



2020

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 2020

Results of audits in Ministries, Departments, Divisions and Offices

Results of audits in Statutory Bodies

Results of Special Review of Covid-19 related expenditure by HCA

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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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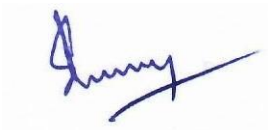
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28 October 2021

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 2020 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

This is my fifth consecutive annual report being presented to the National Assembly since my appointment in April 2017. 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 in September, had it not been due to numerous disruptions and delays caused to the audit cycle by COVID-19 pandemic, particularly, in the second quarter of 2020 and first quarter of 2021 and its hand over effects on the operations of various entities subject to my audit coupled with frequent quarantining of staff in almost all governmental entities. 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. With this in mind, the twelve-month audit cycle has been realigned to run from September to August.

The main objectives this report are to:

1. draw the attention of the National Assembly, Government and other decision makers to matters arising from carrying out my oversight role as the Auditor General;
2. comment and provide information on various financial management and reporting, 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. maintain an official record in terms of reports of matters arising and audit findings made in various MDAs for future reference.

The report presents the results of my audit of the Annual Financial Statements (AFS) of the Government for 2020 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 2020 to August 2021. 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 report also include the results of a special review conducted on the expenditure incurred by the health authorities in relation to the implementation of various measures to combat, control and mitigate the impact of the spread of Covid-19 pandemic declared in Seychelles in line with the world wide health advisories. In fact, Covid-19 has been dominating the lives of all communities in Seychelles as well as in other countries in varying degrees from time to time during 2020 and so far in 2021.

It is to be noted that this report does not include the results of numerous other audits, such as, performance audits carried out on my own initiative and the special audits carried out at the request during the same audit cycle. The results of these audits have been included in separate reports which were submitted to the requesting authority. In this connection, I recall that I submitted two special reports on the financial irregularities at Agency for Social Protection and also, I certified a number of project financial statements assisted through foreign funding at the request of Ministry of Finance.

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 and other government's financial activities 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 timely to enable auditing of the same by the statutory deadline (30th June) and fully in accordance with the IPSAS framework to receive a clean opinion.

On the side of statutory bodies (Agencies, Boards, Councils, Institutes, etc.), subject to my audit, I note with satisfaction that a large number of entities with legal provisions to produce annual financial statements are now up to date with their annual accounts.

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) breach of the prescribed regulations in the procurement of goods and services in 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 statutory bodies.

In this respect, at the time of writing, 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 management their financial operations in an orderly manner. At the same time, it is hoped that the required amendments to the procurement Act would also be made within a reasonable timeframe. These two documents are expected to provide a more standardized, modern and practical approach to accounting function and procurement of goods and services across the government.

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 comprehensive understanding of the structure of budget allocations, revenue collection, public debt and the results of government financial operations and the financial position of Government at the end of 2020.

Gamini Herath
Auditor General

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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

Introduction

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 for 2019 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 various statements of accounts required by the Public Finances Management Act for the year 2020 was submitted to Audit on 31 March 2021. These statements were examined and the matters were formally communicated to the Ministry on 05 October 2021 through an Interim Management Letter (IML), followed by an exit meeting held on 19 October 2021. At the time of writing (27 October 2021), formal response to the IML and a second draft financial statements were yet to be submitted to Audit, agreed date of submission being 29 October 2021. The comments and analysis included in this report are therefore, based on the first draft financial statements as amended up to 27 October 2021 through successive corrections. The readers may like to refer to the complete set of various statements of accounts published by the Ministry of Finance to gain a comprehensive understanding of the annual financial statements of Government.

Chapter 2

Audit comments on annual financial statements

IPSAS reporting framework

- 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 For now, the cash basis IPSAS has been adopted by the government to report on the financial position and transactions under the various funds, and the extensive and complete recording of financial assets and liabilities remains to follow as a next step, with any shift towards full accruals accounting and the complete reporting of all assets and liabilities in the longer term.
- 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 revenues and expenditures 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.
- 4 In fact, 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 2020’ and ‘Comparison of budget and actual amount for the year ended 31 December 2020 (GFSM 2014 classification)’. Audit was informed that this is done for administrative reasons.
- 5 The statements as presented do not fully comply with the prevailing 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.
 - Some government controlled bank balances are not included in the financial statements of the government.
- 6 Whereas the existing framework, in the absence of an early adoption of the revised cash basis IPSAS issued 2017 effective 1st January 2019, required a consolidation of the activities of the SOEs through a consolidated cash flow statement in addition to reporting on expenditures of the government, such

statement is now made for the year ended 31 December 2020 on a voluntary basis, as encouraged rather than required under the revised cash basis standard.

Revenue

- 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.
- 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. Revenue arrears realised relating to previous years are accounted for as current revenue in the year of collection.

Collections for the year

- 9 Actual revenue collections for the year 2020 shows an underperformance of 10 per cent with recorded receipts of R7.6b as compared to R8.5b reported for the previous twelve months. Revenue collections overall reported in the years 2016 to 2020 can be summarised as follows.

Figure 1

	R (m)				
Head	2016	2017	2018	2019	2020
Taxes	6,064.4	6,753.3	7,319.8	7,428.2	6,370.9
Fees and Charges	427.6	349.4	335.8	340.9	263.7
Dividends	388.8	206.6	426.4	477.4	412.4
Other Non-Tax	50.1	69.9	61.0	49.2	53.8
Sale of Assets	0.0	0.0	121.2	54.9	62.7
Grants	237.6	163.3	340.6	100.7	437.7
Totals:	7,168.5	7,542.5	8,604.8	8,451.3	7,601.2

- 10 The original revenue budget for 2020 totalled R7.4b. With increases in budget for Personal Income Tax by R110.5m, SSF arrears by R7.5m, Value Added Tax by R228.6m, Business Tax by R128.2m, Goods and Services Tax by R1.5m, Corporate Social Responsibility Tax by R20.1m, Tourism Marketing Tax by R22.4m, and Other Taxes by R34.7m and a downward revision of the estimates for Trades Tax by R32.8m, Excise Tax by R63.1m, Property Tax by R39.2m, Fees & Charges by R29.8m, Dividends by R108.2m, Other Non-tax by R2.6m, Sale of Assets by R87.7m and a reduction of R365.4m in Grants, the total expected revenue fell to R7.2b, against which actual collections were R7.6b as detailed in Figure 2.

Figure 2

Head	R (m)			Variance (Actual vs. Revised estimate) R (m)
	Original Estimate	Revised Estimate	Actual	
Personal Income Tax	899.6	1,010.1	1,023.2	13.1
SSF Arrears	0.0	7.5	0.0	(7.5)
VAT	1,863.8	2,092.4	2,115.4	23.0
Trades Tax	287.1	254.3	261.0	6.7
Excise Tax	1,328.3	1,265.2	1,268.1	2.9
Business Tax	1,066.7	1,194.9	1,203.9	9.0
GST	0.0	1.7	1.7	0.0
Corporate Responsibility Tax	80.9	101.0	101.9	0.9
Tourism Marketing Tax	38.7	61.1	61.5	0.4
Other Taxes	298.6	333.3	333.5	0.2
Property tax	40.0	0.8	0.8	0.0
Fees and Charges	299.8	270.0	263.7	(6.3)
Dividends	383.6	275.4	412.4	137.0
Other Non-Tax	54.4	51.8	53.7	1.9
Sale of Assets	146.7	59.0	62.7	3.7
Grants	630.3	264.9	437.7	172.8
Totals:	7,418.5	7,243.4	7,601.2	357.8

11 Underlying the overall surplus against revised budget, examination of the performance by heads against the revised estimates reveals stronger performance under specific heads as follows.

- Dividends exceeded expectations by R137.0m against a revised budget of R275.4m, originally estimated at R383.6m. Actual dividend received from SEYPEC was also in excess of budget by R110.0m against a budget of R150.0m. SCAA paid dividends amounting to R23.8m against a nil revised budget for the year originally estimated at R20m. FSA paid a surplus dividend of R24.3m against an unchanged budget of R50.0m. Nevertheless, no dividend was reported as received for the Societe Seychelloise d'Investissement (SSI) Ltd and Afreximbank budgeted at R25.0m and R0.4m respectively.
- Grants receipts showed an increase of R172.8m against a downwardly revised budget of R264.9m, originally estimated at R630.3m. Audit noted that over R100m of this increase pertains to donations towards the Health Care Agency.
- Personal Income Tax performed better by R13.1m against an inwardly revised budget of R1.0b, originally budgeted at R899.6m.
- Sale of Assets also showed an increase of R3.7m against a revised budget of R59.0m, originally estimated at R146.7m.

- Excise tax performed better by R2.9m against a revised budget of R1.3b.
- 12 Despite the increases as noted under the above specific revenue heads, no collections were reported under SSF arrears in contrast to a revised estimate of R7.5m and a nil budget originally reported. Additionally, fees and charges recorded a deficit of R6.3m against a downwardly revised budget of R270.0m, originally estimated at R299.8m.
- 13 Closer examination of accounting for dividends received in 2020 revealed the following in respect of sums which should have been brought to account under the Consolidated Fund in 2019, as reported in AR19, page 7, para 2.12.
- Governments' share of SCB dividends amounting to R3.6m (60% of R6m), which was originally credited on 5 September 2019 to a SCB bank account in the name of government and not reflected in the Treasury ledger in 2019, was credited in the Government bank account on 10 February 2020.
 - Included in the total dividends of R23.8m remitted in respect of SCAA in 2020 is a balance of R3.8m pertaining to the year 2019. Therefore, dividend collected from SCAA pertaining to the year 2020 alone is R20.0m.
- 14 As regards Financial Services Authority (FSA), Audit noted that dividend amounting R3.2m due to the Government was withheld by FSA for the year 2020. Contrary to Section 12 clause (3) sub-clauses (a) to (d) of the Financial Services Authority Act, 2013, dividend amounting to R3.2m was withheld by the Authority to offset payments which according to the Authority was incurred on behalf of the Government. There was, however, no authority and instruction from the Ministry of Finance for the FSA to incur the claimed payments on their behalf. *The Ministry, in response, advised that they would clarify the same with the FSA and provide a formal reply to Audit.*

Expenditure

- 15 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 a budget document under various heads. The Appropriation (Amendment) Act, 2020 totalled R10.4b. Further, a supplementary estimate of R1.1b was laid before the National Assembly and approved on 11th December 2020. The Ministry of Finance also provided for a budget cut of the sum of R366.2m to provide for a net budget surplus of R733.8m.
- 16 The above supplementary estimate and budget have been incorporated in the revised expenditure budget figures whereas Note 25 to the financial statements - Change in Float, were however yet to be updated to reflect the overall changes in budgeted revenue, expenditure and financing amounts as per the 1st draft annual financial statements.

- 17 The accounts and records relating to expenditure out of 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.
- 18 Due to the classified nature of the activities involved, the independent audit examination of the expenditures incurred in the year 2020 in respect of the information reward funds of the Police and security infrastructure, equipment and services of the SPDF was not undertaken. However, the Accounting Officers for the accounts concerned have provided written representations to the effect that all payments effected were properly authorised, and that adequate controls existed while granting approvals for making of these payments as per the relevant regulations/laws.

Spending for the year

- 19 Expenditure overall in the years 2018 to 2020 is summarised as below.

Figure 3

	R (m)			
	2018	2019	2020	Variance (2020/19) R (m)
<i>Current outlays</i>				
Wages and salaries	2,474.3	2,505.4	2,844.6	339.2
Goods and services	<u>2,801.5</u>	<u>2,793.2</u>	<u>2,913.5</u>	<u>120.3</u>
	5,275.8	5,298.6	5,758.1	459.5
Interest due	558.9	446.9	641.3	194.4
<i>Transfers</i>				
Social programmes of central government	114.4	162.2	1,514.2	1,352.0
Public Subvention	54.7	92.1	435.0	342.9
Benefits and approved programmes of ASP	1,273.5	1,357.6	1,659.5	301.9
Other	59.8	101.1	32.7	(68.4)
Capital expenditure	1,027.5	677.5	1,033.3	355.8
Net lending	283.5	146.7	104.2	(42.5)
Contingency	46.8	50.0	148.5	98.5
Totals:	8,694.9	8,332.7	11,326.9	2,994.1

- 20 As shown in Figure 3 above, actual expenditures for the year 2020 exceed the previous year overall by R2.9b or 36% mainly due to increased expenditures by the Government as a result of the undesirable impacts of the Covid-19 pandemic. During the year 2020, the Government introduced four main social programmes

namely the Wage Grant (commonly known as FA4JR), 25% Housing Loan Repayment Relief Scheme, Small Business Support Fund and Seychelles Employee Transition Scheme (SETS), which together, account for R1.3b of the social programmes of central government (SPG) balance as shown in figure 4 below. These four main social programmes also account for 88.3 per cent of actual expenditure under SPG and 46 per cent of the increase of R3.0b in total expenditure for the year 2020 in contrast to prior year. The increase of R342.9m in subvention was also attributed to financial assistance provided to public entities as a result of the pandemic.

Figure 4

	R (m)	
	Actual 2020	% of SPG
25% Housing Loan Rept Relief Scheme	13.8	0.9
Small Business Support Fund	30.0	2.0
Sey. Employee Transition Scheme- SETS	26.9	1.8
Wage Grant-Covid 19	1,266.1	83.6
Total:	1,336.8	88.3

Expenditures under PPBB

- 21 Expenditures under PPBB (Programme Performance Based Budgeting) are classified a little differently when compared to the budget comparison statement. Under the PPBB, the appropriated amounts for ministries, departments and agencies under the various portfolios also include capital expenditures, while excluding the centralised wages and salaries and goods and services costs. The PPBB budget amounts align with the Appropriation (Amendment) Act, 2020.
- 22 In the year 2020, a revised budget of R6.5b was provided for the ministries, departments and agencies of government in total, against which an overall net underspending of R295.1m was recorded as per the summary of expenditure (pages 42-44 of the 1st draft financial statements) with actual total spending of R6.3b. The overall PPBB outlays reported for the year 2020 when compared to the revised estimates are as below.

Figure 5

	R (m)			
	2020 Revised Budget	2020 Actual	Variance in R(m)	Variance %
Ministries, Departments and Agencies	6,548.1	6,253.0	(295.1)	(4.5)

- 23 Individually, seven (n=7) entities (MDAs) appearing under the 1st draft summary of expenditure registered expenditures in excess of their revised budgets totalling R90.5m by the end of the year, as summarised in Figure 6.

Figure 6

		R (m)
		Excess
1	Department of Defence	5.9
2	Regional Center	0.1
3	Office of the Mayor of Victoria	0.2
4	Seychelles Broadcasting Corporation	46.3
5	Department of Trade	29.4
6	Public Health Authority	1.5
7	Seychelles Energy Commission	7.1
Total:		90.5

- 24 *The Ministry explained that all of these excesses over budget pertain to grants expenditures which are not appropriated, and in principle they not reflect overspending of budget estimates.*

Centrally managed expenditures

- 25 These expenditures do not fall under the public sector entities budgets in PPBB. 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, the contingency vote and development grants.
- 26 Centrally managed expenditures for the year as per the 1st draft AFS as compared to revised budget figures are summarised below (Figure 7).

Figure 7	R (m)		
	2020 Revised Budget	2020 Actual	Variance in R (m)
<i>Current Outlays</i>			
Other Wages and Salaries	271.6	258.5	(13.1)
Other Goods and Services	139.0	134.0	(5.1)
<i>Transfers</i>			
Social programmes of central government	1,527.8	1,514.2	(13.6)
Public Subvention	435.0	435.0	0.0
Benefits and approved programmes of ASP	1,685.5	1,659.5	(26.0)
<i>Other</i>			
Others	35.1	31.2	(3.9)
Tax Exemption	4.0	1.5	(2.5)
<i>Capital expenditure</i>			
Development Grants	164.4	145.9	(18.5)
Net Lending	238.2	104.2	(134.0)
Contingency	152.2	148.5	(3.70)

- 27 In discussions with the Ministry of Finance as regards the R20m transfer made to Seychelles Trading Company (STC) which was originally budgeted under net lending as 'advances', Audit was informed that this transfer will be re-classified as 'subvention'. Consequently, the above-mentioned subvention and net lending balance is expected to change by R20m respectively. Also, this budget reallocation requires the approval of the National Assembly.
- 28 Furthermore, the supplementary estimates of R1.1b approved by the National Assembly on 11 December 2020 and the expenditure cuts applied by the Ministry of Finance of R366.2m, resulted in a net budget surplus of R733.8m. Comparison of the budget summary as per the draft financial statements and the additional estimates revealed re-allocations of budgets under different expenditure heads of which the Ministry confirmed that the necessary approval for the budget re-allocations would be sought accordingly.

Withdrawals requiring supplementary appropriation

- 29 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 MDAs and the centralised payments are the annual Appropriation Act or supplementary appropriations approved by the National Assembly thereafter.

30 Thus, the net supplementary estimates recorded for the year 2020, which is to be confirmed against final AFS, together with the servicing of public debt without statutory instrument mentioned under Public Debt in this report, remained to be accurately quantified and regularised through supplementary appropriation at the time of writing.

31 Audit reiterates that the Ministry should first confirm the figures for such withdrawals from the Consolidated Fund with Audit prior to presenting them to the National Assembly for approval.

Consolidated Fund

32 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

33 For the purpose of this analysis, an overall fiscal deficit is the excess of expenditures incurred, including capital expenditure and interest payments in contrast to total revenue receipts, including grants. The original budget for the year 2020, before supplementary estimates and budget cuts, projected a deficit of R3.7b, while the actual outcome was a deficit of R3.8b.

Figure 8

R (m)

	Original Estimates	Actual	Variance in R (m)	Variance %
Revenue	7,418.5	7,601.2	182.7	2.5
Expenditure	(11,123.3)	(11,443.9)	(320.6)	(2.9)
<i>Fiscal balance:</i>	<i>(3,704.8)</i>	<i>(3,842.7)</i>	<i>(137.9)</i>	<i>(0.4)</i>

Movements on the Consolidated Fund

34 Production of a final balance on the Consolidated Fund for the year requires adjustment of the overall fiscal balance by recorded 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.

35 Computed on a basis to take account of these amounts in a summary of the activity in the Consolidated Fund, figure 9 shows an adjusted overall movement of R1.4b credit for the year based on the 1st draft AFS.

Figure 9	R (m)	
		Actual
Balance brought forward 01.01.20		(1,861.7)
<i>Overall fiscal balance</i>	(3,842.7)	
Add: Net lending	<u>104.2</u>	(3,738.5)
<i>Financing</i>	3,842.7	
Add/Less: Movement in Cash and Bank Balances	(966.3)	
Movement in Liabilities	<u>(587.5)</u>	<u>2,288.9</u>
Adjusted overall movement in the year		(1,449.6)
<i>Balance carried forward 31.12.20:</i>		(3,311.3)

Cash and bank balances

- 36 According to Section 21 of the Public Finance Management Act, 2012, the Ministry responsible for Finance shall maintain a Treasury Single Account (TSA) at the Central Bank to deposit cash receipts and make payments. In addition, the Minister may authorise accounting officers to open separate bank accounts at the Central Bank or other commercial banks for specific operations.
- 37 Further, the Public Finance Management Regulations provide for a number of safeguards on the control and management of funds accounted through bank accounts. The Cash and bank balances recorded by Treasury at the end of 2020 totalled R1.5b (R2.5b for 2019) of which R1.2b was held with the CBS against monetary policy purpose issues of Treasury bills and bonds.
- 38 Several other bank accounts confirmed to be in the name of Government with an aggregate balance of R80.9m, excluding the LAJHA account of R79.0m, are further disclosed in Notes to the AFS.

Remittances

- 39 Remittance accounts have traditionally represented cash in transit, and these balances totalled R23.8m at 31 December 2020. Included under these balances is the funding of the overseas Missions under the Ministry of Foreign Affairs, with closing balances totalling R21.9m.
- 40 As reported in previous years (AR19), the remittance account balances in respect of the overseas missions had not been effectively reconciled to the cash in hand with the individual overseas missions as per the mission's cash books at the year end. This has led to accumulation of large balances on the remittance accounts of respective Missions.

- 41 While the activities on these accounts for the current year in Seychelles rupees have been reconciled by the Ministries with the Treasury records, the total equivalent rupee value of foreign exchange balances as per the bank statements available as at the year end was R11.5m. According to the Department of Foreign Affairs, the remittance account figure has been further reduced to SR13,452,033 whereby almost all 2016 and 2017 accounts have been completed but somehow needs to be uploaded into TIS, which is expected to be completed by November 2021 and the reconciliation exercise will still continue to clear other years. The reply also stated that SR1,947,121 has been considered for write off by MoF.

Advances

- 42 Audited outstanding advances totalled R983.6m at the end of 2020 compared to R819.1m in 2019. The increase mainly represents on-lending amounts in respect of loan financed projects being undertaken by public enterprises, chiefly the PUC, followed by new advance to the DBS and new on-lending facility to IDC.
- 43 As previously reported, included in advances is a balance of R5.2m which remained to be accounted for in the treasury ledger while this amount had been approved for write off effective 07 September 2020.
- 44 A transfer of R20m to the STC in 2020 initially budgeted and expended as ‘advances’ will be re-classified under ‘subvention’ as noted earlier under ‘centrally managed expenditure’, the adjustment which is to be reflected in the revised financial statements.
- 45 As regards the long outstanding balance of R79.9m under parastatal advances specifically in respect of SMB, the Ministry had indicated at the time of writing that the liquidation will not be finalised any time soon in view that the case is under investigation by the Anti-Corruption Commission Seychelles (ACCS).

Trading and operating accounts

- 46 The Treasury maintains a number of trading and operating accounts under this head 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 2020 are summarised below (Figure 10).

Figure 10

Name	R (m)		
	Balances 2019	Balances 2020	Movements
General	(4.9)	48.3	53.2
Trading and Operating	274.9	247.6	(27.3)
Totals:	270.0	295.9	25.9

- 47 The increase in general accounts predominantly reflects an increase in Foreign Exchange (FX) commitments from R2.7m in 2019 to R50.2m in 2020. The decrease in trading and operating accounts mainly reflects a decrease in the Levy on poultry from R43.0m to R15.2m.

Grants in transit accounts

- 48 Grants received by Government are accounted for either through dedicated special accounts or the general bank account at the Central Bank of Seychelles and credited to grant in transit (GIT) accounts at Treasury. The GIT accounts forming part of the Consolidated Fund based on the 1st draft financial statements had a closing balance of R170.6m as at 31 December 2020 from R167.0m at 31 December 2019.
- 49 Audit noted that GIT ledger balances are not regularly reconciled against their respective bank statements resulting in incorrect GIT balances carried forward to subsequent years. In 2020, Audit noted a year-end adjustment in the GRB account to write-off a balance of R22.9m, to adjust an unreconciled prior year balance arising on GIT account 'DEF. Coastal Surveillance Radar System'.
- 50 Audit also noted that grant receipt and expenditure totalling R200.6m relating to the year 2019 pertaining to the Seychelles Broadcasting Corporation- SBC House project was accounted for in 2020.

Public debt

- 51 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.
- 52 The accounting policy for long and short term borrowings by Government differs in that long term borrowings have not been accounted for as a liability in the Statement of Assets and Liabilities, but are included in the public debt statement.
- 53 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

- 54 The Public Debt Management Act, 2008, 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 borrowing 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.).

- 55 It is noted that 3 loans without SI, as previously reported, remain to be regularised by issue of statutory instrument. In the absence of regularisation of these loans, the total servicing cost of R35.8m on these debts during the year 2020, (cumulative total of R137.0m since 2016 to 2020) will require supplementary appropriation, as mentioned under ‘withdrawals requiring supplementary appropriation’ in this report.
- 56 Audit further noted that a new loan drawn down during 2020 relating to the International Monetary Fund (IMF) budget support, amounting USD31.2m, equivalent to R559.6m, was not supported by a gazetted statutory instrument at the time of writing.
- 57 *In response, the Ministry of Finance indicated that all the necessary documents were sent to the Attorney General’s Office in order to have the loan gazetted but the AG’s Office did not publish the loan since no formal agreement was signed. The Ministry of Finance further explained that by default, IMF does not provide a formal agreement to any member country when they advance money but they do provide a Letter of Intent stating the facility and both parties sign the Letter of Intent. The AG’s Office did not find this to be sufficient to use for gazetting. The Ministry of Finance later informed that they have now sent an MOU to the AG’s Office which includes the particulars of the loan and the AG’s response is awaited.*

Public debt portfolio

- 58 The debt portfolio increased significantly by R5.8b or 48.7% in 2020 as compared to the previous year, ending at R17.8b at the end of 2020 (2019: R12.0b). Long-term debt constitutes 70.5% of the total debt portfolio, from 59.3% in the previous year. Both long-term and short-term borrowings increased during the year by 77% and 8% respectively.

	Figure 11 Public Debt Portfolio					R (m)	
	2016	2017	2018	2019	2020		
Long term loans	6,915.3	7,107.0	6,978.0	7,113.9	12,585.8		
Short term borrowings	5,435.4	5,245.8	5,027.2	4,891.9	5,262.0		
Total:	12,350.7	12,352.8	12,005.2	12,005.8	17,847.8		
Increase/(decrease)	734.6	2.1	(347.6)	0.6	5,842.0		
Long term debt %	56.0	57.5	58.1	59.3	70.5		

Long-term debt

- 59 There was an expansion of debt in the external position during the year, despite active debt servicing. Overall, this arose mainly as a result of three (n=3) new multilateral debts which were raised in 2020 of which balances outstanding at

year end totalling R1.1b. Additionally, in view of elevated foreign exchange rates at year end in contrast to previous year, the increases have ultimately impacted on conversion of foreign debts at year end. On the domestic front, the increase is matched by the issue of three (n=3) new treasury bonds issued in 2020 totalling R1.5bn and a repayment of R50m (Figure 12).

Figure 12	Outstanding public debt				R (m)
	2016	2017	2018	2019	2020
External debt					
Bilateral	1,153.2	1,270.0	1,415.3	1,397.9	2,119.7
Multilateral	1,730.2	1,975.5	2,046.4	2,311.6	4,977.2
Commercial	473.7	370.2	308.8	292.3	405.1
External bonds	2,052.5	1,986.3	1,747.6	1,638.6	2,149.1
Sub-total:	5,409.6	5,602.0	5,518.1	5,640.4	9,651.1
Domestic debt					
Treasury bonds	512.6	600.0	600.0	550.0	2,000.0
Development stock	30.0	0.0	0.0	0.0	0.0
Others	963.1	905.0	859.9	923.5	934.7
Sub-total:	1,505.7	1,505.0	1,459.9	1,473.5	2,934.7
Grand total:	6,915.3	7,107.0	6,978.0	7,113.9	12,585.8
<i>Increase/(decrease)</i>	<i>(385.6)</i>	<i>191.7</i>	<i>(129.0)</i>	<i>135.9</i>	<i>5,471.9</i>

Short term borrowings

- 60 Short term borrowings comprise amounts raised from Treasury bills and deposits. An expansion in Treasury bills in issue in 2020 underlies the overall increase in short term borrowings of R370.1m.
- 61 The rise in short term borrowings reflects an increase in Treasury bills by R362.5m compared to prior year. As noted previously (AR19), there was a change in the accounting treatment of Treasury bills balances as at 31 December 2019, which, for the first time, were stated at cost prices excluding discounts rather than at face values, as disclosed in the notes. In 2020, Audit noted that some T.bills on redemption were still posted at face values rather than at cost and thus understating the costs of T.bills in the ledger and ultimately reported in 1st draft AFS 2020. The relevant discounts on year end Treasury bills in issue at 31 December 2020 totalled R156.8m (2019 R176.0m). The treasury bills balance, shown below, is therefore subject to increase further with the year-end adjustments which are to be reflected in the revised financial statements.

Figure 13	Short term borrowings				R(m)
	2016	2017	2018	2019	2020
Treasury bills	5,403.3	5,208.6	4,989.8	4,853.3	5,215.8
Parastatal/fund deposits	32.1	37.2	37.4	38.5	46.2
Sub-total	5,435.4	5,245.8	5,027.2	4,891.9	5,262.0
<i>Increase/(decrease)</i>	<i>1,120.2</i>	<i>(189.6)</i>	<i>(218.6)</i>	<i>(135.3)</i>	<i>370.1</i>

Public debt servicing

- 62 The total actual public debt servicing cost, comprising debt repayments and interest payments, increased to R1.4b from total actual figure of R1.2b in the previous year due to larger interest payments of R681.2m (2019:R446.9m) but reduced debt repayments of R738.3m (2019:R765.7m).
- 63 The increase in interest paid follows an increase in treasury bills issued in 2020 and also a rise in foreign exchange rate resulting from the Covid-19 pandemic during the year, impacting on foreign commitments during the year.

