
Report of FPAC
on the
Report of the Auditor General
2015

Prepared by the
Finance and Public Accounts
Committee



Oct 2017

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by Dr. [Signature]

The Finance and Public Accounts Committee composed of the members listed below, submits its Report on the Report of the Auditor General 2015 to the National Assembly for consideration and approval.



Hon. Wavel Ramkalawan - **Chairperson**



Hon. Ahmed Affif - **Vice Chairperson**



Hon Charles de Commarmond - **Member**



Hon. Sebastien Pillay - **Member**



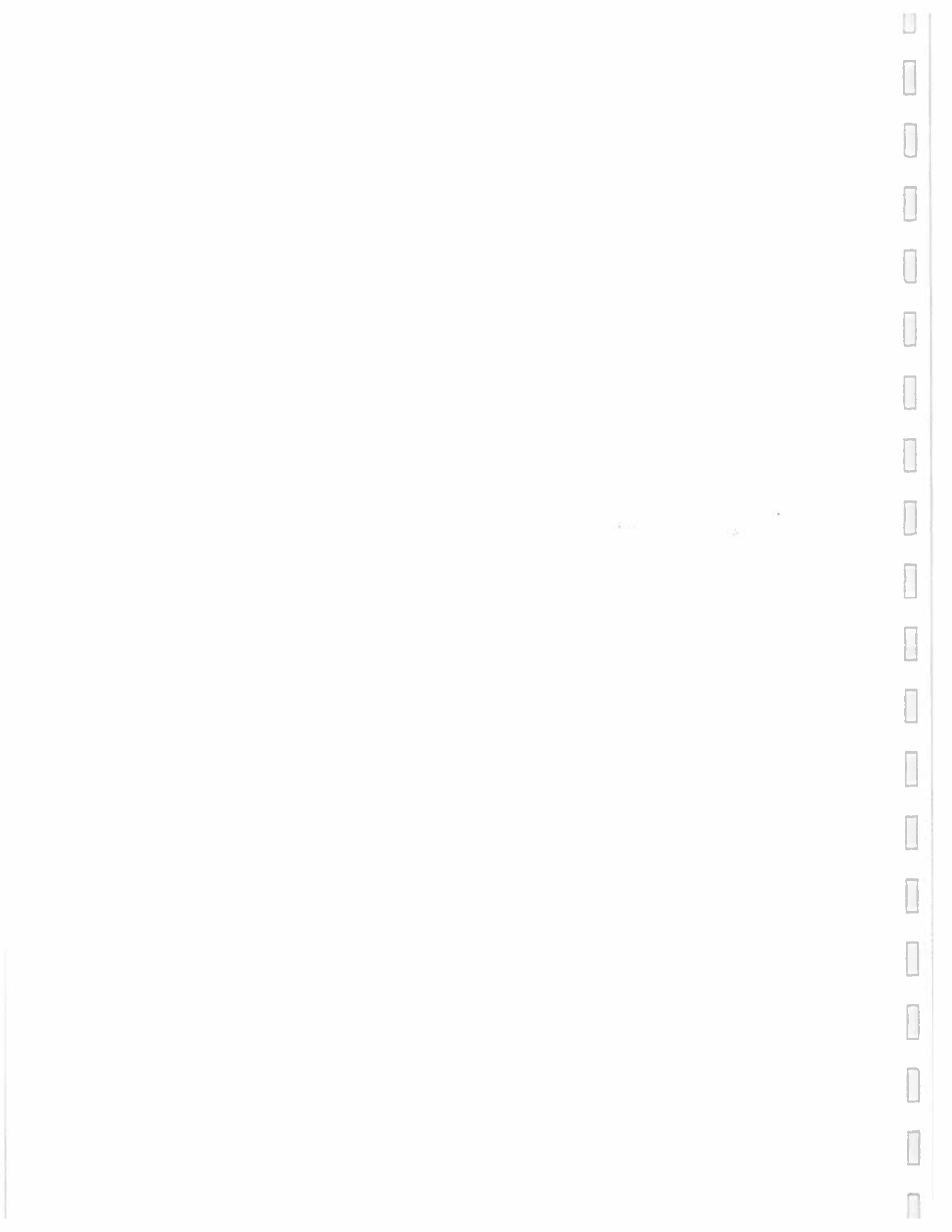
Hon. Jean-Francois Ferrari - **Member**



Hon. Churchill Gill - **Member**

Hon. Terence Mondon - **Member**

(Absent from the country for signing)



Acknowledgement

The FPAC would like to extend its appreciation to all the staff of Ministries, Departments and Agencies who have collaborated with the FPAC over the compilation of this report. A special mention goes out to all accounting officers and accounting staff who have provided the FPAC with supporting documentation as well as insight and explanations, all of which have helped to foster a clearer picture and appreciation of the audit findings and solutions thereto.

