



2022

Report of the Auditor General



Office of the Auditor General



Report of the Auditor General

Results of the audit of Financial Statements of Government for 2022

Results of the audit in Ministries, Departments, Divisions and Offices

Results of the audit in Statutory Bodies

Results of the special audit of Cleaners' Co-operative

**Office of the Auditor General
Block C, 3rd Floor, Unity House, Victoria
Victoria, Mahe
Republic of Seychelles**

Office of the Auditor General

AUDITING FOR SEYCHELLES

The Auditor General is head of the Office of Auditor General (OAG).

The OAG assists the Auditor General to carry out his duties under the Constitution, Auditor General Act and other relevant laws to undertake financial statement audits, compliance audits, performance audits and special reviews of public sector bodies and to provide independent reports and advice to the National Assembly and the Seychelles Government.

Our aim is not just to identify and report on shortcomings but also to assist and advise managers throughout the public sector on how to improve on financial performance and administration while promoting the principles of good governance, transparency and accountability.

Our products include annual reports, special reports and performance reports to the National Assembly and management letters and advisory notes to the Accounting Officers.

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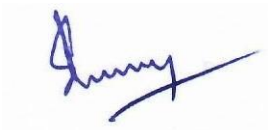
Office of the Auditor General
Block C, 3rd Floor, Unity House, Victoria
Republic of Seychelles
(P.O.Box 49), Phone: (248) 4672500/Fax: (248) 4610365
Email: auditgen@oag.sc
Website: www.oag.sc
Facebook Page: OAG Seychelles
YouTube: SAI Seychelles

20 November 2023

The Honourable Speaker of the National Assembly

In accordance with Article 158 (5) of the Constitution of the Republic of Seychelles, I have the honour to submit the report on my examination of the financial statements of the Government of Seychelles for the year ended 31 December 2022 and the results of various other audits undertaken of the accounts and records in the public sector bodies for presentation to the National Assembly.

Following its presentation, the report will be placed on the website of the Office of the Auditor General — <http://www.oag.sc>



Gamini Herath
Auditor-General
Office of the Auditor General
Victoria, Republic of Seychelles

Acknowledgements

I wish to record my personal gratitude to members of my staff who sincerely carried out their duties with dedication and devotion despite some constraints. I also acknowledge the assistance and co-operation extended by the accounting officers and the staff of various ministries, departments and statutory bodies. It is my duty to extend also a word of appreciation to private sector audit firms who have assisted me by carrying out audits on my behalf on contractual basis.

A very special thank-you goes to the Honourable members of the Finance and Public Accounts Committee (FPAC) of the National Assembly who review my reports and make appropriate recommendations to the Government for remedial action and improvements.

Overview

The report presents the results of my audit of the Annual Financial Statements (AFS) of the Government for 2022 and various other audits undertaken in ministries, departments, officers and Agencies (MDAs) subject to my audit. These audits were completed during the audit cycle from September 2022 to August 2023. The matters included in this report are selective as they are the matters being brought to the attention of the National Assembly as per my reporting requirements. I am pleased to note that many matters raised in audit management letters issued to Accounting Officers throughout the audit cycle, have been dealt with satisfactorily. However, some still remain to be addressed.

This is my seventh consecutive annual report being presented to the National Assembly since my appointment. My previous reports were presented two months or earlier than the statutory 'December' deadline. While this report also falls within the said timeframe, I believe that this report could have been issued earlier. More efforts are continuing, however, to reduce the time taken to produce annual reports even further and, hopefully, to present them at the end of September each year.

The main objectives this report are to:

1. draw the attention of the National Assembly, Government, accounting officers and other decision makers to matters arising from carrying out my oversight role as the Auditor General;
2. comment and provide information on various public financial management aspects, governance and administrative issues;
3. highlight some matters of recurring nature and make some observations on the status of action taken or planned on previous audit reports; and
4. Provide an update on the status of remedial action taken by various MDAs based on previous audit reports.

It is to be noted that this report does not include the results of numerous other audits carried out at request during the same audit cycle, for example, the Covid-19 relief fund account and the audit of funded projects. The results of these audits have been included in separate reports and submitted to the National Assembly and/or the requesting authority.

Generally, the results of financial and compliance audits of Ministries, Departments, Divisions, Offices and Agencies (statutory bodies) are more or less similar and recurring. These are mainly the issues of non-compliance with prescribed financial rules, procedures and instructions; (a) a lack of adherence to the prescribed regulations in the procurement of goods and services by public bodies; and (b) in some instances, the essential accounting records and control documents were either not kept or not updated timely, particularly, in the areas of revenue, stores, transport and fixed assets. This has impacted negatively on effective management of day to day operations and maintenance of proper and timely accounting records in many MDAs.

As for statutory bodies (Agencies, Boards, Councils, Institutes, etc.) with legal provisions to produce annual financial statements and subject to my audit, more are now up to date with their annual accounts. This is a satisfactory.

The preparation of Annual Financial Statements (AFS) of Government under the IPSAS accounting

framework comprising several statements of accounts is the responsibility of Ministry of Finance. The audit of these statements is of paramount importance to the Seychellois citizens. In this respect, my role is to provide assurance to the National Assembly and other stakeholders that these statements properly presents the budget allocations, expenditure, revenue collection and other government's financial activities, such as, public debt and outstanding guarantees and the financial position for the year to which they relate.

The Ministry of Finance is stepping up its efforts to produce better quality AFS, however, more needs to be done to ensure that the AFS are produced not only timely but also fully in accordance with the IPSAS framework to receive a clean opinion. Thus, enabling the audit of the same by the statutory deadline (30th June). There are also other matters of concern which need to be addressed going forward to improve the quality of the financial statements and overall public finance management. For example, formulation and application of a clear policy on grant-in-kind and roll over of funds from one fiscal year to the next and the ultimate expenditure incurred therefrom coupled with full disclosure; minimizing the number of bank accounts outside the treasury system; timely reconciliation of remittance accounts of overseas missions; and better monitoring of dividends revenue.

I note that Ministry of Finance is yet to roll out the new Accounting Manual, which was supposed to have been done effective 2021 but delayed due to some technical issues. I would like to urge the Ministry to see an early implementation of the same considering the fact that it is one of the essential tools required by the MDAs to better manage their financial operations in an efficient and orderly manner, in compliance with the public financial regulations. Also, I encourage the Ministry of Finance to accelerate its efforts to obtain and implement the Integrated Financial Management Information System (IFMIS) as it will go a long way to improve the public finance management framework.

Finally, I would like to advise the readers to refer to a complete set of the AFS of Government published by the Ministry of Finance to gain a better understanding of the structure of budget allocations, revenue collection, public debt, consolidated fund and the results of government financial operations and the financial position of Government at the end of 2022.



Gamini Herath
Auditor General

CONTENTS

CHAPTER 1

Mandate of the Auditor General	1
Audit methodology	2
Submission of statement of accounts	4

CHAPTER 2

IPSAS Reporting Framework	5
Revenue collections	6
Expenditure	8
Spending for the year	9
Capital expenditure	10
Grants and Grants in kind	11
Consolidated fund	12
Cash and bank balances	13
Advances	14
Public debt Portfolio	15
Public debt servicing	16
Outstanding guarantees	17

CHAPTER 3

1. Seychelles Revenue Commission _ Tax	21-26
2. Ministry of Land Use and Housing	27-32
3. Ministry of Fisheries and Blue Economy	33-35
4. Seychelles Prison Services	36-41
5. Land Waste Management Agency	42-45
6. Seychelles National Youth Council	46
7. National Bureau of Statistics	47-48
8. National Botanical Gardens Foundation	49-52
9. National Sports Council	53-57
10. Seychelles Investment Board	58-59
11. National Arts Council	60-61
12. Fair Trading Commission	62-63
13. Agency for Social Protection	64-66
14. Seychelles Licensing Authority	67-68

CHAPTER 4

15. Special audit review of the Cleaners' Co-operative	69-89
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Acronyms and Abbreviations

AfDB	African Development Bank
AFRITAC- South	Regional Technical Assistance Center for Southern Africa
AFS	Annual Financial Statements
AIDS	Acquired Immune Deficiency Syndrome
AR	Annual Report
ASP	Agency for Social Protection
ASYCUDA	Automated System for Customs Data
BAPS	Benefits and Approved Programmes
BAS	Business Activity Statement
BoE	Bill of Entry
CBS	Central Bank of Seychelles
CCTV	Closed-Circuit Television
CEO	Chief Executive Officer
CIS	Creole Institute of Seychelles
CLISSA	Competitive Local Innovations for Small-Scale Agriculture
CMS	Client Management System
CSR	Corporate Social Responsibility Tax
DICT	Department of Information, Communication and Technology
DPA	Department of Public Administration
EITI	Extractive Industries Transparency Initiative
ex-NIE	Ex-National Institute for Education
FC	Finance Controller
FIQCU	Fish Inspection and Quality Control Unit
FIU	Financial Intelligence Unit
FPAC	Finance and Public Accounts Committee
FSA	Financial Services Authority
GFSM	Government Finance and Statistics Manual
GL	General Ledger
GOS	Government of Seychelles
GRB	General Revenue Balance
GRN	Goods Received Note
HQ	Headquarters
IBRD	International Bank for Reconstruction and Development
IDC	Island Development Company
IEA	Industrial Estate Authority
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IML	Interim Management letter
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions

LDTF	La Digue Trust Fund
LMS	Land Management System
LPO	Local Purchase Order
Ltd	Limited Company
LTF	Livestock Trust Fund
MDAs	Ministries, Departments, offices and Agencies
MHILT	Ministry of Housing, Infrastructure, Land and Transport
MLUH	Ministry of Land Use and Habitat
MoEHRD	Ministry of Education and Human Resource Development
MoF	Ministry of Finance
MOFTEP	Ministry of Finance, Trade and Economic Planning
MSME	Micro Small and Medium Enterprises
MTC	Maritime Training Centre
MTS	Medium Term Strategy
NAC	National AIDS Council
NBA	National Biosecurity Agency
NBS	National Bureau of Statistics
NCDP	National Council for the Disabled Persons
NDEA	National Drugs Enforcement Agency
NFA	Non-Financial Asset
NISA	National Information System Agency
NISTI	National Institute for Science and Technology Innovations
NQF	National Qualifications Framework
NSWC	National Social Workers Council
NSWC	National Social Workers Council
NTB	National Tender Board
OAG	Office of the Auditor General
PE	Public Enterprise
PFMA	Public Finance Management Act
PFMR	Public Finance Management Regulations
PHA	Public Health Authority
PIT	Personal Income Tax
POU	Procurement Oversight Unit
PPBB	Programme Performance-Based Budgeting
PS	Principal Secretary
PSF	Principal Secretary of Finance
PSO	Public Service Order
PSSW	Public Security Support Wing
PUC	Public Utilities Corporation
PV	Payment Voucher
QLFS	Quarterly Labour Force Survey
RDT	Residential Dwelling Tax
SAA	Seychelles Agricultural Agency

SADC	Southern Africa Development Community
SBC	Seychelles Broadcasting Corporation
SBFA	Small Business Financing Agency
SBS	Seychelles Bureau of Standards
SCAA	Seychelles Civil Aviation Authority
SCAC	Seychelles Airport Cargo
SCB	Seychelles Commercial Bank
SCCP	Seychelles Code of Civil Procedure
SCG	Seychelles Coast Guard
SCPO	Seychelles New Port Office
SCR	Seychelles Rupees
SCRP	Statement of Cash Receipts and Payments
SEPEC	Seychelles Petroleum Company
SEYCCAT	Seychelles Conservation and Climate Adaptation Trust
SFRA	Seychelles Fire and Rescue Agency
SHF	Seychelles Heritage Foundation
SI	Statutory Instrument
SIMBC	Seychelles International Mercantile Banking Corporation
SIT	Seychelles Institute of Technology
SLA	Seychelles Licensing Authority
SNYC	Seychelles National Youth Council
SPA	Seychelles Ports Authority
SPA	Seychelles Planning Authority
SPDF	Seychelles People's Defence Force
SPTC	Seychelles Public Transport Corporation
SQA	Seychelles Qualification Authority
SRC	Seychelles Revenue Commission
SSF	Fund Social Security
STA	Seychelles Tourism Academy
STB	Seychelles Tourism Board
TMT	Tourism Marketing Tax
TNUNI	Tertiary Non-University Education
TSA	Treasury Single Account
USD	United States Dollars
VAT	Value Added Tax
VC	Vetting Committee
YSB	Youth Services Bureau
HCA	Health Care Agency
Covid-19	Pandemic declared by Health authorities in Seychelles

Chapter 1

Mandate of the Auditor General

- 1.1. Article 158 of the Constitution requires the Auditor General to audit the accounts of the Cabinet Office, the National Assembly, all government departments and offices, all courts and those related to moneys withdrawn from the Consolidated Fund, all the accounts of any statutory corporation or such other body as may be specified by or under an Act and report to the National Assembly within twelve months of the end of the immediately preceding financial year drawing attention to irregularities in the accounts audited and to any other matter which in the opinion of the Auditor General should be brought to the notice of the Assembly.
- 1.2. Section (11) of the Auditor General Act, 2010 requires the Auditor General to satisfy himself that:
 - adequate precautions have been taken to safeguard the proper collection of revenue to which an audit in terms of this Act relates, and that the laws and instructions relating thereto have been duly observed;
 - adequate precautions have been taken in connection with the receipt, custody and issue, and accounting for, property, money, stamps, securities, equipment, stores and other assets;
 - receipt, payments and other transactions have been in accordance with the applicable laws and instructions and supported by adequate vouchers; and
 - satisfactory management measures have been taken to ensure that resources are procured economically and utilised efficiently and effectively.
- 1.3. The mandate covers the transactions of all ministries, departments and offices and those statutory bodies and authorities where specific provisions for audit by the Auditor General exist. The Auditor General Act, 2010 also makes provision, among others, for the conduct of performance audits in public authorities and submitting special reports to the National Assembly on any matter of importance or urgency. A number of other Acts provide for the audit of accounts and records of various funds and persons by the Auditor General. In addition, the Auditor General is the appointed auditor of a number of entities receiving and/or dealing with public funds. The OAG also undertakes audit of the foreign funded programmes and projects on request.
- 1.4. The Act also established the Office of the Auditor General (OAG) with certain financial and administrative autonomy from the Government and a requirement for producing an annual report including financial statements of the Office. Another significant provision in the Act is the Finance and Public Accounts Committee of the National Assembly having to consider the annual estimates of the expenditure prepared by the OAG.

Audit methodology

- 1.5. At the core of the external audit function is the responsibility to ensure accountability of public funds. This responsibility is discharged through the conduct of regularity audits by obtaining evidence supporting compliance with applicable laws, regulations and procedures; compliance with applicable accounting standards and practices; evaluation of systems of control in place; and financial statement items with a view to express an opinion on the accounts presented for audit. In order to provide an independent and professional audit service, the OAG is guided by the International Standards of Supreme Audit Institutions (ISSAIs) auditing standards and practices.
- 1.6. The OAG prepares an annual audit programme including all audits identified to be undertaken during a twelve month period, known as audit cycle. The programme is reviewed periodically in the light of changing circumstances and to adjust the overriding priorities. Except in the case of certification audits required to be undertaken on an annual basis, the selection of entities to be included in the audit programme is influenced largely by the materiality of the entity's annual expenditure or the amount of revenue the entity is required to raise. Other relevant factors such as, known audit risks, topicality, previous experience and the relative significance of operations of an entity are also taken into account in audit programming. The principal objective of an audit is to carry out sufficient audit work to provide a basis for the Auditor General to form an opinion on the accounts and records of an entity. In determining the extent of work to be undertaken in each audit, a critical assessment is carried out of the strengths and weaknesses of internal control systems in operation, the nature of the transactions involved and the type of opinion required to be expressed.
- 1.7. The audits are, however, intended to provide an overall assurance of the general accuracy and propriety of the government financial and accounting transactions, and, as such, although undertaken in accordance with prescribed standards, practices and methods, they do not guarantee absolute accuracy of the accounts, nor the detection of every accounting error, financial irregularity and loss through fraud or otherwise.

The government's accounting framework

- 1.8. The government's accounting framework is based on the requirement to ensure proper accounting of funds appropriated by the National Assembly or by other statutory provision and to provide the necessary information for the production of annual statements of accounts. For the purpose of financial reporting, the public sector may be defined as the government comprising ministries, departments and offices provided for in the budget and coming under the direct financial administration of the Treasury together with any extra-budgetary activities undertaken and other funds separately accounted for, and the financial activities of the state owned enterprises as scheduled by the Public Enterprise Monitoring Commission Act, 2013.

- 1.9. In terms of Article 151 of the Constitution, all revenue and other moneys raised or received for the purposes or on behalf of the government are paid into the Consolidated Fund at the Treasury, not being monies that are payable by or under an Act for some specific purpose or into some other fund established under an Act for a specific purpose. Payments out of the Consolidated Fund, other than those charged by the Constitution or any other Act, are required to be authorised by the National Assembly through an Appropriation Act. Spending authority granted in the Appropriation Act lapses at the end of the year for which it is granted. Revenue and expenditure accounting is on a cash basis, meaning that arrears of revenue are not reflected in the Statement of Assets and Liabilities and payments are included in the accounts only if actually incurred before the end of the financial year.
- 1.10. The Public Finance and Management Act, 2012 provides for the annual financial statements to be prepared in accordance with international public sector accounting standards (IPSAS), and for the time being a cash-basis has been adopted. The financial statements have consolidated the affairs of the public enterprises, on a voluntary basis, with certain exceptions. The financial statements as presented are found in line with the Constitution and as provided for under the Act.
- 1.11. The government financial transactions recorded by Treasury are classified as receipts, expenditures and other statutory transactions chargeable to the Consolidated Fund, and below-the-line transactions. The last type mainly involves the acquisition or disposal of financial claims or the creation or discharge of financial obligations which are disclosed on a net basis in the Statement of Assets and Liabilities. The receipts and expenditure balances shown in the accounts are net of refunds and recoveries that might be payable under a legal provision or an administrative arrangement. In view that the collection of revenue arrears and settlement of prior years' financial obligations arising from earlier procurements of goods and services are not accounted for separately, many above-the-line accounts do not always reflect an accurate outcome as compared to the approved budget estimates.
- 1.12. Short term borrowings by the government and lending by way of general and parastatal advances are incorporated in the accounts. The financial statements also include a large number of accounts termed as general and trading/operating accounts which are actually operational accounts of various ministries and departments maintained for specific purposes.
- 1.13. Public debt in the form of long term loans, which constitutes the bulk of government's liabilities, is not included in the accounts but shown separately in the Public Debt statement attached to the accounts. The Government's investment in the public corporations, companies and other entities are expensed and disclosed separately by way of a statement attached to the accounts. The value of fixed assets held by MDAs are neither incorporated in the statement of assets and liabilities nor disclosed by way of a footnote to the accounts. In view of the cash basis accounting adopted for the

preparation of financial statements, the statement of assets and liabilities of the government thus does not reflect the complete/entire financial position of the Government for any given period, but the various account balances in the Treasury ledger only.

Submission of several statements of accounts

- 1.14. In order to enable the Auditor General to comply with Article 158 of the Constitution, the Minister for Finance is required under Section 32 of the Public Finance Management Act, 2012 to transmit the financial statements within three months after the close of each financial year including (a) annual financial statements prepared in accordance with the IPSAS; (b) the accounts of the Consolidated Fund and other funds established under this Act giving full particulars of all receipts and expenditure of moneys accounted for in those funds during the financial year and a comparison of budget with actual; (c) a statement of fiscal outcome and effect; (d) a statement of outstanding guarantees and other financial liabilities of Seychelles at the close of the financial year; and (e) as far as practicable, a statement of assets and liabilities of Seychelles at the end of the financial year and the manner in which the assets are invested or held at the close of the financial year. The audit of the submitted accounts is to be completed within three months of submission of documents under section 32 according to Section 33 of the Act.
- 1.15. The first draft of the several statements of accounts required by the Public Finances Management Act was submitted to Audit on 31 March 2023. These statements were examined and the matters were formally communicated to the Ministry on 02 August 2023 through an Interim Management Letter (IML), followed by an exit meeting held on 22 August 2023. A second draft financial statements and formal response to the IML were submitted by the Ministry on 15 September 2023 and 05 October 2023 respectively, further to which a Management Letter was issued by the Office on 30 October 2023. A third draft was submitted on 14 November 2023 and comments and analysis included in this report are based on the same. The readers may like to refer to the complete set of several statements of accounts published by the Ministry of Finance to gain a comprehensive understanding of the structure, presentation and the various disclosures of the financial statements of Government.