Figure 14	Public debt servicing					R (m)
	2016	2017	2018	2019	2020	
Interest						
External	234.0	212.8	222.9	243.7	314.8	
Domestic	499.8	409.9	336.0	203.2	366.4	
Sub-total:	733.8	622.7	558.9	446.9	681.2	
Amortisation						
External	720.8	440.1	387.4	419.1	590.3	
Domestic	410.9	442.5	114.1	346.6	148.0	
Sub-total:	1,131.7	882.6	501.5	765.7	738.3	
Grand total:	1,865.5	1,505.3	1,060.4	1,212.6	1,419.5	

Outstanding Guarantees

- 64 Article 154 (8) (d) of the Constitution requires the preparation of the statement of outstanding guarantees. The aggregate balance outstanding in respect of guarantees, as per 2nd draft (September), was R908.6m at the end of 2020 compared to R936.0m at the end of 2019.

STATUS OF PRIOR YEAR MATTERS
Matters arising in 2019

AR19 Page, para, audit brief	Status
<p>7, 2.12</p> <p>The reported dividends for the year 2019 as per the general ledger was understated by R3.6m.</p>	<p>Resolved;</p> <p>Dividends amounting to R3.6m relating to the year 2018 was credited in the Government bank account on 10 February 2020.</p>
<p>7, 2.12</p> <p>Cheque issued by SCAA on 26 December 2019 for R11.64m as settlement of the dividends amount plus remittance of passenger service fees, was misplaced by Treasury</p>	<p>Resolved;</p> <p>Outstanding dividends and passenger service fees amounting R3,750,000 and R7,890,400 respectively was credited in the Government bank account on 27 March 2020.</p>
<p>7-8, 2.14-2.15</p> <p>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>Partially resolved;</p> <p>Audit sighted the land registration documents pertaining to parcel V5326 in consideration of the sum of US\$2m. However, the registration of Parcel C3003 is yet to be effected.</p>

Matters arising in 2018 (reported page 18- AR19)

page, para, audit brief

Status

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.

As per revised repayment schedule, the remaining R5m due to be repaid in 2020 remained outstanding as at year end.

14,45

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.

Closing balances 31.12.2020 on the relevant accounts totalled R34.1m (2019: R64.6m).

By 31.08.2021 the balances on these accounts had fallen to R27.4m.

Matters arising in 2017 (reported page 19, AR19)

Page, para, audit brief	Status
8,12 Policy to enable assessment, monitoring and establishment of reporting mechanism for accounts relating to extra-budgetary activities is under finalisation.	In response to the observation included in AR2019, the PSF explained that it had been decided to incorporate ETF and LTF under appropriation in the Government accounts. As for the others the new accounting manual would govern the opening and operation of such accounts. The activities on these would be monitored closely and the accounting practice subject to review. The latest status is awaited.
8,14 Review of Accounting Manual to be completed.	The revised Accounting Manual has not been implemented yet.
17,47 Copies of bank reconciliations for accounts held outside of the Treasury accounting system, as provided for by the PFMR, 2014, were not found.	The observation persists.
17,49 Remittance accounts not yet reconciled to funds in hand overseas.	The observation persists; Treasury balances of R21.9m are backed by overseas bank balances of R11.5m equivalent, resulting in a possible overstatement of assets by R10.4m in AFS 2020.
17,50 Refund of R547,899 cash due to Treasury by Makarios Trust Fund to be followed up.	The observation persists; The Makarios Scholarship Fund has been repealed 10 th December 2019 - the administrative committee has resolved to establish the Archbishop Makarios Foundation of Seychelles to receive the funds, and fulfil the aims, objects and functions of the Fund.
18,51	The observation persists.

Page, para, audit brief	Status
Recoverability of R79.9m advanced to SMB doubtful.	
<p>19,59 10 (2016: 30) dormant trading and operating account balances R7.1m (2016: R10.8m). To be monitored and closed at end of year 2018 if not needed. In the event remained unchanged.</p>	<p>The observation persists; Of the 10 accounts, 7 again remaining unchanged by 31 December 2020 with a balance of R7.1m (2019: R7.1m). Balances totalling R16,329 pertaining to the remaining three accounts were written off to GRB in 2020. Audit noted that the MOF had emailed the concerned MDAs in June 2020 advising them to clear the funds by year end 2020 otherwise balances would have to be surrendered thereafter.</p>
<p>19,60 Dishonoured cheques of R23.6m outstanding.</p>	<p>The observation persists; Longstanding dishonoured cheques Treasury ledger balances remains un-cleared at year end. Dishonoured cheques treasury ledger balance at 31 December 2020 is R23.9m (2019 R22.0m). As regards the balances on the dishonoured cheques accounts previously reported, the Customs treasury ledger balance has increased during the year 2020 by R1.8m, from R12.6m to R14.4m.</p>
<p>19,60 GIT balance of R107.6m includes 128 inactive accounts (2 years) totalling R7.6m.</p>	<p>By 31st December 2020, Audit noted that there were 74 inactive GIT accounts, dating back to the year 2015, with balances totalling R15.m.</p>
<p>20,67 3 loans (Russia, SEYCAAT A1 & A2) where SIs are still to be issued.</p>	<p>The observation persists; Russia- MOF informed that a letter (dd 22.08.2018) was sent to the Russian Authorities to amend the draft agreement, response of which is awaited.</p>

Page, para, audit brief

Status

SEYCAAT A1 & A2- MOF informed that proposed amendment to agreement has been made and final signature is awaited for gazetting.

Chapter 3

DEPARTMENT OF FOREIGN AFFAIRS

- 1.1. The Department of Foreign Affairs (DFA) is responsible for Seychelles foreign policy, the conduct of international relations, hosting foreign leaders representing the country on state visits and through its overseas diplomatic and consular missions.
- 1.2. An audit of the Department for the year 2019 was undertaken, and the matters arising were communicated to the Department in an Interim Management Letter (IML) issued on 01 October 2020, which was discussed with the management in the exit meeting held on 08 October 2020. Subsequently, issues were addressed to the Department in the management letter dated 6 November 2020, to which a written reply received on 24 November 2020. A follow up was conducted on 06.05.2021. The Department provided a written reply to draft report paragraphs on 19.10.2021.

Remittances in transit

- 2.1 The Department has 12 overseas diplomatic missions (High Commissions/Embassies) to which transfer of necessary funds is made, as per their respective approved budgetary allocations for the year. Audit noted that the Department transfers funds, referred to as remittances, on a monthly basis to its overseas Missions. The overseas Missions are individually required to submit to the Department (Finance Section) their accounting records, which essentially comprise of cash book analysis, petty cash book analysis, bank statements and its reconciliation duly supported by receipts, invoices, payment vouchers, and other relevant documents.
- 2.2 ***Significant variances between missions' bank and remittance accounts balances:*** According to the accounting system in place, the remittance account balance as per Treasury records should indicate in respect of each mission, the amount unspent / balance remaining in the overseas mission bank account. However, as at 31 December 2020, the total remittance accounts' balance as per Treasury stood at SR 21.4million.
- 2.3 On comparing the available bank balances of 12 overseas missions' (except for Geneva Embassy), when converted into rupees, with their respective remittance account balances as at 31 December 2020, significant variances totaling SCR 10.90 million between the two records were noted. Audit is thus of the view that the Overseas Missions may not be spending in accordance with the respective budgetary allocations provided for different expenditure heads.

Overseas Mission	Year	Bank	Remittance	Variance
London	2018	329,057.55	3,519,981.68	- 3,190,924.13
	2019	153,785.19	1,971,895.04	- 1,818,109.85
	2020	1,024,082.11	2,588,608.31	- 1,564,526.20
SMUN	2018	102,522.05	329,900.88	- 227,378.83
	2019	217,673.74	- 459,095.24	676,768.98
	2020	752,296.20	358,389.61	393,906.59
Paris	2018	253,427.41	2,592,645.53	- 2,339,218.12
	2019	574,238.46	2,276,810.00	- 1,702,571.54
	2020	1,269,836.50	1,680,216.40	- 410,379.90
South Africa	2018	53,408.50	4,979,846.80	- 4,926,438.30
	2019	244,686.74	5,223,173.43	- 4,978,486.69
	2020	1,484,746.83	5,401,589.33	- 3,916,842.50
India	2018	28,051.16	477,023.02	- 448,971.86
	2019	55,940.09	150,383.64	- 94,443.55
	2020	645,137.68	590,337.27	54,800.41
Brussels	2018	13,025.32	3,030,319.13	- 3,017,293.81
	2019	5,115.27	3,995,422.85	- 3,990,307.58
	2020	116,245.56	1,159,638.73	- 1,043,393.17
China	2018	84,178.19	634,542.50	- 550,364.31
	2019	275,791.49	639,471.20	- 363,679.71
	2020	231,188.45	66,597.89	164,590.56
UAE	2018	1,037,465.73	5,344,160.19	- 4,306,694.46
	2019	1,389,989.63	4,581,142.70	- 3,191,153.07
	2020	1,127,278.29	2,373,434.86	- 1,246,156.57
Ethiopia	2018	1,589.97	7,617,332.22	- 7,615,742.25
	2019	611,280.03	4,067,309.34	- 3,456,029.31
	2020	617,921.74	4,238,424.74	- 3,620,503.00
Sri Lanka	2018	7,210.54	2,232,486.07	- 2,225,275.53
	2019	1,926,307.97	2,690,138.00	- 763,830.03
	2020	543,063.14	939,406.23	- 396,343.09
Cuba	2018	169,244.74	715,777.90	- 546,533.16
	2019	190,990.25	129,586.28	61,403.97
	2020	2,612,591.78	2,016,899.06	595,692.72

- 2.4 *The Department, in response, stated that it is ensuring that monthly accounts and supporting documents are timely submitted by overseas missions. The performance of monthly reconciliation between cashbook and bank statements are being closely monitored. It further stated that the reconciliation exercise to clear the backlog related to the years 2014 to 2015 has been completed whilst the reconciliation exercise for the 2015 to 2017 is still ongoing and they are planning to request write-off from the Ministry of Finance for balances relating to years 2012 and 2013.*
- 2.5 *The reply (18.10.2021) stated the figure has been further reduced to SR13,452,033 whereby almost all 2016 and 2017 accounts have been completed but somehow needs to be uploaded into TIS, which is expected to be completed by November 2021 and the reconciliation exercise will still continue to clear other years. The reply also stated that SR1,947,121 has been considered for write off by MoF.*

Payments for use of goods and services

- 3.1 On examination of a sample of 50 payments, amounts totaling SCR 4,953,328, towards procurement of maintenance works, airfares, hire charges for vehicles, Audit observed that contrary to the provisions on procurements, in 11 payments, amounts totaling SCR 426,975, the requisite minimum three quotations nor prior authorization from the Procurement Oversight Unit (POU) for direct bidding were sighted. Thus, the competitiveness of the prices paid and transparency in the procurements was in doubt.
- 3.2 *The Department in response stated that with effect from April 2020, an Internal Procurement Committee has been constituted and 3 bids for purchases below SR 150,000 will be ensured. A policy has also been drafted, approval of the POU to which is awaited. In future, DFA will consider direct bidding where applicable.*
- 3.3 On follow up, Audit was informed that approval to the proposed procurement policy was still awaited from POU/Ministry of Finance. Pending approval of the policy, the Department should ensure compliance with the Public Procurement Act/Regulations.
- 3.4 *The reply (19.10.2021) stated that the approval of the proposed policy was still pending.*

Personnel Emoluments

- 4.1 ***Delays in the removal of leavers result in overpayment:*** Audit inspection of payroll records revealed that the DFA failed to remove one of its ex- employees who resigned on 1st January 2019 from its subsequent payroll run until March 2019. This resulted in an overpayment of SR 24,473 to the Ex-employee. Audit noted that the ex-employee had agreed to make monthly refunds of SCR 100 at which rate the debt recovery will complete in 20 years which is quite unreasonable and in case the repayments are stopped it may finally become irrecoverable.
- 4.2 On follow up (2021), Audit noted that the outstanding balance owed by the ex-employee stood at SR14,690 as per the aged debtors listing as at 31.12.2020. Audit was informed that the debtor is no longer making repayments. She has also resigned from her previous employment and have changed her contact

details. The Department is therefore unable to carry out any further follow up actions towards recovery in this regard.

- 4.3 *The Department, in reply, stated it contacted the ex-employee and she has provided a signed letter agreeing to increase the amount of refund from SR100 to SR600 on a monthly basis until the debt is cleared and the repayments have resumed effective August 2021.*

Fixed Assets

- 5.1 An asset register is an accounting record that should include pertinent details about all assets owned by an organization. A properly maintained and up-to-date asset register ensures proper control over an organization's assets and prevents misappropriation. Details of assets that should be included in the asset register comprise acquisition date, acquisition cost, asset description, a unique identification number and/ or serial number, asset location, and asset custodian.
- 5.2 Audit reviewed the asset register and observed as under:
- Some particulars of assets, such as, assets locations, custodians of assets and unique identification numbers were not recorded in the asset register; and
 - in certain cases, the physical location of assets was different from the location recorded in the asset register.
- 5.3 The Department in response stated that it is implementing new control measures on fixed assets for proper management.
- 5.4 On follow up, in December 2020, Audit observed that the fixed asset register was posted up to the year 2018 and thus postings for the year 2020 were yet to be made. Allocation of unique identification numbers to the fixed asset items was also yet to be undertaken.
- 5.5 **Physical verification of assets not performed:** The Department acquired non-financial assets worth SCR 3,593,942 through purchases or on lease during the year 2019. However, the Department did not perform a physical verification during the year 2019, as provided for in the FI and Accounting Manual. Discrepancies identified should be duly documented, reported, investigated and appropriate action taken.
- 5.6 *The Department in response stated that while physical verification of items for 2018 and 2019 have been completed, they have also introduced an Internal Requisition Form for better control on the assets and also to provide adequate audit trail.*
- 5.7 On follow up, Audit was provided with fixed assets register database, which contains remarks on the status of assets recorded, as evidence of physical verification performed by officers from the administration department during the year 2020. However, Audit is of the view that since the administration department is responsible for maintaining the fixed asset register, the physical verification should have been carried out by independent officers; say, officers from the finance section.
- 5.8 *The reply stated that as at 15.10.2021, the fixed assets database has been updated successfully as at September 2021, all available assets of the*

Department compound has been inserted into the database giving an identification number and tagged. A monthly verification has been started to ensure all assets recorded are in their rightful place and designated officer. Additionally, it is to be noted that all assets purchased and received from donations for the year 2021 to date has been successfully updated in the register. The Department is also in the process of write off with the MoF effective end of October 2021. The Accounts Section will be carrying an independent physical verification by year end or beginning of next year since it wanted to have the records to updated properly.

Revenue

- 6.1 During the year 2019, the Department generated revenue totaling SCR 952,887 through authentication of documents and sale of flags amounting to SCR 766,257 and SCR 186,630 respectively. For the year 2020, it collected SCR511,800 for authentication of documents and SCR84,290 flags sales proceeds. Revenue generated from authentication of documents was more than 80% of the total revenue collected during the years 2019 and 2020. Different amounts of fees have been prescribed for authentication of different documents. Audit was informed that payments for authentication of documents, are to be made in advance for which a Government receipt is raised and the respective document reference number is recorded in the cashbook.
- 6.2 Audit observed that the Department's fees/pricing structure for sales of flags and Authentication of documents was last reviewed in February 2012. In view that the cost of delivering such services may have gone up during the period up to 2019, Audit recommended that the Department undertakes the requisite pricing reviews regularly in adherence to the provisions of financial instructions in order to optimize its revenue collection.
- 6.3 On a follow up, Audit was informed that a proposal for revenue rates revision was submitted to the Ministry of Finance (MOF), and is expected to be completed by May 2021.
- 6.4 *The reply indicated that as per the email received from MoF on 15.10.2021, the new proposed prices can be reconsidered and revenue forecast received at mid-year, i.e. MoF's approval is still pending.*

DEPARTMENT OF CULTURE

- 1.1. The Department of Culture (Department), presently under the administrative control/supervision/oversight of the Mayor of Victoria, aims to safeguard and promote the Seychellois Creole cultural heritage, strives to develop its potential to contribute meaningfully to the socio-economic development to add value to the country's economic pillars, especially tourism.
- 1.2. An audit of the Department was undertaken for the years 2018 to March 2020 with emphasis on the systems of payroll, procurements, fixed assets and transport management. The matters arising were communicated to the management through an interim management letter on 10.02.2021, which was discussed at exit meeting held on 25.02.2021. Subsequently, the matters remaining were addressed to the management through the management letter (ML) dated 22.06.2021 and a written response received from the management on 26.07.2021. The Department replied to the draft report paragraphs on 20.10.2021.

Bank accounts

- 2.1 Audit was informed that 6 commercial bank accounts held under the purview of the Department had been closed. Audit examined the relevant records in respect of the 'Festival Kreol and 2 other accounts for National Conservatoire for Performing Arts (NCPA) for the payment of examination fees by students and observed that (a) the account in respect of the 'Festival Kreol stated by the Department to have been closed on 17/08/2017 was still active; (b) the 2 bank accounts for NCPA, though not operational, were not closed properly.
- 2.2 Audit recommended that the necessity of the accounts to remain open is revisited and where not required the accounts are duly reconciled and closed.
- 2.3 *The Department, in reply, stated that all reconciliation of the accounts has been completed and will be sent to Treasury for verification and approval for closure of the said bank accounts.*

Revenue

- 3.1 The Department has six (6) main sections; namely, the National Museum, National Archives, Heritage Research and Protection, National Library and Documentation, Cultural Property and Copyright, and National Conservatoire and Performing Arts and 1 (Film) Unit. Total revenue recorded in the general ledger were R2,668,499 in 2018, R1,519,257 in 2019 and R701,811 (up to March 2020).
- 3.2 **Segregation of duties lacking:** Of the six sections, the Museum Entrance fees and the Shop recorded the highest revenue over the period under review. Audit examined the records and observed that 'end-of-day' closing was processed by the sales staff instead of a supervisor indicating a lack of segregation of duties and posing a potential risk in cash handling.

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- 3.3 *The management, in response, informed that the recommendation has been noted and that the process is now ran by a Supervisor and that cashiers no longer have administrative access to the system.*
- 3.4 **Records of participants and outstanding fees not credible:** Total fees collected as nil (2018), R122,975 (2019) and R32,425 (Mar 2020). Audit examined the records relating to the fees collection and observed a complete data base of all participants and their fees due was not maintained, duly providing all necessary information. Further, a reliable list of participant-debtors was also not kept. Audit was told that the students who do not pay their prescribed trimester fees are not necessarily penalised since the NCPA's policy is to promote the classes regardless of payment. Moreover, although reminder letters are sent to their parents for payment of fees, they were not necessarily followed up due to lack of set procedures for recovery of the outstanding dues.
- 3.5 Audit is of the view that the fees due and balances outstanding from debtors should be duly established and reported for their regular follow-up so as to facilitate timely recovery action.
- 3.6 *The reply stated that the cashier module will only be installed after the restructuring of the Department of Culture and for now records of cashbook, debtors and all students are kept in Excel format.*

Goods and Services

- 4.1 Audit examined supporting records and documentation in respect of 161 payments, totalling R11,771,458, in relation to procurement of goods services, including some minor projects under the Public Sector Investment Programme (PSIP) and observed the following issues.
- 4.2 **Poor records maintenance resulting in non-retrieval:** Of the 161 payment vouchers required for audit examination, seven (7), totaling R91,664, could not be produced. Audit is of the view that records management, facilitating easy retrieval when needed, is an integral and essential part of the management and thus recommended that filing is done promptly after transactions are completed and records are kept in a well-organized manner to ensure their prompt retrieval.
- 4.3 *The Management, in response, informed that as the staff concerned had been transferred, the missing PVs, which mostly related to 2018, could not be located and stated that there was a need for additional staff seeing the workload at the Department, since filing should be done weekly, the staff will have to work during weekends to clear the backlog. The reply (20.10.2021) further stated that staffing is still an issue, however, filing is done on a regular basis by accounts staff.*
- 4.4 **Procurements without competitive quotes:** In 41 payments, totaling R2,653,660, the requisite 3 quotations or the prior authorisation of the POU for resorting to direct bidding were not sighted. Of these, eight payments, totaling R2,134,481, were made to a single supplier towards the acquisition of furniture for the Museum during September and October 2018 indicating splitting of the

procurement. Seven of these payments ranged between R126,000 and R165,000, while the eighth payment was for R1,159,589 for procurement of timber slates, which necessitated prior authorization by the POU before proceeding with single direct bidding and approval of NTB; both of which were not sighted by Audit.

- 4.5 *The Management in response stated that they had written to POU explaining the difficulty in securing additional quotes for the work and sought guidance on the way forward. The reopening of the National History Museum was set and deadlines had to be met, to ensure that the museum was opened on the deadline set. This was a first experience for the National Museum; to work on a project of the magnitude and with such a tight deadline. The advice of the auditor and lessons learnt will assist with better project management of such other projects in the future. The reply stated that the guidance received from POU was that the payment was within the approved threshold.*
- 4.6 **Lack of supporting documents:** Public Finance Management Regulations (63) states that payments shall not be made unless the PV is supported by original invoices and accompanying documents as per the requirements of the accounting manual. The audit revealed the following irregularities:
- audit sighted an overpayment of R1,070 vide PV039P183154 dated 21.12.2018 which was for R78,235 against R79,305 as indicated on the pro-forma invoice;
 - four (4) payments totaling R105,147, were made on pro-forma invoices and receipts were also not attached;
 - the request form for procurement, vide PV039P181349, indicated clearly that the supporting documentation was missing and that the curator would send details subsequently; however, the payment was processed and released without receiving the required details;
 - a payment of R6,088 was made on two pro-forma invoices for cellular services.
- 4.7 *The management, in response, noted the finding and stated that staff have been advised that payments should be made on invoices only and that all documents are to be attached to the payment voucher for processing.*
- 4.8 **Expenses reimbursed without supporting documents:** A reimbursement of travel insurance of R486, vide PV039P180793 dated 08.05.2018. Furthermore, on the same PV, a sum of R56,246, including R45,760 for accommodation, was paid to a staff towards an overseas training. For the accommodation, 4 options were available but the most expensive option costing USD3,200 was chosen ignoring an option costing USD2,700. The difference was due to inclusion of provision of a gadget (laptop/tablet). All the above reimbursements were effected without obtaining the proof of incurring such expenses by the relevant staff member. Furthermore, the procurement of the equipment (laptop/tablet) had not been included in the fixed assets register of the Department.
- 4.9 *The Department in response noted the gaps informed that the accounts staff is ensuring that documents are properly filed and supported. As regards the tablet, the Director of National Archives approved the training of the staff to South*

Africa. To include cost of the laptop/tablet in the training, instead of purchase, was found more cost effective. The tablet has been recorded on the National Archive inventory.

- 4.10 ***Avoidable expenses:*** Audit sighted a cash withdrawal of R53,500 dated 19.12.2018 vide PV039P183122 for which the Department informed that it was for 'awards for staff recognition' that had completed training programmes from 2014-2018. Audit is of the view that this is a deviation from the Scheme of Service, as staff completing courses normally receives an increment in the marketable skills allowances and not one-off payments, as is the case in all Government Ministries, Departments and Agencies. In addition, the following payments were also noted:
- for the 'End of year staff party, Department made a payment amounting R72,000 to a hotel whereas the allowable expense was R34,250 computed at SR250 per head as approved by the Ministry of Finance for 2018. Thus the Department incurred an avoidable expenditure of R37,750;
 - Payments of allowances to Chinese volunteers were observed vide PV039P180469 and PV039P180470, both dated 26.03.2018, in the sum of R4,500 each for which Management informed that this was agreed upon in the exchange agreement. The exchange agreement dated 22.06.1990, however, stated a monthly fee of R3,500. In the absence of revised fees, or revised agreement, the amounts paid could not be verified by Audit;
 - PV039P182818 dated 11.12.2018 for R150,000 was for the payment of fees for the MSc. course in Tourism Management conducted by the University of Seychelles. The Management informed that the course was joined by the then CEO of Seychelles Heritage Foundation while in employment of the Seychelles Heritage Foundation and the fee payment liability was agreed be paid by the Department and SHF. However, upon the transfer of the ex-CEO from SHF, the new SHF CEO did not agree to pay the course fee as agreed. No valid justification for such an arrangement, including benefits to the Department, was provided to Audit;
 - PV039P183179 dated 26.12.2018 for R75,000 was for 25 miniature art tortoises to be sold at museum shop. The payment was recorded under code acquisition of Office Equipment, the Department's operational account, although there is a specific revolving fund account for such purchases. An inventory count at the time of audit in July 2020, revealed that none of these items had been sold; perhaps for the reason that the item was costly (R3,000 for 1 item) retailed at R3,200. Management did not opt for the special arrangements with artists to keep the items in the shop until sold and before remitting proceeds to them.
- 4.11 ***Invoices settled after 3 years:*** A payment towards accommodation for the year 2016 was made in 2019 (PV039P190862 dated 05.06.2019 of R63,105) without giving any justification for the long delay nor any certification to the effect that the 3 invoices had not previously been paid. Further, two more payments totaling R206,175 made in 2019 were accumulated from the previous year for the consumption of electricity at Helena House.
- 4.12 *The Department, in response, informed that payment of outstanding invoices was requested by the hotel which for some reason remained unsettled though*

the service was provided during that year. Management agreed that it was not budgeted. As regards pending payments accumulated from the previous year relating to Archives section following its move to Ile du Port for which a budget for electricity expenses was not made available.

- 4.13 **Double/overpayments:** Audit noted that (a) a payment of R17,219 via PV039P181421 dated 25.07.2018 which included R8,722 towards utility bill for June 2018. Subsequently, the bill of R16,161 for July 2018 issued on 26.07.2018, including the June amount R8,722 as outstanding, was settled in full, (PV039P181668 dated 14.08.2018), without seeking adjustment of the June bill, resulting in double payment (b) an invoice for R71,200 (number 46 dated 02.09.2019) towards cleaning of books on Praslin was paid vide PV039P191982. Audit noted that the same invoice for the same amount was also paid vide PV039P192160 dated 11.11.2019 resulting in a double-payment. Following the audit query, a letter was sent to the supplier on 05.07.2020, informing him of this payment in error and requesting him to refund the amount of R71,200 by 24.07.2020. The supplier informed that he is unable to refund the amount and agreed that the amount be offset against future works allocated to him; and (c) the May 2018 invoice for customer number 8894- National Museum - for electricity was R29,342. However, the invoice indicated that the Department had a credit of R48,897, after deducting the R29,342 from a previous credit balance of R78,239. Despite the sufficient credit, the invoice was fully paid vide PV039P180897 dated 22.05.2018, thus unnecessarily locking up funds that could be used for other expenses.
- 4.14 *The Department while agreeing to the observations informed that future electricity invoices would not be paid till overpayment was fully adjusted in future bills and cleared. The double payment was attributed to misunderstanding between accounts and library where 2 requests for payments, both with original invoices, were received and forwarded twice. As the payee has regretted his inability to refund the amount due to financial issues, the Department had given him additional work to recover the amount overpaid.*
- 4.15 **Payments without or under invalid contracts:** Audit observed five cases, where the contract submitted was not valid or there was no contract to be used as a basis for effecting payments:
- The contract for one commercial unit for a monthly rent of R19,000 (R228,000 annually), expired on 14.09.2018, subsequent rental payments of R57,000 for the rest of 2018 and R209,000 for 2019 were made in the absence of a valid/renewed contract;
 - Payments, totaling R124,000 and R217,000 were made in 2018 and 2019 respectively against a rental contract for 1 year from 04.12.2017 to 03.12.2018; extended for further 1 year from 05.05.2019 to 04.05.2020, in consideration of a monthly rent of R15,500. There was no contract for the intervening period from 04.12.2018 to 04.05.2019;
 - Payments totalling R45,000 were effected to a guest house at La Digue for 3 months from 01.11.2018 to 31.01.2018 without a signed contract;
 - Payments of R6,000 under the code-Management and Administration and R12,000 under the code -National Library services made in 2018

and 2019 respectively were in respect of a corrugated iron sheet store on La Digue without a signed contract;

- Payments totaling R647,220 and R654,294 were made in 2018 and 2019 respectively towards Security Services; during which time the tender was still pending with POU.

