



2021

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 2021

Results of audits in Ministries, Departments, Divisions and Offices

Results of audits in Statutory Bodies

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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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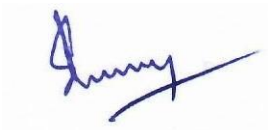
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20 November 2022

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 2021 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
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Acknowledgements

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

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

Overview

The report presents the results of my audit of the Annual Financial Statements (AFS) of the Government for 2021 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 2021 to August 2022. The matters included in this report are selective as they are the matters being brought to the attention of the National Assembly as per my reporting requirements. I am pleased to note that many matters raised in audit management letters issued to Accounting Officers throughout the audit cycle, have been dealt with satisfactorily. However, some still remain to be addressed.

This is my sixth 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 hang 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.

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. Provide an update on the status of remedial action taken by various MDAs based on previous audit reports.

It is to be noted that this report does not include the results of numerous other audits, such as, special audits and project audits carried out at request during the same audit cycle, for example, World Bank Indicator Report on Agency for Social Protection, Outsourcing of Management of the Cemetery and Burial Services and FA4JR Scheme. The results of these audits have been included in separate reports and submitted to the National Assembly and/or the requesting authority. Also, I certified a number of financial statements of projects assisted through foreign funding at the request of the Ministry of Finance and the funding agencies, of which the reports are not included in this report.

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 MDAs.

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

The preparation of Annual Financial Statements (AFS) of Government under the IPSAS accounting framework comprising several statements of accounts is the responsibility of Ministry of Finance. The audit of these statements is of paramount importance to the Seychellois citizens. In this respect, my role is to provide assurance to the National Assembly and other stakeholders that these statements properly presents the budget allocations, expenditure, revenue 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 not only timely but also fully in accordance with the IPSAS framework to receive a clean opinion. Thus, enabling the audit of the same by the statutory deadline (30th June).

I note that Ministry of Finance is yet to roll out the new Accounting Manual, which was supposed to have been done effective 2021 but delayed due to some technical issues. I would like to urge the Ministry to see an early implementation of the same considering the fact that it is one of the essential tools required by the MDAs to better manage their financial operations in an efficient and orderly manner, in compliance with the public financial regulations. 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 2021.

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 was submitted to Audit on 31 March 2022. These statements were examined and the matters were formally communicated to the Ministry on 15 July 2022 through an Interim Management Letter (IML), followed by an exit meeting held on 01 August 2022. Formal response to the IML and a second draft financial statements were submitted by the Ministry on 15 September 2022 and 07 September 2022 respectively, further to which a Management Letter was issued by OAG on 04 October 2022. The final draft AFS 2021 was submitted on 07 November 2022 and comments and analysis included in this report are therefore, based on the final draft financial statements. 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

- 2.1 In line with the International Public Sector Accounting Standards (IPSAS) reporting framework established under the Public Finance Management Act (PFMA) 2012, the government must report fully upon all of the receipts and expenditures of all entities and funds under its control, including any extra-budgetary funds which have been received and disbursed during the year by or on behalf of its agencies.
- 2.2 For now, the cash basis IPSAS has been adopted by the government to report on the financial position and transactions under the Consolidated Fund and various other funds, 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.
- 2.3 Under the IPSAS cash-basis framework, the annual financial statements of government are required to include a statement of comparison of budget and actual for revenue and expenditure of the government for the year, where operational performance for the year is detailed, and the explanation for material differences between budget and actual amounts provided by way of a disclosure note.
- 2.4 As has been observed in previous audits , the annual financial statements, submitted for audit, include two statements presenting substantially the same information in this respect, in the form of a ‘Comparison of budget and actual amount for the year 31 December 2021’ and ‘Comparison of budget and actual amount for the year ended 31 December 2021 (GFSM 2014 classification)’. Audit was informed that this is done for administrative reasons.
- 2.5 To note that the observations in the following paragraphs are based on the figures included final draft AFS for 2021 presented 07 November 2022 and the audit of successive drafts of the AFS and other accounts and records relevant to the same. The statements as presented do not fully comply with the existing cash basis IPSAS framework for the following reasons, stated briefly:
- Some extra-budgetary revenues and expenditures of public bodies are not included in the financial statements of the government.
 - Some government controlled bank balances are not included in the financial statements of the government.
- 2.6 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 2021, encouraged on a voluntary basis instead of observing it as a standard under the revised cash basis.

Revenue

- 2.7 Revenue derived from various sources, including direct and indirect taxes, fees and charges and dividends on behalf of the Republic, is credited to the Consolidated Fund as per the relevant constitutional provisions. Government agencies responsible for the collection of revenue are given targets in terms of approved estimates for each fiscal year.
- 2.8 Revenue figures included in the annual accounts of the government are actual receipts net of refunds, some of which may not necessarily relate to the current financial year. Revenue arrears realised relating to previous years are accounted for as current revenue in the year of collection.

Collections for the year

- 2.9 Actual revenue collections for the year 2021 shows an over performance of R351.8m or 4 per cent, with recorded receipts of R8.3b as compared to R8.0b reported for the previous twelve months. Revenue collections overall reported in the years 2017/2021 can be summarised as follows.

Figure 1

R (m)

Head	2017	2018	2019	2020	2021
Taxes	6,753.4	7,319.8	7,428.2	6,371.3	6,724.3
Fees and Charges	349.4	335.9	340.9	261.9	366.6
Dividends	206.6	426.3	477.4	412.4	441.11
Other Non-Tax	69.9	61.0	49.2	240.7	66.2
Sale of Assets	0.0	121.2	54.9	62.7	71.9
Grants	163.3	340.6	58.5	602.5	633.2
Totals:	7,542.6	8,604.8	8,409.1	7,951.5	8,303.3

- 2.10 The original revenue estimate for 2021 totalled R8.3b and revised to R8.1b against which actual collections were R8.3b. The revision in expected revenue includes both increases and reductions in estimates under various revenue categories, as summarised in **Figure 2**.
- 2.11 **Upward revision of Tax estimates:** The revenue estimates were revised upwardly in respect of a number of taxes. For example; Business Tax estimates were increased by R330.4m, Value Added Tax by R175.5m, Personal Income Tax by R67.4m, Corporate Social Responsibility (CSR) Tax by R41.2m, Other Non-Tax by R17.5m, Tourism Marketing Tax by R4.3m and Goods & Services Tax by R2.7m.
- 2.12 **Downward revision of estimates of revenue:** Grants estimates were reduced by R622.5m, Fees & Charges by R62.4m, Excise Tax by R60.5m, Customs Duties fell by R21.5m, Other taxes by R20.3m and Sale of Assets by R17.6m and dividends by R2.6m.