Chapter 2

Audit comments on annual financial statements

IPSAS reporting framework

- 2.1. In line with the International Public Sector Accounting Standards (IPSAS) reporting framework established under the Public Finance Management Act (PFMA), 2012, the government must report fully upon all of the receipts and expenditures of all entities and funds under its control, including any extra-budgetary funds which have been received and disbursed during the year by or on behalf of its agencies.
- 2.2. The cash basis IPSAS has been adopted by the government to report on the financial position and transactions under the Consolidated Fund and various other funds.
- 2.3. Under the IPSAS cash-basis framework, the annual financial statements of government are required to include a statement of comparison of budget and actual for revenue and expenditure of the government for the year, where operational performance for the year is detailed, and the explanation for material differences between budget and actual amounts provided by way of a disclosure note.
- 2.4. As has been observed in previous audits, the annual financial statements, submitted for audit, include two statements presenting substantially the same information in this respect, in the form of a ‘Comparison of budget and actual amount for the year 31 December 2022’ and ‘Comparison of budget and actual amount for the year ended 31 December 2022 (GFSM 2014 classification)’. This is said to be done for administrative reasons.
- 2.5. Audit examined the AFS for 2022 and other accounts and records relevant to the same and noted that the statements as presented do not fully comply with the existing cash basis IPSAS framework, for the following reasons stated briefly:
 - some extra-budgetary revenues and expenditures of public bodies are not included in the financial statements of the government; and
 - some government-controlled bank balances are not included in the financial statements of the government.
- 2.6. Though not required under the IPSAS reporting standards, a consolidation of the activities of the SOEs through a consolidated cash flow statement is also prepared as part of the AFS for the year ended 31 December 2022.

Revenue

- 2.7. Revenue derived from various sources, including direct and indirect taxes, fees and charges and dividends on behalf of the Republic, is credited to the Consolidated Fund as per the relevant constitutional provisions. Government agencies responsible for the collection of revenue are given targets in terms of approved estimates for each fiscal year.

- 2.8. Revenue figures included in the annual accounts of the government are actual receipts net of refunds, some of which may not necessarily relate to the current financial year. Similarly, some revenue arrears, relating to previous years, realised are accounted for as current revenue in the year of collection.

Collections in comparative figures

- 2.9. The original revenue estimates for 2022 were R9.7b, revised downwardly to R9.3b, against which the actual collections were R8.8b. This shows a lower performance by R869.29m and R457.4m against the original and revised estimates respectively. However, the actual revenue collections of R8.8b during the year 2022 show an over-performance by R530.5m or 6 per cent, when compared to R8.3b reported for the previous year. Revenue collections reported in the years 2019/2022 as follows.

Figure 1

Head	Revenue collected R (m)			
	2019	2020	2021	2022
Taxes	7,428.2	6,371.3	6,724.3	7,395.0
Fees and Charges	340.9	261.9	366.6	393.4
Dividends	477.4	412.4	441.1	790.5
Other Non-Tax	49.2	240.7	66.2	75.0
Sale of Assets	54.9	62.7	71.9	80.4
Grants	58.5	602.5	633.2	101.5
Totals:	8,409.1	7,951.5	8,303.3	8,835.8

- 2.10. The performance of specific revenue heads against the original and the revised estimates are summarised in **Figure 2**.
- 2.11. *Fees and charges*: Revenue from fees and charges over-performed by R46.6m or 13% against an upwardly revised estimate of R346.8m, from R324.8m originally estimated.
- 2.12. *Dividends*: Actual dividends paid into the Government account in 2022 exceeded expectations by R33.2m or 4% against the upwardly revised budget of R757.3m, originally estimated at R590.3m. While the actual dividends received from SEYPEC (R250.0m), Islands Development Company (R11.0m) and Seychelles Commercial Bank (R5.1m) were more than their respective estimates; by R50.0m, R6.0m and R2.2m respectively, the dividend accounted for in government’s books in respect of Indian Ocean Tuna Ltd. (IOT) and Financial Services Authority were R34.5m and R65.8m which were lower than the anticipated amounts by R10.1m and R14.2m respectively..
- 2.13. It has been reported in previous years, that there was no receipt reported from the investment in Afreximbank, though an estimate of R0.3m was provided in the budget.
- 2.14. Further a review of the dividend projections from IOT for 2022 showed that dividends in the sum of Euro1,850,718 declared to SSIL for the year 2021 were paid into a commercial bank account in the name of SSIL in August 2022 in view of the pending winding up process of SSIL. Against this declared dividend amount, the actual transfer made by IOT to the SSIL

account was Euro1,452,732 stating that the amount transferred is net of the payments of IOT long term service allowance, which is not supported by a documented policy or approval by the Government despite being reported previously.

- 2.15. Moreover, although the SSIL Board also approved the transfer of Euro1,452,732 to Government, the amount actually transferred in January 2023 was Euro1,121,781, after deducting Euro328,225 for the loan repayment by SSIL.
- 2.16. *In response, the Ministry of Finance (MoF) noted that it is working closely with the Public Enterprise Monitoring Commission (PEMC) to effectively forecast dividend payments from State Owned Enterprises (SOEs).*
- 2.17. *Customs Tax:* Actual collections surpassed the downwardly revised revenue estimate of R285.1m, formerly set at R289.1m, by R17.6m or 6%.
- 2.18. *Tourism Marketing Tax:* An over-performance of R14.0m or 21% was reported against a static projection of R68.1m.
- 2.19. While increases were noticeable under the above revenue heads, an underperformance was noted under other revenue heads as below.
- 2.20. *Business Tax:* Actual revenue collection was lower than its revised budget (R1,446.6m) by R239.0m or 17% against a revised/ original budget of R1.4b. This was also the largest under-collection of revenue reported from all revenue categories in terms of value.
- 2.21. *Value Added Tax (VAT):* VAT performed lower than anticipated by R114.2m or 4% against a revised budget of R3.1b, originally estimated at R3.0b.
- 2.22. *Grants:* Actual receipt of R101.5m was reported against a downwardly revised projection of R205.9m, initially estimated at R782.1m, hence representing lower receipt by R104.4m or 51%. This was also the largest under-collection of revenue reported from all revenue categories, in terms of percentage of revised projections.
- 2.23. *Excise Tax:* A lower collection of R46.8m or 3% was reported against the downwardly revised forecast of R1.5b, which was originally estimated at R1.6b.
- 2.24. *Other Taxes:* Actual performance was R43.6m or 13% lower than its downwardly revised estimate of R337.5m, originally projected at R352.7m.
- 2.25. *Other non-tax:* The actual collection of R75m shows a better performance of R21.3m or 40%, against a downwardly revised estimate of R53.7m, originally estimated at R60.6m.
- 2.26. *Property tax:* It under-performed by R20.7m or 41% against a static revenue estimate of R50.0m.
- 2.27. *Personal Income Tax (PIT):* PIT performed below expectation by R18.7m or 2% against a downwardly revised budget of R1.1b, originally budgeted at R1.2b.

- 2.28. *Sale of assets*: A lower collection of R6.0m was reported against the upwardly revised sum of R86.4m, originally estimated at R84.2m.

Figure 2

Head	Original Estimate	Revised Estimate	Actual	R (m)
				Variance R (m)
Personal Income Tax	1,161.9	1,104.1	1,085.4	(18.7)
VAT	2,951.0	3,081.4	2,967.2	(114.2)
Trades Tax	289.1	285.1	302.7	17.6
Excise Tax	1,553.4	1,462.6	1,415.8	(46.8)
Business Tax	1,436.9	1,446.6	1,207.6	(239.0)
GST	-	0.6	0.7	0.1
CSR Tax	-	7.1	10.3	3.2
Tourism Marketing Tax	68.1	68.1	82.1	14.0
Other Taxes	352.7	337.5	293.9	(43.6)
Property tax	50.0	50.0	29.3	(20.7)
Fees and Charges	324.8	346.8	393.4	46.6
Dividends	590.3	757.3	790.5	33.2
Other Non-Tax	60.6	53.7	75.0	(21.3)
Sale of Assets	84.2	86.4	80.4	(6.0)
Grants	782.1	205.9	101.5	(104.4)
Totals:	9,705.1	9,293.2	8,835.8	(457.4)

Expenditure

- 2.29. Withdrawals from the Consolidated Fund must be by annual appropriation or under provision of other law. The annual spending limits are included in detail in the budget document under various heads. The Appropriation Act, 2022 totalled R10.1b. The Ministry of Finance sought budget savings and budget cut, amounts totalling R887.4m, in September 2022 following its mid-year review. Additionally, the Ministry also sought supplementary estimates of some R472.8m before the National Assembly to cater for re-allocations which together provide for a net budget savings of R414.6m.
- 2.30. The overall changes in budgeted revenue, expenditure and financing amounts are explained in the AFS under Note 25 to the financial statements- Change in Float.
- 2.31. The accounts and records relating to expenditure out of appropriated/budgeted funds are maintained by the respective Accounting Officers while Treasury has responsibility for effecting payments other than petty cash on behalf of the organisations concerned and to maintain the general ledger of the Government. In a similar way to the collection of revenue, financial transactions in respect of payments for goods and services are accounted for in the year the payments are effected.
- 2.32. Due to the classified nature of the activities involved, an independent audit was not undertaken of the expenditures incurred in the year 2022 in respect of the information reward funds of the Police (SR.0.505m) and the Seychelles Intelligence Services (SR1.2m) and security infrastructure, equipment and services of the SPDF (nil). However, the Accounting Officers for the accounts concerned have provided written representations to the effect that all payments effected, where applicable, were properly authorised, and that adequate controls

existed while granting approvals for making these payments as per the relevant laws/regulations.

Spending for the year

2.33. Actual expenditure overall in the years 2020 to 2022 is summarised as below.

	2020	2021	2022	Variance (21/22)
Current and other outlays				
Wages and salaries	2,844.5	2,762.2	2,792.6	30.4
Goods and services	2,913.2	2,826.2	3,129.7	302.5
	5,757.7	5,588.4	5,922.3	370.1
Interest due	712.1	739.6	736.4	(11.2)
Transfers				
Social programmes of central government	1,512.4	471.4	270.6	(238.0)
Public Subvention	455.0	240.1	276.8	36.7
Benefits and approved programmes of ASP	1,659.5	1,414.9	1,369.7	(45.2)
Other	32.7	259.2	43.4	(215.8)
Capital expenditure	1,137.2	1,226.2	711.4	(514.8)
Net lending	151.2	27.3	(8.7)	(36.0)
Contingency	148.5	57.7	35.8	(21.9)
Totals:	11,566.3	10,025.8	9,356.7	(669.1)

2.34. As shown in **Figure 3**, actual expenditures for the year 2022 were below the previous year overall by R0.7b or 6%. Major lower spending as compared to the year 2021 were reported primarily under capital expenditure by R0.5b, other expenditure by R0.2b, social programmes of central government (SPG) by R0.2b, followed by Benefits and Approved Programmes of ASP (BAPS) by R45.2m and net lending and contingency by R36.0m and R21.9m respectively.

2.35. On the other hand, increased spending was reported under wages and salaries and goods and services by R30.4m and R0.3b respectively.

Centrally managed expenditures

2.36. These expenditures do not fall under the public sector entities budgets. They include other centralised wages and salaries and other goods and services costs, as well as social programmes of central government, subventions to SOEs, benefits and approved programmes of ASP, other, contingency and development grants. Actual expenditure reported as compared to the revised budget figures is summarised in **Figure 4**.

Figure 4

	Revised Budget	Actual	R (m) Variance
Other current Outlays			
Other Wages and Salaries	313.2	301.6	(11.6)
Other Goods and Services	110.3	106.6	(3.7)
Transfers			
Social programmes of central government	317.4	270.6	(46.8)
Public Subvention	277.7	276.8	(0.9)
Benefits and approved programmes of ASP	1,444.9	1,369.7	(75.2)
Other			
Others	49.6	43.4	(6.2)
Capital expenditure			
Development Grants	158.5	122.0	(36.5)
Net Lending	90.5	(8.7)	(99.2)
Contingency	50.0	35.8	(14.2)

- 2.37. *Social programs of Central Government (SPG)*: Actual expenditure under this category was lower than the revised budget by R46.8m. Different programs under SPG showed lower spending largely under SMEs scheme, pensions and Housing Finance scheme which reported a lower expenditure by R16.1m, R8.7m and R8.4m against their respective revised budget.
- 2.38. *Benefits and Programs of SSF (BAPS)*: Schemes under BAPS, namely the ‘Home Carers Scheme’, ‘Social Safety Net’ and ‘invalidity benefits’ reported lower spending by R37.1m, R31.1m and R7.7m respectively as compared to their revised budget for the year 2022. Conversely, a spending of R10.0m over the revised budget was noted under retirement benefits.

Capital expenditure

- 2.39. *Rollover of funds*: Audit noted year-end fund transfers totalling R153.4m to trading and operating accounts with corresponding entries largely to capital expenditure accounts and the use of goods and services under other accounts. The roll-over of funds, in principle, do not represent actual expenditures incurred at year end, or committed financial obligations, such as, invoices received but not paid at the yearend, in terms of the definition of the IPSAS cash basis reporting framework. The parking of funds for indefinite future use does not necessarily represent prudent public financial management and, if continues unchecked, it will erode the confidence in the budgetary controls and lead to wasteful and extravagance spending and misuse of funds.
- 2.40. However, a note to the financial statements has been provided with the details of the suspense accounts under this category as at end of 2022.
- 2.41. *Underutilisation of capital expenditure budget*: The capital expenditure budget for the year 2022, originally R1.5b, was downwardly revised to R827.9m. However, actual expenditure recorded was R589.4m, which includes R153.4m roll over/transfer of unspent funds at year

end. Thus, excluding the year-end transfers, an underutilisation of R1.1b (or 71 per cent) of original budget and R391.9m (or 47 per cent) of the revised capital expenditure budget.

- 2.42. Audit recommended that a mechanism for better planning and close monitoring of capital projects implementation should be put in place to ensure an effective utilisation of capital budget provisions.
- 2.43. *In response, the Ministry explained that capacity limitations exist within Ministries, Departments and Agencies (MDAs) with regards to planning for capital projects which consequently affects the implementation rate of projects.*
- 2.44. **Lump sum budget for small projects without details:** A budget of R20.0m was allocated for small projects implemented at district level against an actual spending of R12.2m. Audit requested for the list of projects/ specific budget allocation in support of this sum and was informed by the MoF that the budget is utilised as and when the need arises.
- 2.45. Audit, therefore, recommended that the Ministry should consider reviewing the process of budgetary allocation for small projects implemented at district levels and ensure that sums allocated are in accordance with the community and country project prioritisation.
- 2.46. *In response, the Ministry noted that at the time of budget finalization, the list of projects under the district small projects program is not finalized. The list is only finalized after discussions at the district levels, the result of which is consolidated by the Ministry of Local Government and Community Affairs.*

Grant-in-kind

- 2.47. Grant or benefit in kind accounted for in the Government's books in 2022 totalled R22.9m. As reported in previous years, the Ministry is still accounting for grants or benefits-in-kind without a formal accounting policy and also without adequate disclosure notes being included in the financial statements of the government, despite encouraged by the standards.
- 2.48. In this regard, Audit also noted that the keys to the renovated NIHSS building were handed over by a local contractor in December 2022, which was followed by the official re-opening on 30 January 2023. However, the value of this donation received in kind was not accounted and/or disclosed in the AFS for 2022. While the MoF did not have any records on this case, the media reports estimated the renovation cost at some R20m.
- 2.49. Audit recommended that the Ministry prepares a policy on the matter and the accounting treatment is effected accordingly for grants-in-kind with sufficient details being disclosed in the notes to annual financial statements of the government.

Withdrawals requiring supplementary appropriation

- 2.50. According to the Constitution, withdrawals of monies from the Consolidated Fund should be authorised by an Appropriation Act or by other law. The principal mechanisms for the appropriation of budgeted funds for ministries and departments and centralised payments are

the annual Appropriation Act and supplementary appropriations approved by the National Assembly thereafter.

- 2.51. At the time of writing, overspending in respect of three MDAs (The Judiciary (R1,442,089), Seychelles Meteorological Authority (R232,721) and Office of the Mayor of Victoria (R147,006) amounting to some R1,821,818 remained to be regularised through supplementary appropriation.

Consolidated Fund

- 2.52. The Consolidated Fund is established in accordance with Article 151 of the Constitution. It is credited with all revenue collected on behalf of the Republic and debited with withdrawals by annual appropriations and charges under the provision of law.

Overall fiscal balance

- 2.53. For the purpose of this analysis, an overall fiscal deficit is the excess of expenditures incurred, including capital expenditure and interest payments as compared to total revenue receipts, including grants. The original budget for the year 2022, before supplementary estimates and budget cuts, projected a deficit of R950.0m, while the actual outcome was a deficit of R520.9m, which represents a lower deficit of 45% against the original projection.

Figure 5 **R (m)**

	Original Estimates	Actual	Variance in R (m)	Variance %
Revenue	9,705.3	8,835.8	(869.5)	(9%)
Expenditure	(10,655.3)	(9,356.7)	1,298.6	(12%)
Fiscal balance:	(950.0)	(520.9)	429.1	(45%)

Movements on the Consolidated Fund

- 2.54. Production of a final balance on the Consolidated Fund for the year requires adjustment of the overall fiscal balance by recording financing inflows and outflows, which is the difference between loan drawdowns and amortisation costs adding in privatisation, sale of assets and long term lease receipts under the current accounting practice adopted, after ignoring movements on financial balances.
- 2.55. Calculated on a basis to take account of these amounts in a summary of the activity in the Consolidated Fund, **Figure 6** shows an adjusted overall movement of R525.2m for the year. This is disclosed as per Note 3.11 of the AFS.

Figure 6		R (m)
		Actual
Balance brought forward 01.01.22		(649.6)
Overall fiscal balance	(520.9)	
Add: Net lending	(8.7)	(529.6)
Financing	520.9	
Add/Less: Movement in Cash and Bank Balances	(685.3)	
Movement in Liabilities	1,219.2	1,054.8
Adjusted overall movement in the year		525.2
Balance carried forward 31.12.22		(124.4)

Cash and bank balances

- 2.56. Government maintains a Treasury Single Account (TSA) at CBS to deposit revenue receipts and make payments. In addition, the Minister may authorise Accounting Officers to open separate bank accounts at the CBS or other commercial banks for specific operations.
- 2.57. Cash and bank balances recorded by Treasury at the end of 2022 totalled R1.6b (2021:R2.3b) of which R350.0m was held with the CBS against monetary policy purpose issues of Treasury bonds.
- 2.58. Several other bank accounts confirmed to be in the name of Government with an aggregate balance of R87.8m, excluding a Libyan Arab Jamahiriya Holding Account of R51.6m and Integral Brigade Account holding R23.2m, are further disclosed in note 3.1 to the AFS.
- 2.59. However, Audit noted that (a) the Treasury ledger balance (nil) differed to the balance of R489,355 confirmed by CBS in respect of one bank account at 31.12.2022.
- 2.60. With a view to ensure the completeness of bank accounts and the balances reported in the AFS, Audit recommends that the Treasury should maintain a register of all non-TSA accounts and use that as a basis to seek confirmation from respective banks.

Remittances

- 2.61. Typically, the remittance accounts should represent cash in transit in respect of the overseas missions. It was noted that against the total remittance balance of R20.6m (excluding a credit balance of R1.6m under First Abu Dhabi Bank) reported in AFS 2022, only R2.0m were available in the overseas missions' bank accounts as at year end, resulting in an unreconciled balance of R18.6m.
- 2.62. Included in the unreconciled balance of R18.6m is R3.3m relating to three embassies which have since been closed, as previously reported. Also, the remittance ledger balance relating to the First Abu Dhabi Bank stood at R1.6m credit against the bank balance of R1.3m credit at 31.12.2022 which shows that this balance was not revalued for accounting purpose.
- 2.63. As reported in previous years, the remittance account balances at the year-end were not reconciled to the respective mission's cash in hand balance as per the mission's cash books.

Advances

- 2.64. The outstanding advances totalled R1.0b at the end of 2022 (2021: R1.0b) consisting on-lending facilities to the Public Utilities Corporation (PUC) and advances to Development Bank of Seychelles (DBS).
- 2.65. The status of the longstanding balance of R79.9m in respect of Seychelles Marketing Board (SMB) under 'Parastatals/Companies in Liquidation' remains unchanged for the stated reason that it is under investigation by the ACCS.
- 2.66. The budget for gross lending for the year 2022 was revised downwardly to R207.9m from R264.6m, and it pertained to the PUC. Actual disbursement, however, at the yearend was only R94.1m. On the other hand, total repayments made by PUC was R45.3m against a revised budget of R64.5m; originally estimated at R76.4m.
- 2.67. *In response, the Ministry noted that on-lending budget is reviewed as part of the mid-year review process. Forecasts for expenditure and receipts under 'on lending' will not always be accurate due to foreign exchange rate variations.*

Trading and operating accounts

- 2.68. The Treasury maintains a number of trading and operating accounts under this head which are utilised for various purposes, including Treasury Single Account (TSA) balances, revolving funds, unidentified items under short term clearance, dishonoured cheques and others. These accounts are also known as suspense accounts. Movements on the balances on these accounts during 2022 is summarised below.