4.16 *The Department while agreeing to the observations informed that deficiencies were due to oversight and two contracts are now signed and up-to-date. For La Digue the staff was feeling discomfort due to the fungus issue as such whole of the library had to be closed and all of its assets cleaned. The work was urgent for expediting re-opening of the Library for the public and it was the only vacant location available at that time where the owner was willing to rent to keep materials (books, newspapers, equipment etc.) after they were cleaned so that the service provider could continue cleaning other materials inside the library. One house was rented to keep materials whilst the store was rented to store materials considered infected/damaged and which were selected for discard/ write off. The contract has been extended and its signed copies would be located once the cleaning is completed.*

4.17 **Payment not in line with contractual terms:** Following payments made by the Department were not in accordance with the terms and conditions of the relevant contracts/agreements:

- (a) commission on sales at its museum shop to be deducted from payments as per the contract was 30% against which 20% was only deducted in respect of the payment made (vide PV number 039P200385 20.03.2020) to the suppliers of artifacts;
- (b) the rent contract for the Culture House at Providence, for 2 years from 15.11.2018 to 14.11.2020, provided for a monthly rent of R219,922 and deposit equivalent to 3 months rent. As such for 2018, only R1,099,610 were payable but actual payment made for 2018 together with the amount of deposit was R1,539,805 which indicated an over payment of R440,195. *The Management in response informed that the overpayment was offset against the cost of partition, skirting and installation of aircon;*
- (c) the Department rented a warehouse (unit 3) for 3 years from 01.03.2019 to 28.02.2021 the contract for which provided a monthly rent of R31,050 (inclusive of tax) and a deposit equivalent to rent for two months @ R27,000 without tax (viz. R54,000;). However, the management subsequently informed in an email stating that the deposit to be paid was equal to rent for 3 months, which is contrary to the clause 7 of the signed contract, provided at the time of audit clearly stating a deposit of 2 months' rent; and
- (d) payment of R182,406 under the contract to provide security supervision at Helena Archive Building for 6 months from 03.06.2019 to 02.12.2019 for consideration of a monthly charge of R26,880 (R161,280) was R21,126 more than the amount payable as per the contract.

- 4.18 *The Management in response informed that it hired security services with the assistance of POU for 6 months until the coordinating tender is finalised. There was an appeal/litigation as such the security contract was extended until conclusion of the case was finalised.*

Payroll

- 5.1 The department had a total staff strength of 142 as at 31.12.2019 and expenditure towards wages and salaries thereof was R25,884,143 in 2018 and R27,027,883 in 2019. Audit examined some employee records and observed as under.
- 5.2 **Overpayment of subsistence allowance:** Section 70(c) of the Public Service Order states that the concept of payment of full subsistence allowance is calculated to meet the cost of accommodation, meals, transport and incidental expenses when duty is not funded by the organisers, whereas reduced per diem is paid to meet the cost of incidental expenses when the trip is fully funded. Audit examined a sample of 23 payments towards overseas subsistence allowances and observed that the Department paid ‘incidental expenses’ allowance which was inadmissible. These comprised three payments in February 2018 in respect of trips to Ghana and Switzerland in the sums of SR1,500, SR2,500 and SR2500 and one payment in December 2018 in respect of a trip to Zambia in the sum of SR1,500.
- 5.3 **Overpayment of per-diem payments:** Audit observed overpayment in per diem allowances in the following cases:
- PV039P180605 dated 21.02.2018 for Reunion per diem was paid for 5 days which included the travel day of 19.04.2020, which is not covered under the rule thus resulting in an overpayment of R1,875;
 - PV039P180793 for R10,486 paid for per diem, clothing allowance and travel insurance, the course was from 14-18 May 2018. Against the requirement of the PSO to restrict reduced per diem to 5 days, Audit noted that per diem was paid for 8 days which included the travel dates leading to an overpayment of R2,625;
 - PV039P182566 for R28,621 dated 10.04.2018 there were no invitation attached. The staff booked and paid for a 4 star hotel online at the rate of USD215 per night (@15.0352) R21,123, and was paid a reduced per diem of R1,000 per day instead of R875 per PSO. Total full per diem inclusive of accommodation would have been R15,316, which is R12,807 less than the actual payment made;
 - Against the PV 039P181063 amounting to R18,918 effected on 06.11.2018, it was noted that the invitation was from 25-27 June 2018 with the returning date set at 2 days after the visit. Audit observed that per diem was also paid on the travel day when the staff reached Seychelles at 13.35, for which the payment of per diem for 1 extra day of R2,250 was not justified;
 - In relation to PV039P181203, Audit observed that reduced per diem of R875 was paid on the day of travel, which was not admissible under the relevant rule on per diem payment.

- 5.4 *Management, in reply, stated that they have taken note of the recommendations and will ensure compliance in regards to payment of subsistence allowances, stricter measures will be put in place to ensure compliance.*

Transport

- 6.1 In relation to transport management at the Department, the audit noted that the driver of GS21032 made a statement to Police (19.02.2019) informing of an accident on 18.02.2019 and that he hit the rear of a vehicle that suddenly applied its break in front of him, without any indication. In his letter to the Department dated 20.02.2019, he acknowledged that he should be more careful and that he was determined to prove more responsible and apologised for the incident. Audit sighted a letter to the insurance company dated 20.03.2019 requesting for an insurance claim and informing that the driver will bear the cost of any excess incurred.
- 6.2 Although the Department paid a garage for fixing the damage at R11,942 vice PV039P191198 dated 16.07.2019), Audit did not sight any receipt from the insurance company, nor any contribution from the driver concerned.
- 6.3 *In response, the Department informed that the Admin office was advised to put up a claimed with the insurance broker to repair the vehicle. A claim was made on 20th March 2019 to Fidelity Insurance Broker and there were no reply. However, there were no follow up by the Department of Culture. The admin office is currently following up the case with Fidelity Insurance. A letter of caution was provided to the driver.*

Fixed Assets

- 7.1 The Department did not maintain an asset register or implement the Asset Management Software prescribed for use in all MDAs. Instead, a records of items purchased were being maintained in an excel spreadsheet. Audit obtained a copy of 'master inventory list' in the excel spreadsheet and conducted a random physical verification of its fixed asset at the various location; viz; Maison Esplanade, Museum, National Conservatoire of Performing Arts, and National Archives and observed the following.
- 7.2 ***Maison Esplanade:*** Out of 423 items fixed assets, Audit physically verified 285 fixed assets in 27 locations which were physically identified, although their movements were not properly documented and tracked. Further, Department did not have a list for the disposal of fixed assets identified for write off.
- 7.3 ***National Museum:*** Audit physically verified 57 out of 142 fixed assets, for physical verification. While the numbers on items tallied, assets identification numbers could not be sighted on all assets verified. Audit could not sight 1 camera with serial number S01-4181677-K, purchased in 2015 for R5,000. Further, 2 items (showcase models of Venn's town and Jardin Du Roi) were not located.
- 7.4 ***National Conservatoire of Performing Arts:*** Audit could not physically verify individual assets of NCPA, as these were in storage pending completion of the renovation on the Stone building. Incomplete/lack of register maintained increases the risk of theft that may go undetected and mismanagement of assets may lead to unnecessary purchase of fixed assets.

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- 7.5 *The Department in response informed that during the time of the audit the some admin officers were still in the process to amend the fixed asset management software whereby in some cases the serial number and payment vouchers numbers was missing. Current the fixed asset inventory system is updated.*

Inventory

- 8.1 Accounting Manual 12.2 guides the general keeping of store items; from ordering to issuing as well as the necessary accountable documents to be maintained. Audit reviewed the stores in operation under the Department separately and noted the following.

- 8.2 **Admin Store Maison Esplanade:** Audit visited the store and observed that there were no adequate shelves for storage as such some items were left in boxes making it difficult to ascertain their quantity physically. Also, there is no bin card system, as prescribed in the Accounting Manual nor evidence of physical supervisory check conducted.

- 8.3 **Stores for Museum shop:** For the shop, Department maintained two separate stores, and registers in Excel format:

Store 1: Items in this storage were mainly souvenirs, paper items, T-Shirts, held in credit from suppliers (suppliers are paid only when the items are sold). Audit observed that the area was not properly ventilated which in audit opinion could lead to damages to these items and render the Department liable unnecessarily.

Store 2: Audit observed that there was not enough shelf for storage and that items are stacked in boxes making it difficult to count. Audit also observed slow-moving items of high-value the miniature art tortoises purchased at R3,000 each, which had not been included on the excel spreadsheet maintained by the shop assistant provided to Audit.

Stores for National Museum: Audit observed that the inventories (consumables) at the administration of the museum department had no specific secured/designated location. Audit noted that some inventory items are staked in the office and some in a small store accessible to any staff member. Further, the items in the store do not have bin card records.

- 8.4 *Management in response informed that the necessary steps have been taken by the National Museum to reorganize the storage system. Due to space issues unfortunately additional storage space is not available necessary steps will be taken to ensure items that can be stored in locked cabinets will be done so, and quarterly spot checks by the accounts officers will be carried out to ensure proper control of inventories. With regard to non-availability of Bin cards system, the reply stated that it is being implemented.*

DEPARTMENT OF POLICE

- 1.1 The Seychelles Police Department (Department) is responsible for maintenance of law and order, preservation of peace and prevention and detection of crime as per Article 161 of the Constitution and Section 6 of the Police force Act, 1959. The Department has five Divisions namely, Visible Policing, Response Services, Detective Services, Anti-Narcotics Bureau (ANB) and Governance Management and Administration units.
- 1.2 The audit was undertaken with principal objective of performing sufficient tests to assess the reliability of the accounting records maintained by the Department for the year 2020. The audit focused on the income of the Department and payments for goods and services relating to the Anti-Narcotics Bureau (ANB), and a follow up on issues reported in prior years to determine corrective action taken. Matters arising were communicated to the Department in an Interim Management Letter (IML) issued on 20.09.2021, which was discussed with the management in the exit meeting held on 06.10.2021. Subsequently, the matters were included in the management (ML) letter dated 14.10.2021. The Department replied to the management letter on 20.10.2021.

Income

- 2.1 The principal sources of income for the Department is through provision of static/escort duties by the Public Security Support Wing (PSSW) and Seychelles Vessel Protection Detachment (SVPD). Other miscellaneous income included fees charged for rocks blasting, learners' permits, driving and theory test, issuing accident reports, loss of identity card reports and loss of items reports. During 2020, the Department collected a total of R.11,788,090.
- 2.2 The credit policy of the Department provides for settlement of invoices within 30 days from the date of issue of invoices as stated in the Public Finance Management Regulations. Regulation 43 further states that the Accounting Officer shall ensure that the outstanding debts are collected within the period of credit approved and appropriately recorded in the Debtor's control register. However, the debtors aged listing at end of 2020 compiled by the Department disclosed a balance of R629,495, of which about 53% were from the private sector and R.265,691 (42%) were outstanding for over 90 days. About 46% of the debts exceeded the credit limit of 30 days while 35 % of the arrears dated back to 2016, 2017, 2018 and 2019. A majority of the debtors were in respect of the static duties (PSSW) and SVPD services provided to them.
- 2.3 The debtors' situation prevails despite follow up action for recovery of outstanding debts, through e-mails, in most cases. Audit is of the view that with the passage of time recovery of the overdue debts becomes increasingly difficult and eventually convert into bad debts.
- 2.4 *The reply (20.10.2021) stated, in part, that the credit policy offered is 30 days. Regrettably, some clients are not complying with the terms and conditions. Payments received are mainly for the current services, whereas invoices from 2015 is still pending. We have arrange meetings with these clients and we hope to come to a decision. For government entities, the details will be forwarded to*

Ministry of Finance for further action. The Department also provided a new summary of outstanding debts amounting to SR918,682 as at 20.10.2021.

Use of Goods and Services

- 3.1 An examination of costs relating to use of goods and services for the Anti-Narcotics Bureau was performed through a sample of fifty-five payments totaling R.2,482,317 of the total expenditure of R.23,712,969 for 2020 including R4,870,428 towards payment of allowances charged to security and enforcement. Audit observed the following.
- 3.2 **Rental of accommodation:** The ANB rented four (4) bedsitters on La Digue without valid leases. According to the unsigned leases provided to Audit, a rent of R.28,000 was payable monthly and a total R.336,000 was paid for the year as per the General ledger. In the absence of a signed and binding lease, Audit could not ascertain the accuracy of payments effected.
- 3.3 *The Department in reply stated that (a) it received a signed contract from the owner for the period 01.01.2020 for 2 years. However, the lessee did not sign the contract but they are still using the facility.*
- 3.4 In another case, the lease for a period of eleven months had expired on 31 December 2018. However, payments totaling R.60,900 were effected in 2020 representing seven (7) months house rent according to details in the General Ledger. The last payment was effected in August 2020 with details, "House rent for June/July." A letter confirming the vacation of property effective 26 August 2020 was made available for audit inspection. However, the payments effected from December 2018 were without a valid agreement.
- 3.5 *In reply, the Department stated that it consistently called the owner for submission of contract, the owner was not in the country and the facility was used continuously, and in the facility was surrendered in October 2020.*
- 3.6 **Prior approval not obtained for contracting services:** The contract between ANB and a firm, for provision of legal services, commenced on the 01 August 2020 although the request for approval for direct bidding submitted to the Procurement Oversight Unit was dated 28 August 2020. As such, the services had been solicited without the prior approval from POU. Retainer fees and other legal services for the sum of R.130,000 were paid during the year under review.
- 3.7 *The Department, in response, agreed that the requisite approval as stipulated was not obtained prior to soliciting the services of the law firm.*
- 3.8 **Overdue payments:** The Department paid for services received in prior years from two (2) suppliers, during the year under review. Payment no 201714 dated 05 May 2020 for the sum of R.20,987 was effected to the supplier on the basis of invoices for food supplied in 2018 and 2019. The payment to the other supplier for the sum of R.36,931 (PV no.202285 dated 15 June, 2020) was based on invoices totaling R21,147 related to purchase of consumable items in 2018.

- 3.9 Audit could not ascertain as to whether the suppliers were previously paid, if necessary checks were performed to confirm the receipt of goods, and the reasons for the delay in payments.
- 3.10 *The Department (ANB) in response informed that the late payments were attributed to a delay in submission of invoices by the two suppliers and that all invoices had been checked and found correct. As regards controls over meals, a meal order form has been introduced, which needs to be completed and approved prior to placing orders for meals. The Bureau has a credit facility with the supermarket on Praslin. Henceforth, an LPO will be raised and the Agent will be required to bring back the invoice with confirmation of receipt of items before payment will be made. The reply further stated that sometimes suppliers review their accounts and alerted us on unpaid invoices. The accounts are reconciled for both parties to ensure that there is no double payments upon submission of legitimate documents.*
- 3.11 **Acknowledgement of receipt of goods and services not evidenced:** Audit did not sight evidence on documents supporting the payments, such as, signature on the invoice or delivery notes to confirm that relevant goods have been correctly received as ordered or the relevant services and works properly provided prior to effecting payments in sixteen (16) cases totalling R424,970.
- 3.12 *The reply stated that the Department has been advised to comply with the above at all times. In some instances, invoices are paid following a valid contract, credit facilities, or following LPOs.*
- 3.13 **Lack of supporting documents:** In 3 instances, payment vouchers totaling R.106,450 did not have adequate supporting documents as per requirements of the Public Finance Management regulations part ix, 63 which states “payments shall not be made unless the Payment Voucher is supported by original invoices and accompanying documents as per the requirements of the Accounting Manual.
- 3.14 *The reply stated that all payments made have supporting documents, memos, email, invoice, etc.*

Status of action taken on matters included in AR 2018

Page, para, Audit brief	Status of action taken
Page 25, para 3.2.4 <i>Delays in banking of cash collections</i>	Resolved.
Page 25, para 3.2.7 <i>Debtor's recovery to be intensified</i>	A review of the Aged Debtors List reflected that as at 31.12.2020 the Aged Receivables amounted to R.629,495, reflecting a significant improvement over the 2018 debtors (R2m).
Page 26, para 3.2.11 <i>Price list lacks clarity</i>	Proposal submitted by the Department to the MoF in November 2020 is still pending the approval of revised prices for SVPD Services
Para 3.2.14, para 3.2.14 <i>Successive monthly payments to car rental operators</i>	Audit did not sight the approval of POU/NTB for the hire of cars from operators in the current year totaling SR16,259,107. The Department procured 18 new vehicles in July/August 2020, of which the impact on hire charges is yet to be seen in following years.

DEPARTMENT OF TOURISM

- 1.1. The Department of Tourism, Ministry of Tourism, Civil Aviation, Ports and Marine, is mandated to encourage the development of tourism industry in Seychelles by regulating, maintaining and enforcing the standards of tour operations, including safety of tourists. The Department comprises four divisions, namely, Minister's Support Services; Governance Management and Administration; Policy Formulation; and Regulation and Quality Assurance.
- 1.2. An audit of the Department was undertaken for years 2018 and 2019 to examine the systems of payroll, payments for goods and services, transport management and non-financial assets. The matters arising were communicated to the management through an interim management letter dated 17.8.2020 and discussed with management in an exit meeting on 10 October 2020. Subsequently, the issues were included in a management letter dated 21 October 2020.

Payment for Goods and Services

- 2.1 Audit noted that the Departments incurred an expenditure of SR16,628,387 and SR17,694,118 towards procurement of goods and services during 2018 and 2019. Audit observed the following deficiencies.
- 2.2 **Alternative quotes not sighted:** Out of a sample of 118 transactions, in 30 payments totalling SR321,812, the requisite three quotations were not sighted. Non-competitive procurements may not be economical besides resulting in a lack of equity and transparency.
- 2.3 **Purchases of items of uncommon nature:** A payment of SR11,694 was made on the towards purchase of consumables , such as, cheddar cheese slice (worth SR 1,104), extra virgin olive oil (worth SR 1,140), tuna water (worth SR 255) and green olive (worth SR288) which are not normally used in offices. Besides the payment was made based on a pro-forma invoice.
- 2.5 **Payment not made to the correct recipient:** Against an invoice from an establishment for SR12,000 dated 13.12.2019 for 'sewing 80 sets of uniforms, the Department made payment to an individual vide PV#069P194825 dated 19.12.2019 without any explanatory note on the issue and authorization from the establishment.
- 2.6 *The Management, in response, informed that due to urgency procurement regulations were not adhered to. Some suppliers refuse to give pro-formas/quotations unless a commitment to purchase from them is made. About payment to an individual, due to the deadline set for accepting payment vouchers by the Treasury at the year-end, and thus causing an urgency, suppliers' bank account details could not be entered into the system. It further stated that the Minister's office conducts meetings which at times lasted beyond lunch time and the consumables purchased were to cater for light lunch for the participants in attendance; which has since been discontinued and the procurement process will be adhered to cater for lunch/snacks meeting organized by the Minister.*

Allocation of telephone and internet

- 3.1 Audit revealed that two staff from the Department possessed two multiple sim cards used for mobile phone and internet respectively. Payments totaling

SR7,590 were made by the Department for their usage for the months of September and October 2018. At this rate, it would appear that the Department would spend on a monthly basis an average of SR3,795 and thus SR45,540 on a yearly basis for telephone, internet and dongle key usage by the two staff.

- 3.2 *The Department in response stated that all staff sign a contract for the official SIM card with a set credit limit for each, excepting the Minister's PA and Secretary. As regards dongle key, which was for internet, a request has been sent to Airtel for its disconnection. The Department has taken necessary steps to minimize on the telephone and internet usage and the operational costs in general. With regard to potential abuse of telephone usage, the Department is monitoring its monthly utility bills closely.*
- 3.3 During follow-up, Audit was provided with signed contracts dated 10 July 2020 for the two afore-mentioned from the Ministers' Secretariat detailing the terms and conditions for mobile telephone usage.

Fixed Assets

- 4.1 Audit noted that the Departments incurred an expenditure of SR161,029 and SR125,926 towards procurement of fixed assets during 2018 and 2019 respectively. The major procurements were of IT and Office equipment. For recording the acquired fixed assets, the Department is making use of the Assets Management Software designed by DICT and prescribed by the MOFTEP for all MDAs in 2017. A random sample of 26 newly acquired assets at a cost of SR257,760 was examined and the following noted.
- 4.2 **Assets not assigned with identification number:** Audit noted that the Asset Register was not updated and assets were yet to be assigned the identification numbers, which is essential for their physical verification.
- 4.3 **Physical verification of assets not carried out:** The Department could not produce a documented evidence to confirm the performance of a physical verification of assets in the recent past. Moreover, Audit also did not sight any inventory list in the rooms/offices to indicate each and every asset provided at those specific locations.
- 4.5 **Disposed of asset without MoF approval:** The Department on 06.09.2018 made a payment of SR40,000 vide PV#069P182679 towards purchase of a Xerox Printer Versalink costing SR60,000 to replace the existing doc center C2020. To settle the remaining balance of SR20,000, the Department made an arrangement with the supplier to take back the existing C2020 at a price of SR20,000. The exchange of the C2020 printer to VCS (Pty) is tantamount to a disposal of asset to which approval from the Principal Secretary Ministry of Finance should have been sought prior to disposing the asset in this manner.
- 4.6 *The Management, in response, while noting the observation, stated that the register updating and placing an inventory list in all rooms have been undertaken. The Director of Human Resource and Administration (DHRA) stated that physical verification of assets have recently been carried out, however, not documented to evidence. The assets not assigned with identification number are mainly the ones transferred from STB when the Department was created in 2013. It was further explained that due to staff shortage in the Administration Section, IT Manager was given the responsibility for the fixed assets register. However, he is pursuing a degree course and due to the workload, the task has not been performed satisfactorily. So, transferring the responsibility back to the Administration Section is under consideration.*
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- 4.7 During a follow-up, Audit noted that the fixed assets register has been updated with the afore-mentioned assets, identification numbers have been allocated to assets and their physical existence verified. As physical verification has not been documented, Audit could not ascertain whether this exercise was actually carried-out.

Transport

- 5.1 As per the Register of Vehicles, the Department has four vehicles under its responsibility. Audit noted that a total expenditure of SR377,740 was incurred towards the purchase of fuel during the period under review. A review of the relevant records revealed the following.

- 5.2 **Mileage logbook incomplete and not verified:** In a number of instances in the mileage logbook, Audit sighted that the driver had attempted to correct what seemed to be incorrect entries and, such repeated overwriting made the entries illegible at many places besides not being authorized by supervisors. The format used for the entries was also not the prescribed one. As a result, audit could not verify the logbook entries and evidence of independent supervisory checks on the log books.

- 5.3 **Vehicle repairs not recorded:** Audit noted that the Department spent SR81,800 on repairs and maintenance on its motor vehicle during the period under review but details of repairs and maintenance were not recorded in the respective log books, as required.

- 5.4 **Fuel coupons:** Despite a substantial expenditure on fuel, there was a lack of oversight over the fuel coupons in that (a) on issue of fuel coupons, only the driver's name is entered in the register and no signature is obtained to evidence the receipt; and (b) an analysis of the fuel consumption, as required, was not sighted in respect of the four vehicles.

- 5.5 *The Department, in response, while noting the observation, stated that all drivers have been given the correct Vehicle Log Books and advised to ensure that their vehicle log books are verified and endorsed on a daily basis. Journeys are being authorised and verified and the fuel coupons management is supervised by the Head of Administration. The monthly fuel consumption analysis is now done and monitored. Due to frequent change of drivers in 2019 the afore-mentioned Mileage Log Book have been misplaced and could not be found. A new book for this specific transport GS18081.*

- 5.6 During the follow-up, Audit was provided with copies of the logbook for vehicle GS28247 and GS26268 a scrutiny of which indicated that the Department has started compiling fuel consumption analysis as from the month of August 2020.

Audit also noted that fuel coupons are now kept in the custody of the Head of Administration and duly administered.

Inventory

- 6.1 The Department acquired inventory items totaling SR454,389 and SR568,160 in 2018 and 2019 respectively. However, contrary to the prescribed procedural requirements of the Accounting Manual, the Department did not maintain an Inventory Register. Furthermore, the Department did not have a specific, secure and designated storage location whereby all inventories could be securely kept providing access to only the authorised personnel.
- 6.2 *The Department, in response, while noting the observation stated that the DICT/MOF computerised Inventory System will be put in place. Although there is no proper Inventory Register in place, stationery purchases and issue are controlled. Stationeries and consumables are purchased in bulk but due to shortage of space duly secured storage cannot be ensured, Further, a proposal for rental of a storage space outside the office has not agreed to by the Ministry of Finance.*

CREATIVE INDUSTRIES AND NATIONAL EVENTS AGENCY

- 1.1 The Agency, set up under the Creative Industries and National Events Agency Act 2016, is mandated to develop market for and promote export of creative products and services for which to organise events of national importance.
- 1.2 A follow-up audit involving examination of the accounting records, receipts and expenditures for the year 2019 and remedial actions arising from previous year's audit was undertaken. The matters arising were communicated to the Agency in an Interim Management Letter (IML) issued on 28.09.2020, which was discussed with the management in the exit meeting held on 25.11.2020. Subsequently, issues were addressed to the Agency in the management letter dated 27.01.2021.

Status of action taken on previous audit findings

AR 2019, Page, Para, Audit brief	Status
Pg 64, Para 3.10.5 – Source of revenue not identified	Resolved
Pg 65, Para 3.10.7 - Discrepancies in printing, ticket sales and collection for festival kreol activities	Improvement noted for future activities, however, no actions on short banking or non-collection on revenue sighted. Outstanding from 2018 - Non recoupment of SR10,029 from 'Bon Vye Tan', short banking of SR10,000, no follow up on Fon Lanmal 2017 outstanding collections of SR32,400
Pg 65, Para 3.10.13 - Non-Collection of long overdue revenue	Improvement noted. ESA kiosks sale ruled void by Ministry of Finance
Pg 66, Para 3.10.17 – Discounts authorised in absence of regulations	Matter persisted, no improvement noted
Pg 66, Para 3.10.20 - Non-Compliance to Procurement Act/ Regulations	Non-compliance persisted with competitive quotes not being opted for
Pg 68, Para 3.10.29 - Prior year payments in current year	Resolved.
Pg 68, Para 3.10.32 - Payment for excessive use of data roaming	No improvement. CEOs bills cumulatively in excess of R208,826, negotiations ongoing with telecom company with expected waiver of 50% of highest bill
Pg 68, Para 3.10.33 - Payment of fees to non-board members	Resolved

Pg 69, Para 3.10.36 - Leave Accumulation	Annual and Sick Leave Records not updated
Pg 69, Para 3.10.40 - Employment records not maintained	Resolved
Pg 70, Para 3.10.43 - Overseas subsistence allowance	Resolved
Pg 71, Para 3.10.47 - Payments not supported by documents	Improvement noted
Pg 72, Para 3.10.50 - Fuel Consumption analysis not conducted	Still not introduced, although coupons now kept with Accounts
AR 2018, Pg 69, Para 3.159 - Incomplete Fixed assets Register	Asset Management Software implemented, under update, no labels, no movement tracking

Stationery Register not updated

- 2.1 In relation to 2020, Audit conducted physical verification of the stationeries inventory maintained with the Administration Department. The inventory register was last updated on 09.04.2020. The Senior Admin and HR Officer informed audit that due to the COVID-19 lockdown he had been coming to work alone and he had been issuing inventory without anyone to update the register. Audit observed that to date the register remains to be updated. Audit could not identify as to who the stationeries were issued in view that most of the staff were in lockdown at home, as stated. Furthermore, it was observed the inventories are stored in the administration office where the storage facility is limited; the A4 papers, Box of files and ink cartridges are stored outside a locked facility. Audit is of the view that such items are exposed to theft as it is not stored in a secured location.
- 2.2 Audit recommended that the Stationery Inventory Register should be updated without further delay with the records maintained of the receipts and issuance of stationery. Further, all inventories especially those of high value, such as, toners are stored in a secure storage facility suitable and conducive for the preservation of these items and that only authorised staff is provided with access rights and that all relevant records are properly maintained and promptly updated to reflect actual status.
- 2.3 *A response from the Management was still awaited.*

DEPARTMENT OF YOUTH AND SPORTS

- 1.1. The Department of Youth and Sports (Department), Ministry of Youth, Sports and Family, is mandated to empower the youth to participate actively in the realisation of their aspirations and in the national development, to promote a sport, leisure and recreational culture, for health improvement and the well-being of the people.
- 1.2. An audit of the Department was undertaken for the year ended 31.12.2020. The matters arising were communicated to management through an interim management letter issued on 04.06.2021, which was discussed at an exit meeting held on 14.06.2021. The remaining matters were addressed to the management through the management letter dated 15.07.21. The Department replied to the draft report paragraphs on 20.10.2021.