Figure 2

Head	R (m)			
	Original Estimate	Revised Estimate	Actual	Variance R (m)
Personal Income Tax	929.0	996.4	1,030.8	34.4
VAT	2,141.4	2,316.9	2,323.4	6.5
Custom duties	254.8	233.3	217.5	-15.8
Excise Tax	1,286.2	1,225.7	1,207.8	-17.9
Business Tax	1,103.0	1,433.4	1,455.3	21.9
GST	0.0	2.7	2.4	0.3
CSR Tax	17.0	58.2	61.1	2.9
Tourism Marketing Tax	57.4	61.7	59.9	-1.8
Other Taxes	344.0	323.7	321.4	-2.3
Property tax	40.0	40.00	44.7	4.7
Fees and Charges	383.7	321.3	366.6	45.3
Dividends	375.3	372.7	441.1	68.4
Other Non-Tax	55.1	72.6	66.2	-6.4
Sale of Assets	88.0	70.4	71.9	1.5
Grants	1,185.8	563.3	633.2	69.9
Totals:	8,260.7	8,092.3	8,303.3	211.0

- 2.13 Underlying the overall surplus against revised budget, an examination of the performance by heads against the revised estimates reveals stronger performance under specific heads as follows.
- 2.14 *Dividends:* Actual dividends paid into the Government accounts in 2021 exceeded expectations by R68.4m against a revised budget of R372.7m, originally estimated at R375.3m. Actual dividends received from SEYPEC and Financial Services Authority (FSA) were more than their respective estimates; by R100.0m and R5.5m. Against the revised budget estimates of R150.0m and R100.0m, the actual dividend amounts paid were R250.0m and R105.5m respectively.
- 2.15 However, no dividends relating to the year 2021 were credited to the Consolidated Fund in 2021 in regard to Land Marine Ltd., Ile Du Port Handling Services (IPHS) and Indian Tuna Limited (IOT) against the downwardly revised dividend estimates of R5.9m and R8.6m in respect of the two former companies. Dividends anticipated from these companies which were previously transferred to Société Seychelloise D'Investissement Limited (SSIL), were to be paid directly in the Government account in 2021 given the pending winding up of SSIL, as announced by the Ministry of Finance in January 2021. This process is yet to be concluded, at the time of writing.

- 2.16 *The Ministry has responded, in the three cases above, that the dividend amounts due are to be received in 2022 due to certain issues which could not be resolved during the year 2021 itself.*
- 2.17 Audit also noted for 2 years that the dividend from Afreximbank, though originally provided for, has not been received. Despite the Ministry's explanation that *there should have been no budget provision for dividend for Afreximbank for the years 2020 and 2021*, Audit awaits a clarification in regard to objective of the investment and its terms of reference to verify the statement.
- 2.18 *Fees and charges:* Revenue from fees and charges showed an increase of R45.3m or 14% against the downwardly revised estimates of R321.3m; from R383.7m budgeted originally.
- 2.19 *Personal Income Tax (PIT):* PIT performed better by R34.4m or 3% against a revised budget of R996.4m, originally budgeted at R929.0m.
- 2.20 *Business Tax:* Actual revenue exceeded its revised budget by R21.9m or 2% against a revised budget of R1.4b and an original estimate of R1.1b.
- 2.21 *Value Added Tax (VAT):* VAT recorded R6.5m revenue above estimates against a revised budget of R2.3b originally estimated at R2.1b.
- 2.22 *Property tax:* It performed slightly better by R4.7m or 12% against a static revenue estimate of R40.0m.
- 2.23 *Corporate Social Responsibility (CSR) Tax:* CSR tax showed an increase of R2.9m against an inwardly revised budget of R58.2m at first estimated at R17m.
- 2.24 *Grants receipt:* Grants received by the Government in 2021 was R69.9m or 12% higher than the anticipated R563.3m, originally estimated at R1.2b.
- 2.25 While increases were noticeable under the above specific revenue heads, an underperformance was noted under other revenue heads as below.
- Excise Tax performed below the revised estimates of R1.2b by R17.9m against an original estimate of R1.3b.
 - Customs duties recorded a lesser collection by R15.8m as compared to a revised revenue estimate of R233.3m originally estimated at R254.8m.
 - Other non-tax collected were lower than anticipated collections by R6.4m or 9% as compared to a revised estimate of R72.6m, originally estimated at R55.1m.
 - Other taxes were below estimates by R2.3m as compared to a downward revision in estimates of R323.7m originally estimated at R344.0m.

Sale of Government assets

- 2.26 As per clause 12(1) (a) of the Public Finance Management Regulations, 2014, Accounting Officers should ensure that assets are disposed of, or leased or lent, in a manner that will maximise public interest.
- 2.27 The receipts collected from auction sales of Government assets during the year 2021 totalled R5.8m, including R320,000 relating to sales of a military vessel.
- 2.28 The military vessel was sold at a tendered sum of R320,000 against a valuation of USD1,333,217 (R19.6m) as per the valuation certificate dated May 2019. While the aforementioned valuation was for the entire vessel, Audit noted that the auction sale was for the decommissioned vessel- scrap metals. A scrutiny of the relevant records revealed (a) no auction report had been prepared in support of the auction sale conduct and its results; and (b) no documented evidence of the actual weight of the scrap metals that was put to auction and actually auctioned and sold.
- 2.29 Audit is of the view that a higher offer could have been obtained through an international public sale and more options could have been sought by the Ministry to maximise the potential revenue from the sale of the vessel.
- 2.30 *In response, the Ministry informed that it is currently working on official documentation of the procedures that would need to be followed for public auction sales with the intention of also considering having auction sales in an online format.*

Expenditure

- 2.31 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 Act, 2021 totalled R11.0b. The Ministry of Finance sought a budget savings or budget cut totalling R1.4b in September 2021 following its mid-year review. Additionally, the Ministry also sought supplementary estimate of some R303.9m before the National Assembly to cater for re-allocations which together provide for a net budget savings of R1.1b.
- 2.32 The overall changes in budgeted revenue, expenditure and financing amounts are explained in the AFS under Note 25 to the financial statements - Change in Float.
- 2.33 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.

2.34 Due to the classified nature of the activities involved, an independent audit examination of the expenditures incurred in the year 2021 in respect of the information reward funds of the Police and the Seychelles Intelligence Services 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 these payments as per the relevant laws/ regulations.

Spending for the year

2.35 Expenditure overall for the years 2019 to 2021 is summarised as below.

Figure 3	R (m)			
	2019	2020	2021	Variance R (m)
<i>Current and other current outlays</i>				
Wages and salaries	2,505.4	2,844.5	2,762.2	(82.3)
Goods and services	<u>2,793.2</u>	<u>2,913.2</u>	<u>2,826.2</u>	<u>(87.0)</u>
	5,298.6	5,757.7	5,588.4	(169.3)
Interest due	446.9	712.1	740.6	28.5
<i>Transfers</i>				
Social programmes of central government	162.2	1,512.4	471.4	(1,041.0)
Public Subvention	92.1	455.0	240.1	(214.9)
Benefits and approved programmes of ASP	1,357.6	1,659.5	1,414.9	(244.6)
Other	60.2	32.7	259.2	226.5
Capital expenditure	677.5	1,137.2	1,226.2	89.0
Net lending	146.7	151.2	27.3	(123.9)
Contingency	50.0	148.5	57.7	(90.8)
Totals:	8,291.8	11,566.3	10,025.8	(1,540.4)

2.36 As shown above, actual expenditures for the year 2021 were below the previous year overall by R1.5b or 13%. As explained in the paragraphs under 'Centrally managed expenditures', most of the expenditures falling under this category recorded lower spending in 2021 as compared to 2020.