Figure 7 **R (m)**

Name	Balances 2021	Balances 2022	Movements
General	(2.1)	16.5	18.60
Trading and Operating	340.3	437.3	97.00
Totals:	338.2	453.8	115.60

- 2.69. The increase in general accounts mainly reflects increase in SRC Unidentified items balance by R13.5m followed by Customs dishonoured cheques balance by R4.6m as compared to the prior year balance. Increases and decreases of lower amounts under other account balances were noted which together results in the overall movement of R18.6m at year-end.
- 2.70. Movement under trading and operating accounts reflects both increases and decreases under several existing trading and operating accounts during the year. Additionally, the creation of 54 new accounts in connection with capital projects for setting aside the unspent balances of budget funds (roll-over) contributed to the increase in the trading and operating account balances at year-end.

Public debt

- 2.71. The Statement of External Debt and the Statement of Domestic Debt shows the particulars of outstanding long term external and domestic loans respectively. While external loans are raised from bilateral, multilateral and commercial sources, domestic loans are raised by the sale of development stocks, Treasury bonds and through banking institutions.
- 2.72. The accounting policy for long and short term borrowings by the Government differs in that long term borrowings are not accounted for as a liability in the Statement of Assets and Liabilities, but are included in the public debt statement.
- 2.73. Short term borrowings, comprising Treasury bills and deposits made with the Government by various governmental and private entities, on the other hand, are included as liabilities in the Statement of Assets and Liabilities but not included in the public debt statement.

Legislative framework for public debt

- 2.74. The Public Debt Management Act, revised and consolidated the laws relating to loans and guarantees and provides for the establishment of a National Public Debt Management Committee. Under this Act, it is provided that borrowings other than in the case of Treasury bills, shall not be valid unless the particulars of the loans are published in the Official Gazette through a Statutory Instrument (S.I.).
- 2.75. As previously reported in 2017, one loan without SI remain to be regularised by issue of statutory instrument. *The MoF stated that some discussions are on-going with the lender to finalise this loan.*

Public debt portfolio

- 2.76. The debt portfolio increased by R62.4m (or less than 1%) in 2022 as compared to the previous year ending at R17.4b at the end of 2022. Long-term debt predominantly constitutes 87% of the total debt portfolio and represents an increase of R270.8m or 3% over the previous year. On the other hand, short-term borrowings reduced by R1.3b or 37% during the year as compared to the previous year.

Figure 8 Public Debt Portfolio R (m)

	2018	2019	2020	2021	2022
Long term loans	6,978.0	7,113.9	12,625.9	13,673.5	15,068.5
Short term borrowings	5,027.2	4,891.9	5,473.4	3,635.6	2,303.0
Total:	12,005.2	12,005.8	18,099.3	17,309.1	17,371.5
Increase/(decrease)	(347.6)	0.6	6,093.5	(790.2)	62.4
Long term debt %	58.1	59.3	69.8	79.0%	86.7%

Long-term debt

- 2.77. External debt increased by around R270.8m (or 3%) during the year 2022 mainly due to three new loans raised in 2022 and drawdowns on existing loans.

2.78. On the domestic front, the increase is matched by the issue of 11 new treasury bonds issued in 2022 totalling R1.3b and redemption of one treasury bond in the sum of R150m (**Figure 9**).

Figure 9 **Outstanding public debt** **R (m)**

	2018	2019	2020	2021	2022
External debt					
Bilateral	1,415.3	1,397.9	2,142.9	1,336.0	1,805.1
Multilateral	2,046.4	2,311.6	4,994.1	5,153.8	5,096.7
Commercial	308.8	292.3	405.0	254.9	401.2
External bonds	1,747.6	1,638.6	2,149.1	1,211.6	924.2
Sub-total:	5,518.1	5,640.4	9,691.1	7,956.4	8,227.2
Domestic debt					
Treasury bonds	600.0	550.0	2,000.0	4,955.9	6,102.2
Others	859.9	923.5	934.7	761.2	739.1
Sub-total:	1,459.9	1,473.5	2,934.7	5,717.1	6,841.3
Grand total:	6,978.0	7,113.9	12,625.8	13,673.5	15,068.5
Increase/(decrease)	(129.0)	135.9	5,511.9	1,047.7	1,395.0

2.79. With regards to outstanding long-term debts at the end of the year 2022, Audit noted that 16 loans relating to four lenders totalling around R1.6b or 20% of the total external debt of R8.2b remained to be independently confirmed by the respective lenders at the time of writing.

2.80. *The Ministry noted that reminders were sent for two lenders, response is awaited from the third lender and a meeting would be scheduled with the fourth lender.*

Short term borrowings

2.81. Short term borrowings comprise funds raised from Treasury bills and deposits. A reduction in Treasury bills in 2022 underlies the overall decrease of R1.3b in short term borrowings.

Figure 10 **Short term borrowings** **R(m)**

	2018	2019	2020	2021	2022
Treasury bills	4,989.8	4,853.3	5,427.2	3,590.9	2,258.1
Parastatal/fund deposits	37.4	38.5	46.2	44.7	44.9
Sub-total	5,027.2	4,891.9	5,473.4	3,635.6	2,303.0
Increase/(decrease) in R	(218.6)	(135.3)	581.6	(1,837.8)	(1,332.6)
Increase/(decrease) in %	(4.2)	(2.7)	11.9	(33.6)	(36.7%)

Public debt servicing

2.82. Overall, the total actual public debt servicing cost, comprising repayments of principal and interest payments, increased to R1.5b; from R1.4b in 2021. Interest payments alone, are lesser on the domestic debts and higher on the external, resulting in a decrease in total interest payments by R4.2m or 1%.

2.83. On the other hand, repayment of principal amounts of external debts was lower than the previous year by R16.4m whereas those on domestic debts was higher by R132.2m in 2022 as compared to the prior year.

Figure 11 Public debt servicing R (m)

	2018	2019	2020	2021	2022
Interest					
External	222.9	243.7	298.4	227.4	232.5
Domestic	336.0	203.2	413.6	513.2	503.9
Sub-total:	558.9	446.9	712.0	740.6	736.4
Amortisation					
External	387.4	419.1	595.5	542.2	525.8
Domestic	114.1	346.6	143.3	81.7	213.9
Sub-total:	501.5	765.7	738.8	623.9	739.7
Grand total:	1,060.4	1,212.6	1,450.8	1,364.5	1,476.1

Outstanding Guarantees

2.84. A statement of outstanding guarantees is required to be presented under Article 154 (8) (d) of the Constitution. The aggregate balance outstanding in respect of guarantees was R850.7m at the end of 2022 (2021: R938.4), in line with the amounts incurred and outstanding in the undertaking by GOS of various public sector borrowings.

2.85. Total drawdowns during 2022 stood at R215.1m, primarily consisting of two new bonds at R192.3m in respect of Development Bank of Seychelles (DBS) and a sum of R22.9m relating to existing guarantees chiefly relief scheme for financing of SME and large enterprises with total drawdown of R20.8m.

2.86. On the other hand, repayments made during the year amounted to R267.4m mainly towards relief scheme for financing of SME and large enterprises at R216.9m and R50.0 relating to redemption of one existing Treasury bond. Overall, this shows that total repayments exceeded total drawdowns during the year, consequently reducing the total outstanding balance guaranteed by the Government at year-end.

Status of matters reported in previous reports

AR21, Page, para, audit brief	Status
AR21, 7, 2.15 Budgeted dividends not received.	Resolved as regards Land Marine. However, observation persists in respect of IOT where a delay in remittance was noted.
AR21, 7, 2.15 No policy to guide the auction sale process.	Observation persists The MOFNP&T noted that the online auction sale procedures is proposed to be incorporated in the new Asset Management policy.
AR21, 12, 2.40 Inadequate documentary evidence in support of Government's affiliation with Shelter Afrique and a sum of USD2,101,309 identified as a liability towards this organisation.	Observation persists as the liability to pay is not established by the documents submitted for audit review.
AR21, 12, 2.41-2.42 Funds provided for gratuity payments to IOT workers without a formal agreement.	Observation persists.
AR21, 12-13, 2.43-2.45 Discontinuity in construction works resulting in significant time and cost overruns in Anse Royale Crèche project.	Work-in-progress.
AR21, 13, 2.46-2.49 No documented policy to guide the treatment of grants-in-kind and reporting in the Government financial statements	Work-in-progress. <i>The MOFNP&T noted that a Policy formulation in this regard is underway and would be finalised in 2023.</i>
AR21, 13, 2.50-2.52 Grant in transit (GIT) accounts with debit balances	Observation persists. A total of 4 (2021: 5) GIT accounts, including two accounts noted in the previous year's audit, reflected debit balances totalling R1.5m (2021: R2.3m) at the end of 2022.
AR21, 9, 2.53 Spending in excess of budget to be regularised.	Resolved.
AR21, 15, 2.62 Bank confirmation for Crown Agents not available.	Resolved.
AR21, 15, 2.63 GOS accounts balance recorded in AFS 2021 not supported by bank confirmation.	Partly resolved. Four bank balances at 31.12.2022 have been written off and one bank account still had a balance of R234,788.
AR21, 15, 2.64-2.66 Dormant bank accounts.	Partly resolved. One bank account, 'GOS shares issue' was closed and the sum of R5,091,320 transferred to Government 14-01 account. As at 31.12.2022, there were 13 dormant accounts with balances totalling R971,422; 10 SCB and 3 CBS.
AR21, 17, 2.80-2.81 Loans drawn without S.I.	Resolved.
AR21, 18, 2.85-2.86 Public debt not supported by lender confirmations	Observation persists. Lender confirmations were still pending in respect of 16 debts totalling R1.7b as at 31.12.2022.

<p>AR21, 19-20, 2.91-2.92 Land acquisition liability due since 2020 remains unsettled as at 31st December 2021.</p>	<p>Observation persists.</p>
<p>AR21, 20, 2.94-2.98 Companies under ownership of SSIL pending share transfer to Government.</p> <p>Official transfer of share documents in regard to Air Seychelles were not sighted by Audit.</p>	<p>The observation persists for the below companies and work in progress to transfer the same. (Indian Ocean Tuna Ltd. (IOT), Central Common Cold Store (CCCS), Ile Du Port Handling Services (IPHS), Seychelles Cables Systems Company Ltd (SCS), Seyloin Limited)</p> <p>Resolved.</p>
<p>AR20, Page, para, audit brief</p>	
<p>17, 56-57 IMF loan drawn down during 2020, amounting USD31.2m, equivalent to R559.6m was not supported by a gazetted statutory instrument.</p>	<p>Resolved as the requisite S.I. has been gazetted.</p>
<p>AR19, Page, para, audit brief</p>	
<p>7-8, 2.14-2.15 Transfer of the two properties representing the sum of US\$2.5 m in favour of the Government had not yet been effected at the time of reporting.</p>	<p>Resolved.</p>
<p>AR18, Page, para, audit brief</p>	
<p>13,40 As per the repayment schedule, R10m of the R15m outstanding on an STC loan of R45m was due to be repaid in 2018. This was rescheduled after falling into arrears.</p>	<p>Resolved; adjustment made in year 2022 to clear the outstanding balance of R5.0m.</p>
<p>14,45 Twenty (20) trading and operating accounts were noted with rolled over funds totalling R81.1m, amounts charged to capital expenditure in 2018 and credited to these accounts.</p>	<p>Observation persists: Closing balances at 31.12.2022 on 17 accounts with rolled over balances totalled R48.3m (2021: R40.8m).</p>
<p>AR17, Page, para, audit brief</p>	
<p>8,12 Policy to enable assessment, monitoring and establishment of reporting mechanism for accounts relating to extra-budgetary activities is under finalisation.</p>	<p>The extra-budgetary activities are still to be disclosed as a note to AFS.</p>
<p>8,14 Review of Accounting Manual to be completed.</p>	<p>Work-in-progress.</p>
<p>17,47 Bank reconciliations for accounts held outside of the Treasury accounting system were not found.</p>	<p>Observation persists.</p>
<p>17,49 Remittance accounts not reconciled to fund balances held by overseas missions</p>	<p>Observation persists. <i>Treasury is working with the Department of Foreign Affairs to write off old unidentified balances</i></p>
<p>18,51</p>	<p>Observation persists.</p>

Recoverability of R79.9m advanced to SMB doubtful.	
19,59 Ten (10) dormant trading and operating accounts held a total balance of R7.1m. (2016: 30: R10.8m).	Work-in-progress: At 31.12.2022, 28 Trading and Operating accounts remained inactive with balances totalling R26.2m. Of the 10 accounts reported in AR17, three (n=3) accounts still had an ending balance of R3.3m.
19,60 Dishonoured cheques of R23.6m outstanding.	Observation persists. Longstanding dishonoured cheques Treasury ledger balances remains un-cleared at year end. Dishonoured cheques treasury ledger balance at 31.12.2022 is R23.0m (2021: R24.0m). Also, the Customs treasury ledger balance has increased during the year 2022 by R4.6m, from R10.4m to R15.0m.
19,60 GIT balance of R107.6m includes 128 inactive accounts (2 years) totalling R7.6m.	Work-in-progress. By 31.12.2022, there were 104 (2021:72) inactive GIT accounts dating back to 2015, with balances totalling R26.6m (2021: R12.4m). The MoF is currently liaising with the respective MDAs to identify accounts requiring closure.
20,67 S.I to be issued for the Russian loan.	Work-in-progress

Chapter 3

Audit comments on Ministries, Departments and Agencies

Seychelles Revenue Commission

Introduction

1. The Seychelles Revenue Commission (the Commission) established under the Seychelles Revenue Commission Act, 2009 is responsible for administration of the revenue laws specified in the Schedules to the Act. The Commission has two Divisions viz. the Tax Division and the Customs Division.

Collection of domestic taxes

2. The main streams of revenue collections under the domestic taxes division include VAT, income tax and business tax. A Seychelles taxation year runs from 1 January to 31 December. The total collection from domestic taxes was R4,653,110,700 during the year 2022. This collection though reflects an increase of 5% over the previous year's corresponding collections of R4,432,620,350, was 6% below the budgeted target of R4,971,739,900 for the year.
3. Audit for the year 2022 further revealed the following issues some of which are recurring as discussed below.

VAT refund

4. According to Part IX of the Value Added Tax Act, 2010, a VAT registered business must furnish a VAT return in the prescribed form to the Revenue Commissioner for each VAT period. The VAT registered business must also remit the net payable amount of VAT for the period. The payable VAT amount is calculated by deducting the total input tax credit allowed for the period from the total tax output paid in respect of taxable supplies made or deemed to be made in the period. In the event that the total input tax credit allowed exceeds the total tax output for any VAT period, the excess is refunded as provided for below in the relevant sub-regulations of Regulation 2 of the Value Added Tax (Refunds) Regulations, 2013.
5. A refund may be claimed where (a) VAT credit has been carried forward to 2 consecutive VAT periods and exceeds R10,000 at the end of the third VAT period by a compulsory registered taxable person; (b) a VAT credit exceeding SCR10,000 is reported on the quarterly return by a voluntary registered taxable person; or (c) unless

- otherwise applicable, a VAT credit exceeding R10,000 is reported on a monthly return by an exporter, supplier of zero-rated goods or services or investor during the commencement phase of the business activity.
6. Subject to regulation 2, a VAT refund shall be granted where a taxable person has claimed for a refund on a VAT return duly completed and has fulfilled all payment obligations.
 7. ***VAT refunds in doubt:*** Audit selected a sample of 25 tourism and real estate industry related VAT refunds, totalling R91.3 million, made during the year to verify their admissibility and accuracy. In 20 cases, amounts totalling R88 million, refund claims were in respect of the input tax and no output tax was declared since they were in construction phase. In all of the 20 cases, Audit did not sight evidence to show that the Commission has exercised requisite checks to ensure that the taxable person/supplier has paid the relevant VAT to the Commission before allowing the refunds to the concerned claimants. The conditions, stipulated in Regulation 3 above, that a VAT refund shall be granted where a taxable person has claimed for a refund on a VAT return duly completed and has fulfilled all payment obligations. Since it is a refund, the condition in the preceding sentence entails all payments to the Commission. Audit is of the view that input tax of the claimant, which is output tax of the suppliers to the claimant, should have been paid by the suppliers before considering for refund by the Commission.
 8. In the absence of the payment documents, the basis for approval of these refunds in compliance with the conditions stipulated for the refunds in the above mentioned regulations could not be verified. Audit recommended that the Commission may have a check list for essential verifications, including output tax payable and VAT actually paid for ensuring that refunds approved are duly compliant with the conditions stipulated therefor and due procedure has been followed.
 9. *The Commission, in response, stated that based on analysis conducted, it was noted that there were huge refund claims being submitted by large hotels still under construction phase. Effective January 2023, records are being kept by Returns and Processing Unit (RPU) ensuring that the output of the taxable persons are being declared. When necessary, follow ups are also undertaken. With the new TMS system*

VAT refunds will become automated with different parameters inbuilt in the system for verification checks to be performed. The RPU performs checks on a risk-based approach, with all VAT claims of significant amounts being reviewed in order to ensure that output declarations have been submitted and VAT payments made prior to refunding the claimant. Whenever there is a concern or risk in regards to the refund the case is flagged and forwarded to the Examination and Analysis Unit (EAU) or Audit Unit for further review. RPU processes numerous VAT returns on a monthly basis and given the available resources and amount of time allowed to process a return the unit is unable to check that all VAT registered persons have paid the relevant VAT prior to allowing a refund to the claimants. It is to be noted that a generalized output declaration is submitted by the taxable persons which does not necessarily include detailed information of amounts received and paid by each claimant. To obtain and verify such information is a lengthy process hence why the cases has to be referred to EAU or Audit for further review and analysis. In most cases a fully comprehensive audit will need to be performed. The Commission further stated that it cannot hold up a refund when a taxable person has furnished a duly completed VAT return, including all the necessary supporting documents, and effected all payments due relative to the input claim. The VAT return furnished in this case relates to that particular taxable person who has satisfied all obligations as per section 33-35 of the VAT Act 2010. Moreover, the Commission has a statutory period of 30 days from the date of the claim to process a refund as stated in section 4 of the VAT Act. However, the Commission will liaise with the Attorney General and the Ministry of Finance in order to obtain additional advice and recommendation to address any limitations or gaps in the law to reduce or avoid any leakage of revenue.

Income Tax

10. Section 92 (1) of the Revenue Administration Act, 2009 stipulates that a return, notice, or other forms of documentation, required to be furnished under a revenue law, is in the approved form if:
 - it is in the form approved in writing by the revenue commissioner for that type of return, notice or document; and

- it contains the information including any attached documents required and is signed as required by the form.

11. ***Income tax remittances without requisite payrolls:*** An employer is required to lodge monthly payrolls electronically if it has in employment 10 or more employees, together with its monthly Business Activity Statement to the Commission. However, the INMBT liability survey conducted by the Commission for the year 2022 revealed that over 90% of expected payrolls were not submitted to the Commission. In the absence of monthly payroll the Commission are not able to verify that the accurate INMBT are being paid which may result in under collection of revenue. Audit recommended that the Commission should emphasize upon the requirement of submitting payroll when INMBT payments are made.

12. *The Commission, in response, stated that taxpayers are advised via emails/ phone calls about lodgment & payment of taxes and submission of payrolls. Officers also performs field audits in order to ensure that payroll is submitted. The INMBT Act is currently under review to provide for payroll as a return and penalties & interest for late lodgement, payment of taxes and non-submission of payroll. Moreover, SRC & Seychelles Pension Fund (SPF) are working closely together in order to be able to enforce the submission of payroll to both SRC and SPF ensuring uniformity in the payroll submitted to them.*

Debtors

13. Total domestic debts balance as at December 2022 was R 1,304,958,575 which indicated an increase of 14% over the previous year's balance of SCR 1,121,863,518 Status of which is categorised as below.