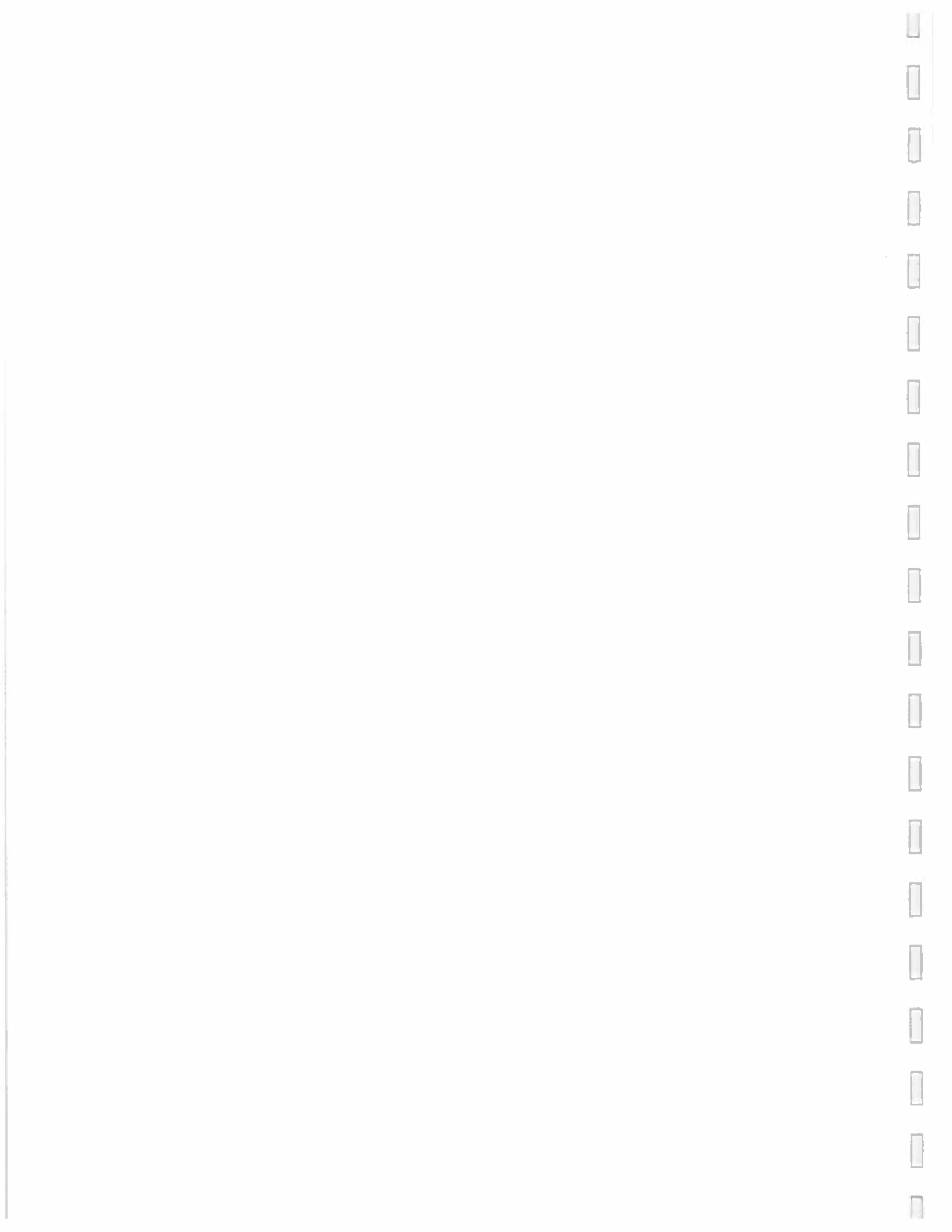
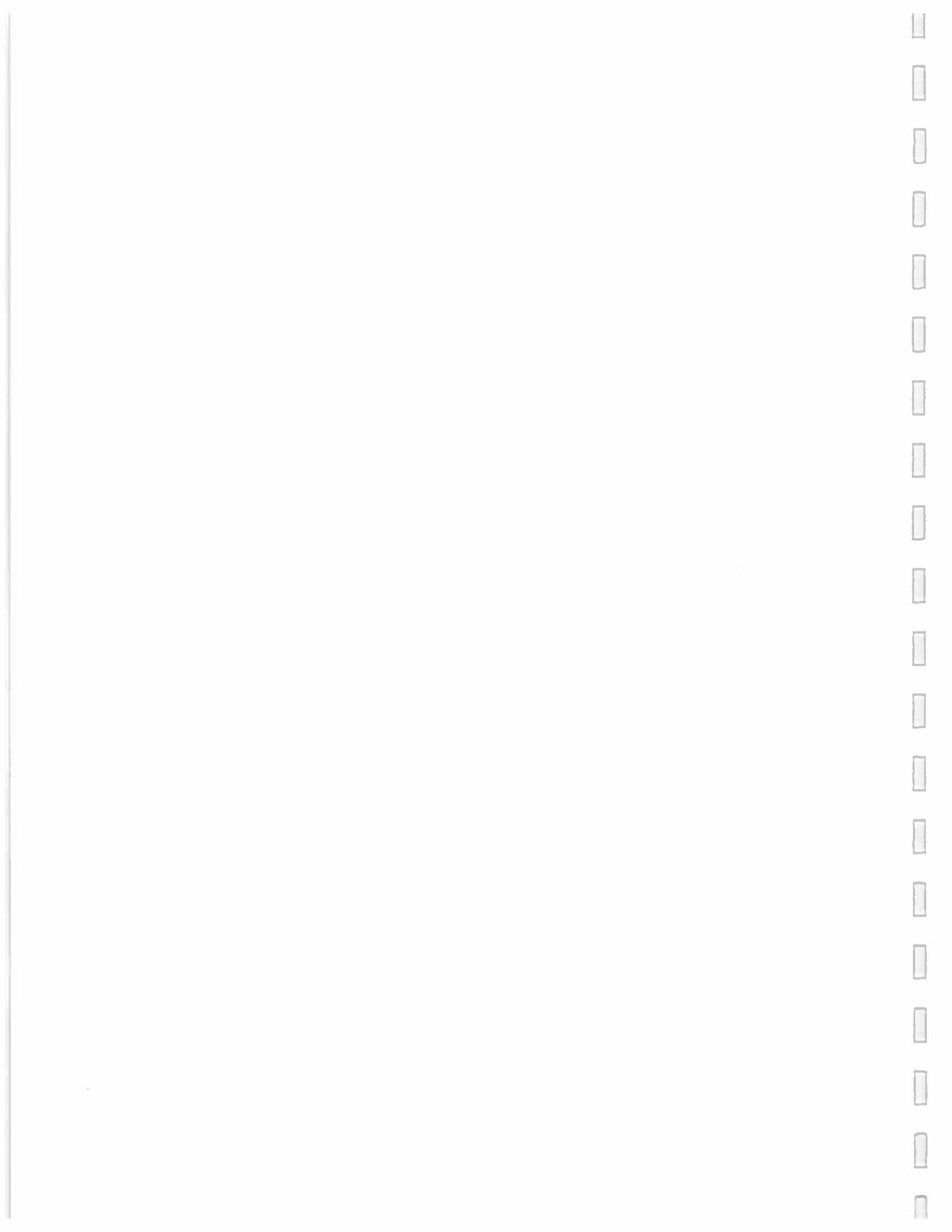


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1. INTRODUCTION

A. The Finance and Public Accounts Committee (FPAC)

- i. Article 104 of the Constitution, Rules of Procedure for Committees and Standing Orders 2009 provide for the establishment and functioning of the FPAC within the National Assembly of Seychelles. Accordingly, the FPAC is established as the supreme institutional mechanism for ensuring an oversight role over the efficiency and effectiveness of all matters concerning public financial management systems across the entire public sector.
- ii. The FPAC is regarded as a key mechanism for ensuring good governance, transparency and accountability in public financial operations across a large spectrum of public bodies from MDAs to public enterprises. In its oversight role, the FPAC acts on behalf of and for the people of Seychelles by holding the government accountable for its actions and/or inactions in relation to the management of revenue collection, spending of public funds and state assets. More importantly, the FPAC plays an important role in ensuring that the government spending is directed towards achieving national objectives and delivering a better public service at a reasonable cost. The FPAC has always been at the forefront in promoting responsible government spending and eliminating waste and extravagance.
- iii. Another important aspect of the FPAC's oversight role is to help detect, prevent and expose corrupt practices in public sector in collaboration with other law enforcement bodies mandated to fight corruption.
- iv. The FPAC ensures that it is engaged with all its stakeholders in a constructive and collaborative manner to objectively promote changes conducive to greater national development through effective use of public money.

v. The current composition of the FPAC is as follows effective from Oct 2016:

- Hon Wavel Ramkalawan (Chairperson)
- Hon Ahmed Afif (Deputy Chairperson)
- Hon Mr Jean-Francois Ferrari (Member)
- Hon Terence Mondon (Member)
- Hon Charles De Commarmond (Member)
- Hon Sebastien Pillay (Member)
- Hon Churchill Gill (Member)

The Secretary to the Committee is Mr Godfra Hermitte who comes from the Secretariat of the National Assembly. Mrs Dufrenne assists as stenographer.