Centrally managed expenditures

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

Figure 4	R (m)		
	2021 Revised Budget	2021 Actual	Variance in R (m)
<i>Other current Outlays</i>			
Other Wages and Salaries	256.5	249.6	(6.9)
Other Goods and Services	150.2	146.0	(4.2)
<i>Transfers</i>			
Social programmes of central government	485.9	471.4	(14.5)
Public Subvention	240.8	240.1	(0.7)
Benefits and approved programmes	1,425.5	1,414.9	(10.6)
<i>Other</i>			
Others	51.2	259.2	208.0
<i>Tax Exemption</i>			
<i>Capital expenditure</i>			
Development Grants	129.2	102.1	(27.1)
Net Lending	215.7	27.3	(188.4)
Contingency	57.7	57.7	-

2.38 Centrally managed expenditures have reported lesser spending than the previous year mainly under social programmes of central government (SPG) by R1.0b followed by Benefits and Approved Programmes of ASP (BAPS) and Subvention which recorded drops by R244.6m and R214.9m respectively. Actual expenditure under ‘other current outlays’ and ‘net lending’ also reported lower amounts as compared to the previous year. A closer look into the R1.0b reduction in SPG spending is explained below.

- *Wage Grant (commonly known as FA4JR)*: Government financial assistance towards this scheme was budgeted for only three months in 2021, as compared to 12 months in 2020. Actual spending in 2021 totalled R184.6m against an original budget of R192.0m, hence, the Government made R7.7m saving. The 2021 expenditure balance also represents reduced spending by R1.1b as compared to an actual spending of R1.3b in 2020.
- *Seychelles Employee Transition Scheme (SETS)*: Transfers toward this scheme were R14.7m lower than the previous year with an actual balance of R12.2m in 2021 (2020:R26.9m) against a revised budget of R13.3m, originally forecasted at R14.9m.
- *BAPS*: Larger reduction in 2021 spending under BAPS was noted under the ‘Social Safety Net’ and ‘Home Carers Scheme’ by R101.7m and R17.1m respectively as compared to the year 2020. Additionally, the ‘Unemployment Relief Scheme’ which was to be managed by the Ministry of Employment and Social Affairs was abolished as of

February 2021, hence actual spending in 2021 was R17.7m against an original budget of R35m and prior year spending of R68.6m.

Subscriptions paid to international organisations

- 2.39 The Government paid a total sum of R46.3m in 2021 (2020: R31.3m) against an original and revised budget of R34.9m and R51.2m respectively towards subscriptions to international organisations, under ‘others’ –Figure 4. This shows an increase of R11.3m or 32 per cent over original budget, further to which an approved supplementary budget of R16.2m was given in 2021.
- 2.40 While still on the same vote, it was noted that the Ministry of Finance had worked out a liability of USD2,101,309 equivalent to some R30.9m as at 31 December 2021 relating to Shelter Afrique, which could not be substantiated with any documented evidence of Seychelles investment, likely benefits and returns on the investment. Audit noted a copy of the share certificate at the value of USD300,000 only. Documentary evidence, other than the Cabinet Memorandum in September 2021, in support of this liability was awaited at the time of writing.

Payments of Gratuity to IOT workers

- 2.41 Payments totalling R3.4m were made under the SPG vote (Figure 4) towards gratuity payments to the Indian Ocean Tuna Ltd. (IOT) workers. However, Audit did not find any formal agreement/arrangement between the Government and the Management of IOT in regard to such payments.
- 2.42 *In response, the Ministry informed that the Caretaker board of SSI will search for the relevant documents to be produced for verification.*

Capital expenditure

- 2.43 Audit noted that one project, namely, the Anse Royale Crèche, of which construction works had ceased, was not duly reviewed, monitored and controlled by the entities responsible for implementation leading to issues in the disbursement of payments and consequently significant cost overruns and time overruns.
- 2.44 According to the Seychelles Infrastructure Agency (SIA), an investigation is into the alleged shortcomings in the bill of quantities, drawings and records on project files. The officers have noted that funds provided in the original contract of R15.0m, revised to R17.1m, have almost exhausted and an additional estimated sum of R4m is required to complete the project.

- 2.45 Audit recommended that the Ministry undertakes a review of the project to identify and rectify lapse in controls and take appropriate steps to prevent their recurrence.

Grants

- 2.46 Grants totalling R728.6m were received by the Government during the year 2021 which comprised both grants received in cash and in kind and after taking into consideration movements in grant in transit (GIT) accounts during the year gives a balance of R633.2m, which is reported under revenue as per the 'Statement of Comparison of Budget and Actual for the year'.
- 2.47 The grants in kind balance totalled R563.6m during 2021. Grants in kind primarily constitute assets and consumables received by the government.
- 2.48 Furthermore, the Ministry did not have an approved documented policy to guide the treatment of grants in-kind received and for reporting in the Government accounting framework. Audit is of the view that in the absence of a formalised policy, there may be inconsistencies in the valuation of grants in kind in the treasury ledger.
- 2.49 *The Ministry responded that a policy for grants-in-kind is under drafting.*

Grants-in-Transit (GIT)

- 2.50 Grants received by the government are accounted for either through dedicated special accounts or the general bank account at CBS and credited to GIT accounts at Treasury. The GIT accounts forming part of the Consolidated Fund had a closing balance of some R95.5m as at 31 December 2021 (2020:R164.8m).
- 2.51 The GIT treasury ledger revealed a total of three accounts with debit balances totalling R1.3m as at 31 December 2021.
- 2.52 Audit recommended that the Ministry of Finance strengthens controls in place to ensure that regular reconciliation is performed between the GIT ledger balances and their corresponding bank statements.

Withdrawals requiring supplementary appropriation

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

2.54 At the time of writing, the overspending in respect of eight MDAs amounting to some R167.4m, remain to be regularised through supplementary appropriation.

Consolidated Fund

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

Overall fiscal balance

2.56 For the purpose of this analysis, an overall fiscal deficit is the excess of expenditures incurred, including capital expenditure and interest payments as compared to total revenue receipts, including grants. The original budget for the year 2021, before supplementary estimates and budget cuts, projected a deficit of R3.4b, while the actual outcome was a deficit of R1.7b, which represents a lower deficit by half of the original projection.

Figure 5 **R (m)**

	Original Estimates	Actual	Variance in R (m)	Variance %
Revenue	8,260.6	8,303.3	42.7	1%
Expenditure	(11,678.4)	(10,025.8)	1,652.6	(14%)
Fiscal balance	(3,417.8)	(1,722.5)	1,695.3	(50%)

Movements on the Consolidated Fund

2.57 Production of a final balance on the Consolidated Fund for the year requires adjustment of the overall fiscal balance by recording financing inflows and outflows, which is the difference between loan drawdowns and amortisation costs adding in privatisation, sale of assets and long term lease receipts under the current accounting practice adopted, after ignoring movements on financial balances.