Tax Type	Balance 2022-R	Balance 2021-R	Variance-R
Objection	190,793,297	87,483,249	103,310,048
Write -off Cases	229,753,222	30,409,024	199,344,198
Revenue Tribunal	89,653,591	74,570,226	15,083,365
Prosecution	305,495,642	304,485,844	1,009,798
Able to pursue	489,262,824	624,915,175	-135,652,351
Total	1,304,958,576	1,121,863,518	183,095,058

14. The debt comprised of primary tax amounting R705,593,026 and penalties totaling R599,365,548. The debts have increased from R 1.0 bn in 2020 to R 1.3bn in 2022. This is a recurring issue which has been reported in previous audit reports. It may be noted that the Commission has proposed for write off of debts totaling R 229,753,222, only debts totaling R489, 262,824 it is able to pursue and R305,495,642 are under contemplation for prosecution, thus the issue of debt recovery needing a focused attention. The Commission, therefore, should revisit its debt recovery process to ensure due compliance to para 8.11 in chapter 8 of the Accounting Manual and prevent rejection for a legal remedy under Section 186 of the Seychelles Code of Civil making the cases time barred for legal action.
15. ***Write-off cases not finalized:*** In the previous year Annual Audit Report, the matter regarding long outstanding write off proposals was highlighted. The worth of the write off proposals have increased substantially, from R 30,409,024 to R 229,753,222. It was noted that a total of 344 cases of outstanding debts have been earmarked for write-off by the Enforcement Section of the Commission. Audit requested for a report which indicates the rationale for write off of each case but was informed that the report has not been completed or finalised.
16. *Management response: As a revenue authority, one of our responsibilities is to raise money for the government. The increase in debt is as a result of tax audits conducted after which liabilities are raised. SRC acknowledges, however, that it needs to increase collection rate. The Enforcement Unit is still working on cases for write-off. A new committee will be set up to review the cases. The TOR has already been approved and appointment letters has already been drafted and is to be issued to selected committee members. By end of December 2023 a total number of 25 cases is expected to have been reviewed by the committee and submitted to the Ministry of Finance for write-off.*

Status of matters reported in previous years

Audit brief	Status as of October 2023
<p>AR 2020, Page 88, Para 2.11 R89,118 misappropriated by a Commission staff.</p>	<p>SRC has made a repayment agreement with the ex-officer in which amount should have been fully recovered by 30 June 2023. The ex-officer did not adhere to the repayment schedule and amount outstanding as at the 31 August 2023 was R61,625. The SRC has met with the ex-officer and alternative arrangements to recover the outstanding amount are under discussion.</p>
<p>AR 2016, Page 66, Para 11.22 Dishonoured cheques: Longstanding balances for dishonoured cheques on the monthly reconciliations totalling R2, 789,405 as at 30.06.2017. This is due to pending issues to reconcile SRC ledger balance with that of Treasury</p>	<p>As at 31-12-2022 the Treasury ledger balance in respect of dishonoured cheques amounted to R859,260 whilst the SRC ledger balance is at R1,322,837 thus resulting in a variance of R463,576.</p> <p>Currently reversals are being done under Domestic Tax in line with the Standard Operating Procedures. Therefore, no new issue with dishonoured cheques.</p> <p>SRC was advised in a meeting held on 01 June 2023 by Chief Accountant Treasury that they are currently working on the pending adjustments in the reconciliation statements and that thereafter a case for write-off will be put up with Finance for the long outstanding returned cheques.</p>

Ministry of Land and Housing

Introduction

1. The Ministry of Land and Housing (Ministry) has been mandated with functions which broadly include facilitating national socio economic development through sustainable and efficient use of land resources for housing, economic, social infrastructure needs through effective policy framework, regulations and provision of ancillary technical services.

Sale of Land

2. Sale of land by the Government falls under 2 categories viz, land bank and state land. Land bank as defined by the Ministry comprises of plots of land under the Government Land bank projects, whereas state land are small parcels of land adjacent to existing plots which had already been sold to the Public.
3. In 2017, the Government formulated a policy which set out the framework and guidelines for sustainable land management (sale of state land for various uses) and provided qualifying criteria for eligibility for land bank applicants, namely, the land points system to guide allocation including the new land bank policy under the comprehensive housing policy.
4. **Sale of land bank plots:** Audit tested 16 successful applicants for land bank to verify compliance with relevant policy and criteria and noted that:
 - (a) an applicant submitted the application on 14.01.2021 and was offered a parcel of land (H8312) on 04.12.2021 for the sum of R122,800. This did not meet the minimum of 3 year period of registration of application with the Ministry, and further the point - score calculation based on the Land Point System was not sighted on the applicant's file to ensure eligibility;
 - (b) in the case of sale of land measuring 472 sqm for R40,000 (PR7271), no proof of ability to raise the requisite mortgage (SR800,000) was available on file, as required by the Land Bank policy statement. The applicant stated that his parents will assist him to make payments. Upon verification of the parents' bank statements, Audit sighted that funds were only available for the payment of the land itself and not enough for construction costs; and

(c) under the Land Point System, an applicant must obtain 75 points to be eligible to purchase land from the Government under the Land Bank System. Contrary to this requirement as per the land bank operational framework, an applicant was allocated parcel S12969 (measuring 1104 sqm) who scored only 42 points. The offer was made on 03.09.2021 and accepted on 13.09.2021.

5. *The Ministry, while agreeing with the audit observations, stated that the Minister responsible for Lands has addressed the matter regarding the land allocation (H8312) in the National Assembly. Regarding the third point, the ministry stated that such issues would be addressed through new SOP of the land section.*
6. **Sale of state land:** Audit noted 3 cases of state land sales (parcels S13071, V20942, V20941) where the request letters and completed applications from the applicants were not seen on their respective files. Hence, the basis for the sale and other conditions attached thereto could not be ascertained.
7. *The Ministry, in response, stated that it is trying to cross check other relevant files to see if the request did not originate elsewhere.*
8. **Record of land sales:** During 2021, the Ministry maintained an Excel listing of all sales of land banks/state lands with the particulars of the applicant's name, parcel number and the amount due. When payments are received, the date of payment, amount and the receipt number were also up-dated therein. However, a complete database of all sales of land bank/state land was not maintained covering the previous years.
9. Audit is of the opinion that the absence of a comprehensive inventory (record/database) puts in doubt the Ministry's ability to monitor the due payments effectively and to provide accurate statistics on land use and allocation, revenues collection, etc. Furthermore, the use of Excel sheets (no periodic backup copies or print outs being taken for management review and safeguarding the data) may puts the database at various risks including manipulation and loss of revenue.
10. *The Management, in response, recognized that a list/database of all land parcel sold and the respective sale price should be kept so that reconciliation and verification can be carried out at any given point in time.*

Lease of land

11. According to the Director of Land Sales and Acquisition, the leases up to five (5) years are classified under short term leases. Audit, however, sighted that the Accounts Section was instead classifying leases for thirty (30) years under short term lease. This was due to not having a clear policy on the classification of leases.
12. *The Ministry, in response, stated that it has already started working on a comprehensive policy for commercial leases, within which the different types of leases would be defined, thus providing for categorization (i.e. short term/long term lease) for improved management.*

Short Term Lease

13. The Ministry enters into agreements for short term lease of government land, mainly for agricultural purposes, for a maximum period of five years. During the year, the Ministry collected revenue under short term lease totalling R.2,286,639 (2020: R.2,000,000). Audit tested eight (8) leases renewed in 2021, and noted that in two instances (H8826/C178) the agreements were not available on the respective clients' files, in the absence of which the accuracy of payments and compliance with other terms and conditions by them could not be verified.
14. *The Ministry, in response, stated that file of one of the two lessees has been misplaced while the other case would be followed up.*

Long Term Lease

15. During the year under review, the Ministry collected R.45m from long term lease of its land and buildings which was less than the estimates of R.60m for 2021. Audit perused relevant records pertaining to leases and noted the following:
16. **Long term lease Excel listing lacks credibility:** The Ministry recorded the long- and short-term leases in an excel spreadsheet for monitoring and review of leases. According to the records, 456 plots in various parts of the country are leased out by the Ministry. Audit doubted the completeness and credibility of the record given some discrepancies noted, and recommended that the Ministry should maintain a computerized system or a permanent register with details of all plots of Land available for lease and those leased out. Furthermore, the use of Excel sheets (without periodic

- backup copies or print outs being taken for management review and safeguarding the data) may put the Excel listing at various risks including manipulation and loss of revenue.
17. *The Ministry, in response, stated that there is already an electronic spreadsheet that is being kept for all leasehold properties, with relevant details. There are but a few plots that does not form part of the inventory for parcels to be leased, however they are included in a list which is shared with SIB as per the established procedure for open tender.*
18. **Potential loss of revenue:** The Public Finance Management Regulation (PFMR) 12 (2) (b) requires the Accounting Officers to ensure that the immovable property of the Government is leased out at market value, unless approved otherwise by the Minister of Finance in consultation with the Ministry responsible for land, and record the approval in the asset register. It further provides to review annually all, fees, charges, rates, tariffs, or scales of fees or other charges relating to the Government land.
19. Audit examined 29 active leases from the list compiled by the Ministry and noted that, in five (5) instances, the Ministry opted for upfront payments from lessees (H7537, B776, CA99, J2398 and H13599) followed by a minimum lease of R1.00 or USD1.00 for the remaining lease period of 49 to 99 years. Audit is of the view that while this may maximize the current cash inflows for the Government, it may deny the government an opportunity to review the leases in the future to bring them in line with the market value; (b) in two (2) instances (parcels V11545 and V0040), Audit noted that there was no clause for review of leases resulting in the same rental (annual lease amounts of R160,000 and 301,000 for 60 years and 99 years respectively) being collected since the effective dates.
20. *The Ministry, in response, stated that in these two cases, the original lease did not provide for a review of the rental whereas all other leases contain clauses for a review. However, after discussion and agreement with the lessee, the necessary is being done to provide for a rent review.*
21. **Absence of variation/addendum documents:** In two (2) instances, where the main leases were revised in 2021 changing some conditions and rental amounts, the addendum/variation documents completed and signed by the relevant parties were not

- sighted on the respective client files (V8542 and T2724 for 60 years and 70 years respectively).
22. *The Ministry, in response, stated that it is awaiting signature for the variations in these documents.*
23. **Files not available:** In two instances, the clients' files could not be provided for audit verification (V1282 and B2461 for 99 years and 60 years respectively).
24. *The Ministry in response stated that the files have been misplaced, however, effort is being made to locate them.*

Lease rental debtors

25. Audit performed an analysis of lease debtors to ascertain the ageing and potential recoverability of debts based on the listing compiled by the Ministry as at 31.12.2021 and noted that the debts over 90 days (R14,9m) constituted 92% of the total debt at year end. Audit is of the view that recovery of debts may be doubtful with the passage of time eventually resulting in bad debts and loss of revenue.
26. *The Ministry agreed that this is still an issue, as there was no policy in place with regards to debtors, which may have impacted on the recovery of outstanding debts.*
27. Parcel T2724 was leased for a period of 70-years at an annual rent of R.625,000. The customer had an outstanding balance of R468,750 as at year end (31.12.2021) and owed R731,250 at the time of audit (September 2022). Payments up to September 2022 was R50,000 only. Scrutiny of correspondence on the client's file revealed that the Ministry had not taken effective recovery action.
28. *The Ministry, in response, explained that the lessee met with the Principal Secretary of Lands and Financial Controller and explained financial constraints due to COVID-19. On 4th November 2022, representatives from the Ministry met with lessee, and the latter is yet to submit a repayment plan, to be approved by the former.*

Debtors - Land Bank Sales

29. Ministry has debts dating back to 1996, which is well over 20 years. Debts over 90 days' amounting to R624,602 constituted 93 % of the total outstanding. A possibility of revenue loss to the Government cannot be ruled out as long outstanding debts may turn into bad debts. Further, in thirteen (13) instances, Audit did not sight evidence of recovery action taken during the year for the debts totaling R.176,642, of which, in 8

cases (i.e. PR2012, PR5044, PR5039, S4648, H2983, H4566, PR4643 and C3581), the amounts outstanding were in excess of SR5,000 in each case.

30. *The Ministry, in response, explained that this is an ongoing issue. The Ministry requested for write-off of long outstanding debts but approval was not granted by the Ministry of Finance.*

Status of matters reported in previous years (2017)

Para	Audit brief	Status
125	<i>Registration and management of the long term leases</i> Inventory of all properties for which the Ministry is responsible was not kept.	<i>Partially addressed through an Excel listing, however, a full inventory of all leases is not kept</i>
129	<i>Account files with full details not sighted for all property leased</i>	<i>Resolved: files kept</i>
132	<i>Rent amounts not collected and ineffective follow up</i> On 23 occasions no effective follow up had taken place.	<i>reminder letters sent indicating legal actions to be taken if debt is not cleared, however no proof of legal action undertaken. One or two have been sent to AG's office but still waiting for feedbacks. Issue Persists</i>
135	<i>Rent reviews not always performed on time</i> Long delays in doing review of leases	<i>The lease reviews are still not being performed on time.</i> <i>Issue Persists</i>
141	<i>Leave accumulation allowed in excess of 42 days</i> In 10 instances, employees' leave balance were in excess of 42 days allowed.	<i>Audit was informed that the post for HR was vacant, and was recently filled in 2022. As such, the process of updating the personnel file is still on going.</i>
144	<i>Unsigned contract agreements for maintenance workers</i>	<i>Resolved.</i>
147	<i>Waivers granted without approval from PS Finance</i>	<i>Ministry of Finance declined the requested write off. Unresolved</i>

Ministry of Fisheries and Blue Economy

Introduction

1. The Ministry of Fisheries and Blue Economy (the Ministry) comprises of two departments; viz, Department of Fisheries and the Department of Blue Economy.

Use of Goods and Services

2. **Payments lacked supporting documents:** Seven (7) payments, totalling R163,109, were inadequately supported by the requisite documents; such as, invoice not supported by list of attending persons, the UNDP workshop invitation letter to confirm dates, travel itineraries and requisite reports. These payments included R76,843 towards airfares of the participants, which lacked invitation letters from organisers and eligibility and/or acceptance to participate in the events.
3. *The Accountant, in response, acknowledged that at the time of processing some documents may not be attached to the payments but noted that the travels were indeed undertaken by the officers concerned. The Principal Secretary for Blue Economy added that the documents can be retrieved and made available to Audit, (which are still awaited).*
4. **Rush of expenditure at the year-end:** A review of the general ledger records disclosed that expenditure totaling R186,460 was incurred for the procurement of toners of which R74,763 was incurred at the year-end.
5. *The Principal Secretary for Fisheries, in response, stated that due to fungus infestations in their storage unit, no regular purchases were made as such the procurement made was necessary to replenish the depleted stock.*
6. **Lease agreement for office building:** The Ministry occupies the office space at the Maison Collet owned by Seychelles Pension Fund for which, as per the general ledger, rental totaling R3,943,183 were paid for 2021. However, a lease agreement covering the period 01.02.2021 to 31.12.2021 was not available for the same.
7. *The management, in response, stated that the lease agreement has been updated and will provide a copy to Audit.*

Non-Financial Assets

8. *Fixed Assets Register not maintained:* The fixed asset register (Department of Fisheries) could not be produced for audit review in view that the computer with the asset management software (FAR) has been misplaced and is yet to be located. Audit observed that:
- there was no evidence of action taken to recover the lost data from DICT or backups copies; and
 - there was no documentation in evidence of the performance of physical verifications of assets;
9. The Fixed Assets Register maintained by Department of Blue Economy was examined and the following were noted:
- the register was being updated based on physical verification rather than payment documents, transfer documents, GRN, etc.;
 - particulars of fifteen (15) newly procured assets, though sighted by Audit, were not recorded in the FAR;
 - there was no evidence of physical verification of assets undertaken; and
 - of fifteen (15) assets procured during the year, Audit could not physically verify eight (8) items;
10. *The Ministry, in response, stated that the above issues which are of complex nature are being progressively addressed and the work is in progress, including the attempts to reboot the DITC database.*

Transport Management

11. The Ministry procured 12 fuel coupon booklets (120 coupons) during the year 2021 of which ninety (90) coupons valued at R90,800 were not recorded in the fuel coupons register and the counterfoils of the used coupons were not maintained. In addition, audit noted that the recording of fuel coupons in the register during the year was not in sequential order and a fuel consumption analyses was not performed.
12. *The Ministry, in response, explained that the matter has not yet been resolved. There may have been some mix up with the fuel coupons of other entities possibly with that of the Department of Agriculture which was formerly within the portfolio of the Ministry.*

Status of matters reported in previous years

Page/Para, ML issued 23.03.20	Audit brief	Status
Page 2-3, Para 4.2	Lack of pertinent information as per the register of inventory	Observation persists
Page 3, Para 4.3	No evidence of physical inspections of assets	Observation persists
Page 5, Para 4.5	Write-off registers not maintained	Observation persists
Page 6, Para 4.6	Asset not physically located	The computer has still not yet been located. The observation persists
Page 6, Para 4.7	Identification numbers not affixed on assets	<i>Tagging of assets is still work in progress. Observation partially addressed</i>
Page 5-6, Para 5.1	Non-performance of monthly fuel consumption analyses	The observation persists
Page 8, Para 5.3	Fuel coupons not accounted for in the register	The observation persists
Page 9-10, Para 5.4	Particulars of repair/service work not recorded in logbooks	The observation persists

Seychelles Prison Services

Introduction

1. The main function of the Department of Prisons, also known as Seychelles Prison Services (SPS), under the Ministry of Internal Affairs, is to manage all prisons in the country, more specifically it keeps under constant supervision those convicted, on remand, and detained on the order of a court or of the President.
2. An audit of the SPS was undertaken on the areas of payroll, payment for goods and services and fixed assets for the year 2022, including a follow up on the matters raised in previous annual reports of the Auditor General.

Payroll

3. The SPS had a total of 143 staff in employment at the end of 2022. The audit of the relevant records revealed that, in five cases, selected from the twenty (20) personnel recruited during the year were issued their appointment letters following a long delay ranging from 22 days to 176. Audit is of the view that any letter of appointments/employment contracts should ideally be issued prior to or within a short period time following the commencement of employment.
4. *The reply (25.08.2023) the SPS stated that the issue has been addressed since beginning of 2023 as employees are issued with their letters of appointment on the date they take up employment.*

Payments for Goods and Services

5. The actual expenditure for the use of goods and services was SR29.1m for 2022. The audit of the relevant records revealed some issues concerning non-compliance with the procurement procedures, as discussed below.
 - according to the internal procurement policy of SPS, three (3) quotations must be obtained to support the choice of the supplier for purchases exceeding SR.20,000 and the approval of both the Commissioner of Prisons and Director of HR and Admin (DHRA) is required. However, in several cases, where the individual procurements exceeded SR20,000, the required number of quotations were not obtained prior to selection of the suppliers;
 - During the year 2022, SPS effected a total of 58 payments to a supplier totalling SR.644,799 for the purchase of a variety of items including mattresses, bedsheets,

paint brush, pillowcase, kitchen utensils, padlocks and fans. Of these, four payments were in excess of the threshold of R20,000 for which the internal procedures required three quotations, but was not obtained by SPS. Further, the frequent purchase of small number of items over and over again throughout the twelve months' period indicated inadequate procurement planning and failure to obtain competitive prices from different suppliers besides being non-compliant with procurement regulations; and

- a payment of SR126,277 made on 31.03.2022 to a maintenance contractor was not supported by the requisite documents, such as, cost estimates, three quotations and justification for selection of the supplier.
6. *In its reply (23.08.2023) SPS acknowledged that some payments did not have quotation, due to the fact that some supplier did not want to issue quotation. Further, for all payments above SR20,000 were approved by SPS internal procurement committee. The SPS added in its reply (28.09.2023) that SPS would like to point out that due to lack of human resource and large volume of items being purchased on yearly basis it will be practically difficult and time consuming for the SPS to seek 3 quotations for each and every single purchase.*
 7. *Regarding the frequent purchasing of items from the same supplier but totalling SR644,799, the reply (28.09.2023) stated that SPS did not have any intention to split the purchases. Despite the purchases were of the same value and same quantity different requests were made as buffer stock as we transition over to a new year with the anticipation of receiving new admission.*
 8. *The reply (28.09.2023) also stated that the payment of SR126,277 was for a project to fence off the prison kitchen and guard tower situated at the entrance gate of Male Block. The SPS further stated that the project was presented before and approved by the internal procurement committee on 15.12.2021, however, acknowledged that the meeting minutes did not provide details of on why one quotation was used.*

Surcharge on late payments

9. The SPS procured spares and repairs of vehicle in 2020 and 2021 from one supplier. As a result of delays in effecting payments, the supplier levied surcharge at 20% amounting to SR.105,482, which was settled on 25.08.2022 in the sums of SR54,251

(PV 2211812) and SR51,230 (PV221811). Despite performing a reconciliation of the invoices paid, a justification of the claim for surcharge was not documented by SPS in support of the payments made. Furthermore, the delay in the settlement of invoices resulting in surcharges reflects a lack of management control and monitoring of invoices and various terms and conditions of suppliers.