Payments for goods and services

- 2.1 The Department incurred an expenditure of R4,735,678 during 2020 towards procurement of goods and services. Audit examined 62 payments totalling R3,621,786 and noted the following.
- 2.2 **Rent board approval not sighted:** The Department entered into agreements with two companies; one for storage space at a monthly rent of R10,000 and second for office space on Praslin at a monthly rent of R18,000, without seeking the required approval, as per Department of Public Administration Circular No.2.
- 2.3 During the subsequent follow-up, Audit was produced a letter dated 16.06.2021 addressed to the Chairperson (Accommodation Committee) to seek retrospective approval for the renting of offices and store by the Department. *The reply (20.10.2021) stated that rental of stroes is being cancelled as free storage is being secured at the National Sports Council. Among the two offices on Praslin, only one will be kept as one officer will be moving to Mahe.*
- 2.4 **Procurements without requisite quotations/bids:** Audit noted that 6 payments for procurement of goods and services totaling R112,900 which were not supported by the requisite three quotations. Further, the Department hired a car for 115 days and paid R69,000 during the year 2020, without seeking the requisite minimum three quotes before entering into agreement.
- 2.5 *The Management, in response, stating that the necessary was being done to ensure compliance with procurement regulations, cited reasons for not obtaining the alternative quotes; such as printing of T-shirts and file covers could be done only by the selected suppliers, for car hire, as they had an agreement, they thought alternative quotes were not necessary and suppliers refuse to give quotes/proforma invoice. The reply added that at the time of rental of the car, the Department's car was not in service.*
- 2.6 **Imprudent and avoidable expenditure:** Audit noted that the Department submitted a request dated 27.01.2021 for the write-off of its vehicle (Renault Duster 4 X 2 1.6L1598cc) on the grounds of wiring problem in the vehicle, barely 4 years from the date of purchase on 23 June 2017 for R347,000. In replacement, the Department purchased a new vehicle of the same brand/make (Renault Clio (1.2T, /T,5 Sweater), in December 2020 for a sum R435,000 after recommendation by the Internal Evaluation Committee following the open

tender processes. The recommendation was based on the purported reason of ‘urgency’ to acquire the vehicle.

- 2.7 A further scrutiny of the relevant records revealed the following:
- The new vehicle (Registration number GS36385) was purchased from company “X” on 11.12.2020. Clause 9 GCC 25 (vii) of the Special Conditions of Contract with the supplier, contain a warranty clause providing for free repairing/ service/replacement within a period of three years (36 months) from purchase of the vehicle or 100,000 km whichever comes first. These terms and conditions were also applicable in case of the written off vehicle purchased from the same supplier; and
 - The last vehicle logbook provided to Audit for the written off vehicle ended on 02.11.2019 with last odometer reading of 40629km indicating that after this date the vehicle was presumably sent to garage. Based on the records on hand, it shows that the vehicle was in operation for 29 months (June 2017 to November 2019) i.e. less than three years. Further, the odometer reading also indicated that the vehicle had run some 40629km which is very well within the warranty clause threshold of 100,000 km.
- 2.8 From the above, it is clear that the written off vehicle was well within the warranty period but the Department proposed its write off to acquire a new vehicle instead. Audit did not sight any documentary evidence to reflect that the warranty clause was invoked and supplier was requested to fix/repair/replace the vehicle.
- 2.9 Further, there is no indication that while making the recommendation for the purchase of a similar brand/make of vehicle from the same supplier (company X), the Committee had taken into consideration the problems encountered by the Department with the written off vehicle and fact that it was well within the warranty period. The Department had acted on the advice of the garage (“to resolve the whole wiring system will be very costly and it was advisable to use the vehicle for spares instead of fixing the whole problem”) and went for the purchase of a new vehicle of the same brand/make from the same supplier.
- 2.10 *The Management, in response, informed that the procurement procedure was completed late last year (2020) and the then COVID-19 situation had resulted in restriction of importation of motor vehicles. When it was able to tender, only 2 companies responded as they were the only ones who had cars in showroom that met the specifications and budget of the Department. The Department did not want to purchase a Renault in view of the mechanical issues that were encountered with the previous one but was advised by procurement that it may not get the budget next year if the car is not bought in view of the country’s financial situation. As regards the warranty clause, since the vehicle could not start, the number of kilometres that the car had run could not be ascertained thus making it difficult to ascertain the total number of kilometres the car had run. The Department through an oversight has missed the warranty period. Communications has started with the company to see if there is a possibility to invoke the warranty.*
- 2.11 *The reply added that the Department was not aware that the warranty was for 3 years, somehow the warranty documents were misplaced and by the time it was taken to the company, the warranty had expired.*

Fixed Assets

- 3.1 The Department acquired a number of fixed assets comprising mainly IT equipment, furniture, photocopier and a vehicle. Audit examined the relevant records and observed that the Department is making use of the Assets Management Software designed by DICT and prescribed by Circular 6 of 2017 issued by MoF. However, the following shortcomings were noted.
- 3.2 **Assets not assigned with identification number:** In most cases, the identification number was not allocated to assets, as required. This shortcoming inhibited identifying assets and, consequently, conducting physical verifications.
- 3.3 *The Management, in response, stated that there was a confusion as to whether the ID numbers could be picked from the system automatically or were to be created by the Department. Though the Department has generated its own ID numbers, a clarification and assistance had been sought from the Asset Department in the Ministry of Finance.*
- 3.4 **Physical verification of assets not carried out:** The Department did not conduct the physical verification of assets during the year, in the absence of which unauthorised movements of assets (including misappropriations, loss or theft) may go un-noticed and un-serviceable assets may not be identified for write off.
- 3.5 *The Management, in response, stated that a list of all assets was available with the Department. However, inventory lists, which had been completed, were yet to be displayed in all rooms.*
- 3.6 **Assets not physically sighted:** In 9 out of 26 assets, including air conditioners, furniture items, mobile phone, laptop, camera and photocopier, Audit could not physically verify the items thus putting in doubt their existence.
- 3.7 *The management, in response, stated that there were duplicate mobile phone entry in the FAR, and that some assets were lying in the former Minister's secretariat: the Special Advisor for Culture (the reply added), camera was stolen in 2018 and the matter was reported. The reply further added that recommendations from the Auditor General's office is being taken into account e.g. Asset Register is up to date, identification numbers allocated to all assets and physical verification of assets carried out yearly, and mileage being recorded after each trip.*

FINALCIAL INTELLIGENT UNIT

- 1.1. The Financial Intelligence Unit (FIU), operating under the Anti-Money Laundering and Countering the Financing of Terrorism Act, 2020, is mandated to serve as a national centre for analysis of information, to detect financial crime, disseminate financial intelligence reports and necessary information required by it or other organisations, in relation to money laundering and terrorist financing activities.
- 1.2. An audit of the FIU for the year 2019 was undertaken and the matters arising were communicated to the management in the Interim Management Letter dated 5.11.2020, discussed with management in the exit meeting on 13.11.2020 and, finally addressed in a management letter issued to the FIU on 3.12.2020.

Goods and Services

- 2.1 During the period under review, the FIU incurred an expenditure of SR17,536,100 towards procurement of goods and services.
- 2.2 Audit examined a sample of 28 payments, totaling SR682,580, incurred in relation to the procurement of goods and services, and observed that in 6 payments, for a total of SR49,275, the requisite 3 quotations were not sought prior to the purchase, thus putting the competitiveness of the prices paid in doubt.
- 2.3 Further, on review of PV027P190453 dated 16.12.2019 for SR71,022 and the bid evaluation report attached thereto indicated that the supplier was chosen for limited bidding because of its experience and commitment to deliver product and match with the requirement of FIU. Audit did not sight any POU approval obtained for direct bidding.
- 2.4 *The Management in response stated that the requisite 3 quotations were sought although not always received and kept with the payment vouchers. Prices are requested verbally as in the case of the mobile phones and will ensure that this practice is followed up with an email in future. As regards the transportation services, prior to engaging suppliers to access the premises, a proper due diligence is conducted and it is not easy to get a fixed quotation from suppliers and as such, the price was relayed over the phone closer to the date the services were being delivered. The Management further informed that in October 2019, the FIU developed and implemented its Internal Procurement Committee and it will take the recommendation made into consideration for future compliance.*

Excessive Petty Cash float

- 3.1 Audit noted that a petty cash float of R25,000 was approved by the Chief Accountant on 04.02.2010 for FIU based on a request to the Chief Accountant dated 28.01.2010. The request stated that the FIU needed significant cash float to pay for operational costs, such as, purchases or air and vehicular transportation, hiring accommodation and obtain services urgently needed. Audit analysis of the petty cash usage revealed the following deficiencies and also the fact that the amount was in excess of the requirements:
 - the use of petty cash, on a monthly average, was below R3,000; and
 - Payments from petty cash were made even to suppliers who accepted LPOs and supplied on credit facility to the Government.

- 3.2 In light of the above spending patterns and that the new Act, 2020 restricting the scope of operations, Audit is of the view that the FIU should consider making use of credit facilities for purchases and reducing the amount of petty cash to a reasonable amount, say SR3000 or so. Note that large sums of cash on hand could lead to abuse and loss of funds.
- 3.3 *The Management in response informed that FIU will do the necessary to revise its petty cash needs and reduce the float for the coming year, effective January 2021.*

INFORMATION COMMISSION

- 1.1. The Information Commission, set up under the Access to Information Act, 2018, is mandated to foster transparency, accountability, integrity in public service and administration through enforcement of the right to information.
- 1.2. An audit of the Commission was undertaken for the period June 2019 to 31 August 2020 and the matters arising were communicated to the management through an interim management letter dated 14.10.2020, discussed with management in an exit meeting held on 16.11.2020, and the issues remaining unresolved were included in a management letter dated 02.12.2020.

Goods and Services

- 2.1 During the year under review (2019), the Commission incurred an expenditure of R1,996,802, against a budgetary provision of R2,836,088, under goods and services. Audit examined a sample of 24 payments relating to the procurement of goods and services for a total of R331,312 noted the following:
 - a. procurement of furniture, toners, and removal of existing and installation of new network were made for R66,050, R23,400, R18,669 and R15,999 respectively, without obtaining competitive quotes for price comparison;
 - b. PV 106P190035 dated 18.10.2019 for R16,040 was for the purchase of table and chairs which were not procured at the lowest of the rates received in three quotations (R16,800, R16,040 and R6,075) with a justification that the furniture was of better quality similar to the ones already purchased and the supplier provide delivery service and give credit facility;
 - c. PV 106P190095 dated 10.12.2019 for R17,320 was for the purchase of office furniture for which 3 quotes of R17,320, R9,770 and R6,590 were received but the procurement was made at the highest rate (R17,320) on the basis that it had all the furniture required and it was similar to the ones already purchased; and
 - d. The commission hired a car on daily basis and made three payments totaling R12,600, towards car hire rental for 18 days at the rate of R700 per day without 3 quotes obtained for price comparing.
- 2.2 *The Management, in response, informed that the procurement of network installation had been made by the Department of Information before the Commission started operating. Procurement of the new installation was made at the lower of the 2 quotes and the selected supplier had previously delivered satisfactorily. As regards furniture procurements, since the Commission did not have a driver or a vehicle at that time, quotes were sought via email and it was not always possible to receive the same. Where 3 quotes were available requisite/matching items could not be found; such as, tables offered by other suppliers were without drawers, cupboard and locker and not matching with the existing ones. For uniforms, although they had approached other suppliers but the selected supplier only was providing all materials. The car hire was the only supplier who willingly agreed to rent the car on credit basis and at short notice. Monthly rate was not negotiated as hiring was not for a whole month as delivery of a vehicle was awaited. Advice was also sought from Ministry of Finance before seeking the service.*

Fixed Assets

- 3.1 Assets costing R477,848 were acquired by the Commission during the period under review. Audit noted that 16 fixed assets were not included in the Fixed Asset Register (FAR). Further, Audit performed physical verification and observed that the identification number on two chairs were not as stated in the fixed asset register provided.
- 3.2 *The Management, in response, informed that since the fixed assets management software was new to the entity, this was an oversight and that there has been no proper training. However, the register was amended and the labels updated accordingly. In the reply dated 18.10.2021, the Commission stated that the 16 items were transferred from the Vice President's office and still do not reflect on the register and matter is being taken up by the MoF.*

Inventory

- 4.1 On physical verification of a sample of 19 stationery items and 8 consumables, Audit observed discrepancies between the quantities stated on Bin Cards and their actual physical count. The Bin card reflected 2 printer yellow cartridge 410A while actually available were 3 units. The management explained that the office assistant had requested for the item but did not take from the stock (has not been used yet).
- 4.2 *The Management, in response, informed that all consumables are under lock and key and accessible to authorised personnel only. Furthermore, the Commission will consult Ministry of Finance and DICT to assist with the Inventory Management Software. In the reply dated 18.10.2021, the Commission stated that though the software is installed the staff have not been trained to use it and matter is being taken up with DICT. However, the manual inventory is up to date.*

LIVESTOCK TRUST FUND

- 1.1. The Livestock Trust Fund was set up in 2010 with the objective of providing assistance to the livestock and agricultural sectors. Since January 2009, a levy of R5 was imposed on each kilo of imported poultry products. Pursuant to a decision of the Government, effective January 2019, all revenue from poultry levy is credited to Consolidated Fund (previously credited to the Fund's suspense account). Fund incurred an expenditure of R13,001,825 and R22,861,825 in 2018 and 2019 respectively.
- 1.2. An audit of the Fund for the years 2018 and 2019 was undertaken. Matters arising were communicated to the Fund in an Interim Management Letter (IML) issued on 11.01.2021, which was discussed with the management in an exit meeting held on 03.03.2021, and subsequently, in the management letter dated 19.03.2021.

Board without a mandate

- 2.1 Section (5) (1) of the Notice, 2010 provides that the Fund shall be administered by a Board. Accordingly, members of the Board were appointed on 01 November 2017 for a period of 2 years ending in November 2019 to administer the Fund. However, Livestock Trust Fund (Amendment) Notice, 2020 issued in February 2020 provided for dissolution of the Board and administration of the Fund by the Minister Responsible for Agriculture. Consequently, the Board did not have a mandate to administer the Fund during the period November 2019 to February 2020; to note that during this period some payments were authorised by the Board.
- 2.2 Effective February 2020, all payments were approved by the Minister and the Treasurer was responsible for the maintenance of the Fund's accounts.

Payments for goods and services

- 3.1 **Three quotations not found:** Audit revealed that in respect of fourteen (14) payments totalling R261,002 for the procurement of building materials, timber, water tank, tools, umbrellas and hiring of conference room facilities, there were no three (3) quotations obtained or prior authorization from POU for direct bidding of the selected suppliers.
- 3.2 *The Chairperson, in response, explained that these procurements were not supported by three quotes for several reasons, such as, strategic locations for regional consultative meeting with farmers, due to lack of stock of goods with or closure of operations of certain suppliers and directions from the Minister. He added that these reasons were not documented in all cases. However, in future procurements, they will try to seek three quotes and in cases of not obtaining the required quotations, this will be documented before the payments are processed.*
- 3.3 **Lack of documentation of tender procedures:** In five (5) payments, individual amounts over R150,000, lacked the requisite documentation to support that the procurements were made by following the prescribed method (open bidding). Nor did Audit see any documentation in evidence that prior authorisations from

POU/NTB for deviating from the provisions. These procurements were for construction of a new road at La Gogue, Dan Café and upgrading of La Gogue access road for farmers at Mahe, (costing R1,071,260); construction of model demonstration farm for SAA on Praslin (project cost R780,372); and design and project management services for Avalon Project (contract for R238,909). Consequently, Audit could not verify that these procurements were done in a competitive and transparent manner.

- 3.4 *The Chairperson, in response, stated that all these projects were implemented by Seychelles Agricultural Agency (SAA) and the procurement approvals as well as contracts are with them.*
- 3.5 **Original invoices not certified for payment:** In seventeen (17) cases, amounts totalling R4,471,773, Audit observed that the Chairperson certified memos instead of original invoices for payment. These payments were for the procurement of architectural, construction, maintenance works and project management.
- 3.6 *The Chairperson, in response, stated that in future certification of both invoices and memos will be ensured.*
- 3.7 **Overpayment:** A consultancy contract provided for the payment of retainer fees totaling R277,961. However, total payments effected against the contracted sum amounted to R 287,785 resulting in an overpayment of R9,824 to the consultant.
- 3.8 *The Chairperson, in response, while agreeing to the observation, stated that SAA should ensure that proper records are maintained on payments effected against approved contracts.*

Follow-up on 2017 audit issues

Para. ref and audit brief	Status
5.5, Overpayment of board members' fees and income tax.	Treasurer had refunded the overpayment of R6,300 for the period January 2016 and April 2018. For the other members, Audit is yet to see documentation in respect of their refunds, if any.
6.1, Confirmation of levies collected not obtained from SRC.	The year-end confirmation of poultry levies collected for 2018 obtained from SRC while for 2019 all revenue collections banked in Treasury as per Government decision in 2019.

NATIONAL ASSEMBLY

- 1.1. Article 77 of the Constitution provides that there shall be a National Assembly of Seychelles. Parts I and II of Chapter VI of the Constitution provides for, among others, composition of the National Assembly, the election of Members, bestows upon the institution, the legislative power and its exercise.
- 1.2. An audit of the National Assembly was undertaken for the year 2019 with emphasis on the systems of payroll, payments for goods and services and non-financial assets. The matters arising were communicated in an Interim Management Letter (IML) issued on 03 September 2020, which was discussed with management in an exit meeting held on 30 September 2020. Subsequently, a management letter dated 13 October 2020 was issued and a written reply received on 26 April 2021. A follow up visit was undertaken in June 2021 to ensure that the remedial measures outlined in the reply were in fact taken. The management replied to the draft report paragraphs on 22.10.2021.

Personnel Emoluments

- 1.3. The payroll of the National Assembly consisted of 50 employees, 33 Members, 33 Constituency Clerks and 58 ex-Members of the National Assembly as of December 2019. Total payments made towards personnel emoluments during the year amounted to R40,488,764 of which payments to the Secretariat staff and Constituency Clerks amounted to R11,825,487 and the Assembly Members and ex- Assembly Members to R28,663,277.
- 1.4. Audit examined the monthly payroll analysis and monthly reconciliation statements and noted that evidence of performance of verifications undertaken by the supervisory officer was not recorded on the relevant records. In view that not only the supervisory checks should be undertaken but also they should appear to have been undertaken, for control purpose, Audit recommended that the Secretariat should record the evidence of checks on relevant documents.
- 1.5. The follow up in June 2021 revealed that steps have been taken to record evidence of monthly reconciliations being performed thus rectifying the anomaly.

Members entitlement for allowances

- 1.6. **Payments of Constituency Support allowance:** The document titled "Leaders' and Members' Entitlement" provides that the Members of the National Assembly (MNAs) are entitled to a Constituency Support allowance of R17,000 per month (to cover rent of office and office running cost, telephone and fuel expenses). Audit noted that payments, totaling R6,732,000, were made in 2019, directly to the two respective political parties on behalf of their respective MNAs and based on lease agreements (effective from 27 September 2016 for

office rent) between the Clerk of the National Assembly and each political party were executed. It was noted that the document itself did not articulately provide for terms and conditions for usage of the aforementioned monthly allowance.

- 1.7. *The management in reply stated that it revised the Policy in November, 2020 and included rental for housings. The Rental Certification Form will be signed by the end of December each year (as per the attached form).*
- 1.8. **Procedures on the payment of Members' claims:** The document titled 'Leaders' and Members' Entitlement', provides that the MNAs are entitled to claim an entertainment allowance to a maximum of R12,000 annually. The procedure prescribed for making a claim provides that "Members are required to conduct the event or provide their contribution and then submit the claims to the National Assembly for refund." It further states, "all claims must be submitted with a cover letter, documentary evidence, such as original receipts and must be signed by the respective Member. The letter must be submitted directly to the Speaker for his approval, upon which it is processed by the Accounts Unit, only after it has been approved". Audit noted that a total of R344,681 was refunded towards entertainment allowance in 2019 as per the National Assembly's general ledger.
- 1.9. Due to some ambiguity, Audit recommended that the Secretariat should consider reviewing the existing system and controls and the policy and procedures for the disbursement of allowances allocated to MNAs.
- 1.10. *The reply stated that Members of the 7th Cohort have been explained of the policy during induction. Procedure for Members' claim has been strengthened as reported. The Director in the Speaker's Office is conducting verification on all claims and ensuring that necessary documents are compiled. The Claims are then approved by the Speaker before reimbursement to Members is effected by Accounts Unit.*
- 1.11. Audit was provided with the revised constituency support, constituency clerk and other allowances policy, which detailed the members' entitlement and conditions of eligibility.

Payments for goods and services

- 1.12. The National Assembly has laid down its Internal Procurement procedures, approved by the POU in October 2018, as below for procurements.

Threshold	Procurement Method
Less than R 20,000	One quotation shall be considered
Between R 20,000 and R 50,000	Not less than two quotations shall be considered

Above R 50,000

Not less than three quotations shall be considered

- 1.13. Audit examined a sample of 72 payments for a total of SR1,904,567, and observed that in seven cases, there were no competitive quotes, in the absence of which price reasonability/justification, could not be established as detailed below.
- total payments of SR612,865 was made to one particular supplier during the year, for supply of snacks to the National Assembly on 42 different occasions;
 - three sets of uniforms are provided to each staff annually; payments for procurement of which, totaling R105,525 and R55,100, were made to two specific suppliers during the year; and
 - total payments made to a transportation company during the year 2019 amounted to R242,264 for which a valid contract agreement or competitive quotes were not seen by Audit.
- 1.14. *The management, in reply, stated that the Procurement Policy is being enforced accordingly now that we have recruited a Administration Manager and a Purchasing Officer. To note that prior, the responsibility for procurement of goods were done by the Accounts Unit, thus the reason why there have been some lapses in obtaining adequate numbers of quotes. Furthermore, there's been an increase in supervision with emphasis on competitiveness and value for money by the Director General. The Transportation contract was tendered and renewed timely in August 2021. National Assembly Procurement team is also working more closely with the Procurement Oversight Unit and in some cases with the Planning Authority from Ministry of Land Use to ensure conformity with the Public Procurement Act.*
- 1.15. On follow up, Audit noted that the National Assembly has entered into contract with two caterers to provide snacks, one contract with the supplier of uniform and also for transport services. Audit noted that procurement procedures were also followed and approval was obtained from the procurement committee for the award of contract for staff transportation services.

Fixed Assets

- 1.16. In 2019, the National Assembly, as per its general ledger, acquired fixed assets at a total cost of R1,639,165. Regulation 10(3) of the Public Finance Management Regulations 2014 states that the Accounting Officer shall ensure proper internal control for the custody and use of assets. Audit observed the following in regard to control of fixed assets so acquired.
- 1.17. **FAR not complete nor updated:** Audit examined a sample of 20 payments relating to procurement of assets and noted that the FAR was not updated with nine assets worth SR470,889. Mobile phones and laptops were purchased for

35 MNAs while entries of only two mobile phones and one tablet were sighted in the register. The remaining mobile phones and tablets had not been updated in the FAR. The Secretariat rather maintained a separate document, namely 'Register of Inventory' wherein the 33 mobile phones and tablets had been entered as a single transaction in the register and therefore the devices' respective serial numbers were not stated. Further some entries made in the FAR lacked pertinent details, such as, acquisition date, cost, identification number, allocation to individuals and location.

- 1.18. ***Physical verification of assets not conducted:*** The Secretariat could not provide information or any document to indicate as to when the last physical verification of asset was undertaken. Audit undertook physical verification of a sample of 51 assets purchased in 2019 and noted that the existence of 14 assets worth SCR99,169 could not be confirmed.
- 1.19. Audit recommended that the Secretariat should ensure adequate controls are in place for proper documentation and management of assets. Monthly reconciliation of the general ledgers with the FAR and physical verification of the assets at regular intervals should be undertaken.
- 1.20. *The management stated in its reply that the Fixed Asset Register and Register of Inventory have now been updated and is in order. In the absence of specific column for certain entries as queried by copy of Agreement for electronic devices is made and placed in the personal file of all Members and Staff alike. The revised policy is being well enforced.*

Year end bank balance

- 1.21. As per the bank statements, a balance of SR389,185 was available upon reconciling bank statement to cash book at 31 December 2019. For the period ending 31 December 2018, there was a similar balance of SR222,173 outstanding after reconciling the records. Audit recommended that the Secretariat should liaise with the Ministry of Finance to discuss and conclude on the yearend balance of unspent funds.
- 1.22. *The reply stated that the Ministry of Finance was informed of unused fund and the necessary was done for the transfer (the same as per the attached letter).*

NATIONAL BOTANICAL GARDENS FOUNDATION

- 1.1. The National Botanical Gardens Foundation (the Foundation), set up in 2009, is mandated to manage, develop and promote gardens to maximise their potential; contribute to the preservation of endangered species of plants; engage in commercial production and sales of plants; offer consultancy services and provide gardening and landscaping services, guided tours, and similar services.
- 1.2. An audit of the Foundation for the year 2019 was undertaken and the matters arising were communicated through an interim management letter dated 15.03.2021, which was discussed at an exit meeting held on 01.04.2021. Consequently, the remaining matters were addressed in the management letter dated 13.07.2021.

Revenue

- 2.1 The Foundation collects revenue from the botanical garden entrance fees paid by tourists, sale of coco-de-mer, sale of plants at the Biodiversity Center, rental of potted plants and fees for wedding photography besides the proceeds from operation of the El Coco cafeteria. During the period under review the Foundation recorded a total collection of R7,759,459. The audit of revenue collection by the Foundation revealed the following deficiencies and non-compliance with provisions.
- 2.2 ***Credit sales/own consumption lacked documentation:*** Collections from the Café amounted to R118,218, including the supplies made on a credit basis for the meetings in CEO's Office/Secretariat during 2019 and up to March 2020, in the sums of R10,680 and R4,595 in 2019 and 2020 respectively, for which no explanatory documentation was noted.
- 2.3 ***Void sales:*** Void sales totaling SR105,560 and SR23,570 in 2019 and 2020 (up to March) were attributed to clients 'returning' items already punched into the system but not paid for. Audit noted that the amounts were quite significant, yet there was no evidence of a verification of such sales.
- 2.4 *The management, in response, clarified that there were two persons working in the cafeteria as Café Attendants on full-time basis and therefore there was segregation of duties. While acknowledging non-monitoring of the void sales, it informed that since April 2020 the cafeteria has not been operational and the procedures to outsource the latter is in process. If however there is a need in the future, the Foundation will implement the Audit recommendations.*
- 2.5 ***Donations/free issues of plants lacking supporting documents:*** Audit noted that the Biodiversity Centre issued plants to the Botanical Gardens and State House in large quantities in additions to 'donations' of plants to other entities, at an estimated value of R149,475. However, there was no proper documentation

kept showing the requests for plants and supply of the same including the approval of management for such supplies /donations.

- 2.6 *The Management, in response, acknowledging the deficiencies observed by Audit, informed that proper procedures and record keeping for issuing plants, proper stamps for donations have been introduced, handing over certificate will be issued for plants donated and issued, a recommendation will be made to limit donations to schools only, procedures are being put in place for issue of potted plants to the State House. Advice will be sought from the Ministry of Finance to that effect.*

Payroll

- 3.1 The Foundation employed 56 staff in 2019 and the payments towards salary and wages amounted to SR7,360,911 against a budget provision of SR8,056,781 for 2019. Audit of the relevant records revealed that 9 employees had accumulated leave in excess of the prescribed upper ceiling of 42 days and up to 56 days, for which no approval was sighted. Further, leave records of two employees were not updated for the year 2019.
- 3.2 *The Management, in response, informed that sectional heads have been requested to keep all leave charts up to date and prepare leave plan for their staff to ensure that accumulation of leave is avoided. Most of the staff who were advised to clear their leave balance have done so.*

Goods and Services

- 4.1 The Foundation incurred a total expenditure of R4,485,526 towards procurement of goods and services during the year 2019. Audit examined the payments, their supporting documents and records and observed the following.
- 4.2 **Payments made on statement of accounts:** The payment for R60,646 (effected on voucher 090P190397 dated 04/09/2019) for fixed lines, Internet, mobiles and LC charges was supported by a statement of accounts showing the amounts due from April to August 2019. However, there was no original invoice or any evidence of performing a reconciliation of the amounts due prior to the payment being effected.
- 4.3 *The Management, in response, informed that payments were made in 2019 on 25 January, 3 March, 20 March, 2 April, 26 April and 27 May and attached a remittance report in support. From June to August no payments were made since the Foundation did not receive any bills. The said company upon enquiry provided with the outstanding statement of accounts as such the payment was made to clear the outstanding amount for the past 3 months.*

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- 4.4 **Payments without authorisation:** Audit observed that 12 payments relating to the procurement of goods and services and acquisition of fixed assets totaling R126,035 which were not authorised by the Accounting Officer (or an officer authorised).
- 4.5 *The Management, in response, acknowledged the finding and informed that the necessary steps have been taken to ensure that all invoices are now verified and endorsed by Accounting Officer and that all procedures are respected in accordance with the accounting manual.*
- 4.6 **Procurements without requisite quotations/bids:** Audit revealed 23 payments, each above R20,000, and all totalling R698,378, for which the requisite 3 quotations were not sighted. Further, these payments lacked supporting documents to indicate basis/merit of the suppliers selected, competitiveness of the prices paid through negotiations or otherwise. Non-compliance with the Public Procurement Regulations lacks transparency and may lead to selection of non-competitive suppliers.
- 4.7 *The management acknowledged the non-compliance and stated that setting up of an internal procurement committee is underway to ensure that needs are duly assessed, cases of procurement below R5,000 are referred to the Procurement Officer attached to the Administration Department and are submitted to the procurement oversight unit for necessary approval in accordance with the procurement regulations.*
- 4.8 **Consultancy procurement:** Audit noted two payments of R120,355 and R75,000 to two different consultants. The two payments examined lacked the requisite prior approval by the POU for engaging the consultants, basis for their selection and contract agreements to regulate the terms and conditions of the consultancy engagement.
- 4.9 *The management, in response, informed that the consultants were engaged for services and expertise needed for the projects for a Botanical Garden for Indian Ocean Islands (IOBG) and Regional de Biodiversite (ARBOI). The matter was referred to the Procurement Oversight Unit to seek their advice on what terms of contract to be given. To note that one of the consultants has been providing services on a voluntary basis from January 2020 to present date. The consultancy work has been postponed until further notice.*
- 4.10 **Deductions from payment not documented:** Audit observed that an invoice relating to security services was for R32,000 as monthly payment but the payment made was for R24,000 only. Upon enquiry, it was stated that the difference of R8,000 was towards tax payment @ 25% of the gross amount for which, however, no written documentation or a request to the Foundation for
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the deduction was sighted. Audit is of the view that unauthorised deductions from payments due are questionable.