B. Methodology Adopted

- vi. This report has cross-examined 14 organisations in relation to the Report of the Auditor General for 2015, produced and tabled in the National Assembly under Article 158(3) of the Constitution of Seychelles.
- vii. The organisations were chosen on the basis of:
- the size of their budget
 - the nature of discrepancies found
 - the impact of any corrective measures undertaken will have with respect to ensuring that good practises are maintained by all public sector bodies.

- viii. The report is organised to present, under each public body, in sufficient detail the relevant areas of audit concerns from the Auditor General's report for 2015 with a summary of management responses provided orally during the hearings. These responses are indicated in brief where FPAC deemed them relevant and fitting. The complete verbatim is kept and may be obtained separately from the Secretary of the FPAC by any interested person.
- ix. The Appendix to this report provides a full account of all written responses received from the public bodies covered in this report in their original format without any alterations. These responses were received in reply to the letters sent out by the FPAC requesting the accounting officers to appear before the committee for hearings.

2. Executive Summary

FPAC cross-examined 14 organisations whose budgets were considered substantial and whose deficiencies were considered material enough to warrant scrutiny and corrective action.

The FPAC identified the following main weaknesses:

- i. Poor knowledge of and adherence to laws, policies, procedures and rules that should be followed when procuring goods and services.
- ii. High value purchases of goods and services being made without due regards to compliance with prescribed laws and procedures and thus compromising on value for the money.
- iii. A lack of necessary records/documents being kept to support financial transactions of the public bodies with adequate documentation explaining such transactions.
- iv. Public bodies with internal control systems fraught with flaws rendering them ineffective to ensure that all and only authorised transactions are accurately processed.
- v. Absence of effective asset management systems.

- vi. Notable lack of effective communication among public bodies where improvements require inputs from various organisations.
- vii. Cases of reported loss of and/or suspected loss of public funds/assets that are not being disposed of effectively and satisfactorily.
- viii. A need to provide required training for all Accounting Officers and Accounts Staff of public bodies on their respective roles and responsibilities in the implementation of public finance management act and regulations.
- ix. Bank balances amounting to SR172m as at 31 December 2015 were not included in the Treasury Accounts but only disclosed as notes to the accounts.
- x. Revenue from sale/lease of certain state assets have not been accrued and the expected financial benefits to the state have not been identified and thus resulted in losses in terms of foregone revenue.
- xi. Some audit findings may have not been shared with Accounting Officers prior to the issue of the final Audit Report.
- xii. Some MDAs have made a great effort to improve on past shortcomings.

The FPAC makes the following recommendations aimed at remedying the identified weaknesses wherever they may exist:

- i. Every organisation should have sufficient well-trained personnel in place, in order to carry out their respective mandates effectively. In order to achieve this, the DPA should work in collaboration with public bodies on their establishment's needs. The Ministry of Finance should consider funding approved establishments of public bodies on a case-by-case basis taking into consideration their specific needs.
- ii. Where requests for write offs are made by public bodies for the disposal of obsolete assets with a view of making room for storing

serviceable and useable assets, as well as removing eyesore on public places, approval should be conveyed within a reasonable period of time stipulated in a policy.

- iii. Management of public bodies should ensure that their internal control systems are operating satisfactorily and supervisory checks are exercised effectively so as to ensure that all revenue is collected on time and the expenditure is controlled.
- iv. Management of public bodies should actively promote competitive purchases, not only because it is required by law, but also with a view of maximising the use of public funds.
- v. Ministry of Finance should take leadership in the training of Accounting Officers and Accounts staff of public bodies on Public Finance Management Act and regulations and procurement procedures and contract management.
- vi. The Ministry of Finance should review the list of bank accounts not included in the Treasury accounts with a view of incorporating them in the Treasury Information System and/or rationalising the list.
- vii. The Ministry of Finance should revisit the sale/lease of state assets and review the terms and conditions in favour of the state and put in place systems to optimise revenue collection.
- viii. The Ministry of Finance should collect information on all cases of reported loss of public funds/assets and effectively assess them, and where there is sufficient evidence collected through internal audit or any other process engage the Attorney General for litigation.
- ix. Audit finding reviews should be carried out by Audit with all MDAs and in particular the accounting officers prior to the report finalisation. Whenever possible the Auditor General must insist on the production of any relevant documents requested within an established time-frame before producing the final report.

- x. Government needs to ensure that those MDAs that adhere to financial regulations continue to do so and wherever possible strengthen the accounting framework in place to avoid lowering compliance standards set in place.

3. The Entities Examined

C. Department of Culture

- x. Paras 2.2 page 104

Audit Finding: Audit noted an instance amounting to SR243,656 where adequate supporting documents were not available for verification. Audit recommended that payment vouchers should be adequately supported to ensure the propriety of payments made.

Response: the requested documentation has been identified and copied to the OAG.

- xi. Paras 2.4 page 104

Audit Finding: The Department produced a summary spreadsheet statement stated to be from the telephone service provider dated 29 November 2015 revealing an amount of R589,933 due, of which R459,605 related to unpaid bills outstanding dated prior to 2014. Further documentation concerning the latter balance was not provided

Response: A statement from the phone company was produced and will be copied to the OAG. Since then the Department of Culture is ensuring that all outstanding bills are recorded with relevant documentation to avoid such a repetition in the future.

- xii. Paras 2.7 to 2.9 page 105

Audit Finding: documentation relating to the purchase of conservation material showed an amount of SR45,168 that was unaccounted for.

Response: The amount has been recovered in full and banked from the relevant officer concerned.

xiii. Para 4.5 page 107

Audit Finding: Audit noted that 8 payments totalling R261,090 made during the year from the Festival Kreol account was not in relation to the Festival and did not also appear on the 2015 Festival Kreol programme. This included, for example, expenditure in relation to the 15th August 2015 Assumption Day festival on La Digue which was charged to the Festival Kreol account. Audit recommended that payments charged to the Festival Creole account should be those attributable to the festival only.