2.58 Calculated on a basis to take account of these amounts in a summary of the activity in the Consolidated Fund, **Figure 6** shows an adjusted overall movement of R2.7b for the year. This is disclosed in Note 3.11 of the AFS.

Figure 6 **R (m)**

	Actual	
Balance brought forward 01.01.21		(3,305.6)
<i>Overall fiscal balance</i>	(1,722.5)	
Add: Net lending	<u>27.3</u>	(1,695.1)
<i>Financing</i>	1,722.5	
Add/Less: Movement in Cash and Bank Balances	819.3	
Movement in Liabilities	<u>1,809.3</u>	<u>4,351.1</u>
Adjusted overall movement in the year		2,656.0

*Balance carried forward 31.12.21**(649.6)*

Cash and bank balances

- 2.59 Government maintains a Treasury Single Account (TSA) at the CBS to deposit cash receipts and make payments. In addition, the Minister may authorise Accounting Officers to open separate bank accounts at the CBS or other commercial banks for specific operations.
- 2.60 Cash and bank balances recorded by Treasury at the end of 2021 totalled R2.3b (2020:R1.5b) of which R500.0m was held with the CBS against monetary policy purpose issues of Treasury bonds.
- 2.61 Several other bank accounts confirmed to be in the name of Government with an aggregate balance of R77.9m, excluding a Libyan Arab Jamahiriya Holding Account of R53.7m and Integral Brigade Account holding R15.0m, are further disclosed in note 3.1 of AFS.
- 2.62 As was noted in previous years, no bank confirmation was available in respect of Crown Agents treasury ledger balance of R5.6m (dormant as per treasury ledger since 2017).
- 2.63 Included in the AFS 2021, TSA bank balance is a total of sum of R1.3m in debit and R1.5m as overdrawn balances relating to six accounts of which no independent bank confirmation were available.
- 2.64 A significant decrease was noted in the Non-TSA bank balance during the year which was attributed to closure of two Environment Trust Fund accounts and all district administration offices bank accounts with balances of R14.4m and R4.4m respectively, by transferring the same to Government account.
- 2.65 Eight bank accounts held static bank balances totalling R5.5m at the end of 2021. R5.1m included in the above was to be transferred to the government accounts as per the Ministry's instructions.
- 2.66 *The Ministry informed that the Treasury is working with the responsible MDAs to assess whether to close the remaining seven bank accounts.*

Remittances

- 2.67 Typically, remittance accounts should represent cash in transit in respect of the overseas missions. From the total remittance balance of R13.4m reported in the final draft AFS 2021, only R2.9m were available in the overseas' missions bank accounts as at the year-end. Hence an unreconciled balance of R10.5m.
- 2.68 Included in the unreconciled balance of R10.5m is R3.3m relating to three embassies which have been closed. Also, the remittance ledger balance relating to the First Abu Dhabi Bank stood at R1.6m credit as per AFS against an ending translated bank balance of R1.3m debit.

2.69 As reported in previous years, the remittance account balances at year end were not reconciled to the individual overseas missions' cash in hand balance as per the mission's cash books.

Advances

2.70 Advances totalled R1.0b at the end of 2021 compared to R975.0m in 2020. The increase mainly represents new advances totalling R85.0m to the Development Bank of Seychelles (DBS) and existing on-lending facility to the Public Utilities Corporation (PUC).

2.71 The status of the longstanding balance of R79.9m in respect of SMB under 'Parastatals/ Companies in Liquidation' remains unchanged for the stated reason that it is under investigation by the Anti-Corruption Commission Seychelles (ACCS).

Trading and operating accounts

2.72 The Treasury maintains a number of trading and operating accounts under this head which are utilised for various purposes, including Treasury Single Account (TSA) balances, revolving funds, unidentified items under short term clearance, dishonoured cheques and others. These accounts are also known as suspense accounts. Movements on the balances on these accounts during 2021 is summarised as below.

Figure 7

R (m)

Name	Balances 2020	Balances 2021	Movements
General	48.3	(2.1)	(50.4)
Trading and Operating	260.7	340.3	79.6
Totals:	309.0	338.2	29.2

2.73 The decrease in general accounts predominantly reflects decreases in Foreign Exchange (FX) commitments by R49.8m with a year-end balance of R0.4m in 2021 (2020: R50.2m) followed by drops under Customs dishonoured cheques balance by R4.0m which together totals to R53.8m.

2.74 The movement under trading and operating accounts reflects both increases and decreases under several existing trading and operating accounts during the year. Nonetheless, the creation of new account codes during the year has contributed significantly to the increase in the trading and operating account balance where 22 new accounts relating to 18 MDAs had year-end balances totalling R74.4m.

Public debt

2.75 The Statement of External Debt and the Statement of Domestic Debt shows the particulars of outstanding long term external and domestic loans respectively. While external loans are

raised from bilateral, multilateral and commercial sources, domestic loans are raised by the sale of development stocks, Treasury bonds and through banking institutions.

- 2.76 The accounting policy for long and short term borrowings by the Government differs in that long term borrowings are not accounted for as a liability in the Statement of Assets and Liabilities, but are included in the public debt statement.
- 2.77 Short term borrowings, comprising Treasury bills and deposits made with the Government by various governmental and private entities, on the other hand, are included as liabilities in the Statement of Assets and Liabilities but not included in the public debt statement.

Legislative framework for public debt

- 2.78 The Public Debt Management Act revised and consolidated the laws relating to loans and guarantees and provides for the establishment of a National Public Debt Management Committee. Under this Act, it is provided that borrowings other than in the case of Treasury bills, shall not be valid unless the particulars of the loans are published in the Official Gazette through a Statutory Instrument (S.I.).
- 2.79 As previously reported in 2017, one loan in issue without SI remain to be regularised by issue of statutory instrument.
- 2.80 During the year 2021, four new loans were drawn down to the tune of R1.7b without an SI. In addition, an existing loan facility taken in 2020 with a drawdown amount of R559.6m remained without statutory instrument as at 31 December 2021. Audit noted that statutory instruments were gazetted in 2022 in respect of the two loans relating to International Bank of Reconstruction Development (IBRD).
- 2.81 The Ministry of Finance responded as below:
- IMF loans: *IMF does not provide a formal agreement to any member when they advance money, hence the loans could not be gazetted. The Ministry of Finance has liaised with the Attorney General's Office who advised for amending the existing Memorandum of Understanding (MoU) between the CBS and the Ministry of Finance to allow the loan to be gazetted.*
 - Amendatory credit line \$4.05m: *This facility is under legal scrutiny in the Ministry of Finance. The Ministry is exploring the possibility of either using an agreement signed in 2013 to publish the first part of the credit line or amend S.I. 2013.*

Public debt portfolio

- 2.82 The debt portfolio decreased by R790.1m or 4% in 2021 as compared to the previous year, ending at R17.3b at the end of 2021 (2020: R18.1b). Long-term debt predominantly constitute 79% of the total debt portfolio and represents an increase of R1047.7m or 8% over the previous year. On the other hand, short-term borrowings reduced by R1.8b or 34% during the year as compared to previous year.