- 4.11 *The Management, in response, stated that the matter has been discussed with the concerned Officer who will provide the formal document, which was awaited.*

Transportation

- 5.1 The Foundation had 5 vehicles under its possession during the period under audit. Audit examined the vehicle log books and other relevant records and observed the following.
- 5.2 **Mileage not recorded:** During the physical verification of vehicles, audit was informed that the speedometer on the Daihatsu S18271 was not working which resulted in the mileage not being recorded in the respective logbook. Audit is of the view that non-recording of mileage may lead to potential abuse or theft of fuel going undetected.
- 5.3 **Vehicle disposed of after incurring substantial cost on its repairing:** During discussion with Management, it transpired that during the year 2019 an expenditure of R49,915 was incurred on repairs of the vehicle S14352, which was disposed of later in the same year for R60,000. The documents relating to the disposal were not made available.
- 5.4 *The Management, in response, informed that an assessment undertaken on two vehicles (S14352 and S12984) indicated that these were not road worthy and beyond economical repairs; thus were written-off. With regard to the high maintenance cost and broken speedometer of S18271, the Foundation is unable to rectify this matter given the age of the vehicle which was further assessed beyond economical repairs and the process for its write off is underway. An estimated fuel consumption analysis would be provided later as the Officer responsible was on sick leave.*

Fixed Assets and Inventory

- 6.1 The Foundation incurred a total R114,027 towards purchase of fixed assets against a budget provision of R114,200 for 2019.
- 6.2 **Fixed Assets Register not provided:** Audit observed that there was no fixed assets register nor inventory list for assets and small tools supposed to be kept at the store at State House, as such, physical verification could not be undertaken by Audit. It was further stated that the previous records were destroyed in the fire of August 2017 and following the budget freeze, the Foundation has implemented the Fixed Asset Management software to which the process of data input from the excel worksheet was in progress. For these reasons, a full fixed assets register could not be provided to audit for physical verification.
- 6.3 *The Management, in response, informed that the Administrative Officer has completed the exercise on fixed assets register through guidance received from the concerned officers from the Ministry of Finance. Their advice is that since most of the documents/records were destroyed by the fire of August 2017, it is*

best that the registration of fixed assets commence from January 2019 onwards. She has therefore started the registration of fixed assets as per advice given.

- 6.4 **Discrepancies noticed on inventory physical verification:** No documentary evidence was provided to support that a physical stock count of inventory and stores items was carried out by the Foundation. However, upon physical verification of inventory Audit observed discrepancies between the balances reflected on the system and the actual stock count. Further, it was also noted that items not in use or outdated/idle/disposable were occupying most of the space in the store.
- 6.5 *The management, in response, stated that an inventory count in the central store would be conducted. The Administrative Officer would ensure that stock register would be kept up to date with items issued and obtain necessary approval to write off all items not in use in line with the existing procedures. With the introduction of the new system, bin cards were no longer required.*

Follow-up on previous report

- 7.1 In regard to observations at Paragraphs 447, 449, 455, 457, 461 and 464 in the Annual report for 2017, some remedial action was noted to have been taken and the issues are noted as settled. However, issues at paragraphs 451, 453, 459, 471, 473, 477, 479 and 481 remain to be addressed satisfactorily, as indicated below.

Paragraph ref, observation brief	Present status in 2021
133/466, Store controls not in place	Some improvements noted in the main stores control; however, some deficiencies persisted
134/469, Inadequacy /lack of supporting documents	Observation persisted.
136/481, Discrepancy in Fuel Coupon stock	Observation persisted.
137/483, Non-Compliance to Public Procurement Regulations, 2014	Observation persisted.
138/486, Inventory Register not updated	This is an ongoing exercise, documents to be made available to Audit upon completion.
138/488, Physical inspection of assets not performed	Observation persisted.
139/490, No identification on assets	

SEYCHELLES AGRICULTURAL AGENCY

- 1.1. The Agency was established under the Seychelles Agricultural Agency Act, 2009 for the modernisation and development of the agricultural sector and to facilitate and support the enhancement of national food and nutrition security.
- 1.2. An audit of the Agency for the year 2019 was undertaken covering accounts and records pertaining use of goods and services, non-financial assets, revenue and requisite stores. A follow up was also conducted to ascertain the extent of remedial actions taken on previous audit reports. The matters arising were communicated to the management in an interim management letter dated 01.02.2021 and discussed with management on 24.03.2021 in the exit meeting.

Procurement Management

- 2.1 **Absence of competitive quotes/tender:** In relation to 55 payments for procurement of goods and services totalling R5,220,172 and 15 payments for the procurement of agricultural inputs worth R4,840,791, Audit did not sight evidence of obtaining the requisite competitive quotations/bids for the selection of the suppliers in accordance with the Procurement Regulations. Nor was any evaluation of the procurement rates offered in these cases noted to establish price competitiveness and the economy exercised in the respective procurements.
- 2.2 Further, Audit observed that clearing of overseas procurement was assigned to a clearing agent (the Agent), and a total of R259,268 was paid to the Agent for the services rendered during 2019 without entering into contract between the two parties.
- 2.3 In addition, Audit observed nine (9) instances of monthly payments to one specific supplier of plastic bags, used to sell store items, for different amounts below the threshold of R150,000. These payments amounted to R1,341,703 and a possibility of splitting of the bulk procurement cannot be ruled out, which normally is resorted to avoid seeking of requisite approvals from the designated authorities, i.e. Procurement Committee, POU, NTB, etc., as applicable for procurements above the threshold of R150,000.
- 2.4 *In response, the Agency stated that reference is always made to section 63(2) of the Public Procurement Regulations for procurement of agricultural inputs such as in the case of the Agent who is also the sole supplier that charges in local currency. The Agency added that they will seek Procurement Oversight Unit's approval for an internal policy and direct bidding for cases of regular use of similar suppliers/service providers.*
- 2.5 **Deficiencies in procurement plan:** The Agency compiled an annual procurement plan valued at R6,245,000 for the year covering civil works, agricultural products and irrigation equipment. Audit review of the procurement plan revealed that it was not supported by a detailed breakdown of goods required. Consequently, Audit was unable to trace the items purchased to the plan for ascertaining that they had been included in the plan and the procurements were done accordingly.
- 2.6 **Lack of a procurement plan for goods and services:** The Agency incurred a total expenditure of R12,163,862 and R1,271,190 during the year 2019 towards the procurement of other goods and services and non-financial assets respectively without a procurement plan. According to the Procurement Officer

and former Senior Accountant no plan was compiled for other goods and services and non-financial assets.

- 2.7 *The Agency stated that in future the procurement plan will be compiled for other procurements in accordance to approved budgets.*

Expenditure

- 3.1 **Survey works expensed as per local consultancy:** Circular 11 of 2017 states that for engagement of consultants, procuring entities are required to justify to the Procurement Oversight Unit (POU) the need for the procurement of all consultancy services. Further, approval for consultancy works below any threshold was no longer delegated.
- 3.2 Audit revealed three (3) cases totalling R235,280 classified as local consultancy fees relating to survey works. In these three (3) cases, there was an absence of requisite minimum of three quotations sought for awarding the work to the two (2) individuals. In reply, it was explained that following an internal arrangement between the MHILT and the Agency these works are assigned to Officers responsible for surveys at the Ministry, which in turn undertake their own bidding amongst themselves. Total costs attributed to survey works during the year expensed as per this account totalled R823,735. When we requested details of this arrangement, the response received from Lands Officer as per e-mail dated 16.07.2020, indicated that the current mechanisms for surveying projects have been in place since 2011, however, there was no approved formal documentation in support.
- 3.3 *In response, the Senior Accountant stated that the creation of a new account code for this expenditure will be addressed with the Ministry of Finance after which virements of funds for this purpose will be effected.*

Non-Financial Assets

- 4.1 The Agency's spending towards non-financial assets during the year 2019 aggregated to R1,271,190 for the procurement of a tractor, agricultural equipment and furniture. Audit noted the following in the management of non-financial assets.
- 4.2 **Asset Register not kept up to date:** At the time of audit inspection, August 2020, particulars of eight (8) assets worth R270,201 procured during the financial year 2019 could not be traced.
- 4.3 *In reply, the Agency stated that with the assistance of an officer from the Ministry of Finance and Administration of the respective sections of the Agency, the Systems Support Officer has managed to update the asset register and copy will be made available to Audit. Inventories of respective offices have also been listed and affixed on walls.*
- 4.4 **No evidence of physical inspection of assets:** The Director of Human Resource and Administration confirmed that there was no physical inspection of assets undertaken during the year 2019 adding that they were in the process of extracting all relevant information for this purpose. It was further noted that the relevant Officers of the Ministry of Finance were conducting training and assisting responsible officers of the Agency towards management of the new system.
- 4.5 *The Agency, in response, stated that Inspections have been done in 2020 and the Agency plans to undertake such inspections every quarter.*

- 4.6 ***Fire loss remains inconclusive:*** A fire incident occurred in an office at the Pig Genetic Centre at Grand Anse on 04 April 2019 where all documents, equipment and vet drugs were kept. Statements submitted by five (5) staff members (including the Principal Livestock Officer) who reported on site at the time of the fire, the incident occurred after working hours. The only person present at the time was the security guard who nonetheless did not submit a statement of the incident. According to the Principal Livestock Officer relevant authorities present were the Seychelles Fire and Rescue Services Agency, the Seychelles Police and the Public Utilities Corporation. A review of all five (5) statements submitted by the Agency's staff revealed what they had seen at the time that they arrived on site until they left yet there was no mention as to whether a count of the livestock on site was performed to ascertain if there had been any loss. This was only reported by the Director of Human Resource and Administration to the Chief Executive Officer on 30.05.2019, approximately two months after the incident. A total headcount of one hundred and sixty eight (168) was mentioned in the minute sheet, from weaners to adults, without the date of the count being recorded therein.
- 4.7 At the time of the audit in August 2020, the cause of the fire remained inconclusive in the absence of any reports from the Seychelles Police and the Seychelles Fire and Rescue Services Agency. Total loss of assets, tools and equipment as per records submitted to Audit was R408,466, which was not insured hence no claims could be made.
- 4.8 Section 13.3(a) of the Accounting Manual states that all losses other than damage are to be reported immediately to the Principal Secretary responsible for Finance and the Auditor General by the Accounting Officer. Contrary to this requirement, the Ministry of Finance was only informed of the incident by the Senior Accountant vide letter dated 30 October 2019 whereas the Auditor General was not informed prior to the entry meeting held on 25 May 2020.
- 4.9 *In response, the Agency stated that the matter remains unchanged, and a follow up will be initiated with the Fire Department and the Seychelles Police.*

Revenue

- 5.1 The Agency collects revenue from rental of agricultural land, rental from Government provided accommodation, store rental, sale of agricultural and livestock products, rental of stalls from the Victoria market, irrigation fees and sale of fruit trees /saplings, and an aggregated sum of R2,729,721 was collected during 2019.
- 5.2 ***No approved price lists:*** Although copies of price lists for the rental of stalls at the Victoria Market and sale of fruit trees at the Crop Research Section were provided to Audit, no further documents were submitted in support of their approvals as required by section 34(a) of the Public Finance Management Regulations 2014. Furthermore, no approved document was made available in respect of rental of agricultural land charged at R0.32 per square metre and irrigation fees of R100 monthly, which according to the Agency have not been revised over the years. Similarly, there was no price list maintained at the Livestock Section, which is responsible for the collection of revenue from the sale of livestock and renewal of permits.
- 5.3 Audit noted that the rates have never been revised, as required by Section 34(a) of the Public Finance Management Regulations 2014.

- 5.4 For the agricultural products sold at the requisite stores, the prices are not fixed. A mark-up in the range of 5% to 15% is added to the individual production costs as per invoices following the Chief Executive Officer's approval. When production costs remain the same, the mark-up rate previously applied is not altered. Although the mark-up rates were approved, there was no explanation as to the basis on which the rates of 5% to 15% were established.
- 5.5 *The Agency stated that the issues raised in regards to price list will be addressed and they will also consider revising the existing rates.*
- 5.6 **Lack of details of items sold and prices charged:** In twenty seven (25) cases, totalling SR 22,241, there was a lack of sufficient details of items sold and the unit prices used to raise cash receipts in that it was doubtful as to whether the correct amounts have been collected for sale of products and produces.
- 5.7 *In response, the management stated that the Anse Boileau Crop Research will be advised that they need to ensure that the price lists are kept up to date with all fruits and vegetables listed for sale. The market manager explained that much work has been done to remove daily payments to weekly, however, the difficulty they faced is with fishermen and farmers whose stalls are allocated on a first come first serve basis. According to the CEO, toilet fees have never been formalised and approved in any document. She raised her concerns that there was a lack of transparency in this process as nothing is issued possibly in the form of ticketing upon collection of the fee which can lead to misappropriation of funds. The matter will have to be addressed further with the Ministry of Finance before any decision is taken to that matter.*
- 5.8 **Cashbooks not properly maintained:** Audit's review of cashbooks maintained at Headquarters and respective outstations revealed the following:
- **Livestock Section:** Two separate cashbooks for sale of livestock products and permit fees respectively are maintained. Audit noted that there was a lack of recording of receipt numbers raised by the Accounts Section upon acknowledgement of revenue and lack of evidence of independent verification of the cashbook.
 - **Victoria Market:** There was a Lack of recording of receipt numbers raised by the Accounts Section upon acknowledgement of revenue and any evidence of independent verification of the cashbook. Further, at the time of audit, the cashbook for the period 03.05.2019 to 05.08.2019 could not be located or examined. However, as per Treasury's records total collection for that period amounted to R277,339.
- 5.9 *It was confirmed by the Market Manager that one cashbook analysis is now being maintained by the Livestock Section, however, receipts issued by the Accounts Section are still not being accounted for in the cash book analysis kept by the Officer at the Victoria Market.*
- 5.10 **Revenue not collected promptly:** A designated accounts personnel collects cash takings at all requisite stores on the same day the revenue is collected on those locations whereas the staff responsible for collection at the Victoria Market and Livestock Section are required to deposit their collections at headquarters themselves. Review of samples of one batch collections of revenue per month in respect of all outstations disclosed twenty two (22) instances totalling R304,495 where the cash takings were kept on the premises for more than one working day. Management was advised that the cash takings should be

collected at least on every Friday to ensure that cash is not kept at the outstations over the weekends.

- 5.11 *Agency pointed out that revenue is not collected on a daily basis at the Anse Boileau Crop Research and the Livestock Section in view that most of the time very minimal collections are made during the day. The Agency added that in other cases, there might have been transport issues resulting in the inability to collect revenue timely.*
- 5.12 **Overdue debts:** The Agency's debtors constitute of rental of agricultural land, irrigation fees and rental of stalls at the Victoria Market. The fees charged for rental of the stalls at the Market varies whilst rental of agricultural land and irrigation fees are fixed and due monthly at R0.32 per square metre and R100 respectively.
- 5.13 As at 31 December 2019, the debtors totalled R1,001,774, attributing mainly towards the rental of agricultural land representing 67% of the total. Audit analysis of outstanding debtors revealed an increasing trend as indicated below.

Type of debtors	2016	2017	2018	2019
Agriculture planning	350,423.85	406,467.17	563,985.54	668,139.09
Irrigation - Mahe	33,698.00	75,229.00	100,829.00	99,929.00
Irrigation – Praslin	26,743.00	33,972.00	46,172.00	26,600.00
Victoria Market	167,250.00	201,400.00	199,700.00	207,106.00
Total	578,114.85	717,068.17	910,686.54	1,001,774.09

- 5.14 Furthermore, an analysis of the revenues that should have been collected annually revealed the following:
- **Rental of agricultural land:** The lands database for the year 2019 submitted to Audit disclosed a total of 3,879,446 square metres of land allocated to farmers therefore an estimated total of R1,241,422 (3,879,446 x R0.32) is due annually. As per the respective account, however, only a total of R521,001 was collected during the year 2019. Besides the notable decline, Audit noted that there was no clear audit trail in respect of the amounts collected to separate the current year collection from the debts collected in the current year.
 - **Irrigation fees:** The debtors listing for Mahé revealed a total of eighty one (81) debtors, including seventeen (17) with a balance of over R2,000 in arrears and one (1) with an outstanding balance of R6,600. Regarding the listing for Praslin, a total of one hundred and two (102) debtors was sighted included seven (7) with an accumulated balance over R2,000. Audit is of the view that there is a lack of proper mechanism in place to check the increasing accumulation of arrears.
 - **Rentals at the Victoria Market:** Of the accumulated arrears of R207,106 as at 31.12.2019, R158,250 was attributed to nine (9) debtors with one (1) particular debtor owing R76,250.
- 5.15 Follow up actions were initiated in respect of debtors on the irrigation system and at the Victoria Market, however, not for the debtors of agricultural planning. The Agency did not refer any cases to the Attorney General in 2019 for taking legal proceedings against defaulting debtors. Further, there was no request made for write-off to the Principal Secretary of Finance in 2019 for

cases of collections considered deemed irrecoverable. Audit recommended that effective follow-up action should be taken, including legal proceedings where appropriate, for recovery of amounts due and also considering cancellation or revoking any agreement as deemed necessary.

- 5.16 *The Agency stated that the Senior Accountant has been instructed to attend to the overdue debts as some debtors have deceased and in the case of debtors of agricultural land, there are instances where the land have not been transferred to the legal heirs yet. Agency further noted that debtors being subsidised, approval has been obtained to deduct the arrears from their subsidy. This approach had positively impacted on some debtors clearing their arrears promptly. It was also reiterated that the utmost will be done to recover funds as much as possible and within the desired time frame. In instances where recoveries prove to be futile, approval for write off will be duly sought from the Ministry of Finance.*
- 5.17 **Matters connected to the irrigation system:** Review of records maintained in respect of connections to the irrigation system disclosed the following:
- **Connections for non-agricultural purposes:** A total of two hundred and nineteen (215) connections was seen on the irrigation system (ninety four (94) on Mahé and one hundred and nineteen (121) on Praslin) of which fifty five (55) are not farmers (thirty one (31) on Mahé and twenty four (24) on Praslin) thus connected for residential or other purposes. Further, in fifteen (15) cases, payments are promptly effected leaving no arrears as at 31.12.2019 (mostly those on Praslin), whereas the remaining forty (40) cases (twenty six (26) on Mahé and fourteen (14) on Praslin) are in arrears for an aggregate sum of R26,200;
 - **Deceased individuals still on debtors listing:** In seven (7) cases, the individuals to whom the connections were set up (on Mahé) have passed away however they still feature in the debtors' listing with accumulated arrears of R17,050 in the absence of any indication as to whether they are still connected to the system; and
 - **Arrears of debts on disconnections:** According to the listing of connections on Praslin, there have been five (5) cases of disconnections with outstanding arrears totalling R5,100.
- 5.18 *The Agency agreed to provide connections to the irrigation systems to individuals for home use on humanitarian grounds. Since the PUC has not yet connected water supplies in these areas, for those cases where retractions of land had occurred, the Agency has been advised that they will have to pay compensation to the respective farmers in accordance to their agreements and in these cases, the arrears will be deducted from the compensation benefits.*

Stores Management

- 6.1 The stores comprise agricultural inputs; fertilisers, pesticides, seeds, equipment and spares to ensure that they are always available to farmers. The main store is located at Grand Anse while retail stores are available at Anse Boileau, Val D'Endorre, Union Vale and Amitié on Praslin Island. Procurements are effected from two revolving accounts and total expenditure for the year 2019 as per Treasury records amounted to R10,789,544. The audit revealed following.
- 6.2 **Stock levels not established:** Audit's review of particulars of a sample of twenty five (25) products in the computerised stock system revealed eleven (11)

instances where the maximum, minimum and re-order stock levels were not maintained/performed in the system, as required by Accounting Manual. Stores Director confirmed that stock levels have only been set for products that are on regular demand.

- 6.3 *The Agency has stock levels for essential items that are required by the farmers, the needful will be done to prepare stock levels for other stock items as specified in the Accounting Manual.*
- 6.4 **Non-performance of year-end stock count:** As per the computerised stock record, stock balances in respect of all the Agency's stores as at 31 December 2019 amounted to R17,483,691. Although Audit sighted evidence of inspection undertaken during the year, there was no evidence of conducting a year-end stock-take, as required by Accounting Manual.

Store	Value of stocks as at 31.12.2019
Grand Anse	13,520,080.00
Anse Boileau	827,154.00
Val D'Endorre	837,290.00
Union Vale	874,940.00
Amitié	1,424,227.00
Total	17,483,691.00

- 6.5 *According to the Stores Director, stock counts were undertaken in 2020 on all stores except the main store. Copies will be furnished to Audit. The difficulties faced for performance of counts at the main store is the unavailability of Accounts staff in December due to other priorities and also the volume of stocks held at the main store, rendering it a challenge to perform complete the count in a single day.*
- 6.6 **Bin cards not maintained:** Bin cards are used in stores to record movement of items that go in and out including stock balances at any point in time. Section 12.2 (d) of the Accounting Manual requires Stores Control Officers to maintain bin cards (Form FB-003). Contrary to this, it was noted that bin cards are not kept and that the only records in support of physical stock quantities are the computerised stock ledger system.
- 6.7 *The Stores Director stated that bin cards have been implemented for all stores effective 2020 except for the main store. They await completion of physical stock counts for this purpose.*
- 6.8 **Expired products on stores:** A sample of fifteen (15) products held in the main store and retail stores on Mahé was verified for the expiration dates and establishing whether they were still within their shelf lives. It was noted that twelve (12) products expired in different years during the period 2011 to 2020 were still at the store for sale.
- 6.9 Audit is of the view that the management should undertake a review of these procurements starting from need assessment, costs involved, and reasons for their non-utilisation to enable it to take preventive measures to avoid recurrence of such instances.

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- 6.10 ***Disparity upon physical inspection of stocks:*** Twenty (20) stock items were physically verified from stores to the computerised stock records to ascertain if the stock balances agreed to the latter. Audit noted discrepancies in sixteen (16) instances. Similarly, a sample of stock items were traced from the computerised stock record to physical stock quantities and differences were noted in thirteen (13) instances.
- 6.11 *The Stores Director stated that this was attributed to the late posting of daily sales/transfers into the computerised stock system. Transfers from the main store require acknowledgment of receipts by officers of the requisite store upon receipt of stocks at their respective stores before postings can be effected and, in most cases, this is not done the same day.*
- 6.12 ***Infestation of freshly imported stocks:*** Audit noted from the stock records that two rat block consignments of 22,474 packets (costing some SR561,850) received in the year 2018 were infested with insects and were not suitable for sale. The concerned agent, Seychelles based, was notified who informed that he would contact his suppliers suggesting that in the meantime the stocks be fumigated, costs of which to be borne by him. An e-mail dated 29 March 2018 from a pest control company indicated the status of the consignments, following their inspection and recommendations, stating that the lot number 1 displayed early signs of infestations while lot number 2 had been considerably infested to the extent that it was deemed not saleable. The company advised that the lot number 2 should be stored in isolation while recommending three and five days fumigation for lot number 1 and lot number 2 respectively.
- 6.13 While there was some internal correspondence within the Agency expressing support for fumigation and against fumigation in April 2018, there was no evidence pertaining the outcome of the fumigation, if undertaken as recommended by the supplier. Further, Audit was told that other than sale of a few of the rat blocks (which was not quantified), most were found unsaleable, and they were placed outside the main store at Grand Anse, despite being advised that lot number 2 should be stored in isolation, pending write-off procedures and approval. The rat blocks then disintegrated in the soil following rainfall.
- 6.14 Although actual loss incurred could not be established, Audit is of the view that the Agency failed to take timely corrective actions towards recovery of funds incurred on this procurement from the supplier or the insurance policy, if any. Further, Audit did not find any evidence indicating that a proper investigation in the matter was conducted and any advice was sought from the parent Ministry, Finance Ministry, or POU/NTB to address all the relevant issues.
- 6.15 *The Chief Executive Officer was of the view that there was no evidence as to where the stocks were infested coupled with the fact that the rat blocks were securely packed rendering it difficult to pursue any legal action. CEO added that write-off approval had been received from the Ministry of Finance in that respect. The items are inclusive of the list of other stock items for which approval was sought.*

- 6.16 **Stocks of substantial value written-off:** In response to Audit requests to examine documents in respect of write-off of agricultural inputs, supplies, etc. the Agency produced some undated and unsigned write-off forms, which cannot be regarded as reliable and formal documents. However, Audit perusal of these forms revealed that different stores with total value of approximately R1,185,088 were mentioned in the forms. The main Store, located at Grand Anse, alone constituted about 72% of the total store value included in these forms. The review further disclosed that stocks acquired during the years 2004 to 2017 were justified for the write off as being obsolete, expired, infested, dissolved or as a result of poor germination.
- 6.17 Audit is of the view that procurement of stores should be based on a prudent analysis of sales and its forecast figures duly taking in to consideration the actual quantities of the stocks on hand and their shelf lives in order to mitigate future losses of significant value. Further, management should further ensure that storage conditions are at par to stock requirements to curtail loss of stocks due to varying and deterioration factors including weather conditions.
- 6.18 *The management, in response, stated that the stocks include those dated since 2004 hence the reason for the substantial quantity of expired stocks.*

Follow up on previous Annual audit report - 2018

Para, page, audit brief	Status
3.244, Pg. 86 Overdue debts	The matter is still persistent
3.246, Pg. 86/87 Incomplete details in Debtors control register	The matter is still persistent
3.250, Pg. 87 Computerised inventory system was not fully operational	The matter is still persistent
3.253, Pg. 87 Periodic stores verification not performed	Although they said it was done, Audit failed to acknowledge verification of such.
3.256, Pg. 88 Procurements without 3 quotes	Persistent
3.257, Pg. 88 Disparity in payment.	Responses not yet received from management.
3.261, Pg. 88 Needs assessment not sighted	Partly resolved
3.262, Pg. 88 Asset Register not updated	Persistent
3.263, Pg. 89 Physical inspection not performed	Though the Agency said it was performed there was no evidence of such.
3.264, Pg. 89 Discrepancies arising from physical verification	Persistent

SEYCHELLES HUMAN RIGHTS COMMISSION

- 1.1. The Seychelles Human Rights Commission (Commission) set up in 2018 replaced the National Human Rights Commission established under the previous Act. The main objective of the Council is to create a means by which it can engage in mediation, conciliation and negotiation to enable it to investigate, detect and make recommendations to the government.
- 1.2. An audit of the Commission was undertaken for the year 2019 with the objective of examining the Commission's compliance with applicable provisions in the conduct of its financial transactions. The matters arising were communicated to the Commission through an interim management letter dated 13.10.2020, which was discussed with the Commission at the exit meeting held on 03.12.2020. Subsequently, the issues were addressed in a management letter dated 09.02.2021.

Certification of the Commission Accounts

- 2.1 Clause (3) of Section 21 of the Act states that the Commission shall keep proper accounts and records and shall prepare a statement of accounts in the form and manner approved by the Auditor General. Accordingly, the Commission produced the statement of accounts for 2019 in the format prescribed by Circular 1 of 2015 issued by the Ministry of Finance on the recommendation of the Auditor General. The signed statement of accounts for the year ending 31 December 2019 was audited and certified in April 2021.