Recommendation: The Department was asked to ensure that funds used from an MCB account created for the purpose of managing special events will be broken down by activity. This will be reported and monitored accordingly.

D. Department of Immigration and Civil Status

xiv. Para 2.2 page 57

Audit Finding: Audit noted 3 instances whereby five cheques totalling SR41,200 were included in the banking but these cheques were not reflected in the daily collection report.

Response: In a subsequent re-conciliation, the error was corrected and found to be cheques collected but referenced as cash. Measures are since in place to avoid such mistakes.

xv. Para 3.2 page 58

Audit Finding: Audit was not able to sight the relevant security bonds with the work permit application in 28 cases out of 30 work permit; there were no contract agreements in 10 instances.

Response: Past bond agreements existed but were filed along with company files some of which were closed or archived and thus the records not available. This has been rectified with a new file created containing only security bond agreements.

xvi. Para 3.5 page 59

Audit Finding: Audit scrutiny of the records revealed that in 5 instances out of a sample of 270 cases of GOP application and

permit fees, the amount refunded was incorrect with 4 cases of overpayments amounting to SR24,500 and 1 case of underpayment amounting to SR700.

Response: The cases have been rectified by adjusting the dues of applications from the parties concerned.

E. Health Care Agency

xvii. Para 2.1 page 135

Audit Finding: Lack of progress in the copper pipes alleged theft investigation

Response: The matter was considered closed as the Police had no further clues despite having had some suspects in the first place. Security had apparently been reinforced CCTV cameras introduced. The entry point through a ventilation pipe was also closed.

Recommendations:

- Members pointed out that the copper pipes could only be used in limited organisations and if there was a chance to pursue this further, it should be done.
- The setting up of an audit committee to oversee such risks is a step in the right direction and its work must be followed up.

xviii. Paras 2.4 to 2.6 of page 135 :

Audit Finding: Outstanding matters in respect of food and ration supplies

Response: The services are still being supplied; it has been difficult to find alternative suppliers for this service. HCA may break down the services into smaller contracts and thus get more suppliers. Meals are supplied in bulk so reconciliation can only be done on the basis of shortages when distributed. So far it is working.

One problem is there is no capacity internally to manage outsourcing of services in a large organisation like HCA as DPA has not approved of the requested posts. HCA needs modern

methods to measure what is received such as food.

Recommendation:

- Posts must be approved for the management of procured services. HCA pays a large amount of money from public funds for these services.
- Resources must be allocated in this respect.

xix. Para 4.2 pages 137- 140 :

Audit Finding: Outsourcing of Haemodialysis Service was not procured correctly and audit could not sight the financial analysis and rationale for arriving at the service contract value.

Procurement of Security Services was found to be deficient procedurally.

Several flaws were noted in the procurement method used for medical supplies

Response: For haemodialysis there had been no proper procurement procedures. As with many other services, procurement is done with very little due diligence by the agencies concerned.

Recommendation:

- the Board of HCA must be empowered to take decisions and responsibility and other authorities must not override that responsibility.
- The procuring units must have an understanding of what to expect in terms of contract and must have a clear framework under which they operate.
- There has to be a clinical audit done for haemodialysis on a regular basis as this costs over SR1m per week and a new tender launched if found necessary.

xx. Paras 6.1 page 140

Audit Finding: Supporting documents were lacking in payments for goods and services.

Response: An audit of procurement processes was done in April 2016. They found the need for increasing the number of staff and having in place an information system. There are now 4 (from 2) staff looking at procurement (3 for local one for international). HCA has also introduced a digital information system used in the stores, this was worth \$90k; HCA has also segregated the work-load for different processes. This now works and monitoring has improved and the audit trail is clearer. The FC cannot follow up on GRNs still as this is decentralised. Not all the nurses know all the accounting processes and this is a constraint.

Recommendation:

- HCA needs to have an internal auditor as despite all the systems in place, there needs to be consistent audit checks to ensure wastage or abuse is minimised.
- Training of staff involved with procurement of goods and services must also be enhanced.

xxi. Paras 6.5 pages 141

Audit Finding: The supplier for laundry services provided services despite the expiry of the contract.

Response: This is work-in-progress and similar to those raised earlier.

Recommendation: HCA should work on guidelines that will ensure that when out-sourcing is done, the services are up to the level expected by the ministry.

xxii. Paras 7.2-7.4 pages 142-143

Audit Finding: Deficiencies in the mileage log book maintenance was observed. There was also no review of journeys stated as done. Fuel consumption analysis was not performed. The GPS tracking system used was provided for under a contract which had expired.

Response: HCA has found it difficult to find a good transport manager. Log book maintenance and supervision has, however, improved.

Fuel management has improved with better monitoring when purchasing at the pump.

xxiii. Paras 8.2 to 8.12 pages 143 to 145

Audit Finding: There was an absence of a 'needs assessment' prior to purchase of assets. A number of payment vouchers were not supported with internal local purchase or works orders. Deficiencies were noted in acknowledging receipt of assets. Requested files not furnished for some large purchases worth SR3.6m and periodical verification of the assets were lacking. In subsequent verification of assets, several problems emerged including non-identification and some assets were left unused.

Response: there is no asset management person today. There are no financial statements from HCA.

Recommendation:

- HCA needs to make a strong case with Ministry of Finance (MoF) on this matter of recruiting the appropriate personnel to manage assets.
- HCA must press MoF to process write-off requests in good time so that abandoned vehicles especially can be disposed of.
- The issue of finding resources for asset management must be taken up actively with MoF.

F. Ministry of Education

xxiv. Para 2.1 page 67

Audit Finding: Progress was slow with respect to recovery of amounts due from a supplier who had supplied material with an incorrect specification.

Response: Monthly instalments are now being repaid from the supplier and the full amount will be recovered soon.

xxv. Para 2.3 page 68

Audit Finding: a printer had procured 353 reams of paper from

the Ministry as it had ran out of stock. The printer still owed the ministry part of the value of the stock lent out worth SR127,987.

Response: The printer is now refunding the ministry at a rate of SR5k per month.

Recommendation: The ministry should request for a re-payment of SR15k monthly instead so the amounts can be recovered faster. This must be actioned immediately.

xxvi. Para 2.5 page 68

Audit Finding: Discrepancies of SR6,000 in cash handling was identified at the Maritime Training Centre.

Response: The staff concerned has been disciplined although the amount is still to be recovered.

Recommendation: Since the earlier deadline set for full recovery is now passed, legal action must be initiated against the person concerned.

xxvii. Para 2.8 page 68

Audit Finding: 3 cases were identified for investigation by the Ministry where employees were overpaid a total of R153,599 because instructions to stop payment of salaries or allowances were either not received or followed.