Figure 8 Public Debt Portfolio R (m)

	2017	2018	2019	2020	2021
Long term loans	7,107.0	6,978.0	7,113.9	12,625.8	13,673.5
Short term borrowings	5,245.8	5,027.2	4,891.9	5,473.4	3,635.6
Total:	12,352.8	12,005.2	12,005.8	18,099.2	17,309.1
Increase/(decrease)	2.1	(347.6)	0.6	6,093.4	(790.1)
Long term debt %	57.5	58.1	59.3	69.8	79.0

Long-term debt

- 2.83 External debt decreased by around R1.7b during the year 2021 due to active debt servicing. Conversely, four new multilateral debts raised in 2021 held outstanding loan balances totalling R1.9b at the year-end.
- 2.84 On the domestic front, the increase is matched by the issue of eight new treasury bonds issued in 2021 totalling R3.0bn (**Figure 9**).

Figure 9 Outstanding public debt R (m)

	2017	2018	2019	2020	2021
External debt					
Bilateral	1,270.0	1,415.3	1,397.9	2,142.9	1,336.1
Multilateral	1,975.5	2,046.4	2,311.6	4,994.1	5,153.8
Commercial	370.2	308.8	292.3	405.0	254.9
External bonds	1,986.3	1,747.6	1,638.6	2,149.1	1,211.6
Sub-total:	5,602.0	5,518.1	5,640.4	9,691.1	7,956.4
Domestic debt					
Treasury bonds	600.0	600.0	550.0	2,000.0	4,955.9
Others	905.0	859.9	923.5	934.7	761.2
Sub-total:	1,505.0	1,459.9	1,473.5	2,934.7	5,717.1
Grand total:	7,107.0	6,978.0	7,113.9	12,625.8	13,673.5
Increase/(decrease)	191.7	(129.0)	135.9	5,511.9	1,047.7

- 2.85 With regards to outstanding long-term debts at the end of the year 2021, Audit noted that 18 loans relating to five lenders totalling around R2.7b or 33.8% of the total external debt of R8.0b remained to be independently confirmed by the respective lenders at the time of writing.
- 2.86 *The Ministry noted that reminders were sent for three lenders which pertained to 15 loans, for one lender relating to external bond it is sorting out a matter of specimen signature and in the case of two IMF loans it is liaising with the CBS.*

Short term borrowings

- 2.87 Short term borrowings comprise Treasury bills and deposits. A contraction in Treasury bills in issue in 2021 underlies the overall decrease of R1.8b in short term borrowings. This is

mainly due to a Liability Management Operation (LMO) which was implemented by the Government for the first time, with the assistance of the Central Bank of Seychelles as its Agent.

- 2.88 The aim of the LMO was to convert short-term debt of Government namely Treasury bills into long-term debt namely Treasury bonds, to span out the Government's liability in settling payments when the bonds are due. This operation resulted in R1.2b worth of treasury bills falling within the 182 days and 365 days categories to be converted into treasury bonds.

Figure 10 Short term borrowings R(m)

	2017	2018	2019	2020	2021
Treasury bills	5,208.6	4,989.8	4,853.3	5,427.2	3,590.9
Parastatal/fund deposits	37.2	37.4	38.5	46.2	44.7
Sub-total	5,245.8	5,027.2	4,891.9	5,473.4	3,635.6
<i>Increase/(decrease) in R</i>	<i>(189.6)</i>	<i>(218.6)</i>	<i>(135.3)</i>	<i>581.5</i>	<i>(1,837.8)</i>
<i>Increase/(decrease) in %</i>		<i>(4.2)</i>	<i>(2.7)</i>	<i>11.9</i>	<i>(33.6)</i>

Public debt servicing

- 2.89 Overall, the total actual public debt servicing cost, comprising repayments of principal and interest payments, decreased to R1.4b from R1.5b in 2020. Interest payments alone, however, shows lesser payments on the external debts and higher interest paid on the domestic front, resulting in an increase in total interest payments by R28.5m or 4%.
- 2.90 On the other hand, principal debt repayments on both external and domestic front was lower than the previous year by R53.3m and R61.6m respectively.

Figure 11 Public debt servicing R (m)

	2017	2018	2019	2020	2021
Interest					
External	212.8	222.9	243.7	298.4	227.4
Domestic	409.9	336.0	203.2	413.6	513.2
Sub-total:	622.7	558.9	446.9	712.0	740.6
Amortisation					
External	440.1	387.4	419.1	595.5	542.2
Domestic	442.5	114.1	346.6	143.3	81.7
Sub-total:	882.6	501.5	765.7	738.8	623.9
Grand total:	1,505.3	1,060.4	1,212.6	1,450.8	1,364.4

Land acquisition

- 2.91 During the year 2019, the Government incurred a new liability of R2,372,000 (net of interest of R82,175.18) pertaining to Mrs. A in respect of an exchange of a land parcel on Praslin Island for housing assistance on Mahe Island. Initial land acquisition costs amounting to

R1,214,658.96 (principal R1,186,000 + interest R28,658.98) was settled in 2019 while the Statement of Domestic Debt for the year 2019 disclosed the remaining liability of R1,186,00 (excl. interest of R53,516.22 as per repayment schedule) which was due on 30th April 2020. Audit followed up on this in 2020 and again in 2021 and it was observed that no further payment was effected. Audit requested that the Ministry of Finance clarify as to the delay to settle this outstanding balance, including additional costs, if any, which the Government may incur.

2.92 *The Ministry responded that this case is being processed by the Attorney General's Office and the land acquisition will remain on the Statement of Domestic Debt until a final decision is taken.*

Outstanding Guarantees

2.93 A statement of outstanding guarantees is required to be presented under Article 154 (8) (d) of the Constitution. The aggregate balance outstanding in respect of guarantees was R938.4m at the end of 2021 compared to R908.6m at the end of 2020, in line with the amounts incurred and outstanding in the undertaking by GOS of various public sector borrowings. One new domestic loan was guaranteed by the Government during the year 2021 in respect of the Development Bank of Seychelles in the sum of R35.0m.

Government's investment in parastatals

2.94 The company Société Seychelloise D'Investissement Limited (SSIL) was to be closed down by June 2021, as per the press release issued by the Ministry of Finance in January 2021. Consequently, dividends from the SOEs, which were paid to SSIL, were to be paid directly to the Government account.

2.95 On follow-up on the above, the Ministry of Finance responded that the process for the winding up of SSIL is still underway and in the meantime a caretaker Board has been appointed with Directors drawn from the Ministry of Finance to manage SSIL until all the outstanding issues required for the closure have been completed.

2.96 Further, we noted in respect of 7 companies, which were under the SSIL's ownership, the share transfer documents were yet to be completed.

