | 52012 | | 4,000,000.00 | Xfr From TD 22/09/2006 | |
| 54 | 021 | 52012 | | 8,000,000.00 | Credit memo code 114 on 22/09/2006 | |
| 54 | 021 | 52012 | | 4,033,689.10 | Xfr To TD 22/09/2006 | |
| 54 | 021 | 52012 | 4,000,000.00 | | Xfr From TD 21/03/2007 | |
| 54 | 021 | 91001 | | 4,000,000.00 | Xfr From TD 21/03/2007 | |
| 54 | 021 | 91001 | 1,603,561.64 | | Xfr To TD 21/03/2007 | |
| 54 | 021 | 52012 | | 1,603,561.64 | Xfr To TD 21/03/2007 | |
| 54 | 021 | 52012 | 1,617,894.78 | | Xfr To TD 22/05/2007 | |
| 54 | 021 | 52012 | 4,176,244.94 | | Debit memo 22/05/2007 | |
| 54 | 021 | 91001 | | 1,617,894.78 | Xfr To TD 22/05/2007 | |
| 54 | 021 | 91001 | | 4,176,244.94 | Debit memo 22/05/2007 | |
| 54 | 021 | 91001 | 794,139.72 | | Xfr From TD 22/05/2007 | |
| 54 | 021 | 52012 | | 794,139.72 | Xfr From TD 22/05/2007 | |
| 54 | 021 | 52012 | 8,342,356.16 | | Debit memo 03/07/2007 | |
| 54 | 021 | 91001 | | 8,342,356.16 | Debit memo 03/07/2007 | |
| 54 | 021 | 91001 | 3,342,356.16 | | Xfr To TD 03/07/2007 | |
| 54 | 021 | 52012 | | 3,342,356.16 | Xfr To TD 03/07/2007 | |
| 54 | 021 | 91001 | 3,000,000.00 | | Ck Deposit BBL 19/07/2007 | |
| 54 | 021 | 91001 | 10,000,000.00 | | Xfr To TD 19/07/2007 | |
| 54 | 021 | 52012 | | 3,000,000.00 | Ck Deposit BBL 19/07/2007 | |
| 54 | 021 | 52012 | | 10,000,000.00 | Xfr To TD 19/07/2007 | Entries are to adjust carrying balance to actual bank balance. |
| 54 | 021 | 52012 | 3,353,436.30 | | Xfr To From 25/07/2007 | |
| 54 | 021 | 91001 | | 3,353,436.30 | Xfr To From 25/07/2007 | |
| 54 | 021 | 91001 | 353,436.30 | | Xfr To TD 25/07/2007 | |
| 54 | 021 | 52012 | | 353,436.30 | Xfr To TD 25/07/2007 | |
| 54 | 021 | 52012 | 10,048,219.18 | | Xfr To TD 20/08/2007 | |
| 54 | 021 | 91001 | | 10,048,219.18 | Xfr To TD 20/08/2007 | |
| 54 | 021 | 91001 | 5,048,219.18 | | Debit memo 20/08/2007 | |
| 54 | 021 | 52012 | | 5,048,219.18 | Debit memo 20/08/2007 | |
| 54 | 021 | 52012 | 5,056,586.78 | | Debit memo 31/08/2007 | |
| 54 | 021 | 91001 | | 5,056,586.78 | Debit memo 31/08/2007 | |
| 54 | 021 | 91001 | 56,586.78 | | Xfr To From 31/08/2007 | |
| 54 | 021 | 52012 | | 56,586.78 | Xfr To From 31/08/2007 | |
| 54 | 021 | 52012 | 809,678.34 | | Debit memo 04/10/2007 | |
| 54 | 021 | 52012 | 56,876.81 | | Xfr To From 04/10/2007 | |
| 54 | 021 | 52012 | 357,217.58 | | Xfr To From 04/10/2007 | |
| 54 | 021 | 91001 | | 809,678.34 | Debit memo 04/10/2007 | |
| 54 | 021 | 91001 | | 56,876.81 | Xfr To From 04/10/2007 | |
| 54 | 021 | 91001 | | 357,217.58 | Xfr To From 04/10/2007 | |
| 54 | 021 | 91001 | 223,772.73 | | Xfr To From 04/10/2007 | |
| 54 | 021 | 52012 | | 223,772.73 | Xfr To From 04/10/2007 | |
| 54 | 021 | 52012 | 245,656.69 | | Xfr To From 22/06/2009 | |
| 54 | 021 | 91001 | | 245,656.69 | Xfr To From 22/06/2009 | |
| 54 | 021 | 91001 | 37,733.68 | | Corr to Interest earned on belieze fixed deposit 29/01/07 | |
| 54 | 021 | 52012 | | 37,733.68 | Corr to Interest earned on belieze fixed deposit 29/01/07 | |
| 54 | 021 | 91001 | 1,603,000.00 | | Xfr To TD 22/09/2006 | |
| 54 | 021 | 52012 | | 1,603,000.00 | Xfr To TD 22/09/2006 | |
| 54 | 021 | 52012 | 1,450,000.00 | | Xfr To TD 22/05/2007 (Part of $1,617,894.78 posted to bank) | |
| 54 | 021 | 91001 | | 1,450,000.00 | Xfr To TD 22/05/2007 (Part of $1,617,894.78 posted to bank) | |
| 54 | 021 | 91001 | 715,000.00 | | Xfr From TD 22/05/2007 (part of $794,139.72 posted to Bank) | |
| 54 | 021 | 52012 | | 715,000.00 | Xfr From TD 22/05/2007 (part of $794,139.72 posted to Bank) | |
| | | | 85,535,351.95 | 85,535,351.95 | | |

## 46. 2012/13 Annual Statement of Public Accounts

Attached.