Response: SR28,592 has been recovered, the balance is being reduced by salary deduction of SR1k per month until Jan 2018. In one case of non-payment, the matter is being referred for legal action.

xxviii. Para 3.5 page 70

Audit Finding: A number of bond agreements and personal files were not sighted for students on local training.

Response: The ministry noted that there were some cases dealt with through ANHRD. The relevant files would thus be stored at ANHRD.

xxix. Para 4.7 page 72

Audit Finding: A number of payment vouchers and supporting documents relating to utilities payments totalling R2,601,206.45 effected as per the general ledger were not made available for inspection.

Response: The details have been identified and provided to the OAG.

xxx. Para 7.2 page 74

Audit Finding: The ministry was still transiting from a manually controlled stores inventory system to that of a computerised system and thus minimising the risks of inconsistencies and duplication.

Response: The stores' inventory was now fully computerised and operational. A manual for users has already been drafted and is in use.

Recommendation: The ministry should share its asset management system within Government as a model for managing other inventory systems within the public service.

G. Ministry of Finance

i. Para 46 page 18

Audit Finding: SR176.3 million under parastatal advances, specifically long outstanding balances in respect of Coetivy Prawns Ltd of R40.8 million, Hatcheries and Feed Co. Ltd of R55.6 million, and SMB of R79.9 million remaining due at 31 December 2015 appears doubtful in terms of recovery. Audit was unable to sight any evidence of progress in respect of the liquidation of these entities which has been on-going for some time, since 2008 in respect of Coetivy Prawns Ltd and Hatcheries and Feed Co. Ltd and 2009 in the case of SMB.

Response:

- In the case of Coetivy Prawns Ltd, the amount of SR40.8m is deemed irrecoverable. MoF is to request permission from Cabinet to write off the amount.

- However the Hatcheries, Animal Feed factory and the Abattoir had earlier been transferred to the private sector.

Recommendation: MoF should carry out an evaluation of the assets transferred and to either charge rent on these Government assets or to propose a sale based on commercial terms. This is believed to be a very valuable asset and an assessment needs to be done urgently in order to maximise returns to Government.

ii. Para 47 page 19

Audit Finding: A number of payments recorded on the Treasury Information System are not reflected as part of Government expenditure being cash transfers from revolving accounts.

Response: All payments in future from these accounts will be recorded as payments and allocated with the relevant expenditure codes.

iii. Para 3.2 page 53

Audit Finding: A number of consultancy services were awarded without adhering to procurement rules.

Response: These consultants had been externally funded in the first place. Once the funding stopped, they were retained for purposes of continuity. However, the contracts have been regularised including one person who is now on payroll.

H. Ministry of Habitat, Infrastructure and Land Transport

iv. Para 2.1 page 76 (Failure of IT System – Loss of Data)

Audit Finding: The Ministry informed that their computerised system had failed in January 2016 as a result of which crucial financial and operational information maintained over the years was lost and the database of the leases previously maintained by the Ministry could not be retrieved.

Response: The ministry agreed it had inherent weaknesses with no back up. This has been rectified through redundancy and

back-up systems established through DICT. A copy of the agreement with DICT will be copied to FPAC for its file.

Recommendation: The ministry should place emphasis on the link up of such a system with the lands registrar in order to improve information sharing and general efficiency.

v. Para 3.1 page 77 (Sale of Maps)

Audit Finding: Audit scrutiny of the cash book, copy of receipts and amounts posted in the General Ledger relating to “sale of maps/prints” indicated suspected misappropriation of funds.

Response: the matter was investigated and reported to the Police more than 3 years ago; there has been little progress in recovering any amounts or prosecuting the suspect. Over SR1m may have been lost. The ministry reported it had already taken steps to ensure all cash is properly recorded and reconciled regularly.

Recommendation: The ministry must ensure that all the ministry’s senior personnel to take responsibility for cash management despite the fact that the accounts reporting structure lies with MoF.

vi. Para 4.2 page 80 (Survey Fees)

Audit Finding: Audit examination of the system in operation at the Survey Division revealed that the Division did not maintain a register to record therein all applications received including the relevant fee payable. As a result, Audit could not ascertain the cohesion between survey fees payable and actual collections in respect of survey fees only, as receipts issued were not specific to survey fees, but were combined with other sources of income.

Response: MHILT is to re-look at the system including the human resources allocated to this function and to ensure accuracy is maintained at all times.

vii. Para 5.1 to 5.4 page 80/81 (Planning Fees)

Audit Finding: In a sample of 87 cases of planning fees charged, a large number of discrepancies were identified including over-

charging. These errors could be related to input information.

Response: MHILT is to re-look at the system including the human resources allocated to this function and to ensure accuracy is maintained at all times.

viii. Para 5.5 page 81 (Exemptions for Planning Fees)

Audit Finding: From a selected sample of 87 of exemptions as per the Planning Information Systems, Audit traced the same to the respective clients' file but could not sight evidence of approval in respect of exemption in 4 cases which were non-governmental.

Response: The exemption process was poorly documented.

Recommendation: the ministry must review internal procedures to ensure a clear audit trail and proper records are kept.

ix. Para 6.2 page 81 (Royalty waivers)

Audit Finding: calculations indicated that the total royalty expected to be collected was SR13.6m whereas the amounts posted in the General Ledger as remittance by IDC totalled to SR13.5m only, thus indicating a shortfall of R0.1m in payments by IDC.

Response: Some waivers may have been issued but not documented.

Recommendation: MHILT must ensure all waivers are well documented in future.

x. Para 6.5 page 82 (Royalties under-stated)

Audit Finding: Audit scrutiny of remittances revealed that royalty remittance amounting SR45,235 as per sales report for October 2015 was not found recorded in the General Ledger. Audit could not ascertain if the collection was banked or if remittances were received.

Response: MHILT reported that this was due to a stale cheque which was replaced. Audit will verify the correctness of this information.

xi. Para 6.8 page 82 (Monitoring of Stockpile)

Audit Finding: Audit could not verify that sales did not occur without being recorded on the sales reports, any under-collection of income and breaches to the agreement which may remain unresolved.

Recommendation: MHILT must closely monitor the actual stock levels to ensure reported sales tally with the estimated size of the stock pile at different points in time.

xii. Para 7.2 page 83 (Property Transfer Fees)

Audit Finding: Audit observed that the monitoring of sanctions granted have not been performed by delegated officers. Audit did not sight evidence of payments for 14 out of 18 sanctions granted. As a result, it could not be ascertained whether payments had actually been effected for these sanctions.