10. The SPS stated, in reply, (28.09.2023) that delays were due to slow processing of invoices as a result of delays in submitting invoices by the supplier, recording and reconciling invoices against works order and finally availability of funds to settle payments. The SPS will address the issue through internal transfer of a staff to be responsible for transport.

Transport Management

11. The SPS had 15 vehicles in its fleet during the period under review. Audit reviewed the records and documents relating to its management of transport and observed the following.

12. Logbooks and Fuel consumption analysis: Audit noted that (a) in 7 cases, the vehicles logbooks were not maintained; and (b) a fuel consumption analysis of the vehicles was not performed during the year for ensuring economic and effective use of the vehicles.

13. The SPS reply (28.09.2023) stated that the above is still an issue and is being addressed, and full compliance would be achieved by the end of 2023.

14. **Long term hire of vehicles:** A vehicle was hired for the SPS doctor over a prolonged period with charges payable monthly. During the year, SR184,800 was paid to the car hire operator, and during the previous two (2) years a total of SR.409,200 was also paid, all totalling SR.594,000 for the three years. Audit is of the view that it would have been more economical to purchase a car instead of the continual use of the hired vehicles.

15. The SPS stated, in reply, that the vehicle was for the medical officer who is on 24 hr on-call and the SPS has been requesting funds for acquiring a vehicle to reduce the cost of hiring.

Food and Ration

16. Audit revealed that SPS paid for 142 take-away meals for SR.8,520 (PV221241 dated 24.06.2022) for inmates working on the Rehabilitation Day Release program. However, there were no checks performed on the invoice or good delivery note to confirm the number of meals received. Audit recommended that (a) more economical choices should be made in the purchase of goods and services; and (b) prior to effecting payments, a check should be performed and evidenced that goods/services have been delivered in correct quantities and required quality.
17. *The reply stated that take away boxes are an approved item on SPS monthly bulk purchases.*

Status of matters reported in previous reports

Page, para, year	Audit brief and Status
Page 78, 2.2 -2.8, 2020	<p>Unresolved: Non-recovery of overpayments and avoidable expenditure in 3 cases, involving 2 employees, two amounts have not been recovered, totaling SR.77,194 (R26,630+ R54,315) both outstanding since 2019.</p> <p><i>Former staff were requested to refund the overpayments vide letter dated 02 June 2022. Amounts remain outstanding to date (October 2023)</i></p>
Page 81, 2020/ 83, para 226, 2017	<p>Persistent: Leave accumulation exceeding the permissible limit: 43 staff (7 expatriates and 36 local staff) had accumulated leave over 42 days at the end of 2022 with 3 staff ranging from 107 to 140 days.</p> <p><i>SPS provided a leave planner to show that one of the expatriate officers with a balance of 147 days had applied for extended leave. SPS management approved 1/3 of the days applied for. As for a local officer with a balance of 120 days, he has been advised to take leave. No other response was received.</i></p>
Page 81, 2020	<p>Resolved: Undue delays in removing leavers from the payroll</p>
Page 81, 2020/ 83, Para 225, 2017	<p>Persistent: 4 contracts of employment (expatriates) had expired and renewal not seen.</p> <p>The validity period (Effective dates) not stated in 10 contracts (open ended.)</p>

Page 80, 3.2 -3.3, 2020	Resolved: Surcharge on late payments on utility bills.
Page 82, 2020 40, 3.51, 2018	Persistent: Mobile phone agreements: Agreements did not specify limits on usage of mobile phones. <i>SPS will finalise the agreements before end of 2023</i>
Page 80, 4.1, 2020	Resolved Access to stores is restricted to authorized personnel only
Page 80, 4.1, 2020	Persistent Lack of control over stores: Manual stock system maintained. Computerised system yet to be implemented. Receipts and issues of stocked goods had not been updated in some cases. (based on Audit visit at Montagne Posee on 12 May 2023) Persistent Stock count not performed: The requisite periodic stock counts had also not been performed during the year. Resolved Goods received Notes issued in 2022.
Page 81, 4.3, 2020	Persistent Deficient stores control No minimum stocks and reorder level stocks quantity had been set for stores items. Items in the store were not maintained in an orderly manner, stated to be due to lack of space. <i>SPS was faced with such challenges because they did not have a designated officer to maintain stores. As of 2023, someone has been identified to take up the responsibility and the various changes are being made. Improvements should be observed in this regard.</i>
Page 41, 3.59, 2018	Persistent Vehicle Log books not maintained: Log books were not maintained for journeys performed and recording of fuel coupons issued to 7 out of the 15 vehicles in the fleet.
Page 82, 2020 Page 85, 2017	Persistent Periodic verification was not conducted: Physical inspection of all assets in the custody of SPS was not performed in 2022 so as to agree details with the asset register.

<p>Page 82, 2020 85, 2017</p>	<p>Persistent Asset register not updated: Asset register introduced in 2021 was not updated with 12 assets costing SR.528,830.59, from a sample of 33 items purchased in 2022. Hence, assets could not be physically identified in the absence of details of location and ID numbers. <i>SPS has allocated one (1) officer responsible for asset management. Currently the officer is updating assets procured in 2022 and 2023. Once completed, assets purchased in previous years will be updated.</i></p>
<p>Page 82, 2020 42, para3.65-68, 2018 44, para3.72, 2018</p>	<p>Persistent Need to maintain proper and complete records of Resettlement Day Release (RDR): Reconciliation of balances due to inmates against suspense accounts was not performed in 2022 resulting in unresolved recurring discrepancies. <i>Starting the month of August 2023, arrangements have been made for performance of the reconciliation.</i></p>

Landscape and Waste Management Agency

Introduction

1. The Landscape and Waste Management Agency (the Agency), established under Regulation 3(1) of the Environment Protection (Land and Waste Management Agency) Regulations 2009, under section 12 (2) of the Environment Protection Act, 1994, is responsible for the management of waste and overall landscape development.

Use of Goods and Services

2. The audit of the accounts and records relating to the procurement of goods and services revealed the following:
3. **Procurement issues:** In 21 cases, relating to 2020, costs totaling R600,936, for the procurement of different goods and services (values between R4,000- R110,000), the requisite three quotations were not obtained. These included seven (7) purchases of over R20,000 each and all totaling R443,871.
4. Furthermore, thirty-one (31) payments made in 2020, totalling R4,104,697, towards the procurement of various goods and services lacked the procurement approval of the relevant authority (POU/NTB) and did not have valid supply contracts, as required under procurement regulations. These procurements included JCB/car/truck hiring, bin site cleaning, beach cleaning, landfill management, waste collection and some maintenance works.
5. **Waste collection services:** The Agency paid a total of R26.3m to Company A during the year 2020 for the waste collection services and landfill management. However, the relevant contract was not produced to Audit for review and to ensure the all payments made were in accordance with the contractual terms and conditions.
6. **Security services:** The Agency procured security services from Firm A in 2019 and 2020 and paid at a total cost of R504,136. However, the Agency could not produce the signed contract agreement with Firm 'A' and the approval from POU/NTB to establish that the relevant procurement procedures were followed and the payments were according to the contract.
7. *The reply (01.11.2023) stated, among others, that the procurement challenges, particularly, the lack of availability of genuine goods in the market and suppliers' hesitance to provide quotations, have been a considerable obstacle. These issues are*

prevalent not only within the LWMA but also affect various government entities, including Praslin and La Digue. Both islands face challenges in obtaining quotations due to the requirement of guarantees or unwillingness from suppliers. As a result, a comprehensive approach is being established to address these common issues faced by the Agency on these islands.

8. *The reply added that steps are being taken to address these challenges include ongoing efforts to establish a register and formalize contracts with suppliers or service providers using simplified bidding method. Work is progressing to establish a comprehensive agreement for the supply of common goods and services across Mahe, Praslin and La Digue.*

Revenue

9. The Agency collects revenue from waste collection and disposal services, landscaping works, sale of tender documents and the sale of plants.
10. **Receipt books:** Twenty-one (20) receipt books used at the landfill could not be verified by Audit in view that the same had not been returned to the main office in Victoria as required after use. These comprised 16 books in 2019 and 4 in 2020.
11. *The reply indicated that the receipt books in question are still with the users on site and have not been returned yet to HQ after use.*
12. **Lack of follow-up -debtors:** As per the Debtors' listing, the debtors' balances totaled to R15,348,462 as at 22.12.2021 and an additional balance of R1,043,388 from the Instant Cashbook. A review of the debtors indicated that there was generally a lack of follow up action over the years and, in large part, the debts were overdue and the recoverability of the same was doubtful. Audit is of the view that urgent action is required in the case of old debts.
13. *The Agency, in reply, stated that it had noted a lack of follow-up on debtors. The reply further stated that recognizing the critical need to address the outstanding debts, some proactive steps are being taken to ensure effective management and collection. A new individual has been recruited in September 2023 to manage debtors' collection with the priority of collecting R1,043,388 at first. The Agency is also following up on the board resolution adopted in 2020 to write off a sum of R6.5m owed by government*

entities from the total of R15.3m. However, no approval has been received from the MoF to write off. The matter is being followed up by the Agency.

Transport Management

14. The Agency had a fleet of twenty-one (21) vehicles and incurred expenditure totalling R2,798,815 in 2020 on transport and travel. The audit of the relevant records in respect of the selected vehicles revealed the following:
15. **Monthly Fuel Consumption Analysis:** In 7 cases, the monthly fuel consumption analyses was not evidenced in the respective vehicle log books, as required.
16. **Checks on journeys:** In some cases, the mileage records lacked evidence of authorisation of the journeys. The observation is persisting despite use of the GPS for tracking purposes as was raised in the previous audit.
17. **Log records not sighted:** Log book/daily mileage sheets were not made available, for 4 vehicles (i.e.S35732, S35742, S35746 and S15734) that Audit selected to perform tests on mileage recordings during the months July, October, September and November 2020 respectively.
18. **Fuel Coupon Register:** The Agency was maintaining two fuel voucher registers; one at Accounts and another at the Administration Office. The latter lacked receipt details of books taken from Accounts as only the issues were being recorded as and when the coupons were requested by and issued to the drivers.
19. **Fuel coupons not recorded:** Thirteen (13) fuel coupons (7 for 2019 and 6 for 2020), of R100 each, were not recorded in the fuel coupon register maintained by the Admin office.
20. **Used coupons not sighted:** The counterfoils of four fuel coupon books worth R4,000 purchased and used during 2020 were not produced for physical verification by Audit.

Non-Financial Assets

21. The Agency procured non-financial assets costing R1,264,189 in 2020 (R6,969,340 in 2019). The audit revealed the following:
22. **Fixed Asset Software lacked some detail:** In 18 instances, totaling R769,412, procurements made in 2019 and 2020 were not correctly recorded in the Fixed Asset software in that they lacked the acquisition costs and identification numbers.

23. ***Loose Tools Register not maintained:*** Various tools costing R6,972 and R8,180 were procured in 2019 and 2020 respectively. However, a Loose Tools Register was not maintained by the Agency.
24. ***Physical inspections:*** The Agency stated that an inspection was carried out in 2021, but evidence of such was not provided for audit.
25. ***Assets not physically sighted:*** Audit was unable to verify the recording of 6 assets for 2020 in the FAR. Additionally, four (4) assets recorded in the FAR could not be physically verified.
26. *On the issues of transport and non-financial assets, the Agency stated in its reply that that the newly recruited Administrative Officer and the Transport Officer would ensure a preventive approach to avoid recurring discrepancies. Efforts are ongoing to address the reported discrepancies and measures will be put in place to ensure proper documentation and maintenance of non-financial assets, including loose tools and physical inspections.*

Seychelles National Youth Council

Introduction

1. The Seychelles National Youth Council (the Council), established under the Seychelles National Youth Council Act, 1997 (as amended in 2009) within the portfolio of the Youth and Sports Department, is mandated to provide equal opportunities for all youths of Seychelles; ensure their well-being mentally, physically and spiritually and the educational and morale development of the youth through empowerment, participation, programmes and advocacy of youth interest at national and international levels.

Use of Goods and Services

2. Audit review of petty cash recoupments effected during the year revealed two (2) instances where petty cash vouchers for a total of R1,750 were not supported by any documents e.g. original invoices, receipts, etc. to be admitted as valid payments.
3. *The Council, in response, stated that in order to reduce the need for petty cash expenditure, agreement has been finalised for credit facility with the ferry company. The Council is also in the process of securing such facility with caterers. The Council will then be invoiced monthly for payments.*

Status of matters reported in previous years

(IML of 29.12.2022 and ML of 04.04.2023 and the reply dated 12.10.2023)

Page, Para,	Audit brief	Status
Page 4, Para 4.4	Significant spending (R75,424) on repairs and servicing of an eight year-old vehicle	Steps being taken to obtain funding to replace the old vehicle
Page 8, Para 5.4	Write-off register not maintained	Resolved: Register updated
Page 12, Para 6.4	Revenue collected (R25,641) not banked promptly during	Addressed: MoF approved the banking to be done on a weekly basis
Page 13, Para 6.5	Discrepancy (R265) between recorded collection and actual amount banked	Council to obtain MoF advice on this
Page 14, Para 6.6	Refund of misappropriated revenue (R3,919)	Resolved: refund has been collected

National Bureau of Statistics

Introduction

1. The National Bureau of Statistics (NBS), established as a body corporate under the National Bureau of Statistics Act, 2010, is responsible for collecting, compiling, analyzing and publishing statistical information. It is also responsible for coordinating, monitoring and supervising the National statistical system.

Use of goods and services

2. *Payments in excess of the approved tender sum:* With the objective of conducting a paperless national census/study, the Bureau purchased hundred (700) tablets at a total cost of R2, 977,695 from a local supplier. The related payments were effected during the period July 2021 to February 2022 in three instalments. The aggregate of the payments made was SR522,795 in excess of the ‘notice of the best evaluated bidder’ dated 21.06.21 that the National Tender Board (NTB) approved for the award of the contract, which was for a sum of R2,454,900. On examination of relevant documents relating to this procurement, it was noted that the variation/increase was attributed to the non-inclusion of the VAT (appx.SR388,395) plus what was referred to as the exchange rate increase (appx.SR134,400), subsequent (15.07.2021) to the selection and approval for award of contract. Audit further noted the following:

- the method of procurements for value above R750,000, as per the Public Procurement Act 2008, is "open bidding". However, the method used was apparently the limited bidding’, for which the reasons were not given in the letter dated 08.04.2021 from NBS to the POU to notify the cancellation of ‘open tender’ procedures;
- sufficient documentation showing how the selected supplier was evaluated as the ‘best bidder’ could not be found for audit review, although it was noted that the selected bidder was the lowest among the four;
- applicability and the non-inclusion of VAT in the bid was not detected by the evaluation committee of NBS nor the NTB/POU while giving its approval indicating a shortcoming in the process; and
- approval of the NTB was not obtained for the total variation/excess amount (SR522,795) paid over and above the approved sum based on the original bid. The

variance of 21% compared to the originally approved sum should have been submitted to the NTB for approval, as per the existing regulations.

3. *The Bureau, in response, informed that the amount quoted was equivalent to the approved amount by NTB of R.2, 454,900, making it the best evaluated bidder. Once the supplier was chosen, the Bureau was informed that the price did not include VAT and the revised price inclusive of VAT would be R,2, 823,135. Despite the variance, the Bureau found that the Supplier was still the best bidder and proceeded with the purchase. During the payment process it was identified that the exchange rate changed making the price of US dollar increase, which resulted in the final price for the 700 tablets at R2, 977,695.*
4. **Consultancy services:** The Bureau obtained the services of a consultant, to conduct a survey and report on the vulnerability in female-led households post the pandemic, financed by the UNDP grant: "Post COVID-19 Impact Assessment". Audit noted that a payment of SR75,000 to the consultant. In this case, contrary to the Public Procurement Regulations, 2014 (PPR) and MFTIEP Circular no. 11 of 2017 on consultancy works, the requisite approvals of the Procurement Oversight Unit (POU) for selective bidding and the selection of the consultant was not obtained.
5. *The Bureau, in response, agreed that it was an oversight on the part of the Bureau. The Chief Executive Officer explained that the procurement procedures was not followed, as there was a time limit, and given the pandemic, everything had to be conducted swiftly. The consultant was selected on the basis that she was qualified and equipped to conduct the survey.*

Fixed assets

6. While performing physical inspection of non-financial assets purchased during the period under review, Audit did not find a laptop (ref. NBS/LAPTOP/2021/03) purchased on, 11.11.2021 (payment voucher date) at a unit cost of R.14,490, in a batch of ten (10) Laptops costing R.144,900. Furthermore, there was no evidence of a physical verification of assets performed during the year.
7. *The Bureau, in response, informed that the laptop was yet to be located.*

National Botanical Gardens Foundation

Introduction

1. Set up as a body corporate under the National Botanical Garden Act 2009, the National Botanical Gardens Foundation (Foundation) was responsible to manage develop and promote gardens, contribute to the preservation of endangered plants to maximize their potential, undertake landscaping and other specialist services and offer consultancy. Effective March 2022, the Foundation merged with the Seychelles Parks and Gardens Authority.

Goods and Services

2. Audit examined a sample of 62 payments, totaling R2,023,040, effected during the year and observed the following:
3. **Lack of supporting documents:** In 6 instances, the payment vouchers and the relevant supporting documents were not found for audit review, as below.
4. *The management of SNPA, in response, expressed their inability to provide a proper response as it pertains to the time before their merging the office and a proper documentation in this regard was not available. The management, added that probably copies of invoices were not made prior to forwarding them to Treasury Department for payment.*
5. **Payments made to individuals:** In three instances, payments totaling R94,195 were made in the name of individuals rather than the business names appearing on invoices, which may result in tax not being paid by the relevant entities and double payments. The payments were for the sewing staff uniforms and fabrication of a steel gate.
6. *The management of SPGA, in response, stated that the authority will communicate the payments to Seychelles Revenue Commission to ensure that due tax is paid upon the service delivered.*
7. **Non-compliant procurements:** In 9 instances, where payments were made towards procurements of goods and services (i.e. computer equipment, uniform, repairs of vehicles, furniture, etc.) for a total of SR187,157, the requisite minimum three quotations were not sighted. In addition, a payment of R45,000 was effected towards consultancy services, which required the prior approval of Ministry of Finance, but was not obtained.