2.97 Audit recommended that the Treasury considers including a suitable disclosure note with regard to companies with share transfer pending as at year end and also ensure that the Statement of Government investment in Parastatal properly reflects the changes in SSIL's and Government's shares when same is concluded upon.

2.98 In addition to the above, official share transfer documents in regard to Air Seychelles were also awaited in view of the Ministry's announcement that the Government of Seychelles has acquired full ownership of Air Seychelles and negotiations on its liabilities were ongoing with the bondholders.

Follow up on previous audit reports

AR20, Page, para, audit brief	Status
Para12 and 15, 27 and 44 Approval from the National Assembly to re-classify transfer of the R20m made to STC from 'Advances' to subvention.	Resolved; Relevant adjustments made as per certified AFS 2020.
17, 56-57 IMF loan drawn down during 2020, amounting USD31.2m (R559.6m) was not supported by a gazetted statutory instrument.	Observation persists
18, 61 Some T.bills were still posted at face values rather than at cost. Year-end adjustments to be reflected in revised financial statements.	Resolved.
AR 2019, Page, para, audit brief	
Para7-8, 2.14-2.15 Transfer of the two properties representing the sum of US\$2.5 m in favour of the Government had not yet been effected at the time of reporting.	Partially resolved. Registration of parcel C3003 not yet effected.
AR18 Page, para, audit brief	
13,40 As per the repayment schedule, R10m of the R15m outstanding on an STC loan of R45m was due to be repaid in 2018. This was rescheduled after falling into arrears.	Observation persists.
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 at 31.12.2021 on 19 accounts totalled R40.8m (2020: R34.1m). By 30.09.2022 the balances on these accounts had fallen to R28.3m.
15,51 For grant related projects expenditure, Audit noted that in five instances the Financial Warrants, Returns of Expenditure and reconciliations were not available for inspection.	Resolved.
AR17 Page, para, audit brief	
8,12 Policy to enable assessment, monitoring and establishment of reporting mechanism for accounts relating to extra-budgetary activities is under finalisation.	Work-in-progress;
8,14 Review of Accounting Manual to be completed.	Work –in- progress
17,47 Bank reconciliations for accounts held outside of the Treasury accounting system not found	Observation persists
17,49 Remittance accounts not yet reconciled to funds in hand overseas	Observation persists.
17,50 Refund of R547,899 cash due to Treasury by Makarios Trust Fund to be followed up.	Resolved
18,51	

Recoverability of R79.9m advanced to SMB doubtful.	Observation persists.
19,59 10 (2016: 30) dormant trading and operating account balances R7.1m (2016: R10.8m).	Observation persists
19,60 Dishonoured cheques of R23.6m outstanding.	Observation persists; Dishonoured cheques treasury ledger balance at 31 December 2021 is R24.0m (2020: R23.9m).
19, 60 GIT balance of R107.6m includes 128 inactive accounts (2 years) totalling R7.6m.	Observation persists; By end of 2021, there were 72 inactive GIT accounts (2020:74). The 72 inactive accounts in 2021 includes 14 new accounts in 2020.
20, 67 3 loans (Russia, SEYCAAT A1 & A2) where SIs are still to be issued.	SEYCAAT A1 & A2: Resolved Russia: Observation persists.

CHAPTER 3

Department of Defence

Introduction

1. The primary function of the Department of Defence is to defend Seychelles and any other area over which the Republic has proclaimed its jurisdiction. The President and the Chief of Defence Forces are the Commander-in-Chief and administrative head respectively.
2. An audit of the Department was undertaken for 2020 with some emphasis on the use of goods and services as well as transport and assets

Use of goods and services

3. The expenditure on the use of goods and services by the Department in 2020 totalled R125,857,336. Audit examined seventy-six (76) payments totalling R26,473,146 towards office running, travel costs, transport, repairs, and maintenance costs to ensure compliance with the relevant prescribed procedures, and noted as follows.
4. **Three quotations not sought:** Audit did not sight the required three quotations in fifteen (15) payments totalling R708,916. As a result, Audit could not verify that the procurements made were at competitive prices.
5. *The DOD, in reply, stated that it has a procurement officer and has a procurement system in place. For procurements of less than SR50,000, it is either three quotations are sought or an explanation is given as to why there are no three quotations.*
6. **Procurements lacking prior approval:** In six (6) payments totalling R8,256,206, Audit did not sight the requisite prior procurement approval from POU, as required.
7. *The DOD stated in reply that, in addition to the above, a vetting committee and a procurement committee is in place and they were appointed in collaboration from the procurement oversight unit.*
8. **Invoices not certified for payment:** In three (3) cases, Audit observed that the invoices paid for the procurement of printing services /materials (R115,000), shoes (R100,000), drum cartridges (R47,560) and toners, were not certified for payment by the designated officer.
9. *The reply stated that to prevent such incidents repeating the staff are rechecking after filing that all documents have the necessary approval.*

10. **Payment in excess of invoiced amount:** Audit noted a payment of R46,079 towards rent and utilities for the month of July 2020. The relevant invoice was however, for a sum of R15,360, inclusive VAT (R189), indicating an overpayment of R30,720.
11. *The CDF in response stated that the rented office was taken for the use of the ex-servicemen. As the ex-service men are inactive and are not using the office facility it has been agreed that effective 2021 to cancel the rent agreement. Hence, the last rental payment was for June of 2021.*

Store Records

12. For the main store, three (3) purchases for a total of R204,703 comprising of shoes, blankets and different items of uniforms, could not be traced to their respective bin cards.
13. For the consumables store, the consumable items costing R99,997, could not be traced to their respective bin cards.
14. *The Department acknowledged the deficiencies observed and stated that they have appointed a new team to re-organise the store and ensure proper stores records keeping using computerised stores software . Some of the misplaced bin cards were located and will locate the remaining and provide to Audit. They are now ensuring maintenance of bin cards for 2021 and that, GRN, Issue vouchers are kept in a file for ease of reference.*

Wages and Salaries

15. Audit examination of the relevant records and procedures revealed the following shortcomings in regard to payment of wages and salaries.
16. **Salary Input form not sighted:** Audit observed that in 8 out of the 9 cases examined, no Salary Input Form was sighted in respect of the soldiers and civilians staff appearing on the payroll of the Department.
17. *The DOD stated in reply that salary input form for all payroll amendments have been introduced and is being implemented since 2021.*
18. **Nominal Roll/Establishment Register not up to date:** Audit verified the Establishment Register/Nominal Roll details with that of the payroll for civilians employed by DOD and observed that post numbers on the Nominal Roll were not corresponding to the ones on the Payroll Analysis for seven (7) employees.

19. *The reply stated that the payroll have been updated accordingly.*

Transport Management

20. As per the Vehicles and Heavy Plant Register, the Department had a fleet of 133 vehicles under its responsibility at the time of audit. Audit examined the records of 30 vehicles noted the following.

21. ***Fuel Coupon Register not maintained:*** Audit noted that during the year 2020, the Department purchased 1872 fuel coupons books worth R2, 613,660, but the same was not recorded in the Fuel Coupon Register, as the latter was not maintained.