Financial matters

- 3.1 FI1119 provides that Government Bank Accounts must not be overdrawn nor any temporary advance obtained from the bank without prior permission of the Principal Secretary responsible for Finance. Financial Regulation 20 (3) (a) also discourages overdrawing a Government account or taking any advance without the prior authorization of the Principal Secretary of Finance.
- 3.2 However, the Commission resorted to 2 overdraft facilities on 25.09.2019 and 31.10.2019 of SR500,000 each and incurred interest charges amounting SR7,291 and SR4,375 (R11,666) for the two overdrafts. Audit did not find the approval of the Principal Secretary for Finance, but was informed that the Minister for Finance requested the bank for the overdraft on the Commission's behalf.
- 3.3 *The Management, in response, informed that the budget proposed for 2020 was cut to less than half as their staffing requirements were not appreciated by the Ministry and the DPA, neither of which was familiar with the roles and responsibilities of the Commission provided in the Act. In addition, the Commission was advised by the MFTIEP that funds may only be available in October 2019 due to the delay in budget approval. A meeting was held with the Minister for Finance who suggested that we apply for an overdraft with the bank until the funds could be disbursed. He offered to write to the General Manager of the bank on our behalf – a letter (dated 20th September 2019). However, at that time, we thought that the Minister had written to ask for an overdraft on our behalf but the letter merely stated that the sum of Rs1.8m would be transferred to the SHRC after approval by the National Assembly. It was on*

this basis that we believe the overdraft was given; as such was requested for in mid-October and extension of the facility for a few days. This was granted by the manager but not clearly stating that this entailed a second overdraft with interest charges of Rs 4,375 and processing fee for Rs1,500.

Payroll

- 4.1 The Commission had a total workforce of 7 staff, including the Chairperson, Vice-Chairperson, 3 commissioners and 2 support staff. Audit examination of the payroll payments, personnel records and documents revealed that the Commission was yet to put in place a well-documented structure and an approved scheme of service in consultation with the Department of Public Administration to guide the terms and conditions, payment of salaries and allowances.
- 4.2 *The Management, in response, stated that the SHRC is an independent organisation; though guided by the DPA but not obliged to follow their salary structure. The staff enjoys a package which includes a Housing Allowance of Rs5,000 and a transport allowance of Rs2000 as agreed by the Commission in November 2019 and further added that this is in line with the Commission's salary structure for his position.*

Goods and Services

- 5.1 Audit noted that the Commission had incurred an expenditure of SR2,359,463 during the year 2019. Audit examination of the payments, supporting documents and records revealed that in 7 instances for the payments totaling SR243,916, the requisite minimum three quotations were not found to have been sought prior to procurements.
- 5.2 *The Management, in response, informed that three quotes were sought for all these purchases; however, some pro-formas were misplaced as the SHRC was without staff for filing. Most of the missing papers are now present and accounted for.*

Incomplete asset register

- 6.1 Audit was informed that the assets register was maintained in Excel form. A review of the same revealed that the pertinent details of the assets, such as, date of assets acquisition, location and identification numbers were not provided for most of the assets of the Commission. Consequently, the assets could not be physically identified. The Commission informed that no assets were transferred to it by the erstwhile NHRC except for unutilized fuel coupons for a total value of SR86,000. Audit is of the view that in the absence of an updated assets register, the possibility of misappropriation and theft of assets going unnoticed cannot be ruled out. Audit, therefore, recommended that the Commission should ensure that the assets register is maintained providing complete information and updated in the prescribed manner.
- 6.2 *The Management, in response, informed that the assets were registered and with the joining by an administration staff, it has since been updated and is being kept up to date.*

DEPARTMENT OF PRISONS

- 1.1. 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.
- 1.2. An audit of the SPS for the year 2019 was undertaken and the matters arising were communicated to the SPS in an Interim Management Letter (IML) issued on 15 March 2021, which was discussed with the management in the exit meeting held on 31 March 2021. The management also submitted written replies dated 23.04.2021. Subsequently, a follow up was performed relating to the year 2020, focusing on the status of the RDR account, Food and Ration to determine corrective action taken, and the matters arising were communicated to management through the management letter dated 15.09.2021. The Department replied to the draft report paragraphs on 20.10.2021 stating that the Prison service takes note of the report and recommendations made and it is aiming to make improvements and adhere to and apply best practices.

Personnel expenditure

- 2.1 The Department's total expenditure on personnel emoluments for the years 2019 and 2020 were R.23,983,296 and R25,128,412 respectively. In addition, salaries for expatriate prison officers for the two years were R.14,577,901 and R.18,173,755 respectively.
- 2.2 **Non-recovery of overpayments and avoidable expenditure:** The employment of a prison officer (Mr C.C.) was terminated on 05 June 2019 due to absence on duty, but was instead paid up to 30 June 2019. This resulted in an overpayment of R.4,830, after deduction of accrued leave owed to the former staff amounting R4,193.
- 2.3 In addition, at the time of his dismissal, he was indebted to a car hire operator for damage to a vehicle on 23 February 2019, which had been hired privately. The former employee had entered into an agreement with the car hire operator on 05 March 2019, to settle the damage of R.21,800 in seven instalments of R.3,114 of which six were to be deducted from his salary.
- 2.4 The Department instead paid the operator R21,800 on behalf of the former employee, without recovery of the said sum and salary overpayment totalling R26,630. (21,800+4,830).
- 2.5 Audit could not ascertain the rationale for the Department to bear the cost of the former employee's personal debt from Public funds which was incorrectly charged to hire of vehicles. Correspondence was not sighted on file to confirm that attempts had been made to secure recovery of the sums owed by the former employee.
- 2.6 In another case, an employee was suspended from duty on 18.04.2019 without pay and in the interim period resigned from employment on 24.04.2019. As the Department did not accept his resignation, the former referred his case to the the Public Service Appeal Board (PSAB) which ruled in his favour and indicating that his resignation had to be accepted.

- 2.7 The Department instead, erroneously paid the former employee R.54, 315 including the related PIT of R.6,388 and pension contribution of R.1, 878, representing salary and allowances from the effective date of his resignation (18.04.2019 to 11.07.2019) when the case was heard by the PSAB. *The Department, in response, to the first case informed that it will ascertain what was agreed upon with the car hire operator. In addition, the former employee will be officially informed to settle the amount paid out by the Seychelles Prison service.*
- 2.8 *As regards overpayment of compensation, to the officer who received a suspension, the Department agreed that it had erroneously effected payment to the former officer on the basis that his resignation was accepted, but omitted the fact that it took immediate effect. The Department indicated corrective actions to recover the funds paid in error.*
- 2.9 **Payment of arrears and compensation:** The Department paid compensation amounting R.74,909 and R.479,536 to two former employees terminated on the ground of misconduct on the basis of the order issued by the PSAB.
- 2.10 In the case of, one Mr C.P, the former employee who was terminated in October 2018, compensation (salaries, driving allowances and accrued leave) amounting to SR74,909 were paid following the PSAB order 27.05.2019 and addendum order dated 03.01.2020.
- 2.11 In the 2nd case, the former employee, one Mr P.U., was terminated in October 2013 and was awarded package totalling R.479,536 which was paid in August 2019 following PSAB order. In this respect PSAB order dated 26.10.2018 indicated the period for consideration as from 24 October 2013 to 18 July 2017. This was further revised by addendum order dated 17.12.2019 and set from 03 May 2010 to 18 July 2017. All salaries and allowances were determined on the new scheme of service and similarly accrued leave at a premium although the aggrieved officer was not in employment at the time.
- 2.12 Audit was of the view that legal advice as well as expert opinion of Department of Public Administration and that of Ministry of Finance should have been obtained by the SPS, prior to effecting payments. In response, the Department informed that it took into consideration the Prison Service Scheme of Service 2012, revised in 2016. However, the Department supports the views that legal advice and/or guidance from the Ministry of Finance should have been sought.
- 2.13 **Leave records were not maintained:** Scrutiny of a sample of personnel files of expatriate prison officers revealed that leave records were not maintained. The system in place for recording of leave is such that leave applications were made on the basis of a memo from the officer's supervisor to the Director HR and Administration to inform of the absence of the officers. No other records were maintained to update leave balance.
- 2.14 In the absence of leave records, Audit could not ascertain whether payments in lieu of leave including public holidays to seven (7) officers in 2019 and the same for 2020 for the sums of R.576,435 and R265,327 respectively, were correctly computed as leave balances could not be confirmed.

Payments for goods and services

- 3.1 The Department's total expenditure on goods and services, excluding security enforcement (expatriate workers salaries), for the year 2019 was R.25,478,883 (2020 R.26,781,628).
- 3.2 **Surcharge on overdue payments:** During the year 2019, the Department did not settle utility bills promptly, which resulted in the payment of surcharge levy of R.33,017.
- 3.3 *In response, the Department explained that late payments were attributed to insufficient funds and delays in receiving bills in the past. The management added that in 2021 the bills are being settled promptly.*
- 3.6 **Irregular expenditure:** According to correspondence supporting a payment voucher, the sum of R.6,000 (PV 191098 dated 13.06.2019) drawn in cash was paid to an inspector, as a refund in lieu of expenses incurred in respect of informants to assist in the apprehension of an inmate. Audit is of the view that payments to informants was not within the purview of the Department and should not have been borne from the recurrent budget. To note that this type of activities normally falls under the Department of Police. The payment was charged to "Other Office Expenses", as a related expenditure head was not available under the recurrent budget.
- 3.7 *In response, the Department informed that the payment was effected in the absence of the Superintendent, and agreed that it should have been borne by the Police Department.*
- 3.8 **Disparity between ordered and invoiced quantities:** Audit examined some payments classified as "Food and Ration," and compared the quantity of items requested as per order form against the invoiced quantities and corresponding payments. Disparities were observed in seven (7) cases totaling R.31,755 resulting in payments in excess of quantities stated on the "order forms." This indicate that the quantities ordered may have been altered following approval, and the Department must investigate the anomalies and take corrective action.
- 3.9 *A response from the SPS was awaited at the time of writing.*

Stores

- 4.1 **Lack of control over stores:** Audit conducted a physical inspection of the stores at Montagne Posee in August 2020 and observed that access to stores was not limited to only authorized stores personnel, leaving room for loss of stock items and issues not recorded. Moreover, issue notes were not used upon issue of items which is contrary to the requirements of the Accounting Manual Section 8.4 (a) which requires Issue Notes to be raised, which is the authority for issue/dispatch of stores items.
- 4.2 *In response, the Department stated that internal stores requisition has been introduced to record the quantity required and received including acknowledgment of receipt by the programme manager.*

- 4.3 **Minimum, maximum and re-order stock levels not set:** The Department had not set re-order levels for quantity of stock items to be maintained and according to the Chief Inspector stocks were replenished on the basis of regular monthly purchases. This practice is inconsistent with section 12.2 (b) of the Accounting Manual stating that “A maximum, minimum and re-order stock level is to be determined for all stores items. Any acceptable method of stores accounting can be followed by Ministries/Departments but whichever is chosen has to be consistently followed.”
- 4.4 Audit is of the view that excess stocks or shortages may occur resulting in avoidable additional expenditure or expired items.
- 4.5 Upon verification of stored items, Audit was informed that obsolete, damaged and defective items were kept separate from the stocks being used on a day to day basis. Audit was unable to perform inspection of the items as the container was not in a good condition to allow viewing. At the time of audit inspection, the value of obsolete stock items was yet to be determined and the disposal thereof effected.
- 4.6 *The Department, in reply, compiled a consumption analysis in excel for each item for the month of October to December 2020, including the average head count, a copy of which was submitted to Audit. With regard to expired and obsolete stocks, the Department will seek the guidance from the Ministry of Finance. Both measures are to be followed up Audit during next audit.*

Fixed Assets

- 5.1 Audit inspection revealed, in seven (7) cases, that the location of the assets could not be determined. Further, we could not establish as to whether the same was delivered to the Department in the absence of an updated register. In another seven cases, the items purchased during the year 2019 at a total cost of R117,325 were not in use at the time of the inspection (September 2020). The items, found in their original packaging, had been left unused on the premises for periods exceeding one year. It is not clear whether a need assessment was conducted prior to the purchase of these items.

Follow up on previous audit reports

Page, para, year and audit brief	Status
Page 82, para 223, 2017 No supervisory checks performed on payroll	There are still undue delays in removing leavers from the payroll
Page 83, para 225, 2017 Personal files were not updated with letters of appointment and resignation	Persistent; contracts are not renewed on time and in some cases, validity period is not stated in 23 contracts
Page 83, para 226, 2017 Leave accumulation exceeding the permissible limit	Persistent. Leave records of three employees showed accumulated leave balances ranging from 49 to 150 days

Page 84, 2017 PIT arrears not paid on expatriate salaries	Resolved. PIT is being paid up monthly
Page 40, para 3.51, 2018 Staff allocated with Sim cards and mobile phones without agreement on use and custody	Persistent; agreements in place did not specify limits on usage. 31 mobile numbers not used by the Department were included on the bill and paid for by SPS. SPS is to review the limit for usage.
Page 84, 2017 Open bidding method of procurement was not observed nor exemption obtained	The situation persisted in 2019 and 2020, with regards to procurement of bus hire
Page 84, 2017 Repetitive procurement of goods and services of high value without contracts	Persistent; procurement of food from 3 suppliers costing SR4.7m in 2020 and the fish supply contract expired in September 2020 was yet to be renewed by end of 2020
Page 39, para 3.47 Some goods procured from two suppliers without local purchase orders	Cleared. LPOs being issued.
Page 39, para 3.47, 201/8 Internal order forms were not used/sighted	Goods purchased during 2019 were without order forms
Page 85, 2017 Lack of control over movement of stores items . GRNs were not raised	The observation persisted in 2019 and 2020.
Page 85, 2017 Inventory records were not maintained	Implemented though stock balances not found reliable.
Page 85, 2017 Periodic verification of stores items were not performed	Persistent; no periodic verifications were done in 2019 and 2020
Page 85, 2017 A fixed assets register was not maintained	Asset register introduced in 2021. Items purchased in 2019 and 2020 were not recorded in the register
Page 85, 2017 Periodic verification was not conducted	No record of physical inspection conducted in 2019 and 2020
Page 40, para 3.55, 2018 Budgeted funds for hire of omnibuses not used economically	Two buses procured in 2020
Page 41, para. 3.57, 2018 Fuel coupons purchased were not recorded in register	Resolved
Page 41, para 3.61, 2018	Persistent. Still no record maintained pertaining to 3 accidents in 2019. Use of accident forms to be introduced in 2021

Vehicle accident case files not maintained/ Insurance claims not sighted

Page 42, para 3.65-3.68, 2018

Lack of control over sales and purchases at tuck shop

Page 44, para 3.72, 2018

Need to maintain proper and complete records of RDR

Page 3.73, para 3.73, 2018

Cash book was not updated

The shop was closed in mid-2019 and cash in hand banked in Resettlement Day Release (RDR) account

Issue persists; reconciliation of inmates and amounts due against suspense account balance not performed

Resolved in 2021 relating to 2020 transactions

SEYCHELLES REVENUE COMMISSION**CUSTOMS DIVISION**

- 1.1. The Seychelles Revenue Commission (SRC), established under the Seychelles Revenue Commission Act, 2009, is responsible for the administration of the revenue laws, specified in the Schedules to the Act, in accordance with the provisions of the Revenue Administration Act, 2009. The Customs Management Act, 2011, as amended, provides the Customs Division with mandate in respect of administrative and operational procedures.
- 1.2. An audit of the Customs Division was undertaken for the year 2020. The key objective of the audit was to perform sufficient tests in relation to daily revenue collection and review the status of action taken on previous audit reports. The matters arising were communicated to the management in an interim management letter dated 13.09.2021 and discussed with management on 24.09.2021 in an exit meeting. Subsequently, the issues were addressed in a management letter dated 06.10.2021.

Revenue Collection

- 2.1 **Decline in revenue collection:** The Customs Division collects taxes including levies on items imported into the country through the Seaport, Airport Cargo, Airport Terminal and the Post Office. Revenue collected by the Customs Division in 2020 totalled R2.0b against R2.1b budgeted for the year 2020 as well as the previous year collection of R2.4b.
- 2.2 **Irregular use of receipt books:** Audit noted that the Small Packets and Parcel Section at the Post Office were not issuing receipts in a sequential order. Further, a new receipt book is issued when the existing receipt has not been utilised fully. At the time of audit verification of receipt books, one receipt book at the Parcel Section (range 977451-977500) had 47 unused receipts while another receipt book was also in use with 16 receipts remaining unused. Inadequacy of controls over issue/use of receipt books may result in misappropriation, fraud and/or theft of cash.
- 2.3 *The Commission in response stated that its Internal Audit will organize a training session for all personnel handling cash in order to educate them on the accounting procedures to be followed as per the requirements of the Accounting Manual, 2020.*
- 2.4 **Cash box not properly secured:** Contrary to the provisions in the Accounting Manual, Section 11.2, Audit observed during a cash count conducted on 03 September 2021 at the Small Packet Section that though the cash box itself was locked, it was kept together with both keys i.e. original and duplicate key and the cash box was kept in an unlocked drawer. As the current storage is not under the responsibility of the Customs Officers, Audit recommended that the Commission should ensure that the Customs cash box is securely locked and stored at all times.
- 2.5 *The Commission in response informed that necessary arrangements have been made jointly with the CEO of the Seychelles Postal Services (SPS). SPS will establish a procedure for the safeguarding of the cash box. Additionally, a training will be organised for all personnel handling cash in order to educate*

them on the accounting procedures as per the requirements of the Accounting Manual, 2020.

- 2.6 **Revenue collected not adequately supported:** Audit examined 31 revenue vouchers raised by the Customs Officers at the Post Office for collections amounting R85,542 and noted, in 16 cases, that revenue vouchers totaling R16,199 were without supporting documents, i.e. invoices and other relevant documents to ensure that the amounts due were correctly calculated.
- 2.7 *The Commission, in response, stated that its Internal Audit will perform a test at the end of year 2021 to ensure that procedures for collection of revenue are being followed and proper records kept. Additionally, training sessions will be organized to educate staff on the procedures to be followed as per the requirements of relevant SOP and Accounting Manual.*

Avoidable Expenditure

- 3.1 Audit followed up on Para No. 3.3.19 to 3.3.21 on page 29 in the Annual Report for 2019 and noted that the Customs Division entered into an agreement with the Financial Services Authority (FSA) for renting a new Government warehouse situated at the FSA Zone at a monthly rent of R67,280. Audit undertook physical inspection of the warehouse in June and August 2021 and noted that although the rent payment started with effect from March 2021 as per the rent agreement, it was yet to be occupied by August 2021. For the period March – August 2021, a total of R336,400 was noted to have been paid towards rentals.
- 3.2 *The Commission, in response, stated that SRC's budget was approved in April 2021 by the National Assembly. As a result, SRC was unable to finalize the occupancy of the warehouse with FSA. In addition, SRC had to negotiate with FSA the alteration works that could be done in the warehouse and ensure that such works were in line with FSA's terms and conditions for safety and security. This took some time to finalize. The ongoing COVID-19 pandemic has also proven to be a challenge in getting the works completed as per schedule as well as moving stored items to the new location. Effective 27 September 2021, the Warehouse Unit, comprising 3 staff, including a supervisor, are formally located at the warehouse, FSA zone.*

Follow up on previous Annual Reports

Page, Para, audit brief	Status
Page 27, Para No. 3.3.6 to 3.3.9, 2019 report Monthly list of uncollected goods should be submitted by the senior warehouse officer to the Manager	Resolved. Monthly list of uncollected goods, updated as at 30 July 2021, were provided to Audit.
Page 29, Para No. 3.3.16 to 3.3.18 Limited number of auctions and disposals undertaken.	Resolved. A total of eight disposals and two donations were undertaken for various seized items between the period September 2020 and June 2021. SRC noted that this will be an on-going exercise.
Page 29, Para No. 3.3.19 to 3.3.21 Inefficient use of storage facilities.	In progress; SRC noted that all goods for the years 2019, 2020 and period ending 29 th September 2021 have been moved to the new warehouse facility at FSA. SRC will

<p>Page 29-30, Para No. 3.3.22 to 3.3.24 No periodic physical verification of items in hand.</p> <p>Page 30, Para No. 3.3.24 to 3.3.30 Items recorded as received not physically located in the warehouse.</p> <p>Items physically in store not traced to the register.</p>	<p>surrender the warehouse located at the Seaport to the Seychelles Ports Authority end of September 2021. Effective 27th September 2021, the Warehouse Unit, comprising 3 staff, including a supervisor, are formally located at the warehouse, FSA zone. SRC plans to request for approval and budget to finance the position of a Warehouse Manager to better ensure that procedures are followed.</p> <p>In-progress; Audit was provided with an inventory list on 30th August 2021 of uncollected items transferred from the different Customs locations to the Government Warehouse. Audit verified a sample of items selected from the inventory list for physical existence and was satisfied as to the physical existence and completeness of relevant records.</p>
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AR 2018 Page, Para No.	Status
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<p>Page 57/58, Para 3.116/119 Outstanding balances of amounts from importers.</p> <p>AR 2019 status;</p> <ul style="list-style-type: none"> • <i>In respect of SEYPEC (R101.6m), it has been confirmed that:</i> <ul style="list-style-type: none"> a. <i>A part is payable by MoF in relation to SFA subsidies (R16m)</i> b. <i>SEYPEC to pay R2.8m</i> c. <i>a part is to be endorsed for Excise Tax exemptions (R68.7m); and</i> d. <i>the balance of R13.3m is to be written-off</i> • <i>for ISPC, the problem has been identified and a procedure has been put in place</i> <p>Page 59, Para 3.122 As at 31.12.2018, the dishonoured cheques <i>Treasury ledger balance</i> totalled R13,480,876.</p>	<ul style="list-style-type: none"> a. Resolved b. Resolved c. Unresolved. d. 90% resolved. A balance of R12m has been cleared following deletion of five duplicate BOEs from ASYCUDA. The remaining R1.3m relating to foreign exchange differences awaits necessary approval for write-off. <p>Further, a reconciliation exercise dating back to 2013 is in progress in respect of ISPC.</p> <p>In-progress. As at 31.12.2020, dishonoured cheques Treasury ledger balance totalled R14.4 m while SRC had a balance of R12.5 m. SRC noted that there is an ongoing exercise as regards unreconciled ledger balances totaling around R1.9m at 31.12.2020, which goes back to 2011. Actual dishonoured cheques on hand per SRC records was R3.1m as at 31st August 2021 pertaining to 48 cheques.</p>
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AR 17 Page, Para No.	Status
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<p>Page 91, Para No. 245 Standard operating procedures (SOP) for recovery of dues not yet in place.</p> <p>Page 91, Para No. 247 Despite having debts going as far back as 2008, no interest is being charged on the outstanding amounts as per the Revenue Administration Act, 2009, Section 41(1).</p> <p>Page 92, Para No. 250</p>	<p>Resolved. A Debt Collection & Enforcement Strategy was approved on 1st July 2021.</p> <p>In progress; SRC informed that there is a project funded under the 11th EDF for the upgrading of the ASYCUDA and they will discuss the possibility of introducing interest and late payment penalties as part of the upgrade.</p> <p>In-progress.</p>
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No evidence of referral of cases from the Recovery Unit to the Enforcement Unit for further legal action.

As at 31st August 2021, Audit noted that five cases were referred to the Prosecution Unit of SRC, three of which has already received a court ruling. The fourth case has been partly dealt with pending final decisions of on-going discussions. The final case, being a recent case is yet to be taken up by the Prosecution Unit.

Page 92, Para No. 255

No evidence of write-off of irrecoverable debts.

In-progress;
Cabinet of Ministers has approved the proposal and process for debt write-off. A legislation has been drafted to be submitted to the National Assembly for approval.

TAX DIVISION

- 1.1. The Seychelles Revenue Commission (SRC) was established as a body under the Seychelles Revenue Commission Act, 2009, for the administration of revenue laws listed in the schedule of the Act.
- 1.2. An audit of the accounts and records relating to the process of collection of revenue from domestic taxes maintained by the Tax Division of the Commission was undertaken for the year 2020 with the objective to examine the revenue collection. A follow-up review of the matters included in the Annual Report for the year 2018 was also undertaken to ascertain the action taken by the SRC. The matters arising were communicated to the management in an interim management letter dated 12 July 2021, which was discussed with management on 29 July 2021. Subsequently, the issues were addressed in a management letter dated 4 August 2021.

Revenue Collection

- 2.1 As per the Treasury's general ledger for the year 2020, the SRC collected a total of R4.194b as domestic taxes against the budgeted estimate of R3.750b. The major collections under the domestic taxes were from income tax, business tax, and VAT. Although the collection of domestic taxes in 2020 was more than the budgeted amount, Audit noted a decrease of 12% (R 506, 357,550) when compared to the amount collected in 2019, which was mainly due to the decrease of the business activities caused by the Covid-19 pandemic.

Licensed businesses not registered with the SRC

- 2.2 Regulation 2 (SI.71 of 2010) under the Revenue Administration Act, 2009 provides that all businesses operating in Seychelles shall be registered with the SRC. Regulation 4 further provides that any new business commencing operations in Seychelles on or after 1st January 2010 shall within 14 days after the date on which the business commences, apply for registration in the approved form.
- 2.3 Audit obtained the list of registered licenses for the year 2020 from Seychelles Licensing Authority (SLA), compared it with SRC's registration list for the same year and observed that 12 out of the 225 listed businesses had not been registered with the SRC within the time stipulated for registration. The non-registration of businesses may result in tax evasion by the unregistered businesses.

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- 2.4 *The Commission, in response, informed that as a part of their registration process they do receive the monthly list from SLA and reconcile the same with their own records to ensure follow-up with the licensees for registration for taxation purposes. It seems that there may be a timing issue as to when reports are published or updated by SLA, which resulted in the 12 taxpayers not yet registered by SRC. The Commission further informed that the process of introducing a penalty for non-registration or delay in registration for tax purposes is underway. Given that it is a self-assessment system, the onus is being placed more on the taxpayers to ensure adherence to tax obligations.*

Delays in banking of tax collected via manual receipts

- 2.5 Audit noted that at the SRC, receipts are automatically generated by cashiers from the Client Management System (CMS) and are issued to taxpayers in acknowledgment of the tax amount received from them. In the event of CMS downtime, manual receipts which are obtained from Treasury are issued and corresponding automated receipts are subsequently raised upon restoration of the CMS to ensure that the transactions are recorded therein.
- 2.6 Audit noted a considerable delay in the banking of R8,100 collected in cash on 31.12.2020 vide manual receipt number 931453 until 19.01.2021.
- 2.7 *The Commission, in response, stated that they will investigate as to why this was the case. It was agreed that the internal audit department will conduct a review of internal control relating to the use of manual receipt.*

Handing over of daily takings without signature

- 2.8 The procedure for collection and recording of domestic Taxes at the Commission is that upon closure of each collection point, a cash/cheques denomination form must be completed, signed and checked by the cashier, supervisor and the banking officer upon handing over of the daily collection for banking.
- 2.9 However, Audit did not sight evidence of signing-off on the denomination forms by either the cashier, banking officer or Supervisor Cashier in 6 out of 117 daily collection of very significant amounts. In view that handling of cash is susceptible to various risks it is important that the relevant staff sign off handing over forms each time the cash collection change hand from one staff to another.
- 2.10 *The Commission, in response, acknowledged the above observation and agreed to ensure that denomination forms are signed at all times.*

Cash collected not reflected in the daily transaction report nor banked

- 2.11 Audit performed a sequence check of receipt numbers as per the daily collection report for the year 2019 which was generated from the CMS to ascertain the completeness and accuracy of revenue records of the Commission. Audit observed 17 cash receipts totalling SCR59,318 which were missing and were not included in the printed daily collection reports. Upon closer analysis of these receipts, it was noted that their printed dates were backdated and thus the reason why they were not featured on the report on their correct day of collection for banking. After identifying the cash missing receipts, Audit performed the same

analysis for the year 2018 and observed that 10 cash receipts were missing which amounted to SCR32,800, making the total cash missing receipt SCR98,268. Audit also observed that the respective taxpayers' accounts were credited with these payments even though the cash had not been included in the respective daily collection reports and banked.