8. *The management, in response, stated that expressed their inability in providing a response to this matter as they were not in office during the said period , nor a proper documentation is available in this regard and added that. SPGA will abide by the new procurement regulations.*
9. **Previous year invoices settled in 2021:** The payment made to a supplier on 17.12.2021 for total of R316,669, per payment voucher 090P210297, was for the settlement of a number of outstanding invoices for goods provided by the supplier during the past years from 2015 to 2021. To substantiate the payment, only the copies of invoices submitted by the supplier in 2021 claiming that the settlement of those invoices was still outstanding, were provided to Audit.
10. *The management, in response, stated that before the invoices were paid, a reconciliation was performed between the invoices by the supplier and the unpaid invoices file for NBGF. Before this was paid, the file with the reconciliation was sent to Ministry of Finance office for final approval.*
11. **Payments on pro-forma invoice:** Against a pro-forma invoice dated 05.10.21 for R54,240 towards supply of staff uniforms, the Foundation paid R27,125, as 50% deposit, on 11.10.2021 vide payment voucher # 090P210194. However, against the balance amount of R27,125, the Foundation paid R42,075 on 16.12.2021 vide payment voucher #090P210281. Records revealed that the payment of R42,075 was against a fresh pro-forma invoice for R69,200 dated 15.12.2021, which was raised revoking the earlier proforma invoice for R54,240, which had been partly paid. There was no documentation showing as to why a fresh invoice was sought for a different amount.
12. *The management, in response, stated that with the new merger of NBGF and SNPA, a new invoice was sought from the supplier.*

Transportation

13. The Foundation had three vehicles for operations of which an expenditure of R301,789 was incurred during the year 2021: R183,420 for the purchase of fuel, R83,675 for repairs and maintenance and R34,694 for insurance/licence. Audit revealed the following:
 14. **Fuel coupon register not properly maintained:** Contrary to the normal practice in MDAs, the Administration Section only recorded the fuel coupons, as and when, issued

- to vehicle drivers. It was further noted that there was a discrepancy between the value of coupons purchased and the value of those issued for use during the year in that while the purchased amounted to SR183,420, the issue of coupons to three vehicles amounted only SR59,400, leaving a difference of SR124,020 unrecorded/unexplained.
15. *The management, in response, stated that the fuel Coupon booklets were not being properly maintained by Admin Section. A new practice has been introduced. All new fuel booklet purchased are forwarded to Account Section for registration/recording. Whenever Admin requested for fuel booklets from Account the details of the booklet are recorded in Section record and signed by Admin Officer. The same booklets are further recorded in the Administration 'Fuel Booklet' record book. All empty booklets are returned to Account Section accordingly. The details of all fuel coupons issued to drivers are recorded and signed in the Fuel issued record.*
16. **Fuel consumption analysis not performed:** Audit did not sight an evidence to indicate that a monthly fuel consumption analysis was performed, as required by the Accounting Manual, to ensure efficiency and economic use.
17. *The management, in response, stated that fuel consumption analysis could not be done because fuel coupon details, cost and fuel quantity were not recorded properly on the mileage sheet/log book. The new practice now is that Drivers ensure that all details are recorded during refueling and the information are verified by Admin Officer.*
18. **Daily mileage logbooks incomplete:** Audit observed that in the daily mileage logbook, the number of kilometres travelled for each journey is not registered in the specified column including reason for journey. There was also no sign off to indicate that there is monitoring by the Transport Officer/supervisor. Furthermore, Audit revealed instances where the fuel coupon vouchers issued to vehicles were not recorded in the vehicle logbook.
19. *The management, in response, stated that the journeys were not properly recorded, sometimes no details of refueling were recorded despite the issue of fuel coupons. As corrective measures, the new practice in place will ensure that all journeys and details of refueled are recorded and verified by Admin Officer.*

20. ***Mileage logbook not produced:*** The Foundation issued fuel coupons totalling R12,100 for vehicle S10345 during the year. However, the vehicle logbook for the same vehicle was not provided for audit review.
21. *Management, in response, stated that the mileage log book for S10345 was dispose-off during a cleaning in the vehicle for auction sale. The booklet was left in the vehicle which was not working due to mechanical issue and was filthy because of animal waste (rats) photo attached.*
22. ***Fuel for machinery and equipment:*** The Foundation issued fuel coupons worth SR68,000 during the year for its machinery and equipment (chainsaws, grass cutting machines, etc.) However, there was no other record, such as, logbooks or a register of the machinery and equipment is use being kept to monitor the usage.
23. *While acknowledging the observation, the management explained the control mechanism it has put in place over the fuel for machinery by providing for maintenance of a record book to record details of fuel purchase and issue and acknowledgement thereof by signing at all stages. Further added that, Admin and other sections will work to have better control on the fuel distributed for the machinery and its use.*

Fixed Assets

24. To enhance the management of fixed assets across Government and thereby mitigate the possibility of misuse, theft and wastage of assets, the DICT and MoF introduced the Asset Management Software in 2012 to be used by MDAs for recording fixed assets. However, the Foundation was not making use of the Asset Management Software, as such provided a softcopy of an Asset Register maintained in Excel format. Audit of the same revealed a lack of pertinent particulars, such as, the acquisition date, payment voucher reference and suppliers' names. Further, in the case of Biodiversity Section, no identification numbers were allocated to assets.
25. *Management, in response, stated that a new asset register has been introduced for SPGA. An inventory exercise was done in all SPGA sections to register all assets from in each section (from NBGF and SNPA). All assets have been updated in the new Asset registry and physical coding has been labelled on all assets.*

National Sports Council

Introduction

1. The National Sports Council (Council) was established as a body corporate under the National Sports Council Act, 1982 with the primary objectives of coordinating sports in Seychelles.
2. This report is based on the audit of expenditure and revenue of the Council for the year 2022.

Audit of statement of accounts

3. Section 14 of the Act requires that within six months of the end of the financial year, the Council shall submit to the Minister and the Minister responsible for Finance the accounts of the Council for that year audited in terms of Section 13 (by private auditor). However, the last audit of the statement of accounts was stated to be for the year ended 31.12.2019. OAG is still to be apprised of the status of the audit for the years 2019,2020, 2021 and 2022.

Payroll

4. The council had 88 staff and paid out SR15.7m in payroll costs during 2022. However, Audit did not sight evidence of performance of checks by management on the payroll analysis in order to ensure accuracy of the changes (i.e. addition, deletion, amounts, etc.) effected on the payroll. This is a recurring issue raised in the previous audits as well.
5. *The management, in acknowledging the observation, stated that the Council will now ensure rigorous reviews and regular sign-offs of the payroll.*

Use of Goods and Services

6. Audit examined a sample of payments from the Treasury Information System (TIS) and noted the following:
7. **Payments without GRN:** In 68 payments, totaling SR.8,503,131, the evidence of receipt of goods and services ordered and paid for was not documented on the relevant documents, nor did the Council issue Goods Received Notes (GRN).
8. *The management, in response, stated that normally, a GRN is raised for goods received on credit and fixed assets. However, for services the sections only raise a request form.*

As from 2023, all invoices will be signed to confirm receipt by the Sections before final approval and payment.

9. **Fuel records:** During the year, the Council spent SR629,700 towards refueling of its vehicles. As per its fuel register, two batches of fuel coupons were purchased in September 2022 for the sums of SR40,300 and SR20,150 (total R60,450) for use during the FINA competition. However, the fuel coupons issued were not recorded in the fuel register, as required.
10. *The management, in response, stated that the fuel coupons totalling SR40,300 were to cater for the Council vehicles. The coupons were recorded in the log book and mileage book. As for the fuel coupons, totalling SR20,150, the records will be furnished.*
11. **Sports Tourism forum:** The Seychelles Investment Board (SIB) solicited the services of an agent in Dubai on behalf of the Council to assist with a Sports Tourism Forum which was hosted and organised by the Council. According to the details on the quotation submitted by the engaged agent to SIB on 13 January 2023, it was in respect of identification and securing an agreed number of participants to the event, which included distribution of e-invites to the participants and managing responses thereto. The agent was paid US\$ 7,875 (equivalent to (SR114,897) vide PV 220044 dated 31 January. In the absence of necessary documentation, Audit could not ascertain the nature of the arrangement with SIB and whether alternative quotations were sought prior to the selection of the service provider.
12. *In response, the Council produced a trail of emails to Audit for perusal, which did not add any clarity to the matter.*
13. **Consultancy payment:** The Council paid SR.88,889 for consultancy services on 31.10.2022 (PV221650). The payment was stated to be in relation to "an audit of all financial and accounting procedures in place, recommended and best practices to be implemented across the Ministry of Family, Youth and Sports." Audit could not ascertain the rationale for the cost to be borne by the Council for the services sought and obtained by the Ministry. Furthermore, there was no evidence of complying with the applicable procurement procedures for the consultancy services, such as, obtaining competitive quotes and the requisite approval of the POU. Through the various correspondence, Audit noted that the total consultancy cost was SR.800,000

(SR88,889* 9 months) according to the contract, which was for a period of nine months, between the Ministry of Youth, Sports and Family and the Consultant. The Council, however, paid the equivalent of one month only.

14. *In response, the Council stated that it has been a practice for the parent Ministry to advise for such payments to be made by the Council despite having no direct relation to its operations.*

Suspense Account

15. The Council maintained a suspense account with Treasury in which donations and sponsorships received on behalf of athletes, federations and Sports group were deposited prior to disbursement to intended recipients. Audit noted that the sums of SR50,000 and SR5,000 collected as donations (via revenue voucher R220042 dated the 31 March 2022) in favour of a football club and a sports club respectively, were yet to be disbursed at the time of audit (August 2023).

16. *The management, in response, stated that to date they are still after the sports club to provide bank details so as to be able to proceed with their payment. Therefore, the funds are still at Council.*

Income

17. The Council generates income from the provision of various services such as rental of its storage facilities, sports facilities (swimming pool, gym, Council Hall, Freedom Square/ Mini Stadium/ Mont-Fleuri Complex), sports events (Baby Gym, Gym fees), sale of sport equipment (swimming caps), hiring of buses and medical fees (doctor consultation/physio sessions). Total collection for the year under review was SR846,778.

18. **Absence of Building Register:** Audit could not ascertain the total number of facilities under the authority/control of the Council and the accuracy/completeness of its rental income.

19. *The management, in response, stated that work has started to put in place a building register.*

20. **Charges not found in the pricelist:** Audit examined the approved pricelist to verify accuracy of the prices charged for various services offered by the Council, and noted

- that, in six cases, amounts charged in respect of a baby gym did not appear in the pricelist.
21. *The management, in response, stated that the Council is currently reviewing the rates of its rental and fees for sports activities. The sections concerned will be advised to update their price list accordingly.*
 22. **Lease reviews not undertaken:** Audit review of 14 active leases revealed that the agreements did not contain a clause for the revision of lease rental, and as a result, the lessees have been paying the same rent since the effective date of occupancy. Some of the leases are for periods ranging from 10 to 30 years.
 23. *The management, in response, stated that this is an issue which the Council will need to obtain legal opinion to review the lease agreement to add a clause on rent review as we currently do not have such clause, thus lease review cannot be effected shortly.*
 24. **Cashiers Module not used effectively:** The Council used the Cashier's Module for issuing invoices and recording receipts upon settlement of invoices, thus automatically updating the relevant records. However, the Council maintained the debtor's records in Excel spreadsheet whereby the necessary entries were made manually to update the debtors' statements.
 25. *The management, in response, stated that Council started using the Government Cashier Module in 2021. Any disparity found in the system is reported to the Public Accounts Management staff and they are sent to Treasury to amend the system. We also maintain our manual Debtors register as we found that the module report is not fully reliable.*

Debtors

26. **Long outstanding debts:** The Council produced a debtors' list in excel spreadsheet format showing a total of SR950,858, as outstanding as at 31 December 2022. Audit reviewed the listing and noted some overdue amounts dating as far back as 2008, over fourteen (14) years. The recoverability of these debts is considered minimal. The Council was yet to seek the write-off approval from the Ministry of Finance for the overdue debtors.
27. *The management, in response, stated that it will follow up on outstanding debts on the register and those that we have not been able to trace we will request for write off.*

28. ***Lack of follow up action:*** In ten (10) instances, totalling SR37,510, Audit did not find evidence supporting the recovery action taken during the year, thus raising doubt as to the effectiveness of such action.

29. ***Debtors records lack credibility:*** Audit review of some leases revealed the following shortcomings:

- a reminder sent to the lessee on 29.12.2022 (Gym) showed an outstanding balance of SR8,000 at the yearend instead of SR13,500 resulting in a difference of SR5,500;
- a monthly rent of SR2,000 in respect of a storage space was outstanding totaling SR24,000 for the year, however, the lessee did not feature on the debtors listing (Excel sheet) at year end whereas the Cashier's Module showed the amount as outstanding; and
- the debtors register maintained in Excel did not indicate running balances (movement) of debtors after every transaction of debits and credits.

Fixed Assets

30. During the year, the Council purchased non-financial assets costing SR2,017,317. Audit checks revealed the following:

- the fixed asset register (FAR) was not updated during the year; and
- in seven (7) cases, there was no evidence of acknowledging the receipt of the assets in good condition and correct amounts.

31. *The management, in response, stated that the necessary is being done to update the asset register.*

Seychelles Investment Board

Introduction

1. The Seychelles Investment Board (SIB) was established under the Seychelles Investment Act, 2010 to promote investment opportunities in Seychelles and facilitate the processes of establishing a business in Seychelles from scoping to implementation stages.

Personnel Emoluments

2. Audit of the personnel records and the payroll for the year 2021 disclosed that (a) a Senior Investment Analyst resigned on 28th February 2021, however, the letter of resignation, acceptance of resignation and a certificate of service were not sighted on the personnel file. In the absence of these, the calculation of terminal dues made could not be ascertained; and (b) a Marketing Executive resigned effective 25th June 2021 but was removed from payroll in August 2021, thus erroneously paid the July salary amounting R.19,430. No correspondence with the ex-employee was sighted on file to indicate the recovery of the overpayment.
3. *The Board, in reply (10.10.2023), stated that (a) the documents in question existed but not properly filed in the relevant personal file, and the case is still with PSB for instructions on the way forward: (b) a refund has been requested from the individual and the Board is waiting for their response.*

Use of goods and services

4. As per the procedures in place, when the goods purchased are received, the Board issues a Goods Received Note (GRN). However, in twenty-six (26) payment totaling R.304,583, no GRN nor any other form of acknowledgement of goods/services received were sighted. As a result, Audit could not verify that if all goods and services paid for were actually received in good condition and right quantity.
5. *The management, in response, stated that there may have been delays in issuing GRNs or other forms of receipts during the Covid-19 period when working from home. The reply further confirmed that the issue has been rectified by signature of the Accounting officer on invoices.*
6. In three (3) payments totaling R.27,000, servicing, maintenance and repair works were procured without three quotes to ensure competitiveness of prices.

7. *The management, in response, stated that the Board could not get alternative suppliers. The reply further stated that currently where there is no other supplier to provide price quotes, a justification is provided for purchasing through one supplier.*
8. Audit of a sample of electricity bills payments from April to September 2021 revealed that the bill for April 2021 for the sum of R.22,695 was paid twice; vide PV no. 210127 dated 13 April 2021 and PV no.210265 dated 12 July 2021 for the same amount.
9. It was further noted that surcharges were paid to PUC due to delays in settlement of invoices in that a bill dated October 2020 was paid in April 2021 with surcharges of R3,491.
10. *The management, in response, stated that the issue arose during the Covid-19 period when the MLH (lessor) received invoices late. Invoices were followed up multiple times before they were received. This has been resolved as invoices are now received electronically. The reply further explained that the duplicate payment has been credited and resolved.*

Fixed Assets

11. Audit conducted physical verification on a sample of assets purchased during the year 2021 and could not locate a laptop (Dell Vostro) purchased on 12th July 2021 (vide PV210252) costing R.10,900. According to the register, the laptop was allocated to System Support.
12. *The management, in response, informed that an internal enquiry was conducted with those who has accountability for assets. The outcome is that all persons who had the laptop under their responsibility would have to refund the laptop by monthly installments and they are in still in the process of refunding the costs thereof. The reply added that the staff who were found to have failed in their duties and acted negligently were disciplined and found responsible to refund the laptop, which is being made in monthly instalments.*
13. Audit did not sight an evidence of performing the requisite physical inspection of assets during the year under review, as required by Accounting Manual.
14. *The management, in response, informed that an exercise has been initiated to conduct the physical verification of assets. The reply added that many of the audit findings were due to gaps in the administration and human resource function.*

National Arts Council

Introduction

1. The National Arts Council (Council) was set up on 15 October 1990 as a body corporate, under the National Arts Council of Seychelles Act, 1990, to promote and develop the appreciation of arts and artistic values in Seychelles.

Income

2. **Debtors:** The Council collected income of SR190,900 from rental of four (4) kiosks during the year. Audit revealed that:
 - the debtors' balances as at 31.12.2021 was SR47,600 according to the aged listing compiled by the Council, which is less than the audit computation of SR162,600;
 - the lease agreement in respect of the Kiosk 3 (Palette) was not provided for audit scrutiny;
 - despite reminders issued by the Council, responses were not forthcoming from the lessees for the settlement of arrears.
3. *The Council submitted a reply (29.09.2023) attaching some documents and stating the audit figures of debtors are not correct. however, audit follow up showed that the figures are correct after considering the waivers approved by MoF.*
4. **Delay in banking:** Audit observed delays up to 23 days in banking of collections as high as SR24,500. Audit is of the view that the funds left on the premises for unduly lengthy periods may be susceptible to losses.
5. *The Council, in reply, stated that it has since been banking all funds received on the same day.*

Procurement of repairs and renovations

6. The Council procured different repairs and renovation works on the National Theatre during the year 2021. The Council made 8 payments totaling SR374,467 to the same contractor of which SR42,157 was towards works at the NAC Office and SR332,309 at the National Theatre. A scrutiny of the payment vouchers and the supporting documents revealed the following:
 - the work appeared to have been undertaken on a piecemeal basis, possibly to avoid the requirement to comply with the procurement thresholds; and

- the prescribed procurement procedure for works of value above SR150,000 is ‘open bidding; however, there was no evidence that the Council obtained the requisite approval of the POU for the deviation or the single source procurement.
7. *The Council, in reply, stated that the works were performed on a case to case basis based on the needs of the Council and at different intervals during the year in a dilapidated building which is over 50 years old.*

Personnel emoluments

8. The personal file of one former driver revealed that his termination took effect on 21 October 2021, as per memo dated 26 October 2021. The Council instructed the its parent Ministry (of Culture) to stop payment of his salary. However, his name was not removed from the payroll timeously, resulting in an overpayment of salary of SR.8,841.25 for the month of November 2021. Audit did not sight follow-up action taken to secure a refund of the salary payment.
9. *The Council, in reply, stated that it would find out the location of the past employee and try to recover the funds.*

Fair Trading Commission

Introduction

1. The Fair-Trading Commission (Commission), established under the Act 2009, is responsible for enforcing the laws relating to consumer protection, fair competition and other laws, which it has jurisdiction to administer.

Income

2. The audit of revenue vouchers relating to claims, deposits and refunds revealed that, in two (2) instances, amounting to R 33,000, details of the beneficiary on whose behalf the claims were collected were not available with the revenue voucher or the instructions for banking document, as below.
 - Revenue Voucher no. 210024 dated 09.11.2021 - R.30,000
 - Revenue Voucher no. 041R210015 dated 07.07.2021 - R3,000
3. Further, a refund of R15,000 effected on 20.07.2021 (PV210228) could not be cross checked to the corresponding deposit. Audit is of the view that lack of supporting documents could result in incorrect refunds to incorrect beneficiaries. Audit recommended that all documentation supporting claims, deposits and the related refunds including the client case number and beneficiary should be maintained in a permanent record; preferably a register.
4. *The Commission, in reply (18.10.2023), stated that it has requested the necessary information from MoF and is yet to receive the same. The reply added that the Commission will be moving digital with a new software which will ensure that all cases and all details pertaining to the particular case adequately recorded and backed up. The latter will enable easy retrieval of any information that could have been accidentally lost or misplaced.*

Payments for goods and services

5. In three (3) instances, totaling R33,872, the requisite three quotations were not sighted. As such, the competitive prices paid for printing and furniture could not be established.
6. *The Commission, in rely, stated that it is now following new procurement methods from the POU and ensure that copies of same are always made and saved accordingly.*

Non-financial Assets

7. The Commission procured non-financial assets worth R.209,496 during the year under review. Audit revealed the following:
8. ***Fixed Assets register not updated:*** The Commission maintained a Fixed Asset Register (FAR) as per the Accounting Manual and directives issued by the Ministry of Finance. However, some assets (furniture) were not recorded in the asset register.
9. *The reply stated that the Commission has carried out a fixed asset exercise and located all the assets not on the register (furniture) and inserted them in the FAR. However, some challenges are being encountered with the FAR which was reported to DITC.*
10. ***Physical verification of assets:*** From the available records, Audit could not ascertain that a physical verification of assets had been performed. Audit recommended that the Commission should conduct physical verification of all assets in its custody, investigate and rectify any discrepancies noted.
11. *The reply stated that physical verification of assets has been conducted for both the furniture and the IT assets, and the exercise will be conducted twice yearly.*

Agency for Social Protection

Introduction

1. The Agency for Social Protection (ASP) was set up in December 2011 under the Agency for Social Protection Act, repealing the Social Welfare Act 2008. The main functions of the Agency include administration of social assistance and payments of benefits in accordance with the Social Security Act, 2010 to persons having insufficient means.
2. An audit of the SPS was undertaken for 2022 to examine the accounts and records of the Agency in relation to the recurrent expenditure and benefits and approved programmes administered by the Agency during the year.

Use of Goods and Services

3. The recurrent expenditure of the Agency totaling R10,469,818 in relation to the procurement of goods and services during the year was found to be in order except for an avoidable expenditure of R9,438 in respect of a rented storage facility. The expenditure was in the nature of late payment charges (R1,000) and a penalty (R8,438) for late handing over of the keys to the lessor upon determination of the agreement.
4. *The Agency stated, in response, that in January 2022, there was a delay in releasing the budgeted funds, which was beyond the control of ASP. A request for prepayment in view of budgetary constraints could not be made. As for the payment of R 8,438, ASP had to clean the archive in view of the many rodents found and for the safety of staff handling the documents for the move, it was inevitable for the delay to occur and the surcharge paid. The Agency added through the reply (31.10.23) that it is ensuring that there is no late payment clause included in any contracts signed with any external parties.*

Home Care Benefits

5. The Agency provides the assistance of a caregiver to elderly or younger persons with functional limitations. This is done following health assessment of the recipient and means-testing assessment of his/her immediate household members. During the year 2022, the Agency effected payments of R262,267,397 in terms of home care benefits. Audit examined fifty-one (51) processed applications in order to verify compliance

with applicable policies, procedures and the correctness of the amounts paid, and noted the following.