22. *The DOD stated, in reply, that the fuel coupon register has been introduced in 2021 after the last audit report and is being maintained.*

23. ***Vehicle logbooks not properly maintained:*** The review of log book of five (5) vehicles and (5) five daily mileage sheets revealed a number of deficiencies indicating a lack of control on the use of vehicles and fuel consumption of the vehicles.

24. *The reply stated that DOD has established proper procedures to maintain the vehicle logbooks.*

25. ***Fuel issues not acknowledged:*** Audit examined twenty-four (24) fuel issues and observed that, in ten (10) cases, the receipt of the same was not acknowledged by the respective drivers by signing for the same. Further, Audit did not sight two (2) fuel coupon books (48720-48730) (56780-56790) worth R1,000 each.

26. *The DOD stated, in reply, that double verification is being done on the fuel receipt after fuel has been issued.*

27. ***Disparity between SLA and DOD vehicle records:*** Audit obtained a list of vehicles registered in the name of the Department from the Seychelles Licensing Authority (SLA) and compared the list to the Vehicle and Heavy Plant Register maintained by the Department. It was observed that the Vehicle and Heavy Plant Register showed that the Department had 133 vehicles whereas the SLA records showed that the Department had 125 vehicles.

28. *The Department stated in reply that an exercise has been done to identify vehicles that need to be written off. The DoD further stated that the updated list of vehicles will be logged with SLA for record update.*

Non-Financial Assets

29. In 2020, the Department purchased non-financial assets totalling R29,575,645. Audit examined transactions amounting to R2,011,786 and noted the following:
30. ***Fixed Assets Register not updated:*** Assets totalling R1,845,061 purchased were not yet recorded in the Fixed Assets Register. It was further noted that Assets Write-Off Register was also not maintained.
31. *The Department in reply stated that fixed assets register is up to date and assets purchased are being registered.*
32. ***No year-end assets verification:*** Although Audit was informed that physical verification of assets was done in 2021 by the Administrative Officer, there was no evidence of the same kept for assurance.
33. *The Department agreed that this was an oversight by the administrative officer. It was stated that with training and close collaboration with MOF the Department will adopt good practices and ensure compliance with financial regulations.*
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Department of Employment

Introduction

1. The Department of Employment (the Department), under the Ministry of Employment and Social Affairs is mandated to play a vital role through employment related activities to build a productive workforce and to lend support to all efforts to enable the people of Seychelles to become self-sufficient, enjoy decent work that leads to rewarding and enhanced quality of life. The Department also handles and approves all job applications made for non-Seychellois.
2. An audit of the Department was undertaken for the years 2020 and 2021 to examine the accounts and records with relevant procedures relating to revenue and expenditure.

Revenue

Employment Division Information System

3. The Department maintains a database in “Microsoft Access” to record details on all foreign workers employed in the country from the application stage up to the fulfilment of their contract duration. Once an application for employment of foreigners is received from an employer, the Department enters details of all the posts on the application and likewise for the contract once submitted for attestation. As regards the fee payment procedures, the Employment Officer in the Department raises an invoice in the Cashier’s Module for the amount due which the applicant proceeds to the Accounts’ Section for payment. Accounts Section raises a receipt in the Cashiers’ Module based on the invoice number. Once the applicant presents the receipt to the Employment Officer, the necessary formalities are completed and the application is approved, if found in order.
4. Audit reviewed data extracted from the software, used by the Department to process and maintain data, relating to Non-Seychellois workers and noted the following shortcomings and deficiencies:
 - The database in “Microsoft Access” has no link to the Cashiers’ Module, nor are applications numbered for reference purposes, thus necessitating manual postings in the latter for raising invoices to collect revenue without identifying the application it related. Additionally, it was informed that the database was created internally for tracking purposes but it did not have the requisite controls over the users and traceability of inputs and outputs (audit trails) is not facilitated;

- Invoices and receipts issued have no reference or link to the worker applications making it tedious to trace back documents and for audit trail purpose given that the applications have no unique ID for ease of reference;
 - Contracts and workers' applications have no link or reference making it difficult to trace back such documents given that the applications have no unique ID for ease of reference;
 - GOP duration have no linkage with the contract duration for applicants thus lacking expiry contract/GOP alert notifications.
5. Audit is of the view that the systems deficiencies may lead to non-collection of revenue or errors in revenue collection. In addition, the contracts may remain unprocessed after the issue of GOP.
 6. *The Department, in response, stated that to address all the issues, a new system was under developed in consultation with Department of Information, Communication and Technology (DICT). Later during the exit meeting, the Department added that it was, in consultation with Ministry of Finance and DICT, to implement a single software to cater for both Employment and Immigration and bring about some synergies in view of the interoperability of the 2 entities. In future, possibility of integration with the Cashier Module would be assessed. In the interim, to temporarily address the shortfall, invoice number was now being inserted in the database system against each application processed for tracking and reconciliation purposes.*
 7. **Repatriation Deposits not reconciled:** Section 21 of the Employment Act 1990 refers to conditions for Seychellois working abroad. Para (h) of the Section states that the worker has to pay a deposit or provide adequate security for repatriation. The relevant deposit account at Treasury under the name of Repatriation Fees had a balance of R442,181 as at 31.12.2021. The last transaction carried out under this account was a payment made in June 2018 for an amount of R6,000. However, the Department could not provide a reconciliation of the R 442,181 with a list of depositors. In the absence of the list of depositors, beneficiaries under the deposit account remain unknown.
 8. *The Department, in response, informed that the repatriation fees were being managed by the Ex-Employment Services, which has since become the Employment Promotion Division. Hence, it does not have records of the deposits since it was done in the 1970's*

and 1980's by people going to work overseas. The legal provisions enabling the deposit to be made has indeed been repealed but it would be prudent to check the conditions of the payment/refund before making a decision on this account. Returning resident from time to time come to claim their deposit amounts.

9. ***Wages and Salaries deposits not substantiated:*** The purpose of the 'Wages and Salaries deposit account' is to cater for funds received from employers whenever there is a salary dispute with employees also deposits relating to death benefits pending distribution to heirs after legal proceedings. As at 31.12.2021, the records at the Treasury revealed a balance of R1,035,312 under the account. However, the necessary records to substantiate the balance were not provided.
10. *The Department, in response, stated that records of the deposits and payments were kept on the individual case files. However, it is true that the Employment Department has not until now attempted to reconcile the balances. Such an exercise was being under-taken and the first step would be to list all the deposits relating to death benefits pending distribution to heirs (25 active death benefits cases as at 01.04.2022). A similar exercise would be conducted in respect of the cases closed from 01.01.2022 to 31.03.2022.*
11. ***No follow-up on outstanding invoices:*** An aged debtors listing from the Cahiers' Module revealed an outstanding amount of R581,650. However, we could not ascertain as to how these debtors arose in the system, given that the fees are paid up-front for services. Further, there was no reconciliation prepared or any remedial action taken by the Department to clear the outstanding balances.
12. The Department, agreeing with the findings, stated that action would be taken to improve the situation. It acknowledged that there were some deficiencies in the current internal processes and procedures, mainly due to the lack of written policies and procedures. The Division was to draft a procedures manual to improve on the existing processes and address any shortcomings as has been highlighted in the Audit. The Department provided the following proposed course of action to be undertaken within the next three months, effective 1st July 2022:
 - Identify the root cause (s) of issues identified in the audit;

- Develop a corrective Action Plan around the entire scope of issues identified:
 - I. Define on how enhancements and accountability to one key person
 - II. Identify new measures to enhance compliance to Section 8.11 of the Accounting manual
 - III. Identify how the progress or effectiveness of corrective actions will be measured
 - IV. Assign the responsibility and accountability to one person.
- Establish a reporting mechanism to the Department's Executive Management on revenue generated, on a quarterly basis, in order to detect outstanding payments more efficiently and effectively.