Recommendation: The ministry should establish a link between MHILT and the Registrar so that all sanctions granted are updated with the Registrar on a real time basis. MHILT must take this up as a matter of priority.

xiii. Para 7.4 page 84 (Absence of Supporting Documentation)

Audit Finding: The credit advice pertaining to one transaction reference BKTR 658 dated 09 July 2015 for the sum of R274,805 could not be located from the revenue voucher file, for audit inspection. Moreover, the transaction was not found recorded in the "daily posting report" from the Land Management system. Audit could not ascertain if a receipt was issued to support the transaction.

Response: MHILT agreed that poor accounting procedures were in place.

Recommendation: MHILT must improve its accounting procedures in 2017 to ensure a clear audit trail with all supporting documentation in place.

xiv. Para 7.5 page 84 (Policy on exchange rate)

Audit Finding: Audit was informed that the property transfer fee of 1.5% is translated into Seychelles rupees by applicants and

remitted to the cashier. No applicable foreign exchange policy is determined by the Ministry, hence checks are not carried out to confirm whether the rate applied by the client is reasonable and in line with prevailing daily rates.

Response: Some discrepancy in collection of sanction fees was attributed to exchange rate differences.

Recommendation: MHILT should ask MoF to ensure Cabinet agreed sanctions were calculated in SR at prevailing exchange rates and thus communicated and set to applicants to avoid confusion.

xv. Para 8.1 page 84

Audit Finding: The question of whether or not the method of lease collection upfront by discounting future cash flows was optimal was raised by Audit.

Response: The ministry said it was still working out options.

Recommendation: MHILT must calculate on the basis that all lease payments used in the discount should have an incremental factor built in before the discount is applied. This will ensure a larger pay out for Government where up-front payments are accepted.

xvi. Para 8.3 page 85 (Land Exchanges)

Audit Finding: There were instances of a lack of supporting documents to prove that some land exchanges were done such as to ensure no loss of revenue to Government occurred.

Recommendation: MHILT should examine each case based on revenue merit as an important consideration and ensure all documentation was on file for verification by audit.

xvii. Para 8.4 to 8.13 pages 85 to 87 (Leases)

Audit Finding: Several instances were noted where there were delays from approval of a lease to the signing of the agreements. Other instances showed the lack of monitoring of the use of leased land and in other cases unclear terms for use of the land. This potentially results in loss of revenue as well as opportunities for developers.

Recommendation: MHILT must tighten on procedures to ensure delays are minimal and that no loss of opportunity arises from decisions to lease land to different applicants.

xviii. Para 9.1 to 9.3 pages 87 to 88 (Sale of Land)

Audit Finding: Receipts and transfer documents not sighted in several cases of land sales.

Recommendation: MHILT must review its filing system and accounting procedures to ensure all sales are correctly filed with monitoring of all sales and receipts to match both administrative and accounting files.

xix. Para 10.1 page 89 (Praslin operations)

Audit Finding: Receipts for land leases and other services by MHILT on Praslin were not issued in sequential order and thus poorly kept. A Cash Book was also not maintained for cash collections on Praslin.

Response: MHILT has addressed the problem by providing training to the person concerned. Revenue vouchers are also raised currently in line with financial procedures when collecting revenue.

xx. Para 10.3 page 90 (Client Accounts not updated)

Audit Finding: Client accounts were not updated and the debtors' file was thus found to be inaccurate.

Response: MHILT has improved accounting standards on Praslin and this problem should now be resolved.

xxi. Para 10.5 page 91 (Cancelled Receipts)

Audit Finding: Cancelled receipts were not attached to the receipt book. This suggests unauthorised or illegal transactions taking place.

Response: MHILT has improved accounting standards on Praslin and this problem should now be resolved.

xxii. Para 11.1i page 90 (Miscellaneous Income and Credit Sales)

Audit Finding: Not all sales relating to services are correctly

completed and funds collected.

Response: MHILT has improved accounting standards with improved training and this problem should now be resolved.

xxiii. Para 11.1ii page 90 (Outstanding Rent and Lease)

Audit Finding: A number of debts still remained outstanding with amounts of SR18m deemed 5 years or over in overdue debt.

Response: MHILT said that some of these involved debts to Government by agreement with other ministries, e.g. DPA over housing for teachers.

Recommendation: MHILT should find the resources to chase up these cases and present a clean report of the amounts due by November 2017. The report must also state what steps are being taken to recover these amounts.

I. Ministry of Health

xxiv. Para 3.3 page 102 (Public Procurement)

Audit Finding: Several instances were found of the lack of open tendering or approval from the procurement oversight committee in special circumstances.

Response:

- MoH lacked the resources to effectively ensure compliance and adherence to procurement rules. Steps have been undertaken now to ensure procurement rules are complied with.
- For cleaning services, MoH has now regularised the contract.
- In the case of security services, the Minister had asked for security services from the Police; no contract was sighted.
- The rotation of staff by MoF frequently is challenging for MoH as this results in the loss of institutional memory and thus degrades their management ability.

Recommendation: MoH must inform the Procurement Oversight Unit when there are difficulties. In other cases, since finance officers report to MoF, the ministry should not hesitate to let MoF know of instances whereby rules are flouted even through a ministerial directive. This will ensure the ministry takes its responsibility and not cite the use of 'directives' as an excuse for non-compliance.

J. Ministry of Labour and Human Resources (MLHR)

xxv. Paras 2.1 of page 108

Audit Finding: Payroll monitoring was deficient.

Response: This is now actively monitored to avoid over-payment under wages and salaries.

xxvi. Paras 3.1 page 109

Audit Finding: Payments were not adequately supported with details on invoices or cash memos to enable an assessment as to whether the type of expenditure incurred was for official purposes or not.

Response: a number of missing documents were supplied. The new PS explained that in the past some payments were not in line with the activities of his ministry.

Action has, however, been taken on his part to prevent this from happening. It was noted that at the time, the Minister had a hospitality vote details of which are provided in the Appendix.

xxvii. Paras 3.4 page 109

Audit Finding: Payments made were unrelated to the activities of the Ministry.

Response: The payments were overdue and the supplier pressing for payment. No other vote was available unless funds were vired which would have taken time. Funds were thus paid although the ministry acknowledges its error and commits to prevent this from happening in future.

xxviii. Paras 3.7 page 109

Audit Finding: The lease agreement was not sighted for some monthly rental payments.

Response: This has been rectified and all leases are now formalised.

xxix. Paras 4.1 page 110

Audit Finding: The Register for Inventory was not updated and was incomplete.

Response: This has now been taken care of.

xxx. Paras 5.1 page 110

Audit Finding: It was observed that dates of issue of fuel coupons were only recorded and the dates of their purchases totalling R359,590 during the year under audit were not mentioned in the Register.