6. **Absence of authorization on Checklist:** The domiciliary checklists for 5 applicants had not been approved by the designated officer, i.e. Senior Registration and Monitoring Officer. The checking and approval of the Checklist is a necessary control to allow for further processing of the applications to the next level of assessment.
7. *The newly formed Home Care Agency stated in its reply (31.10.23) that it will be working on its strategic plan whereby new procedures will be adopted for application process.*
8. **Leave records not updated:** Audit verification of leave records of ten (10) care givers revealed that the same was not updated with the leave taken.
9. *The Home Care Agency replied that it will be liaising with a consultant as from year 2024 to digitalize the annual leave process.*

Status of matters reported in previous years (2021)

Page, para, audit brief	Status
Page 86, Para No. 4 to 6 Retirement Benefits: Letters of qualification not signed.	Resolved.
Page 87, Para 8 to 9 Home Care Benefits: Care giver /Recipient files not sighted.	Observation persists: From a sample of 51 files selected, 12 files for care givers and 17 files for care recipients could not be located for audit. Consequently, the basis on which the cases approved and the terms and conditions of the care givers could not be verified. <i>The Home Care Agency replied that with the newly created Registry, the files will be organized in alphabetical order per district for both domiciliary care workers and recipient. The file movement software as well will be installed to track down file movements.</i>
Page 87, Para 10 to 12 Home Care Benefits Applications lacked requisite supporting documents and information.	Observation persists: Of 51, 6 applicant’s files (care recipients) did not contain the requisite documents, such as, domiciliary care checklist, ID copy, eligibility form, which are necessary for new applications. <i>The Home Care Agency replied that it will be working on its strategic plan whereby new procedures will be adopted for application process.</i>

<p>Page 87, Para 13 Welfare Payments: Reconciliation of general ledger against payroll.</p>	<p><i>Resolved</i></p>
<p>Page 88, Para 15 to 16 Overstatement of orphan benefits payment.</p>	<p>ASP will be requesting write-off for this amount from the MOF on humanitarian grounds, since the person was an Orphan.</p>

Seychelles Licensing Authority

Introduction

1. The Seychelles Licensing Authority (Authority), established under the Seychelles Licensing Act, 2010, has been mandated to grant, renew, refuse, suspend or revoke licenses and attach or vary conditions of a license.

Revenue collection from licenses

2. *Differences in fee collection figures:* A monthly reconciliation between the revenue ledger (TIS) and the receipts in the database was not performed by the Authority to identify differences and resolve them, as required by accounting procedures, for year 2022.
3. *Telecommunication Licences:* As per the Schedule 1 to SI 104, 2021, telecommunication licences fees are payable at 10% of the annual PSTN gross receipts and, in the case of Internet service providers, the higher of 2% of annual gross receipts and R.40,000. There are three (3) main service providers under this category (Company A, B and C). Provisional amounts are remitted by the companies, which are adjusted on the basis of actual revenue when the audited financial statements of the respective companies are available.
4. As was observed in the previous audits, despite the importance of obtaining the audited financial statements and using them for the reconciliation of provisional license fees paid against the actual revenue of the respective companies, the Authority was not ensuring the same during the year 2022 as well.
5. Some of the issues noted are as follows.
 - Company 'B' submitted the final figures as adjusted based on the audited figures, including the remittances, following the completion of the audit for the year 2021. However, the computation was not supported by the actual audited financial statements, in the absence of which, it is doubtful as to whether the Authority was able to collect the correct license fees from the service provider; and

- in the case of Telecom Company ‘A’ and ‘C’, Audit could find a computation of the final adjusted figures or the audited financial statements for the year 2021 to confirm the correctness of the corresponding licence fees.

6. *A response is awaited from the Authority at the time of writing.*

Special Audit
Seychelles Cleaners'
Co-operative
(2020 - 2022)

Table of Contents

Executive summary	69
Key Findings	69
Conclusions	70
Background	72
Objectives and Scope of the Audit	73
Administrative and managerial framework	73
Administrative staff	74
Details of Audit Observations	75
Members	75
Co-operative Management Committee	76
Appointment of auditors	76
Budget from Government	77
Salary and Service charge	78
Service Charge from private companies	79
Expenditure	80
Overtime payments	80
Payments to casual workers	81
Replacement with existing staff	82
Replacement with other person on the payroll	82
Replacement with a casual staff	83
Compensation	83
Insurance	84
Rent	84
Increase in rent	85
Maintenance cost	85
Bank Account	86
Fixed assets	86
Outstanding debtors	87
Appendix 1: Audit Methodology	89

Chapter 4

Special audit review of the Cleaners' Co-operative

1. Executive summary

The Cleaners' Co-operative (the Co-operative) was established under the Co-operative (Establishment) order, S.I 89 of 2009, in line with Government restructuring and economic reform program to outsource government services. It became operational in January 2010 and consequently all the cleaners on the Government payroll were transferred in the Co-operative.

This report, which covers the period from 2020 to 2022, is prepared based on an audit review of the management of the Co-operative following a request from the Ministry of Finance.

Key Findings

- 1.1 **Number of members more than the quota:** Audit noted that as per the amendment to the *Cleaner's co-operative Establishment (Amendment) Order 2010, SI 76 of 2010*, the number of the Co-operative members was set to a maximum of 500. Audit noted that from the years 2018 to 2022, the number of members reached over 600, which was more than the maximum of 500, as stated in the regulation. Audit was informed that in May 2015, a request was made to the Ministry of Finance for an amendment in the Act to increase the members' quota to 600 but no reply has been received.
- 1.2 **Appointment of the auditor:** Section 9 (2) of the Co-operative Act 1988 stipulated that the accounts and statement of accounts kept and prepared under subsection (1) shall be audited by a person appointed by the Minister. Officers of the Co-operative informed audit that since its formation in 2010 the same audit firm has been auditing their accounts. However, audit did not find any evidence that the audit firm was appointed by the Minister, as required.
- 1.3 **Budget provided by the government:** From the years 2018-2020, the Co-operative has spent more than the revised budgeted figure of which the highest variance of 11% was relating to the year 2020. In the year 2021 and 2022, there were savings of R344,353 and R1.5 million respectively.
- 1.4 **Significant variances in revenue:** Audit observed variances of R48 million for the year 2018, R61 million for the year 2019 and R63 million for the year 2020 between the revenue stated in the Co-operative's certified financial statements and the Treasury ledger mainly due to the non-accounting for the government budget funding in the accounts as an income item. This has rendered the financial statements for these years unreliable and incomplete.

- 1.5 Decrease in revenue from private sector:** The Co-operative also provides services to private businesses and charges a 30% commission on each cleaner. During the year 2021 and 2022, the Co-operative invoiced private businesses a total of R10.2 million of which R5.7m was relating to the year 2021 and R4.5m to 2022. There was a decrease of 20% between the two years.
- 1.6 Salaries, the most significant expense:** Over 90% of the budget obtained from the Government went towards payment of salaries.
- 1.7 Casual staff:** The Co-operative also used casual staff which are paid at R44.10 per hour as per the Employment Act. During the year 2021, a monthly average of 35 casual staff was used for total payment of R1.4 million and, in the year 2022, a monthly average of 30 casual staff was used and paid R960,923.
- 1.8 Fixed assets:** During the years 2010-2022, the Co-operative has spent R862,950 on the purchase of fixed assets. Audit noted that the assets were not included in the annual financial statements (the statement of financial position) even though the depreciation was charged in the income statement. This accounting treatment is neither proper nor correct.

Conclusions

- 1.9** The Co-operative has grown substantially since its formation in 2010. Its members have increased from 313 (2010) to 661 (2022) and the government establishments using its services has increased from 39 to 72 during the period 2010- 2022.
- 1.10** At the time of its formation, the Co-operative was not providing services to the private sector, however, during the past two years the Co-operative has earned R10.2 million from the private sector.
- 1.11** In the years 2018-2020, the audited financial statements did not capture the entire financial activity of the entity, nor did they present a true and fair view of the affairs of the co-operative. This was due to the fact that the government budget funding and the fixed assets were not included in the financial statements. Further, some depreciation was wrongly charged in the accounts.
- 1.12** Over the years, the Ministry of Finance, being the parent ministry, has not been effectively monitoring the financial performance of the Co-operative. For example, there was no evidence that the Ministry of Finance had sought clarification on the omission of significant budget funding and fixed assets in the financial statements, and the recovery of outstanding debtors.
- 1.13** The Co-operative's accountability structures were deficient in that (a) the last annual general meeting was held in November 2019; (b) the management committee has been in office for three consecutive years without seeking a fresh mandate; (c) the same

auditor has been auditing the co-operative since 2010; and (d) the annual financial statements and the operational aspects were not subject to scrutiny by the parent ministry despite significant budget funding over the years.

- 1.14 **Comments from Department of Finance:** *As part of the annual budget process the Department of Finance did assess the budget submission of the Co-operative, including the revenue generated from private operations which was taken into account when allocating budget to the Co-operative . The Department of Finance also periodically monitored the performance of the Co-operative together with its cashflow. In addition, overtime expense was being closely monitored by the Department of Finance after increases were being observed. The Department of Finance also questioned the Co-operative on their debt recovery effort.*
- 1.15 Audit noted the above response from the Department of Finance, however it did not specifically address the omission of significant budget funding and fixed asset in the financial statements of which thorough scrutiny of the accounts would have revealed.

2. Background

- 2.1 This audit report is on the management of the Cleaners Co-operative (the Co-operative) following a request from the Ministry of Finance, National Planning and Trade (MFNPT)¹.
- 2.2 The Cleaners' Co-operative was established under the Co-operatives (Establishment) order, S.I 89 of 2009, in line with Government restructuring and economic reform program to outsource government services². It became operational in January 2010 and consequently all cleaners on the Government payroll were absorbed in the Co-operative.
- 2.3 The main objective of the Co-operative was to;
- To undertake cleaning duties in offices, buildings and other premises identified by the Co-operative ensuring a high level of cleanliness.
 - To engage in other related activities to cleaning of offices, buildings and other premises to encompass high dusting and industrial window cleaning.
 - To employ methods of cleaning that complies with national and international cleaning principles.
 - To minimize the environmental impact of cleaning products used and their disposal.
 - To minimize the environmental impact caused by cleaning methods.
 - To promote networking and solidarity within Co-operatives as a vehicle for development (pro-Co-operative advocacy)
 - To prepare and empower all members of the team thus enabling them to assume greater responsibility for their professional development, performance /output and level of productivity.
 - To foster a mindset of financial viability and profitability allowing the Co-operative to become increasingly independent³.
- 2.4 At its inception the Co-operative was providing cleaning services to 39 Government establishments and had 313 registered members⁴. According to the Co-operative payroll as of December 2022, the Co-operative was providing cleaning services to 72 Ministries, Departments and Agencies (MDAs) with 661 members on the

¹ Letter to the Auditor General from MFNPT dated 17/06/2022

² Cabinet Memorandum, Review of the Cleaners Co-operative Operations, August 2018

³ Cleaners Corporative Annual report 2010

⁴ Cleaners Corporative Annual report 2010

government payroll and 19 private companies with 34 members on the private payroll. The government payroll also include eight administrative staff who work at their headquarters at Kingsgate House, Victoria. The services provided include office cleaning, health care cleaning and home cleaning.

3. Objectives and Scope of the Audit

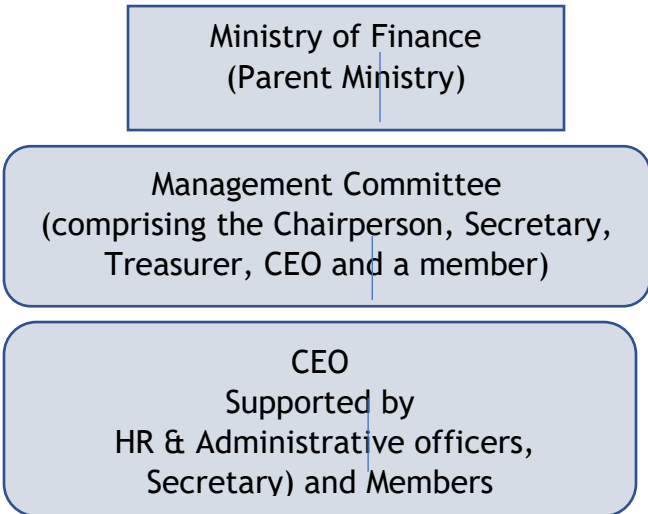
3.1 The objective of the audit was to review the management of the Co-operative, both the operational and financial aspects, and report thereon. The review covered the period from 2020 to 2022.

3.2 The methodology used in this Audit is outlined in *Appendix 1*.

4. Administrative and managerial framework

4.1 The administrative framework and governance structure of the Co-operative is illustrated in Figure 1. The Co-operative is accountable to the Ministry of Finance and seeks the latter’s approval to its decisions and major expenses. However, while it’s day-to-day Co-operative functioning is the responsibility of its Chief Executive Officer (CEO), administration is steered by the Co-operative Management Committee as per Part II of the Co-operatives Act.

Figure 1: Organizational Structure of the Cleaners Co-operative



**CO-OPERATIVE ACT
1988**

- 1) States that the Minister may, by Order published in the Gazette establish a co-operative.

Section 3

- 1) A co-operative established by an Order under section 2 shall be a body corporate.
- 2) A co-operative shall have power to do all things necessary or convenient to be done in carrying out its objects and may, with the approval of the Minister, borrow money.

Section 9

- 1) The management committee of a co-operative shall keep, in respect of its term of office, proper accounts of the society and records in relation to the accounts and shall prepare, in respect of its term of office, a statement of accounts in such form as the Minister may direct.
- 2) The accounts and statement of accounts kept and prepared under subsection (1) shall be audited by a person appointed by the Minister.

Source: Cleaners Co-operative

Administrative staff

- 4.2 The day to day administration of the Co-operative is exercised by a pool of Administrative, Human Resource and Accounts staff. In general, the Administrative staff assists the members to achieve the objective of the Co-operative. Their roles vary but they perform the following duties as per their job description;
- Manage the funds and assets of the Co-operative
 - Coordinate the administrative activities of the Co-operative
 - Liaise with relevant organizations on member's matters
 - Conduct supervisory visits in workplaces monitor the performance of the Co-operative members and address any issues
 - Recruit and Monitor staff placement
 - Oversee and advise on the work of Supervisors
 - Conducts 'on site' orientation sessions for personnel
 - Provide guidance and counselling of members⁵

Table 1: Change in Administrative staff

Year	Administrative staff
2018	10
2019	11
2020	11
2021	10
2022	8

Source: Cleaners Co-operative Annual report 2018 - 2021

- 4.3 The administrative staff registers members seeking work and maintain their personal files. Once allocated with a placement, they conduct monitoring visits at these organizations to review the members' performance and address any issues.
- 4.4 At each organization that the cleaners are placed there is either an administrative staff or a supervisor working with that organization that oversees the work of the cleaners daily. They work closely with the Co-operative and the Co-operative is called in when they have issues.
- 4.5 During the interviews with cleaners and relevant staff of organisations visited, we were told that the Co-operative is important, as it provides placement for people that would not otherwise be employed. The Co-operative also provides support and counselling to its members that otherwise will not be provided. Members interviewed stated that the Co-operative also provides them with a second chance by providing

⁵ Administrative staff job description

alternative work placement in another organisations if they are not satisfied with their current placement which is not possible in any other work setting.

5. Details of Audit Observations

Members

5.1 *Part 1 4(1) of the Co-operatives Act*, stipulates that any person of or above the age of 18 years shall be eligible for membership of the Co-operative⁶. To become a member of the Cleaner’s Co-operative one must apply for membership through the Co-operatives’ Membership Application Form which is given to every person that is employed with the Co-operative.

5.2 Therefore, members of the Co-operative are those persons observed on the Co-operative’s payroll namely cleaners, ward assistants, supervisors, the CEO and the administrative staff. A person loses his/her membership status when they are removed from the payroll. Hence, the number of members of the Co-operative fluctuates with situations that affect the payroll; for example, resignation, dismissal, or death. The changes in members from 2018 to December 2022 are illustrated in **Table 2**.

Table 2: Changes in members

Year	Number
2018	656
2019	691
2020	645
2021	676
2022	661

Sources: Cleaner’s Co-operative

Audit observation

5.3 As per amendment of the *Cleaner’s co-operative Establishment (Amendment) Order 2010, SI 76 of 2010* the number of the Co-operative’s members was set at a maximum of 500. However, as illustrated in **Table 2** the number of members has exceeded its maximum during the period 2018 to 2022.

5.4 The Co-Operative stated that it sent a request to Ministry of Finance for an amendment order through S.I. to increase the members’ quota up to 600 through a letter dated 18 May 2015, but was yet to receive a reply.

⁶ Co-operative’s ACT PG 2

5.5 Audit was also informed that an increase in members over the years was due to an increase in service demand and provision across primarily in the government departments which they serve. Various Government portfolio have been created and expanded into new offices seeking the service of the Cleaner's Co-operative.

Co-operative Management Committee

5.6 Section 6 (1) of the Co-operative Act states that *...the co-operative shall hold a general meeting of the co-operative for the purpose of electing from among its members a management committee preceding it while Section 6 (2) of the same Act stipulated that a management committee elected under subsection (1) shall hold office for a period of one year commencing from the date of the first meeting of the committee which shall be held not later than 15 days after the termination of office of the management committee preceding it.*

5.7 The Co-operative's Management Committee (CMC) consists of five members, including the Chairperson, which met at least three times per year prior to COVID restrictions. As stated above they are appointed on an annual basis at the Co-operative's Annual General Meeting (AGM) and remain in office for 12 months. Due to COVID restrictions the last AGM was held on the 6th November 2019⁷ and the then elected management committee members are still in office as of date.

5.8 The composition of the management committee is represented in Table 3. The members are provided with a monthly allowance which amounts to R78,000 annually. All members are compensated except for the CEO who receives a salary from the Co-operative.

Table 3: Management Committee details

Position	Member	Allowance -R
Chairperson	Ms. Marie-Nella Azemia	2000
CEO	Mrs Marie-Ange Denis	-
Member	Ms Mary-Vonne Francis	1500
Member (until December 21)	Mrs Rose Mary Lagrenade	1500
Member	Mr Ayiel Bonne	1500
	Total	6,500 monthly

Source: Cleaners Co-operative

⁷ Cleaners Corporative Annual Report 2019

Audit observation

5.9 The actual management committee were appointed in November 2019 and has been on the committee for the past three years which is contrary to Section 6 (1) and (2) which states that management committee are appointed annually by its members after being elected in the general meeting.

Appointment of auditors

5.10 Section 9 (2) of the Co-operative Act 1988 stipulated that the accounts and statement of accounts shall be audited by a person appointed by the Minister. Officers of the Co-operative informed audit that since its formation in 2010 the same audit firm has been auditing there accounts.

Audit observation

5.11 Audit has not sighted any evidence that the audit firm was appointed by the Minister, as required by the Co-operative Act.

Budget from Government

5.12 The Co-operative has two primary source of revenue; (a) government annual budget; and (b) the 30% commission that it charges the private businesses for the services. Over the past five years the Cleaner’s Co-operative has received a total budget of R323 million from the government.

5.13 Similar to a public entity, the Co-operative prepares its proposed budget as per government procedure and presents to the government for approval and disbursement. The first part of the budget covers the cost of;

- salary for members working in MDAs only
- salary for the staff of the head office
- Management committee fees
- Gratuity for members

5.14 The other part of the budget covers the goods and services of the Co-operative, such as, rent, insurance and utilities.

Table 4: Budget and actual expenditure

Year	Revised Budget R	Actual Expenditure R	Variance R
2018	52,168,672	57,435,951	(5,267,279)
2019	62,121,076	62,751,372	(630,296)
2020	66,920,829	74,893,568	(7,972,739)
2021	71,587,528	71,243,176	344,353
2022	70,334,314	68,812,944	1,521,370

Source: Annual Financial Statement and MOF

Audit observation

- 5.15 From the years 2018 - 2020, Audit noted that the Co-operative has spent more than the budgeted figure of which the highest variance was in the year 2020 (11%) In the year 2021 and 2022, there were savings of R344,353 and R1.5 million respectively.
- 5.16 In reference to the certified financial statements, Audit noted significant differences in revenue figures for the years 2018 to 2020 compared to the government subvention disbursements recorded in the Treasury ledger. Income in the financial statement should include revenue generated from providing services to private businesses and government subvention. **Table 5** below.

Table 5: Differences between Financial Statements and TIS

Year	2018-R	2019-R	2020-R	2021-R
Government subvention as per per Treasury g/l	57,435,951	62,751,372	74,893,568	71,243,176
Income in financial statement	8,922,721	1,668,180	11,072,335	71,904,597
Variance	48,513,230	61,083,192	63,821,233	-661,421

- 5.17 The Co-operative has requested explanation from their private accounting and auditing firm. Moreover, although the Co-operative has submitted its audited accounts to the Ministry of Finance since its inception up to 2021, there was no evidence that the latter has inquired into the aforesaid differences, given any guidance on the preparation of financial statements and their presentation.