- 2.12 *In regard to Para 4.1 of the 2019 Management letter, an internal investigation was undertaken by the Internal Audit Department of the SRC and it was confirmed that the funds were misappropriated. The Officer in question has been dismissed from SRC and arrangements have been made for her to make repayments of SCR 2000 per month until she is confirmed in her new employment after which she will be able to apply for a loan to pay the outstanding dues of SCR 85,000. The Commission informed that it has also strengthened the key internal controls in place especially those related to IT and the Revenue Manager is performing regular checks or analysis of receipt numbers as per the daily collection reports to prevent recurrence of the incident.*

Outstanding late payment penalty fees

- 2.13 The late payment penalty fees' balance as per the aged debtors report compiled by the Enforcement Section stood at SCR 439,381,572 as at 31.05.2021. This represents 40 % of the total outstanding debts balance of SCR 1,104,381,593 as at 31.05.2021. The Commission had stated in its response to the Audit Report 2018 that the Enforcement section is pulling out the list of penalties manually from the CMS and have requested additional staff to handle this task. They also informed that in the interim, SRC is trying to get a standard letter for penalties that can just be printed from the system and it was hoped that sending out the notifications would be less time consuming. However, Audit noted that as at 31 May 2021 the SRC was still unable to introduce the standard letter for penalties that can just be printed from the system. This may result in an increase in non-compliance from tax payers leading to increased and unpaid penalty fees.
- 2.14 *The Commission, in response, informed that the total penalties as per SRC aged debtors actually include late lodgment and late payment penalties with minor figures for interest already computed. The redevelopment of the CMS which is being funded under the 11th EDF and for which the process has already started with recruitment of relevant consultants, will address the issues that the SRC is facing in promptly raising notifications for penalties. The redevelopment project will take 24 months but as and when a particular module is completed, it will be activated. Given that the current CMS could not address this, the SRC preferred in the end to wait for the redevelopment project. The Commission further informed that the Enforcement Section is receiving daily notifications for tax returns under the amnesty and can thus advise taxpayers of debts as they arise and follow-up. The amnesty introduced as from 1st July to 31st December 2021 and the process introduced should help in reducing the penalties on account.*

Status of action taken on matters reported in previous audit reports

Particulars	Status as of May 2021
<p>AR 2018, Page 53, Para No.3.109 As at 31 December 2018, an unidentified items balance of R6,126,784 as per SRC's ledger and R6,315,285 as per Treasury remained to be identified and allocated to correct revenue category accounts. As per the Treasury, the unidentified tax balance increased from R2,650,728 at the end of 2017 to R6,315,285 by the year ending 31 December 2018.</p>	<p>The necessary adjustments for the write-off of the long outstanding unidentified tax items have been effected as below:</p> <ol style="list-style-type: none"> 1. debit balance of SCR19,740,762 2. credit balance of SCR21,923,432 <p>A total amount of SCR 651,000, out of SCR 2.8 million, which was wrongly credited without SRC's consent has also been cleared. The account balance for unidentified items as at 31.05.2021 was SCR1,977,034 and SCR1,307,415 as per SRC's and Treasury's records respectively.</p>
<p>AR 2017, Page 86, Para No.232 Un-presented stale cheques on the rebates account (CBS a/c #14-03) that are refunds, amounted to R1,656,997 for the years from 2011 to 2017</p>	<p>Resolved</p>
<p>AR 2016, Page 63, Para 11.5</p> <p>Per the CMS, in 123 instances registered businesses failed to lodge their VAT returns for the entire year 2016. No legal action or other enforcement action was seen to have been taken against them by the Commission.</p>	<p>Observation persists despite efforts being made Of the 123 cases for the year 2016, the action taken and present status is as under:</p> <ul style="list-style-type: none"> • 1 business has been closed • 23 businesses have been de-registered, • 52 have lodged their returns • 45 have been issued with default assessments • 2 cases are under examination by the audit section.
<p>AR 2016, Page 63, Para 11.7</p> <p>Uncollected VAT and late payments penalties as at 31.12.2016 amounting to R282m of which R207m pertained to the years 2013 and 2015, may become irrecoverable</p>	<p>Observation persists. The total outstanding debtors balance as at 31.05.2021 stood at SCR 1,104,381,593 as per the Age debtors' report being maintained by the Enforcement Section. The total uncollected VAT balance inclusive of penalties is SCR 261,047,792 as at that date.</p>

<p>AR 2016, Page 65, Para 11.15,11.23,11.26</p> <p>BAS form - taxpayers are not completing their forms correctly, by not stating their gross figures or turnover or rental income as required.</p>	<p>Observation persists despite the following action being taken:</p> <ul style="list-style-type: none"> • Draft (SOP) requiring BAS Officer to ensure that BAS form received are examined throughly • Issuing guidelines to taxpayers on completion of their BAS • Introducing a withholding tax remittance form to facilitate Taxpayers
<p>AR 2016, Page 66 Para 11.19</p> <p>Incorrect application of tax rates seen in 8 cases resulting in underpayment of R448,121.</p>	<p>In the 8 cases, the shortfall has not yet been settled.</p> <p>The net underpayment of PIT is because taxpayer do not write the gross before tax. Following the introduction of the progressive income tax system in January 2018, the SRC have updated their BAS form to cater for the new tax system under which the gross before tax figure is no longer required.</p> <p>Various measures are being taken to address the outstanding issues.</p>
<p>AR 2016, Page 66, Para 11.22</p> <p>Longstanding balances on dishonoured cheques account monthly reconciliations totalled R2, 789,405 as at 30.06.2017.</p>	<p>Persistent.</p> <p>The Treasury ledger balance in respect of dishonored cheques was SCR 3,113,008 as at 31.05.2021 against SCR 1,054,688 in the SRC ledger.</p> <p>Exercise to sort out discrepancies are still ongoing</p> <p>Correction for the misallocation relating to the year 2018, 2017 and 2016 has been done by Treasury</p>

SOCIAL WORKERS COUNCIL

- 1.1. The Social Workers' Council (Council) was established under the Social Workers Council Act 2007 to regulate and monitor the delivery of the social works in Seychelles upholding the highest standards in the practice of social works.
- 1.2. An audit of the Council was undertaken for the period from January 2018 to December 2019. Matters arising were communicated to the Council through an interim management letter dated 17 March 2021, which was discussed with the Chairperson in the exit meeting held on 06.04.2021, and subsequently, addressed to the Council in the management letter dated 16.06.2021.

Salaries and Wages

- 2.1 The audit of salaries and wages vote spending during the period revealed the following shortcomings:
- 2.2 **Non remittance of income tax and pension contributions:** Audit noted that for the first three months of 2018, monthly income tax at the rate of 15% (R2,100) and monthly pension contribution at the rate of 3% (R420), totalling R7,560 (R6,300+R1,260), though deducted from the salary payments to the Registrar, were not remitted to the concerned agencies, namely, Seychelles Revenue Commission (SRC) and Seychelles Pension Fund (SPF) respectively. However, from April 2018 to July 2019, the income tax and pension fund contributions deductions were remitted to the relevant authorities.
- 2.3 *The Chairperson, in response, stated that deductions were made, however, attempt to register at SRC and remittance to SRC did not materialise. The Pension Fund will also be paid their outstanding contributions when the new Registrar joined.*
- 2.4 **Overpayment of salaries:** Audit noted that the Registrar tendered resignation effective from 31.07.2019, but the same was not notified to Treasury for stopping the salary payment. As a result, salary for two months, totalling R25,967, past his resignation effective date, was overpaid. However, out of his leave balance and compensation dues, a part of the overpayment amounting to R12,997 was offset resulting in a net sum of R12,970 to be recovered. Subsequently, the former employee refunded R9,000 leaving a balance of R3,970.
- 2.5 *The Chairperson, in response, stated that the Registrar had difficulty to pay for 2 months but the commitment to pay is still there and he has another payment to make at the end of March 2021.*

Use of goods and services

- 3.1 The Council operated a Bank Account (no. 00000264873) for its expenses and revenue transactions. A scrutiny of the relevant records and documents revealed the following shortcomings.
- 3.2 **Reconciliation not performed:** Audit noted that the Council did not carry out monthly bank reconciliations, as required by the relevant financial instructions, to ensure that any errors noted are addressed promptly.
- 3.3 *The Chairperson stated that the Registrar was not conversant in accounting matters, and the reconciliation is now being done by MoF.*

- 3.4 **Cashbook not maintained:** The Council did not maintain a cashbook, as provided for in financial instructions, for recording the transacting incurred through the bank account for a total of R112,042 during 2018.
- 3.5 *The management, in response, stated that since the bank account was now closed it is no longer a requirement. A Ledger is now being kept for 2019 by the Desk Officer at the Ministry of Finance.*
- 3.6 **Payments lacking supporting documents:** Audit did not sight the original invoice/payment vouchers in respect of 10 payments, totaling R75,107, towards rent, internet/telephone bills and board fees effected from the MCB bank account between January to April 2018.
- 3.7 *The Chairperson, in response, informed that the relevant invoices/receipts were not located by the Council and further attempts would be made to obtain copies from the relevant companies or the Statement of Account.*

Non-Financial Assets

- 4.1 Audit noted that the Council procured assets worth R31,820 in 2018 while no assets were purchased in 2019. However, Audit noted that (a) an Inventory Register, or the Asset Management Software, has not yet been maintained; (b) the Council was yet to allocate the identification numbers to all items of fixed assets, excepting two old items with identification numbers; and (c) there was no evidence of performing the year-end physical inspection of assets. The above exceptions were noted against the relevant financial provisions.
- 4.2 *The Chairperson, in response, stated that the software has been installed already, and the new Registrar would attend to other matters as well.*

Follow-up on Management Letter issues in 2017

ML para ref, Observations brief	Status
5.1, Petty Cash incorrectly operated.	Council was still not raising petty cash vouchers for cash payments.
5.3/6.1/6.2, Monthly bank reconciliation not done and Cash Book not maintained.	Council did not maintain a cash book nor conducted monthly bank reconciliation.
5.4, Payments effected without adequate supporting documents.	Original invoices or receipts were not sighted for the payments effected in the first three months of 2018 through the MCB bank account.
5.5, Handing Over Certificate not sighted.	Registrar resigned in July 2019, however, a handing over document was not prepared.
5.8, Absence of three quotations.	The observation persisted.
7.1, Register of Inventory not maintained.	The observation persisted.
7.2, Assets not allocated with identification numbers.	The observation persisted.
7.3, Year-end physical inspection of Assets not performed.	The observation persisted.
7.4, Asset Management Software not in use yet.	The observation persisted.
7.5, Write-Off Register not sighted.	The observation persisted.

TRUTH, RECONCILIATION AND NATIONAL UNITY COMMISSION

- 1.1. The Truth, Reconciliation and National Unity Commission (TRNUC) was set up under an Act in 2018 with the objective to unite the people of Seychelles around a common agenda that will help them move forward in confidence and with a sense of common purpose. The functions of the Commission include gathering evidence pertaining to violations, including the hearing of witnesses, determining the responsibility of individuals in respect of any violation, providing its reasons and proposing measures to prevent the recurrence of such violations, determining and recommending appropriate remedies or reparations, preparing reports of its activities, findings and decisions and its submission to the President.
- 1.2. An audit of the Commission was undertaken for the period June 2019 to August 2020. The matters arising were communicated to the Commission through an interim management letter (IML) dated 22.12.2020 for discussion in an exit meeting, which the Commission could not hold and preferred to submit replies to the IML (date of reply). The audit issues were finally included in a management letter dated 03.03.2021.

Payroll

- 2.1 The Commission had a total of 11 support staff besides the Chairperson, Vice-Chairperson and 4 Commissioners and its payroll expenditure was SR7,958,251 during the year 2019. Audit examination of the payroll and personnel records revealed the following.
- 2.2 **Granting of annual leave in excess:** Audit noted that annual leave was granted to 3 employees who were in employment for only 2 to 3 months and in excess of the leave accrued by them, contrary to Section 54 para 3(a) (Annual leave-Order 93) of the Public Service Orders Procedures Manual, which states that the annual leave cycle commences on the 1st January each year and it is to be taken as earned and in arrears.
- 2.3 *The management in response informed that the staff concerned, at the time of their interview for the post, had indicated that they had already made commitments for overseas travel to which the Commission had agreed. Rectification will be made by adjusting the extra leave taken in their 2021 leave entitlements. And, one of the three employees was no longer working with the Commission.*
- 2.4 **Overpayment of allowances:** Minor overpayment of salary and allowances were noted in respect of Vice-Chairperson and Commissioners resulting in monthly overpayments of SR388 and SR107 respectively and totalling SR12,745.86 during the period (June 2019 to August 2020).
- 2.5 *The management in response stated that the budget for the salary of the Chairperson, Vice-Chairperson and Commissioners was approved by the President's Office and the Ministry of Finance. Thus, rectification and amendments would be sought.*

Payment for goods and services

- 3.1 Commission incurred an expenditure of SR4,295,606 on goods and services during the year 2019. Audit examination of the payment documents and records revealed the following.
- 3.2 **Rent Board approval not sighted:** The DPA Circular No. of 2017 governing office accommodation states that ‘Organizations should not enter into any agreement with private landlords for renting of office space without first consulting with the committee and obtaining formal approval for leasing transaction’. Audit noted that the Commission entered into an agreement with a private company for renting accommodation for its offices at Perseverance for a monthly rent of SR179,975 inclusive of service charge and 15% VAT. However, there was no documented approval from the Rent Board or any other documentary evidence to support that the matter was discussed with the Board for advice.
- 3.3 *The Commission in response informed that approval from the Rent Board was not sought because the Vice-Chairperson was not informed at that time that there should be a certificate from the Rent Board and that he should have asked for permission first. Given the go-ahead and the fact that the rental cost was within the budget line so he went ahead to enter into the agreement.*
- 3.4 **Payments not stipulated in the rental agreement:** A review of the rental agreement revealed that monthly rental of R179,975 was payable including a service charge of SR16,500 plus tax of R2,475. However, the Commission made additional monthly payments to the private company (landlord) with the notation of ‘HVAC power consumption’ during the period November 2019 to May 2020 totalling SR139,258. Moreover, these payments were made based on the invoices submitted by the company without any supporting documents, such as, actual utility bills.
- 3.5 *The Commission in response informed that a letter would be written to the company for the rectification of the HVAC/Service Charge and Tax for the amendment of the Agreement with them.*

Transport

- 4.1 Section 7.10.2.1.3 of the accounting manual (d) states Head of Admin purchases fuel coupons from the supplier and hands them over to the head of accounts, who keeps them in a safe and records them in the Fuel Coupon Register (RF 002) and disbursed upon request to the Head of Admin. As the head of Admin issues the coupons to the driver, he or she shall record the coupons in the vehicle logbook and the driver shall sign up upon receipt. Audit examined the records and documents relating to transport management and observed the following.
- 4.2 **Fuel Coupon Register incomplete:** During the period under review the Commission purchased SR86,730 worth of fuel coupons besides reimbursements totalling SR1,950 towards fuel expenses from petty cash. Audit noted that not all fuel coupons purchased and issued are recorded in the fuel

coupon register nor are they signed off by the person receiving the fuel coupons. Further, the audit revealed that fuel coupons worth SR24,000 were disbursed to a person who as per the records was not a staff of the Commission, but assisting in driving duties for the Chairperson, who was entitled to a driver and fuel for full personal and private use.

- 4.3 ***Fuel consumption analysis not performed:*** Audit did not sight any evidence as to performance of a monthly fuel consumption analysis by the Commission as provided for by Section 7.10 (e) of the Accounting Manual in respect of all government vehicles to ensure their efficiency and economic use.
- 4.4 *The Commission in response reiterated that the arrangement made for driving services has maximised the efficiency of the Commission in circumstances where resource allocations are limited and do not allow for the recruitment to the post of critical importance to the Commissions in discharge of its mandate. Due to traffic and other issues, this approach saves time and save fuel for the Commission.*

Fixed Assets

- 5.1 For the period under review, the Commission's total payments for fixed assets amounted to SR791,281. Audit examined 21 acquisitions for a total of SR587,365 which was for the procurement of IT equipment, office furniture and external transcend hard drives, and noted that the requisite 3 quotations were not obtained in these cases, thus depriving the opportunity for comparison/competitiveness of prices being paid.
- 5.2 *The Management in response stated that the IT equipment is still pending arrival in Seychelles. Chairs bought without 3 quotations may be an oversight. Office chairs procurement, needed for the auditorium of TRNUC, was made from the only supplier who had that type of chairs. SCR8375/- was refunded due to the non-delivery of the chairs. In regards to external transcends, the management informed that the other suppliers at that time had only 2TB instead of 4TB due to the urgency.*
- 5.3 Furthermore, Audit was provided with a fixed asset register in Excel format. A review of the register revealed that some particulars, such as, date of assets acquisition, cost, location and identification numbers were not recorded in the register. It was also noted that the Commission was not making use of the Fixed Assets Management System software produced and promoted by DICT/Ministry of Finance.

Chapter 4

REPORT ON THE EXPENDITURE INCURRED ON RESPONSE TO COVID-19 PANDEMIC DURING 2020

EXECUTIVE SUMMARY

Introduction

- 1.1. On 14 March 2020, Seychelles confirmed its first two cases of Covid-19 and by 06 April the confirmed cases increased to 11. Consequently, the Ministry of Health, invoking section 25(5) of the Public Health Act, 2015, declared a public health emergency in the country on 20 March 2020 followed by a ‘Health and Travel Advisory’ by PHA, issued on 25 March 2020, declaring the following restrictions on travel to and from the country:
 - entry of passengers into Seychelles, either by sea or air (except returning Seychellois residents), was not allowed;
 - all returning residents upon arrival will be placed on quarantine for at least 14 days;
 - overseas travelling by Seychellois was banned for a period of 30 days;
 - entry of all cruise ships into Seychelles waters was not allowed until further notice; and
 - all foreign workers holding a Seychellois GOP were not allowed to return until further notice and new GOPs were not to be issued.
- 1.2. Later when a ground floor handling staff at the Seychelles International Airport tested positive, suspecting a possibility of community transmission of the virus, the Public Health Commissioner declared a partial lock-down for a period of twenty-eight (28) days from 08 April 2020 to 04 May 2020, as a precautionary measure in line with the global practices in this regard.
- 1.3. In early 2021, following the detection of a positive case, the country went in another partial lockdown on 15 February 2021 to prevent a consequential possible community transmission which could have cause a surge of positive cases.
- 1.4. To respond to the unforeseen panic situation created by the Covid-19 pandemic in 2020, the Ministry had to incur expenditure in large unprecedented sums on emergency basis through its different organs during March to December 2020, utilising the Contingency Fund and budgetary appropriations of HCA and the Ministry besides the specific grants and the donations received. This is still continuing in 2021 at the time of writing (October 2021).

Key Audit Findings

- 1.5. During 2020, the total expenditure incurred was over R101.9m of which R81m were met from the Contingency Fund against the budget provision of R60.0m and balance over R20.9m from the Ministry’s budget.

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- 1.6. To deal with the challenges of the pandemic, while the Public Health Authority (Authority) focussed on implementation of preventive and control measures, the Health Care Agency (Agency) was entrusted with the responsibility of providing all needed medication, medical equipment and facilities. Therefore, most of the expenditure in response to the COVID-19 Pandemic was incurred by the HCA.
 - 1.7. By December 2020, a total of R5,442,430 had been paid as rental of tents at 9 locations. For 8 more locations, tents were procured in March 2020 from a single supplier and the relevant invoices for the same were yet to be submitted to the HCA. Full and final liability on this account could not be ascertained since the documents such as procurement approvals, agreements and project files were not maintained. Further, a sum of R359,701 was paid for other associated expenditure, such as, installation of air-conditioning, equipment, water, etc.
 - 1.8. Though the arrangements made were at a large scale, requisite procurement files and documentation as to procurement procedures followed, supply/civil works contract agreements were not maintained. Essential documents indicating a formal needs assessment, availability of tents and facilities, their supply sources, rentals prevailing in the market and negotiations held with suppliers were not provided to audit. Furthermore, there was an absence of signed rental agreements, contracts, quotations and tender documents to substantiate the payments made.
 - 1.9. From 23 March to 30 November 2020, most of the incoming travellers at the Airport were accommodated in a Resort, towards which HCA spent a total of R39,413,030. Initially 110 rooms were booked, which was later increased to 177 from 16 July 2020. However, this arrangement was discontinued by the new administration on the basis that the rental were exorbitant in the dire economic situation that the country was facing. However, later in 2021, due to a sudden surge in the cases of infections, the number of rooms available in the hotel became insufficient and the Agency reverted to accommodating some quarantine travellers with the Resort on a pro bono basis.
 - 1.10. The signed contract with the Resort revealed that the room charges were increased from R500 per room per day (effective 1 June 2020) to R835 (effective 30 November 2020) despite the fact that the Government covered the salary of the resorts staff under its financial support scheme “FA4JR” and 100% cost of telephone/pabx, WiFi and television costs. The Government financial support also covered 75% cost of electricity, water and fuel, which subsequently was increased to 90% effective 16 July 2020.
 - 1.11. In addition to providing the above stated accommodation/facilities, HCA also spent a total of R4,487,448 during 2020 on food catering services procured from its existing supplier. However, the approval of the POU/National Tender Board was not sought nor was there a signed supply contract. It was noted that an unsigned draft contract was sent to POU on which the Agency was advised to forward the same to the Attorney General for review.
 - 1.12. The civil construction work for renovation of the quarantine facilities for the South East Island compound was awarded to a state company for a sum of R5,568,008; for which the prescribed open bidding method, in line with

provisions of the Public Procurement Act was not followed nor was it forwarded to the approving authority, i.e. NTB. The procurement and award of tender were carried out by the Department of Defence, which owns the facility, but payments were processed by the Agency and settled from Defence capital project vote through the MoF. No documents, formalising the arrangements between the Agency and the Department, or a procurement file in this regard were maintained to provide an audit trail. Consequently, Audit could not verify as to whether the procurement of the renovation work, its execution and payments made were in compliance with the prescribed procurement procedures. The ultimate payment to the company was SR4,312,500, following a discount.

- 1.13. A sum of R600,642 was paid in November 2020 by MoF to a contractor for the renovation of the Baie Ste Anne Hospital on Praslin, for which a contract had not been signed at the time of audit, although the works had been completed. Audit was informed, subsequent to audit, that a signed contract was submitted to the Ministry of Finance only after completion of the works to effect the payments. Audit did not find any documentation of the procurement process followed in this respect.
- 1.14. A total of R650,465 was paid to a transport supplier towards services for transportation of travellers to the quarantine facilities. The service was to provide 24 hour standby four (4) eleven (11) sitter buses at a hire charge of R3,600 daily per bus stationed at Airport, Seychelles Hospital, Isolation Unit at Perseverance and Hotel from March to June 2020. The procurement was made through direct bidding and lacked POU approval and a contract agreement. In the absence of the relevant documents, the reasonability of the hire charges paid as well as their accuracy could not be verified.
- 1.15. The Agency paid a total sum of R381,600 towards hiring of 6 cars for the period from August 2020 to Dec 2020 at a daily rental cost of R400 per car. The cars were hired for staff to attend to the daily operations related to Covid-19. It would appear that, in this case, the selective bidding method was followed selecting the lowest of the three (3) quotes received. However, there was no documentation revealing the authorisation/procurement approval from POU or a signed contract agreement for the hiring of cars.
- 1.16. Relocation of the services of the Anse Royale Hospital, effective April 2020, resulted in rental payments totalling R6,655,073 until December 2020 under a lease agreement for five (5) year (renewable every 2 years). The new administration decided to relocate the hospital back to its health centre as the Isolation Centre was being sparingly used to accommodate positive covid-19 patients, and the costs incurred was found to be excessive.
- 1.17. The Ministry incurred a total expenditure of R4,781,435 towards salaries of 50 Kenyan health personnel, recruited by it as contingent staff, from May to November 2020. In addition, expenditure amounting R787,750 and R691,000 (excluding tax) were incurred towards their accommodation and transportation to and from work respectively. They were also paid the front line Covid-19 allowance as per the MOU between the MOH and the Kenyan counterpart.

- 1.18. Government paid the Covid - 19 special risk allowance, totalling R20,626,510 up to December 2020, to all front line staff; R13.9m paid out from the Ministry's budget and the balance of R6.7m from the Contingency Fund.
- 1.19. HCA also incurred expenditure under the Contingency Fund, totalling R11,703,754 towards procurement of various materials including testing kits and personal protective equipment (PPE) needed in the fight against Covid-19 pandemic, and a further sum of R968,270 for the repatriation of Seychellois stranded overseas.

Overall Conclusion

- 1.20. Audit noted that:

- it was an unprecedented emergency and the news from the world over created an increasingly intensifying panicky environment which resulted in a situation where lives of all residents were at great risk;
- a quick response to deal with the increasingly worsening situation of the pandemic in the country was the top most consideration to maximise prevention of community spread of the virus and to ensure that adequate public health measures are in place;
- any delay or inadequacy of the efforts or safety measures or preventive steps could have cost the country very heavily in terms of human casualties;
- there were lack of skilled manpower and inadequacy of technical competencies in certain instances; and
- certain facilities and services had to be continued as preventive and curative measures.

- 1.21 Based on the above, Audit concluded that the coordinated, timely and effective responses spearheaded by the health authorities in Seychelles against the spread of Covid-19 were commendable. However, the Procurement Act and Regulations providing for procedure for dealing with emergency procurements could have been largely adhered to in most of the procurments. These Regulations require observance of the basic principles of procurement viz: economy, equity and transparency; especially declarations of the requisite authorities, a documented needs assessment, basic market information, evaluation of rates, establishment of their reasonability, prior authorisations, approvals to procurements and supply contract agreements. Compliance with some of these might have been practically difficult during the emergency, however, post event formalisation could have been possible had there been more co-ordinated efforts by all parties concerned. Efforts made or reasons for non-adherence should have been duly documented for the sake of transparency in the use of public funds.

Overall Recommendation

- 1.22 The authorities concerned should care to learn lessons and prepare material, human resources and funds to be utilised in largescale emergencies causing damage to lives, properties, communities and the pristine environment of Seychelles and its territorial waters.

DETAILED REPORT**Background**

- 2.1 To reflect the gravity of situation then in the Country and the world over, it may not be out of place to mention here that a persisting increase in the number of positive tested cases was observed daily. At the time of audit, (29.03.2021), total corona virus cases in the country had increased to 4,084 with 3,548 recoveries, 516 active cases and 20 deaths. The influx in the number of cases was mostly noted in the beginning of the year 2021. This infection was mainly attributed to infected new crew members of Spanish fishing vessels, incoming travellers and community transmission among residents resulting in more positive cases. Worldwide, as at 29.03.2021, the corona virus cases had reached to 127,863,603 with 2,797,663 deaths and 103,062,359 recoveries. The worldometer also showed that there were 22,003,581 active cases with 93,702 in serious critical condition.
- 2.2 A rigorous vaccination program of giving two doses of the vaccines, namely; sinopharm and covishield- Oxford/Astrazeneca, to the residents of Seychelles was also launched in early 2021.

Audit Scope and Objectives

- 2.3 To respond to the unforeseen panic situation created by the Covid-19 pandemic in 2020, the Ministry had to incur expenditure in large unprecedented sums on emergency basis through its different organs during March to December 2020, utilising the Contingency Fund and budgetary appropriations of HCA and the Ministry besides the specific grants and the donations received. This is still continuing in 2021 at the time of writing (October 2021).
- 2.4 The various payments in relation to the special immediate measures taken in response to an urgency situation caused by the unexpected arrival of the unprecedented Covid-19 pandemic entailed use of funds from the Contingency Fund and budget allocations of HCA and Ministry. Against the budget provision of R60 million for the year 2020, an expenditure of R81.4m was met from the Contingency Fund. Further expenditure of over R16m was incurred utilising the budgetary allocations of HCA and Ministry. The expenditure incurred was broadly towards different procurements and arrangements necessitated by the measures taken to control the pandemic. Foreign payments, however, effected through the Ministry's budget were not included in the scope of this audit. Furthermore, it is to be noted that some invoices were yet to be received by the authorities for settlement.
- 2.5 Audit noted that the arrangements made to deal with the challenges of the pandemic were that the PHA was to focus on implementation of the preventive and control measures to mitigate the spread of the pandemic, while the HCA was entrusted with the responsibility of providing all needed facilities, medication and medical equipment as such a majority of the expenditures were incurred by the latter body (HCA).
- 2.6 The special audit was conducted with emphasis on compliance by the HCA, while making the emergency procurements and arrangements in response to Covid-19 pandemic, with the provisions of the Procurement Act and Regulations made

thereunder, particularly to verify compliance with the provisions related to emergency procurements. The audit also verified the extent to which the fundamental principles of procurement, as provided in the Regulations, were observed. It also attempted to assess indicative losses, if any, to the government as a result of committing to costs higher than what is reasonable due to lack of adopting justifiable procurement means and procedure.

- 2.7 The audit covered the expenditure incurred by the Ministry of Health through HCA and PHA from March to December 2020 was undertaken with the main objective to verify the expenditure on different measures taken in an emergency by the Government in response to the Covid-19 pandemic. The expenditure incurred on different special measures was broadly in the following categories:
- rent of tents (inclusive of tables and chairs) at headquarters and all health centres used for pre-screening of patients;
 - renovation of quarantine facilities at South East Island, on Praslin and La Digue;
 - rentals for the hired accommodation converted into quarantine centres and charges for the facilities provided thereat. Payments to Berjaya Beau Vallon Bay, Seychelles Coast Guard, Maison de Football and others were noted and examined in this regard; and
 - expenditure incurred towards Covid-19 risk allowances and recruitment of expatriates health personnel.
- 2.8 In addition to the above, expenditure on some situation-specific arrangements which were considered necessary to deal with Covid-19 pandemic were also noted.
- 2.9 The audit aimed to ascertain:
- compliance with the terms and conditions attached to utilisation of the special funds provided by Government;
 - compliance to the relevant provisions of the Procurement Act and Regulations in relation to emergency procurements;
 - extravagant, wasteful or avoidable expenditure, as a result of committing to higher costs than what should have been, as a result of contracts not awarded through competitive open tenders; and
 - any other financial or economic implications these measures has had on the use of public funds.