Response: Mileage and vehicle usage is better monitored. Fuel analysis is now being done.

xxxi. Other Points

MLHR is asking for support in getting more human resources to address improved monitoring of employment matters. The PS has only 2 vehicles to monitor a work-force of 45,000 workers.

Recommendation: The ministry must make a strong case to MoF for support in the budget for 2018.

K. Ministry of Local Government (MLG)

xxxii. Para 3.2-3.4 pages 95-96

Audit Finding: Mileage log books were not maintained, fuel coupon registers were not maintained and gaps were noted in mileage recording.

Response: MLG did not keep a mileage log book. However the ministry was using its own monitoring system, so some monitoring was being done. The standard log book is now in use. It was noted that project vehicles are now used for project work

only.

xxxiii. Paras 5.2 to 5.5 page 97

Audit Finding: Asset purchases were not recorded properly, some assets could not physically be traced and periodical verification of assets were not performed.

Response: This has now been rectified and a person has been identified to keep the asset register updated and maintained. Of the 2 items which could not be identified, only the pressure wash equipment is still missing. The other item was a CPU which has been found.

Recommendation: There are some assets which are obsolete and cannot be discarded because approval from MoF has not been forthcoming. MoF has to give priority to write-off these requests.

xxxiv. Para 5.12 page 98

Audit Finding: Supporting documents were not sighted for the difference seen on paper on acquisition of properties.

Response: It was explained that the purchase was done by MoF. The latter has not provided any information on the extra amount involved in the purchase. MLG continues to apply pressure on MoF to obtain the said document.

There are a number of small community centres on Praslin which are badly in need of repairs.

MLG was encouraged to make proposals on how to manage these assets and even return some of these assets back to Government for other use.

MLG is struggling to get the right staff especially for project implementation and maintenance due to DPA exigencies.

L. Seychelles Land Transport Authority (SLTA)

xxxv. Point 31 page 57

Audit Finding: The audit of the accounts for 2011 of SLTA was completed and its certification is pending at the time writing in

November 2016 for want of signed accounts from the Agency. The audit of accounts for the years 2012, 2013 and 2014 is planned.

Response: MoF takes almost complete responsibility for the accounts of SLTA. The latter has submitted all its records of transactions for the period 2011 to 2014. MoF has encountered delays in preparing the statements due to resource constraints.

Recommendations: Since SLTA now has a director of accounts, it is recommended that SLTA is linked up with the Treasury Information Systems and accounts are maintained in a manner that will require minimum compilation time by direct interaction on the accounting system by SLTA whilst MoF continues to maintain its supervisory level.

M. Seychelles People's Defence Forces

xxxvi. Para 3.4 page 46

Audit Finding: Monthly lease payments to an accommodation provider were charged to Foreign Consultancy fees.

Response: This was based on counter-part funds to be paid by SPDF in on-going technical support missions from the Indian Government. SPDF was to provide for accommodation for such consultancy and thus charged the payments against Foreign Consultancy fees. Under that heading, the identification of such funds was made easier.

xxxvii. Para 4.3 page 47

Audit Finding: Audit scrutiny of records relating to procurements of goods and services revealed that the Department contracted the services of a supplier without obtaining the approval of the National Tender Board.

Response: SPDF maintains that their supplier had provided them with both credit and good pricing and had availability at short notice.

Recommendation: SPDF must make its case with the POU and ensure such arrangements fall in line with the procurement laws in place today. This will be monitored in future audits.

xxxviii. Para 5.1 page 48

Audit Finding: A scrutiny of the mileage log books revealed showed no evidence of performance of the requisite supervisory checks by the SPDF to ensure that only authorised journeys were undertaken and mileage runs were reasonable. Nor did Audit sight any corrective action taken against the drivers misusing or operating official vehicles for private purposes.

Response: SPDF has now put in place improved monitoring in relation to the above. This will be assessed in future audits of SPDF.

xxxix. Para 5.2 page 48

Audit Finding: Proper records were not maintained by the Department to support boat operations. Audit could not verify fuel issues against the log book and likewise repairs. Audit could not ascertain if payments effected related to the boats operated.

Response: SPDF has now put in place improved monitoring in relation to fuel and repairs related to boat operations. This will be assessed in future audits of SPDF.

xl. Paras 5.5/5.6 page 49

Audit Finding: Audit examination of vehicle log books revealed numerous instances where log books were partially completed; start and/or the finish mileage not completed and the number of kilometres travelled not filled in. Moreover, journeys and distances covered were not detailed. In addition, fuel issues were not recorded in the respective log books.

Response: SPDF has now put in place improved monitoring in relation to fuel related to vehicles. This will be assessed in future audits of SPDF.

xli. Paras 5.10, 5.13 and 5.14 page 50

Audit Finding: Audit scrutiny of relevant vehicle records revealed that the fuel consumption analysis had not been performed by the Department during the year under review, notwithstanding the fact that a sum of R8.5m was spent as fuel

costs on 100 motor vehicles.

Response: SPDF is now carrying out fuel consumption analysis related to vehicles. This will be assessed in future audits of SPDF.

xlii. Paras 5.18 page 51

Audit Finding: Payment vouchers supporting two cheques issued in favour of the Victoria South Petrol Station could not be located from the payment voucher files, for audit inspection.

Response: SPDF has located the vouchers which will be shown to Audit.

xliii. Para 6.4 page 51

Audit Finding: Audit did not sight evidence of physical inspection of assets conducted by the Department during 2015.

Response: This is now being taken care of and an asset management system will be up and running shortly. This will be assessed in future audits of SPDF.

N. Seychelles Port Authority

xliv. Point 30 and 31 page 38

Audit Finding:

- Inventory evaluation had not been carried out.
- Loans given out required validation

Response:

- The inventory evaluation was carried out satisfactorily and confirmed by the auditor. SPA is also in the process of automating its inventory and should soon have an improved system. SPA has adopted average cost of purchase as the method of its stock valuation.
- The reconciliation of all loans given out was carried out and balances shown confirm with ledger entries. This will, however, require confirmation by the external auditor of SPA.

O. Seychelles Prison Services

xliv. Point 2.40 page 61

Audit Finding: Income tax was not deducted off the salaries of some foreign security personnel. An amount is now owed to SRC in arrears.

Response: SPS acknowledges the error. The personnel involved have left the country and as such the sums are irrecoverable from them. SPS has asked of the same sums from MoF to pay these debts to SRC.

xlvi. Point 3.6 and 3.7 page 63

Audit Finding: SPS did not obtain 3 quotes as requested and in other instances did not organise formal tendering for large amounts of goods and services procured.

Response: SPS will abide to procedures. Failures of the past were attributed to poor training or the lack of the required personnel. These are now being recruited and trained.

xlvii. Point 5.7 And 5.8 page 66 (Fixed Asset Register)

Audit Finding: the fixed assets register was poorly maintained and stock control and evaluation procedures were not in place.