Salary and Service charge

- 5.18 The basic salary of a cleaner is R 6,206. Following a review of the Cleaner's Co-operative in 2019 they now work from 7am to 12 noon, 5 hours per day. However, in certain MDAs due to the nature of their work some cleaners are required to work up to 3pm. They are allocated a commuted allowance of R1,500 to compensate for this extra hours. Working for these extra hours is as per request of the organization and they are invoiced this R1,500. The Co-operative has implemented all the government salary increases which included national increase (5%) and long service allowance introduced in 2019.
- 5.19 At the Ministry of Health due to the nature of work of the cleaners and ward assistant they work for 8 hours on a shift basis. Their basic salary is higher at

R6,633.46 and similar to other health workers they obtain a shift and inducement allowance. The salary packages are illustrated in *Table 6*.

Table 6: Salary Package of cleaners

	Normal MDAs	Ministry of Health Portfolio
	R	R
Basic Salary	6,206.00	6,633.46
5% Supplementary	310.30	331.67
Commuted Overtime Allowance (Optional)	1,500.00	-
Inducement Allowance	-	500.00
Shift Allowance	-	600.00
Total	8,016.30	8,065.13

In addition, some cleaners receive long service allowances since 2019 (R500-R4000)

Source: Cleaners Co-operative

5.20 The Cleaners Co-operative also provides cleaning services to private sectors according to the following rates;

- Minimum wage of SR 44.10 per hour plus 30% Commission on the total cost for Casual worker.
- Casual cleaners cleaning houses the charge is SR300 for the first 3 hours and SR 50 for each additional hours plus 25% Commission on the total cost
- Full time office cleaner working 7 am to 12 noon the salary is SR 6,206.00, 3% Employer Pension Fund Contribution, 5% Supplementary Allowance plus 30% Commission on the total cost per month
- Full time office cleaner working 7 am to 3 pm the salary is SR 6,206.00, SR 1500 Commuted allowance, 3% Employer Pension Fund Contribution, 5% Supplementary Allowance plus 30% Commission on the total cost per month
- Full time Ward Assistant (Hospital staff) the salary is R 6,633.46, 3% Employer Pension Fund Contribution, 5% Supplementary, R500 Inducement Allowance, R600 Shift Allowance plus 30% Commission on the total cost per month⁸.

5.21 During the year 2021 and 2022 the Co-operative paid a total R130 million in respect of members working for the government and a total of R6.2 million in respect of members working for the private sector as shown below.

Table 7: Salaries paid in 2021 and 2022

	2021-R	2022-R	Total-R
Government payroll	66,835,998	63,114,036	129,950,034
Private payroll	3,367,730	2,887,693	6,255,423

⁸ Source: Cleaners corporative

Audit observation

- 5.22 Audit noted that the Human Resource officer of the Co-operative receives relevant circulars from the DPA and they implement all relevant salary amendment proposed by the Government to their members.
- 5.23 Audit further noted that more than 90% of the budget received from the Government goes towards the salary for the members.

Table 8: Payroll % in government budget

	2021-R	2022-R
Budget from Govt	71,587,528	70,334,314
Government payroll	66,835,998	63,114,036
Payroll % to Budget	93%	90%

Service Charge from private companies

- 5.24 As indicated above the Co-operative charges a 30% commission on each cleaner. The Co-operative also receives 30% from other placements where the members are working. The commissions received by the Co-operative are used for payments of casual cleaners and other expenses which are not covered through the government budget.
- 5.25 Audit noted that the Co-operative invoiced private businesses a total of R5.7m relating to the year 2021 and R4.5m to 2022.

Audit Observation

- 5.26 From review of payroll Audit noted that the number of persons on the private payroll has declined from January 2021 to December 2022. Therefore, revenue obtained from this source has also declined.
- 5.27 The Co-operative informed Audit that with the announcement that the Co-operative will be closing down several companies have gradually not renewed their contracts with the Co-operative due to the uncertainty. They have opted to employ their own house keepers rather than to seek the services of the Co-operative which has further reduced their revenue.
- 5.28 Audit was informed that the Co-operative requested an increase in service charge in March 2021 but has yet to receive approval from the Ministry of Finance.

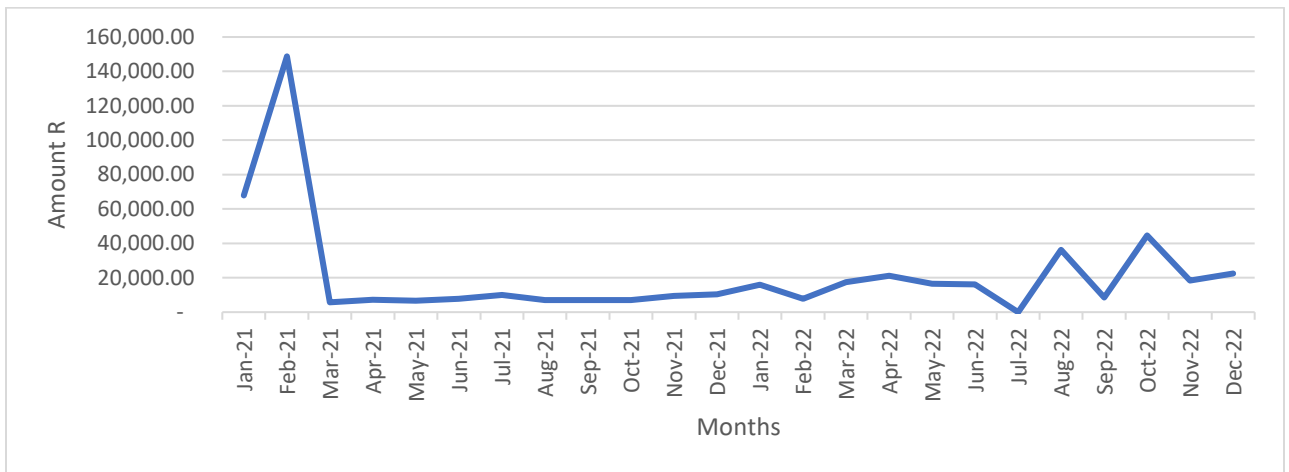
Expenditure

- 5.29 Payment of staff remuneration remains the most significant expenditure of the Co-operative, as described elsewhere in the report. Additional payments related to overtime, casual pay and compensation, described below.

Overtime payments

5.30 Overtime is payable when cleaners performs duties beyond their normal working hours of 7am to 12 pm in the case of a non-health center working staff and working on an off day for those in a health setting. According to the Co-operative, MDAs are to be charged this overtime payment rather than using their own funds/budget. Figure 2 illustrates overtime payments made by the Co-operative from January 2021 to December 2022 .

Figure 2: Overtime payments



Source: Cleaners Co-operative payroll

Audit Observation

5.31 Audit noted that in February 2021 through an email correspondence to the Co-operative, the Ministry of Finance reiterated that overtime payment should be bore by the respective MDAs and not taken from Co-operative’s budget. Likewise, the MDAs should have budgeted for such expenditure or used relevant savings. Consequently, a sharp drop in overtime payments was noted in the following months.

5.32 Audit was also informed that in some organizations the cleaners no longer receive overtime payment but get a day off for their service such is particularly the case in the hospital setting where specialized cleaners are required and the service is essential.

5.33 During the site visits undertaken by Audit, we were informed that overtime pay was a motivational factor for the workers to complement their already low salary and having a day off does not necessarily assist the workers. Further, overtime is paid where they have to replace another cleaner who is on sick leave for instance. There are some organisations where cleaners are often absent. In those situations, more work should be done by the same cleaners. Likewise the Co-operative should have an effective strategy to monitor sick leave and guide members accordingly.

Payments to casual workers

5.34 The Cleaners Co-operative seeks the services of casual workers in various instances but most often when a person is going on long leave which can either be annual, medical or others. In these instances the organization both private and public requests the Co-operative for another person to provide the service.

5.35 Given that the person on leave is still earning a salary, the Co-operative has to accommodate for additional funds to cover for the salary of the replacement/casual staff. This cost is bore by the Co-operative. According to the Co-operative several alternatives are used prior to engaging with a casual workers to ease this financial burden⁹ .

Replacement with existing staff

5.36 They firstly check if within the organization there is another member that can be the replacement staff where they work up to 3pm and complete the required task. In such cases the staff will receive an overtime payment of R1,500 which is more cost effective than paying someone else the full salary.

Replacement with other person on the payroll

5.37 If the above is not possible, the Co-operative seeks the service of a staff that is on the Co-operative payroll from another organization but at that time they may be on annual leave. They are given an overtime payment for this depending on hours covered.

5.38 The Co-operative also has a group of workers on the payroll known as “Floaters”. Floaters salary has already been budgeted for by the Co-operative but at the time they may not be allocated to a specific organization. The reason for this varies but

⁹ Interview with HRBO on 25th August 2022

usually they are unhappy with their current placement or vice versa. Therefore, rather than being dismissed by the Co-operative the person is used to fill in for replacement staff or when short notice jobs are required.

5.39 The floaters report to the Co-operative every morning and are assigned locations that need workers. The Co-operative explained that daily they have placement opportunities because either someone is absent or an organization makes an urgent request for staff.

Audit observation

5.40 From January 2021 to December 2022, there were an average of 7 to 8 floaters on the payroll respectively (*Table 9*). The use of these floaters does not incur an additional or unbudgeted cost to the Co-operative. It also provides the person an alternative placement which might be more suited to their needs. Since 2017, the Co-operative has made a request for a pool of 20 floaters.

Table 9: Floaters on Payroll

	Average per month	Cost (R)
2021	8	784,024
2022	7	594,117
	Total	1,378,141

Source: Cleaners Co-operative Payroll 2021- 2022

Replacement with a casual staff

5.41 The last resort is the use of casual staff. Casual staff are derived from a pool of persons that has come to the Co-operative seeking for employment they may either have;

- worked with the Co-operative before
- are new workers
- are person's that only wish to work on casual basis with the Co-operative.

5.42 They are paid a rate of R 44.10 per hour as per the Employment Act. They are either paid by cash, cheque or bank transfer. They are not on the payroll hence not members of the Cleaners Co-operative.

5.43 In 2021 and up to December 2022 the Co-operative paid a total of R2,327,541 on these casual staff, as illustrated in *Table 10*. This is derived directly from the Co-operative funds.

Table 10: Casual staff payments

Year	Average casual staff per month	Amount Paid -R
2021	35	1,366,618.58
2022	30	960,923.13
		2,327,541.71

Source: OAG Analysis of Cleaners Co-operative records

Compensation

5.44 It was stated that since the creation of the Co-operative up until August 2022 the Government budget covers for salary, allowances and gratuity payments only and the compensation payments were made from revenue obtained from the private companies.

Table 11: Compensation paid

Year	No. Payments	Amount (R)
2021	83	1,688,537.44
2022 (up to August)	28	541,295.86
	Total	2,229,833.3

Source: Cleaners Co-operative

Table 12: Compensation owing as of Aug 2022

Payment	Amount (R)
Leave payment	60,668.00
Compensation	338,341.11
Salary	10,016.30
Total	409,025.41

Source: Cleaners Co-operative Payroll 2021- 2022

Audit Observation

5.45 The Co-operative paid a total of R 2,229,833 in compensation to 111 members from January 2021 to August 2022, and it owed R409,025 to 14 persons of which the payment was outstanding due to insufficient funds.

5.46 Audit was informed that following the announcement that the Co-operative was being closed down they have encountered the following situation that has impacted on their financial status:

- an increase in staff resignation due to the fear of work insecurity. Therefore, an increase in payment for leave and compensation benefit.

- an increase in private companies stopping service, some are seeking permanent cleaners and housekeepers therefore not seeking the service of the Co-operative. Hence revenue from these sources is on the decline.

Audit observation

5.47 Audit noted that in September 2022, R707,074 was disbursed by the Ministry of Finance to pay all outstanding compensation and for new cases as well.

Insurance

5.48 The Co-operative pays an annual insurance cover for Group Personal Accident (GPA) for its members which covers them in the case of any injury in the workplace.

Audit observation

5.49 From 2010 to 2018 the premium was with SACOS at R449,848 per annum. The premium was for R100,000 per person for all members. In 2019, the Co-operative moved to Harry Savy Insurance where their premium was at R328,725. The Co-operative made a saving of R112,000 in moving to this new premium.

5.50 However, Audit noted that compared to the SACOS premium which covered all members at the same time. The one with Harry Savy although all members are covered, they will provide coverage for only 100 members at a time for accidents and 100 members at a time for medical, surgical and hospital expenses. Audit noted that from 2010 to December 2022, the Co-operative has received payments from insurance in respect of 39 members for total amount of R76,051.

Rent

5.51 The Co-operative’s head office is located on the second floor of Victoria house, and it has been renting five rooms. In October 2020, the Co-operative started renting a sixth room, No. 54, on the same floor at R10,000 per month. This was done to effectively accommodate its Human Resource and Accounts staff amidst the COVID pandemic and to provide a better working environment.

Table 13: Rented rooms and purpose

Room	Purpose
29	CEO’s Office
30	Meeting room
31	Administration office
32	Administration office and storage
53	Kitchen and storage
54	Human Resource and Accounts

Source: OAG visit of Cleaners Co-operative head office

Audit observation

- 5.52 Audit observed the following activities that has resulted in the increase of cost related to rent by the Co-operative.

Increase in rent

- 5.53 The lease agreement is valid for 2 years and as per clause 6.4 of the agreement an increase of 5% is applicable at every renewal. This has been enforced at every renewal except for waiver in 2015 when the offices were undergoing some maintenance work and in 2020 due to the COVID pandemic where increase was waived.

Table 14: Rental payments

Year	Number of rooms	R
2018	4	457,835
2019	4	531,300
2020	5	626,850
2021	5	604,650

Source: Co-operative Financial statement 2018- 2020 and Lease agreement

Maintenance cost

- 5.54 In addition to the lease, the Co-operative is charged a tax of 15% and a service charge. From 2019 the service charge has increased from R300 to R500. According to Clause 2.0 of the lease agreement the service charge is to cover the air-condition maintenance, garbage removal, toilet facilities and cleaning of common areas. The Co-operative spent R 6,762 on the repair of an air condition in 2020 and R1,350 in 2021 which according to the lessor is not part of the agreement.
- 5.55 In 2020, an expense of R406,389 (*Repairs & Maintenance - Office*) was observed in towards renovation works and retiling of the floors. Approval for the project was sought and provided by the Ministry of Finance.
- 5.56 Audit observed two quotations from two different companies, dated July and February 2019 of R151,789 and R87,036 respectively. The Co-operative stated they didn't receive feedback from a third contractor.
- 5.57 The project was awarded to contractor 1 for R151,789. Audit noted a quotation of R251,988 from same contractor 1, in February 2020 for additional work. No other quotations were sighted for the additional work which costed more than the initial work. The total cost of the project was R403, 777. These were paid through three cheques dated in April (R151,789), August (R150,000) and September (R100,00) 2020 amounting to R401,789 after receiving discount of R1,988. These expenses were not made from the government budget but from the revenue obtained by the Co-operative from private companies.

Bank Account

5.58 The Co-operative operated a bank account (No: 01202038071007) with Seychelles International Mercantile Banking Corporation Ltd, which showed the following year end balances.

Table 15: Bank balances

Years	2020	2021	2022
Bank balances (R) as at 31 December	469,674.47	687,677.66	82,493.71

Source: Cleaner s' co-operative bank statement

5.59 Audit noted that the Co-operative was not using any accounting software to record transaction instead spreadsheets were created in excel to record receipts and payments made. Monthly bank reconciliations were carried out.

Fixed assets

5.60 During the years 2010-2022, the Co-operative spent R862,950 on the purchase of some fixed asset items. Audit was provided a fixed asset register as at December 2022.

Audit Observation

5.61 Audit noted that the certified financial statements for the year 2020 and 2021 did not include the fixed assets (in the statement of financial position) although some depreciation was charged in the income statement. Furthermore, the assets purchased in 2020 and 2021 were not included in the asset schedule attached to the annual accounts.

5.62 Review of the fixed asset register indicated that 91% of the assets were purchased in 2011. These consist of mainly office furniture, cabinets, chairs and IT equipment. However, only 7 items were recorded in the register for the audit period 2020 to 2022, as illustrated in **Table 16**.

Table 16: Fixed assets purchased

Year purchased	Number of Fixed asset
2010	1
2011	180
2015	2
2016	7
2019	2
2020	2
2021	4
2022	1
Total	199

Source: Fixed Asset register

5.63 The assets with the most value in the asset register was a vehicle S15504 valued at R110, 500. According to the Seychelles Licensing Authority (SLA), the Honda Jazz GD1735 PL was transferred to the office on the 9th September 2010. It was then valued at R330, 000¹⁰. Audit did not sight any document in file in respect to the transfer between the previous owner and the Co-operative to ascertain if the vehicle was purchased, transferred or offered in kind.

5.64 According to the Co-operative, the vehicle is currently undergoing repairs following an accident on the 10th May 2022. The cost of damage of R36, 291 was covered by insurance on the 15th July 2022. The Co-operative does not have a driver as the last one resigned in June 2022. Considering this, on a needs basis the Co-operative seeks the assistance of taxi for staff transportation and collection of consumables. From June to July 2022 the cost of the taxi service was at R9,550. The Co-operative advised that the delay in repairing this vehicle is due to lack of spare parts.

5.65 The Co-operative indicated that the vehicle was utilized for monitoring visits to various establishments, and due to the unavailability of a vehicle to provide transportation, such activities have significantly decreased.

Outstanding debtors

5.66 The cleaner's co-operative invoices all clients for their service at the end of each month. They then compile an excel sheet of the invoices paid and those due. This is stated to be checked and updated monthly.

5.67 Clients on credit facility has thirty days to settle invoices. According to the certified financial statements, outstanding debtors as at 31 December 2021 was R1,955,836.

¹⁰ Evaluation date 4/02/2009

Audit observation

- 5.68 Audit review of the debtors listing shows outstanding balance of R3,043,966 as at 31st December 2022. This included R2,137,955 outstanding from the an Authority as at 31st December 2021.
- 5.69 The total debtors balance in the certified financial statements for 2021 (R1,955,836) appears to be incorrect in view that the Authority alone was owing more than that according to the audit computation based on outstanding invoices at the end of 2021 (R2,137,956).
- 5.70 Audit also observed that the co-operative did not perform an aged analysis of the outstanding debtors to facilitate recovery action. The co-operative did express certain challenges in following up with debtors especially over the couple of months with the lack of staff and with the anticipated closure of the office they are constantly being tasked to recalculate members' compensation by the Ministry of Finance which is time consuming. They indicated that they do send emails to these organizations to remind them of the debt.

Appendix 1: Audit Methodology

The following activities was performed as part of the Audit to understand the financial position and activities of the Co-operative;

- Review of the Co-operative's related Acts and regulations namely the; the Co-operative Act 1988, Act 15 of 1987, Co-operatives (Cleaners' Co-operative (Establishment) Order, SI 89 of 2009, SI 76 of 2010 was performed to understand the legal status of the Co-operative.
- Review the Co-operatives' annual reports 2010, and 2018 to 2021 was performed to understand the Co-operative's vision, mission, objectives, structure, activities and challenges.
- Review of the Co-operatives' audited annual financial statement for the year 2018 to 2021 was performed to assess its financial position and activities.
- Review of other relevant documents such as payroll, invoices and other records to confirm the facts and figures related to the operation and management of the Co-operative.
- Review and analysis of the Co-operative's revenue and expenditure was performed to identify trends, shortcomings and verify that controls in place was being abided to.
- A sample of cleaners from payroll was selected and site visits was performed at five establishment to confirm their existence.
- The Co-operative fixed asset register was reviewed to verify the controls in place relating to assets.
- The Co-operative records on debtors and creditors was reviewed to ascertain trends and actions taken.
- An entry meeting was held on the 24th August 2022 with the CEO and Chairperson of the Co-operative management committee, senior officers of the Co-operative head office to understand the process and system in place. This was followed up with interviews, correspondences, document review and queries with staff of the Co-operative.
- Exit meeting was carried out on 10th May 2023 to discuss draft report with CEO, members of the management committee and senior officers of the Co-operative.
- Report was submitted to the Minister of Finance in June 2023.
- The Ministry of Finance submitted comments on the 13th July 2023 which has been included in the report.
- Final report was issued to the Cleaners co-operative and to the Ministry of Finance on 26th September requesting for additional comments.
- Both confirmed that they did not have any additional comments. (Cleaners 9/10/23 and MoF 13/10/23)