Audit Methodology and Limitations

- 2.10 Constrained by the manifold restrictive and preventive health guidelines, review of documents obtained at the Ministry of Health and the Ministry of Finance as well as those received online through mails, were the main sources gathering information for conducting the audit. Where considered necessary as conditioned by the pandemic regulations and guidelines issued for the conduct of office business, meetings were also held with officers of the Ministries with enquiries predominantly performed through e-mails and telephonic conversations. However, relevant payment vouchers and other supporting documents for the expenses settled were pursued at both Ministries' premises to the extent it was practically permissible.

- 2.11 The matters arising were communicated to HCA, copied to PHA and MOH, in the Interim Management Letter issued on 11.05.2021 for discussion in the audit exit meeting, which, however, could not be convened by HCA in view of its work exigencies. Consequently, the Management Letter was issued on 28.06.2021. However, after the Management Letter was issued, a virtual meeting was held on 16.09.2021 at the request of the Chief Executive Officer of the HCA. The following report is based on the audit matters arising together with management comments offered during the virtual meeting.

Provisions relating to Emergency Procurements

- 3.1 Section 65 of the Public Procurement Act, 2008 titled '*Emergency Procurement*' and regulation 109 of the Public Procurement Regulations, 2014 (the Regulations) captioned '*Procedure for Emergency Procurement*' contain the various provisions relating to the emergency procurements as detailed below.
- 3.2 Section 65 stipulates that:
- (1) A procuring entity may purchase goods, services or works from a single supplier without competition in cases of extreme urgency.
 - (2) The scope of an emergency procurement shall as far as possible be limited to the period of emergency, so that appropriate competitive procurement methods may be utilised at the conclusion of the emergency period.
 - (3) For the purposes of this section, "extreme urgency" includes a situation where;
 - (a) Seychelles is seriously threatened by or actually confronted with a disaster, catastrophe, war or an event of force majeure;
 - (b) life or the quality of life or environment may be seriously compromised;
 - (c) the condition or quality of goods, equipment, building or publicly owned capital goods may seriously deteriorate unless action is urgently taken to maintain these capital goods in their actual value or usefulness; or
 - (d) an investment project may be seriously delayed for want of an item of a minor nature.
- 3.3 Regulation 109 states "where a procuring entity conducts direct bidding, in the grounds of an emergency need, the Procurement Unit shall -
- (a) First confirm that the goods, works or services required are not available from stores or under any existing framework contract or similar arrangements;
 - (b) Notify the approval authority in accordance with regulation 112;
 - (c) Identify a suitable bidder;
 - (d) Where time permits prepare a written request for a bid, containing a statement of requirements for the goods, works or services required, as the case may be, and a written statement of the proposed contract form and terms and conditions of contract.
 - (e) Issue a written request to the sole supplier and obtain a written bid.
 - (f) Evaluate the bid in accordance with regulation 110;
 - (g) Negotiate with the bidder, if required, in accordance with the procedure in regulation 111; and
 - (h) Prepare a brief report, for submission to the approvals authority, which shall contain:
 - i. details of the requirement and the emergency circumstances

- ii. a summary of the action taken to invite, evaluate and negotiate the bid and
- iii. a recommendation to award the contract or take other appropriate action.”

- 3.4 Viewed against the above procedural prescriptions, Audit noted that this pandemic had caused an emergency as the lives of all residents was at a very high risk, which also at that time (in March 2020) had no cure, vaccine nor an effective Food and Drug Administration (FDA) approved treatment. However, as a general observation from verification of the records and documentations relating to Covid-19 expenditures, Audit noted that the main choice of most procurement by the Agency was through direct bidding under the emergency procurements. Procedures followed for procurements were not always documented nor were procurement files maintained in the interest of transparency, equity and economy of the procurements effected.
- 3.5 The following non-compliance and short comings in certain cases of procurements were observed:
- i. written approval of authorities, in accordance with regulation Section 109 (b), was not obtained;
 - ii. a documented needs assessment as to the number and kind of facility, tenting, services and other material requirements was not found;
 - iii. a documented assessment or a general market survey of suppliers and the supplying capacities available in the market was not kept. The activity being of non-medical nature, the information about sources of suppliers used was not documented. This becomes necessary as most of the procurements noted were made by direct and /or selective bidding process;
 - iv. no specific procurement committee was found to have been set up to explore different suppliers and in most cases there were limited POU association to explore potential suppliers, obtain prevailing/market rates and conduct negotiations to enable favourable procurement decisions;
 - v. though the values of procurements made entailed open bidding, Audit did not sight any Covid-19 related procurements through the open bidding process and documents to reflect compliance with provisions of above cited clause h (iii);
 - vi. Section 65 of the Procurement Act provides for direct bidding on the grounds of an emergency due to the Covid-19 pandemic, but due compliance with its provisions was not sighted in all cases of rent of tents, facilities and services procured;
 - vii. no documented evaluation of the offers received from suppliers in terms of their products/services and establishment of reasonability of the rates, through negotiations or otherwise were sighted; and
 - viii. Section 117 of the Procurement Regulations requires that “a contract should be signed between the two parties upon acceptance of a bid”. However, certain procurements were made without signing contract/rental agreements, if any, signed between the parties involved as these were not sighted.

HIRING OF TENTS AND OTHER FACILITIES

- 4.1 ***Non-compliance with procurement procedures:*** HCA installed hired tents at seventeen (17) health centres/premises for the screening process (triage), necessitated by the pandemic. For 9 health centres at Beau Vallon, English River, Anse Royale, Anse Boileau, Les Mamelles, Anse Aux Pins, La Digue, Baie Ste Anne and Grand Anse Praslin, a total amount of R5,442,430 was paid towards rental of tents by December 2020 and a further sum of R359,700 for other associated expenditure, such as, installation of air-condition/fire safety equipment from the Contingency Fund. Audit, however, did not find the procurement file containing the requisite documentation showing the necessary approvals, selection basis, agreed higher chargers and a contract including other terms and conditions of procurement.
- 4.2 ***Substantial reductions in tents hire charged:*** Audit noted that invoices of only five suppliers were settled from the Contingency Fund and the settlement of invoices received subsequently was underway at the time of audit. The scrutiny of the payments of rents to those five (5) suppliers revealed that the amount of tent hire charges initially agreed were subsequently reduced up to 50% by three (3) suppliers.
- 4.3 ***Regarding non-compliance, the CEO in response explained that at the time of the pandemic, they had to react promptly to make arrangements in next few days only as such did not have time to go through the procurement process and so the procurement procedures could not be followed. As the need for the tents for triage process was immediate, they could not wait for setting up the facility for any reason. They had to seek suppliers who readily had tents on hand, despite the limitation and the high prices. He stated that he went to companies, who had tents in stock ready for supply in less than a day. He explained that they could not shop around but had to go the suppliers currently having tents in their possessions. He mentioned that the process itself was slow. He stated that he takes full responsibility for the decision made and that an urgent decision was needed due to the outbreak and they had to save lives. He added that the procurement process does not cater and accommodate for this type of outbreak, which was unprecedented.***
- 4.4 ***On the issue of substantial reductions, the CEO in response explained that he had to be very stringent during negotiations with the suppliers to obtain discounts for the tents after their installation to try and reduce on the amounts being spent as the suppliers were reluctant to do so. Hence, no procurement approval was sought from the approvals authority nor was there a procurement file. He also stated that he stands by his decision to install the tents immediately as his main focus was on saving lives as the procurement procedures could not cater for this swift decision.***
- 4.5 Audit acknowledge that the pandemic was indeed a situation of emergency and HCA had grounds to follow the direct bidding process. However, in the absence of documentation showing the basis on which the Agency shortlisted the suppliers used for the procurement of tents and the substantial reductions of hire charges by suppliers when there was a public outcry about the transparency aspect of the selection process, it appears that the Agency was made to pay inflated rental charges during the turbulent time. Furthermore, Audit is of the opinion that this

should have been only on a short-term basis as HCA should have replaced these with its own tents or permanent structures or competitive alternatives with a minimum delay in view of the advice from POU to HCA vide email of Friday 24 July 2020, advising to remove the tents from by October 2020 and replace these by permanent structures or own purchased tents to which HCA had agreed. At the time of audit, it was noted that a permanent structure was being built at English River Health Centre and was informed that the process of purchase of tents was underway to curtail all avoidable pandemic related expenses were under their active consideration.

- 4.6 ***Invoices for rental of tents yet to be submitted:*** Audit noted that invoices in respect of eight (8) health centres, at Beoliere, Baie Lazare, Takamaka, Port Glaud, North East Point, Yellow Roof, Sheik Khalifa Diagnostic Center and Casualty, were yet to be received. As per the HCA database, the tents for these health centres had been obtained from a single supplier. However, during discussions with Director of Community Health Services and the DRDM coordinator it transpired that the said supplier had decided not to bill the Agency yet due to the current economic situation affecting the country. As this procurement had not been properly documented including a rental agreement, Audit could not ascertain the extent of the potential liability in this connection.
- 4.7 It is recommended that outstanding invoices should be obtained from the concerned supplier and their timely settlement is ensured.
- 4.8 *The CEO in the virtual meeting explained that as advised by the POU and the pronouncement made by the new government, all tents have been replaced with their own new tents and with the ones donated from the UAE and local business owners with the exception for one (located at English River) which is under replacement by a permanent structure and would be ready by September 2021. He informed that it had been delayed due to the pandemic issues, construction and delays in payments.*
- 4.9 Audit follow-up revealed that some invoices were yet to be submitted, and rental payments to suppliers had discontinued except for the tent at English River Clinic.
- 4.10 ***Assets not recorded in Fixed Asset Register:*** Audit observed that nineteen (19) 12000 BTU Carrier inverter air-condition units purchased for a sum of R157,938 installed in tents at various health centres were not yet accounted for in the Fixed Asset Register (FAR). Similarly, further assets worth R170,778 needed for the quarantine centres were procured utilising the budget under Contingency Fund and for Agency and other assets worth R179,067 procured from the Agency's budget were also not entered in the Register. Furthermore, a large number of fixed assets worth over R12m received as the pandemic donations were yet to be recorded in the FAR. In view of the prevailing situation whereby staff members are pre-occupied with other pressing matters, Audit is of the opinion that the assets are susceptible to misappropriation, personal usage, or pilferage as they are yet to be accounted for following delivery and installation.
- 4.11 *The CEO, in response stated that all assets received had been recorded in the Fixed Assets Register by the Asset Management Officer.*
- 4.12 Audit, on follow up, noted that updating of the Fixed Asset Register (FAR) was underway. However, the payment voucher number were not being recorded, as such audit was unable to trace these assets to FAR. The Asset Management

Software although installed at the Ministry the same was not yet in use at the time of audit. Keeping an assets register in the Excel form suffers from a number of deficiencies; like assets information maintained in excel form is prone to untraceable manipulations; lacks data security as provided for in the Asset Management Software. Audit follow-up revealed that the Asset Management Software although installed were still not in use as the Asset Management Officer was yet to be trained on how to use the asset software.

RENOVATION OF QUARANTINE FACILITIES

- 5.1 ***Award of renovation works at South East Island facilities:*** Audit noted a payment of R4,312,500, inclusive of VAT, paid to a contractor vide payment voucher dated 21.10.2020 from the SPDF PSIP vote for the renovation works at South East Island. The renovation works was awarded for a contract sum of R5,568,008. However, ultimately, the contractor was paid only R4,312,500 due to a discount being offered by the contractor.
- 5.2 First schedule of the Procurement Act/Regulations require that where the cost of procurement of works is more than R750,000 the Accounting Officer should follow open bidding method and the procurement approved by the National Tender Board. Viewed against these requirements, Audit noted as under:
- i. The CEO informed that as the building belonged to the Department of Defence, the renovation work for a contract sum of R5,568,008 was awarded by them. However, agreements between the Departments (DoD, MoH and MoF) and the Agencies (HCA and PHA) containing the terms and conditions in regard to the execution of the renovation works and formalisation of the arrangements were not produced to Audit;
 - ii. The contract was awarded through direct bidding for which no prior authorisation by POU/approval of NTB obtained;
 - iii. A procurement file documenting the renovation works, needs assessment, scope of work, design/drawing material specifications and standards, assessments of estimated costs and approvals was not sighted; and
 - iv. The rationale and basis for the discount of R1,818,008 at the invoice stage was not sighted.
- 5.3 Audit further observed a fait accompli situation, necessitating payment to the contractor as follows:
- a) A contract was signed between the two parties on 04 May 2020 retrospectively, providing for date for the commencement of the project as 18 March 2020. Verification of the payment voucher, accompanying invoices and other supporting documents showed a letter dated 15 October 2020 written by the Chief of Defence Forces which provides the justifications for the direct bidding and without procurement approval. Upon project completion the payment certificate was approved by the HCA's CEO, Deputy CEO and the Senior Project Officer. Audit noted that the Ministry of Finance suspended the settlement of the invoice due to lack of procurement approval and contract for the project.
 - b) The CEO stated that the issue of non-adherence to procurement rules and requirement approval from POU should be addressed to the

Department of Defence. The CEO also proposed that the PISP Budget for Ile Du Sud Est renovation be transferred under Department of Defence PISP Budget accordingly.

- c) Audit subsequently undertook a verification of the payment documentation at Ministry of Finance which revealed that the Department of Defence did not follow the relevant tender planning and procurement processes. According to the correspondence exchanged, the project was completed within one month's time as it was needed urgently for use by patients affected by the Covid-19 virus. Given that works has already been completed, POU was not in a position to process request for approval of contract retrospectively as PPA and PPR do not allow same. However, the contractor had to be paid for the works undertaken.

- 5.4 *The CEO and Deputy CEO of HCA explained that following the first cases of Covid-19, Government agreed to renovate the building at South East Island under the responsibility of Seychelles Defence Academy (SDA) to buffer accommodation facilities for incoming travellers being placed on quarantine. The CEO said he carried out the site visit and found the buildings as appropriate. As such a budget of R4m was provided under HCA's PSIP by Ministry of Finance. The renovation of the building comprised renovating two blocks with 32 rooms catering for single, double or family occupancy. It also includes accommodation facilities for health workers and the compound has been securely fenced. The rooms are also equipped with en-suite bathrooms, air condition as well as with other amenities such as WIFI internet services and televisions. CEO said also that the decision for using this facility at South East Island as a quarantine centre and the decision to use the particular contractor for the renovation was taken at the Platinum level meeting. He said that HCA did not have a say in it as the facility belongs to Department of Defence, which signed the contract. HCA was involved in a small way thus it did not have all correspondences and copies of the drawings.*
- 5.5 **Renovation of quarantine facilities on Praslin:** Other than the South East Island, the HCA also renovated the Baie Ste Anne Hospital on Praslin to be used for Covid-19 patients at the cost of R600,642 for an Isolation Centre.
- 5.6 It was noted that initially, the bill was returned to the HCA with the observations that it lacked approvals, contract agreement and also there were complaints of sub-standard renovation works. Subsequently, the CEO explained that the issue had been resolved and enquiries to MFEPT showed that the payment was settled upon the receipt of a signed contract per the payment voucher dated 23.11.2020.
- 5.7 However, the procurement approval/prior authorisation by NTB/POU, a contract and the project/procurement file containing the relevant documentation were not produced for examination. Further, Audit noted complaints of roof leakages during heavy rains reflecting the substandard quality of the repairing works carried out. Furthermore, two other invoices, amounts totalling R61,344 were noted paid under Contingency Fund for renovation works on Praslin to different contractors.

- 5.8 *The CEO, in response, stated that it came at a stage where they did not have the facility to care for Covid patients on Praslin. Hence, this building requiring renovation was identified at the Baie Ste Anne Hospital and as the Contractor was already on Praslin they were requested to carry out the works. Again, due to the urgency no procurement approval and file was obtained but a contract was later signed with the contractor. The Agency further said that even the scopes of works were done after works had started. However, monitoring was done by the Agency when the contractor was performing the renovation.*

ISOLATION AND QUARANTINE FACILITIES EXPENDITURE

- 5.9 Following the first cases of Covid-19 patients, the Agency found it necessary to make available quarantine facilities for returning residents, immigrant workers or tourists entering Seychelles to deter the spread among the population. The facilities cost the Agency a considerable sum of money. Four facilities were used as quarantine centres. In addition, HCA also used the Anse Royale Hospital as an Isolation Centre and hence had to relocate the provision of its services to the Anse Royale District Administration office which proved to be inconvenient and resulted in the hospital's services being relocated to a new private premises effective June 2020. HCA also used the Perseverance family hospital as the main centre to admit patients showing covid-19 symptoms.
- 5.10 ***Relocation of Anse Royale Hospital services:*** As the Anse Royale hospital was used as an Isolation Centre for Covid-19 patients, the Agency relocated the hospital services temporarily to the District Administration (DA) premises, which proved not conducive and effective June 2020, rented 3 office spaces with monthly costs of (R271,687-main clinic), (R49,266- dental clinic), (R66,654)-Physiotherapy. Audit noted that the Agency had obtained exemption, dated 26 June 2020 from POU and entered into a lease agreement for a period of five (5) years as of 01 June 2020. At the time of audit, the Agency had paid a total sum of R6,655,072 towards rent up to December 2020. However, following the formation of a new Government in October 2020, there was an intervention to relocate the hospital's services back to its Anse Royale infrastructure as it was being sparingly used as an Isolation Centre. There was no proper evaluation undertaken prior to deciding on renting accommodation for the hospital facilities. Audit revealed that the last rent was paid in June 2021 under the contingency fund.
- 5.11 *The CEO in response stated that they were in need of an isolation facility and Anse Royale was seen as the best solution. HCA started with the renovations after the announcement of the outbreak from the WHO. HCA visited many sites (e.g. UNISEY, NSC) and concluded the rented premises as a best fit to relocate the hospital after the DA's office was seen to be inconvenient / inappropriate. In regard to the long term lease agreement for 5 years, the CEO explained that the original plan of the Arc Royale was to be a Supermarket and the owner only agreed to repartition based on the requirement of a Health Care facility only if HCA commit to a 5 year lease agreement. The owner then agreed to repartition with additional toilets to fit a health centre requirement. However, as the isolation centre was not being fully used the new government decided to terminate the lease agreement and to relocate the hospital to its original location to save on*

government spending. He added that all assets procured were returned back to the hospital building, some assets such as air-conditioners, however, were left behind as they belong to the centre. Further, all assets received had been recorded in the Fixed Assets Register by the Asset Management Officer.

- 5.12 ***Renting of resort without procurement approval:*** The main area used for quarantine facilities was a Resort on full board service to accommodate incoming foreign or local travellers and positive tested patients not requiring hospitalisation. A total of R39,413,030 was paid to the Resort as monthly rent up to the month of December 2020 including 9 days in March 2020. As per the signed agreement, the rate of R500 per day a room plus all telephone, internet and TV fees were to be paid. However, electricity, water and diesel costs were split at 75:25 between Government and the Resort respectively, which was later on increased to 90:10 as of 15 July 2020. Additionally, the Government agreed, to settle salaries of the resort's employees from April onwards under FA4JR. However, no procurement file was provided and hence Audit did not sight any documentation in regard to proper assessment of the need for accommodation services in terms of kind (to quarantine incoming travellers and positive cases patients), quantity (numbers), probable durations, evaluation of the available alternatives through cost estimations and budgeting.
- 5.13 The agreement was signed on the 01 August 2020 between Principal Secretary of Finance and the Resort management, including a retrospective provision in that effective 01 June 2020, the room rate was increased to R835 per day despite the fact that Government was covering the salaries of all staff under FA4JR as well as footing most of the operating costs. It also showed that the number of room paid for was 110 per day from 23 May to 15 July 2020, and thereafter, 177 rooms were reserved daily and were paid regardless the status of their occupancy. Despite the significant amount of rental involved, the renting of resort was done without the procurement approval.
- 5.14 The new Government in office considered the room quarantine cost excessive and exorbitant and took the decision to relocate the facility to a Hotel, which had agreed to accommodate quarantine travellers free of charge due to the economic situation faced by the country. However, in February 2021, due to the resurgence of more cases and insufficient number of rooms available in a Hotel, the Agency reverted to the Resort.
- 5.15 *The CEO said that same principle applied as they had to react fast and obtain an isolation centre within a few days. However, this was taken up by the Minister of Finance who negotiated with the Resort. He further said that the Minister of Tourism, PS of DRDM and himself also attended the meeting. The Minister of Finance was stringent in obtaining the hotel as well as negotiating the room price. Although the cost was high, the Government had no choice as its primary concern was to stop the spread of the virus. On the increase in room rates from R500 to R835, the Agency stated that although the hotel's staff were on the FA4JR program, certain conditions that were agreed upon between the parties concerned were withdrawn. Again, there were no procurement approval sought and procurement file kept.*

- 5.16 **Payment for additional catering facilities:** The Agency provided breakfast, lunch and dinner to all travellers and patients serving the compulsory 10-14 days quarantine or hospitalisation as the same were not covered in the agreements with the Resort and other facilities being used. As at the end of December 2020, a total of R4,887,448 was paid for catering services to a catering company. However, no procurement file was provided so documentation as to needs assessment and cost estimation, budgeting in respect of the catering services provided, the numbers/quantities and menu as well as reasonability of rates and days the services were required and the signed contract were not sighted.
- 5.17 *The Deputy CEO stated that they do not have any valid contract for the provision of food to the quarantine and isolation centres. As that company was already catering for the hospitals and had the ability to cater for their requirement they were selected. She further said that they have been trying for over three years to seek for other suppliers but no one has the ability to provide for their food catering requirements. The CEO said that they asked the Resort to supply meals for the visitors and residents in quarantine but due to lack of staff, cost effectiveness and their kitchen being closed the hotel declined to do so. Therefore, they had to request additional food catering services from the current supplier as they had sufficient capacity.*
- 5.18 **Payments relating to transportation services:** The examination of Contingency Fund revealed that there were expenditures incurred relating to transportation amounting to R1,032,065 to operate the quarantine centres. Audit noted that HCA appointed, through direct bidding method, a transport Company to provide 24 hour standby of (4) four 11 sitter buses for R3,600 per day per bus stationed at the Airport, Seychelles Hospital, Isolation Unit at Perseverance and the resort being used from March 2020 to June 2020 and paid a sum of R650,465. Also another car hire company was selected, being the lowest bidder from three bidders, to provide six (6) cars at R400 per day per car for the month of August to November 2020 and a total of R381,600 was paid. These arrangements also lacked procurement approval and signed contract agreement.
- 5.19 *The DCEO stated that they did request quotations from several parties. She added that she will consult the Transport Officer/Manager to verify about the quotes and procurement file. Audit informed that the Transport Manager was consulted, during the course of audit, who told that 11 sitter buses procurement was done by direct bidding method while for cars several quotes were sought. However, there were no procurement file and approval. The CEO stated that they did not have enough vehicles to use and it was in urgent need to transport people; newly arrived from the Airport, staff, patients and equipment to health facilities, isolation as well as quarantine centres. Hence due to this urgency that is why no procurement file, approval exists but due diligence was made regarding the price.*

PROCUREMENT OF COVID-19 RELATED MATERIALS

- 5.20 Audit noted that HCA incurred expenditure under the Contingency Fund, totalling R12,672,024, towards procurement of various materials including testing kits and personal protective equipment (PPE), and also in relation to repatriation of the stranded Seychellois patients and other nationals as below.

Payment details	Amount-R
PV date 27.05.2020/18.12.2020 800 standard Covid-19 antigen test 25T/kit and 80 VTM Swab 3ml Tube pl/150 for US\$377,600 and Covid test kit USD104,500	6,947,840 2,280,807
PV date 16.07.2020 3000 pcs aerochrome gowns large and 3024pcs aerochrome extra large gowns for US\$134,765	2,475,107
P.V date 22.05.2020 Airfares and covid-19 test for repatriation of 60 Seychelles nationals at Chennai and Colombo as well as 30 other stranded nationals scheduled for Saturday 23 May 2020.	968,270

- 5.21 Audit noted that although the procurement values of test kits were substantial (R9.2m) and those of PPE (R2.5m), there was no procurement file containing the relevant documentation on the need assessment, market survey and information as to availability of the products and prevailing rates/prices, alternative sources of supply and bids/quotes. Audit concluded that direct bidding method was used for procurements without seeking the requisite prior approval from POU/NTB.
- 5.22 *The CEO, in response, explained that all procurements were dealt with on an emergency basis and the procurement process does not cater sufficiently for this kind of outbreak, which was unprecedented.*

EXPENDITURE RELATED TO COVID ALLOWANCES AND RECRUITMENT OF KENYAN HEALTH PERSONNEL

- 5.23 Following the first positive cases of Covid-19 infected patients HCA and PHA established a special committee comprising of management employees and medical experts to handle the administrative matters in respect of the corona virus pandemic. This resulted in Government agreeing for all committee members and front line staff handling patients or potentially infected patients to receive a front line Covid-19 risk allowance due to their exposure levels. The Committee established four (4) categories of risk allowances with very high and high exposure risk receiving R5,000 each monthly. The medium and low exposure risk employees received R2,500 and R1,500 monthly respectively. The case was submitted to DPA and was duly approved on 30 March 2020. Audit noted that the Ministry had settled a total of R20,626,510 as at end of December 2020 as Covid-19 risk allowances. It was noted that R13.9m was settled from the Ministry's budget and the balance of R6.7m was paid from the Contingency Fund.
- 5.24 *The CEO stated that all risk allowances was paid from their recurrent budget. He said the allowance now has been revised and will only be awarded to front-line workers in 2021. He further advised Audit to liaise with the Senior Accountant about the risk allowance for a better clarification on the total cost as this was recently updated for the National Assembly.*
- 5.25 Audit follow-up revealed that the information compiled by the Agency showed only R15.2m as opposed to the Audit figures of SR20.6m, the difference resulting from an omission of the payments towards home carer scheme and cleaners co-

operative by the Agency. As for 2021, for the period January to August, Audit noted that a total of R22.6m on Covid-19 risk allowances had been paid.

- 5.26 ***Kenyan health personnel salaries:*** The MOH/HCA signed a Memorandum of Understanding (MOU) on the 30 April 2020 with the Ministry of Health of the Republic of Kenya to provide fifty (50) health personnel to assist HCA and PHA in their fight against Covid-19. The MOU stated, among others, the salary, including the R5,000 covid-19 risk allowances, in respect of all the Kenyan personnel at different levels. While 47 of these health personnel were placed under the responsibility of HCA, the remaining 3 were placed under PHA. As per Treasury records, HCA had settled a total R4,781,436 as salaries to the Kenyan Medical personnel from May to November 2020. However, these personnel left the country by end of November 2020 as the Ministry's assessment revealed that they had acquired sufficient capacity to handle the prevailing infection rate in the country with a batch of newly graduated nurses had become available and existing health personnel had been reshuffled. Audit noted that a file documenting the purpose, needs assessment, timing and selection process was not maintained by HCA.
- 5.27 ***Accommodation cost for Kenyan personnel:*** Audit revealed that HCA was directed by the Procurement Oversight Unit to set up an evaluation committee to carry out the process of housing for the Kenyan health professionals and the payments thereof. The Committee members comprised of personnel from POU, MoF, DPA and HCA. Priority was given to using the currently vacant houses being rented by HCA. Accordingly, twenty eight (28) rooms were identified by the Committee, and 19 personnel were accommodated therein. For the remaining staff, it was observed that seven (7) rooms were required for South Region and another nineteen (19) rooms for the North Region for a period of three months effective 1 September 2020 to 3 November 2020 based on the secondment of the nurses. Five (5) service providers submitted quotations for South Mahe and three (3) for North Mahe respectively. The evaluation committee analysed, visited and selected the best bidder. Accordingly, Apartment X was selected for South Region and Apartment Y was selected for North Region for a sum of R162,000 and R625,750 respectively. An agreement was also signed by the relevant parties.
- 5.28 ***Transportation of Kenyan health personnel:*** Verification of the related payments showed that the Agency incurred expenditure of SR691,000 (excluding tax) towards local transportation of the Kenyan health personnel and a R34,452 towards the national airline for air transportation of the two personnel who left prematurely.
- 5.29 Audit noted that the procurement of local transport services was done through selective bidding process, whereby six (6) quotations were received and the lowest bidder was selected. However, without seeking the prior approval of the relevant authority.
- 5.30 *The CEO was of the opinion that presently he is still of the view that those personnel were much needed due to the pandemic as they were used for sorting (triage), the isolation and quarantine centres. There is still a lack of employees in certain areas as most staffs have been unable to apply and take their annual*

leave and they are over worked. As regards accommodation and transportation, there was a committee. The committee for accommodation and its related costs comprised representatives from DPA (in chair), Ministry of Finance and HCA which discussed the different options available, and selected the lowest rate (best option.) In the case of the two Kenyan personnel who left prematurely, he stated that they were both pregnant without their prior knowledge due to their early stages of pregnancy. This resulted in HCA had to bear their travel costs back to Kenya due to the diplomatic agreements made between the two governments.