Response: SPS is now recruiting trained and additional personnel to undertake this function. FPAC advised SPS to speak to the Ministry of Education after its recent implementation of the stock control and fixed asset register systems.

xlviii. Point 6.1 page 67

Audit Finding: a large contract with IDC for procurement of transport, logistical support and other services was made without following procurement rules. In addition, there is no contract sighted for the services.

Response: SPS agreed that this was wrong on the part of the previous management. The current contract for Marie-Louise is now terminated. The new superintendent will not sign the

contract for Coetivy citing his disagreement with some terms proposed. FPAC advised him to seek a resolution of the matter by seeking alternative services or through negotiation.

Other Matters: SPS informed FPAC that it was poorly equipped today. It wanted support to physically separate management staff from prison staff, upgrade its level of equipment and transport and have improved conditions for its staff. FPAC agreed that these matters should be raised with MoF and SPS will receive the support of FPAC to ensure that it can strive towards better services and efficiency and adherence to all financial rules.

P. Seychelles Revenue Commission

xlix. Para 4.5 page 115

Audit Finding: Physical Examination of Red routed Bill of Entries (BOS) was performed by a single Customs officer.

Response: SRC now has 2 customs officers for this task although there is a shortage of officers. It was explained that the salary package of customs workers was lowered due to DPA's refusal to accept SRC's scheme of service. Recruitment of the appropriate staff is impossible right now.

This is a serious constraint to having good personnel in place. There is very little training offered to staff presently.

Risks are assessed by customs based on intelligence and value of bills generally.

There will be a palette scanner brought in by the end of 2017 and this will help reduce risks to revenue.

l. Para 5.3 page 116

Audit Finding: Release of goods happened prior to registration of BOE

Response: SRC does not have enough resources to follow up on goods clearing. It was explained that of the SR1.3b of arrears, over SR0.6b is due to "objections". SRC now has a team of auditors to address the actual amounts due. Based on this

exercise, SR0.4b of debts will now be actively followed up.

li. Para 5.4 page 116

Audit Finding: BOE that were not registered within 48 hours of goods being released or not registered at all with no penalty fee being applied.

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lii. Para 5.8 page 117

Audit Finding: Importers with several pending/unregistered BOEs were still allowed to use the Direct Delivery facility.

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

liii. Para 5.10 page 118

Audit Finding: Missing information found in Direct Delivery database.

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

liv. Para 5.12-5.14 page 118

Audit Finding: Unregistered and unpaid BOEs were found for Direct Delivery consignments

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lv. Para 6.3 page 120

Audit Finding: Several unregistered BOEs were found

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lvi. Para 6.7 page 121

Audit Finding: Monthly returns were not submitted

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lvii. Para 6.10 page 122

Audit Finding: Goods were held in bond beyond the allowable 2 year period

Response: This is now being addressed.

lviii. Para 6.12 page 122

Audit Finding: Ex bond BOEs could not be assessed and validated after payment had been made.

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lix. Para 7.2 page 123

Audit Finding: Excise tax and VAT were not paid on the importation of LPG gas by SEYPEC

Response: SRC does not have enough resources to follow up on goods clearing as explained above.

lx. Para 7.8 page 125

Audit Finding: There was an outstanding balance of R5.3m due from Pet Levy

Response: SR2.16m collected but a total of SR3.151m still outstanding. The law does not allow SRC to stop clearing of current goods when a new consignment from the same importer who has arrears is being paid and cleared.

lxi. Para 8.1 page 125

Audit Finding: A Liability Balance was found outstanding

Response: These have been cleared but due to systems incompatibilities when switching from Asycuda World to Asycuda ++, these are still shown as outstanding.

lxii. Para 8.2 page 126

Audit Finding: Non-compliance found with the provisions of Revenue Administration Act, 2009 in regard to recovery of outstanding revenue

Response: Interest and penalties not being collected

lxiii. Para 9.1 page 126

Audit Finding: Standard Operating Procedure (SOP) for recovery of outstanding revenue had not been formulated

Response: This is still on-going, and priority will be given to establishing these soon.

lxiv. Para 2.2 page 128

Audit Finding: Items of tax deposits not identified and cleared

Response: Allocation was not done properly. But this is now under control.

lxv. Para 3.2 page 128

Audit Finding: Returns not lodged by VAT registered businesses

Response: Reconciliation was done, from 54 a total of 21 have made returns, 8 have de-registered and 1 was not a tax payer. 11 still remain to be collected.

lxvi. Para 3.4 page 129

Audit Finding: Long outstanding debts still remained

Response: This is being addressed. SRC is now taking steps to ensure estimates given are indeed accurate.

lxvii. Para 4.2 page 130

Audit Finding: Monthly turnover figures not updated on CMS

Response: The risk assessment now being done from audit before being updated on the CMS. This will reduce incomplete updating on the CMS system.

lxviii. Para 5.2 page 130

Audit Finding: Monthly turnover figures not updated on Customs Management Systems (CMS).

Response: Government and parastatals generally submit in a compliant manner. Audits and dissemination of information are helping to ensure a higher level of compliance.

lxix. Para 5.6 page 131

Audit Finding: Incorrect payments/calculation of the income tax amounts

Response: Audits and dissemination of information are helping to ensure a higher level of compliance.

lxx. Para 6.3 page 133

Audit Finding: Gross figures not stated on BAS forms

Response: This has been rectified on the form to include the right boxes for different information to avoid the confusion.

lxxi. Para 6.7 page 133

Audit Finding: Specified Business Books not recorded and issued in sequential order

Response: This was an error and has now been corrected.

lxxii. Para 7.2 page 134

Audit Finding: Tax returns not lodged/evidence of follow-up actions not sighted

Response: 4 out of 7 cases have been dealt with. The others are being worked on.

lxxiii. SRC Position

SRC needs to strengthen its human resource capacity. Its IT systems needs to be upgraded.

They may need to invest in an off-the-shelf system for the future.

4. Conclusion

The Auditor General's Report remains an important element of the accountability framework in place today and is central to ensuring transparency and contributes greatly towards maintaining good governance.

It is incumbent on every MDA to use the information provided through the audit process and the report to improve on their shortcomings and ensure public money is well spent.

The approach taken by the FPAC is one that is focussed on maximum transparency and provides the basis for follow up measures or remedies and solutions to shortcomings found.

Whilst it is apparent many MDAs have begun acting on concerns brought out in the Auditor General's Report, it is clear that there are still some systemic issues that remain to be addressed.

This may require strengthening the capacity of not just the FPAC but that of the Auditor General's Office as well.