Payroll

13. The Department's total employees strength was 90 at the end of 2020 which increased to 110 employees in 2021 while the payroll costs for the two years were R17,611,025 and R19,348,358 respectively. Audit revealed several cases where overtime was paid beyond approved specific periods and, furthermore without keeping a record of the hours worked.
14. *The Department, in response, informed that instructions were given to HR Office and Accounts Section as per the document attached to proceed with payment of the overtime. The decision was taken to extend the overtime in order to allow government to collect as much revenue as possible from attestation of contracts.*

Goods and services

15. The Department incurred a total expenditure of R5,629,388 during 2020 and R13,089,836 in 2021 towards goods and services. The substantial increase arose due to new programmes, namely Employee Transition and Employment Re-Skilling transferred from the Agency for Social Protection. Audit examined a sample of payments and their supporting documents, totalling R9,613,757, and observed that in 7 instances, totaling R327,213, the requisite minimum three quotations or open bids, as the case may be, were not obtained.
16. *The Department, in response, informed that that hand soap, toilet rolls and hand towels are purchased for compatibility purposes. As regards tint installations, two companies*

were sourced but only one was able to provide the light tint, while the selected supplier of tonner was found to be the most responsive.

Fixed Assets

17. The Ministry implemented the fixed assets database for ensuring controls over its assets. However, audit examination of a sample of 30 payments for the purchase of fixed assets, totaling SR482,918, revealed that in 20 instances, the new assets acquired were not recorded in the register. Further, the Department was not using a goods received note when receiving the assets. Additionally, the Department could not produce a documented evidence to confirm performance of physical verification of assets.
18. *The Department, in response, informed that the reason for the incomplete Fixed Asset Register is due to discrepancies in the old Fixed Asset System which has been discussed with and agreed to by Finance to ask permission from DICT to provide the Department with a fresh system. The old system is still here, we use it to cross check when we are doing our physical verification. We are still updating the new database. As soon as we complete the update in the system, we will identify each assets with their respective tags and perform physical verifications.*

Transport

19. The Department had a fleet of five vehicles and during the two years under review the total amount spent on vehicle operations amounted to R1,013,018 of which R459,530 was on fuel, R278,338 on repairs and maintenance, R233,150 for insurance/licence and R35,000 on hiring of vehicles. The audit revealed the following.
- number of kilometres travelled and the purpose of the journeys performed is not recorded in the relevant column of the daily vehicle log records; and
 - vehicle logbook entries were not verified and checked by supervisors.
20. *The Department, in response, stated that it was using the wrong logbook. Procedure has already been made and we have purchased the correct one. The Department also stated that the logbook were being verified at the end of each month when doing the Fuel Consumption.*

Inventory

21. Audit noted that some inventory items were stored in one of the office of the administration, which is accessible by any staff. Audit recommended that the Department should identify a specific location whereby all inventories are securely stored and the access thereto is provided to authorized personnel.

Department of Land Transport

Introduction

1. The Department of Land Transport (DoLT) is responsible for establishing policies and regulations; monitoring enforcement and undertake major road projects to ensure a safe and reliable land transport system and infrastructure in the country.
2. An audit of the Department was undertaken for the years 2020 and 2021 with emphasis on the systems of payroll, procurement of works, goods including fixed assets, services and transport management.

Goods and Services

3. **Payment lacked verification:** Payment of R152,582, dated 27.08.2021, towards remittance of withholding tax, assessed at R152,582 by Seychelles Revenue Commission (SRC), was supported only by a assessment/demand letter dated 11.03.2021 to the Department with an enclosed statement providing the breakup of the amount demanded and broken-down to primary withholding tax (SR151,857) and penalty/surcharge of R70,144 totaling R222,001.
4. Audit did not find any evidence of verifying with the demanding authority that the payment of R152,582 against the demand of SR222,001, would settle the dues in full and consequently, there will be no future surcharges, interest, penalties, etc. on the Department.
5. *The Department stated, in reply, that (a) on query, the Finance has confirmed that there is no further outstanding payments to be done; and (b) all Authorising Officers have been informed that stringent measures are in place and checks are made prior to approving of payments.*
6. **Over payment:** Audit noted a payment of R22,781, dated 30.12.2020, towards repairing of a vehicle against proforma invoice dated 24.12.2020. However, on scrutiny, it was observed that 2 invoices for R14,170 and R700, dated 21.07.2021, i.e. obtained 7 months after the payment, were attached to support the payment. As such, an overpayment of R8,611 was made.
7. *The Department, in reply, agreed and stated that there are better checks in place now.*
8. **Payments of telephone bills:** Audit performed analytical review of payments of telephone bills and observed that there were payments of late payment charges, and

- cases of differences between the amounts paid and invoiced indicating a lack of monitoring of outstanding invoices and requisite scrutiny and verification of invoiced amounts.
9. **Engagement of a service provider without alternative bids:** Audit noted a cash payment of SR35,100 to a service provider towards design and printing of 2,000 'Certified Disc Stickers' for which alternative quotes were not sighted.
10. *The Department, in reply, stated that the payment of telephone bill has been sorted out; and (b) we agree with the findings, however, we are now better prepared to deal with such eventualities in the future.*
11. **Goods received note (GRN) not sighted for the procurement made:** Audit examined the records of the procurements of goods, services and fixed assets and observed that the Goods received notes (GRN), or a proper document in lieu thereof, were not sighted in four payments totaling SR55,585 to confirm that the works or services ordered were delivered in the right quantity and in accordance with the required technical standards/specifications.
12. *The Department stated that we are now better prepared to deal with such eventualities in the future.*

Fixed Assets

13. The Department procured fixed assets worth SR432,658 and SR225,445 during the years 2020 and 2021 respectively. On examination of the Fixed Assets Register software, the following shortcomings were observed:
- Not all assets, acquired under acquisition codes, were entered in the FAR
 - PV numbers of 244 items not updated
 - Acquisition cost not recorded in 224 items
 - Suppliers of 202 items were not recorded
 - Identification numbers not provided on 83 items
 - Locations were not indicated in 5 items
 - The costs of 30 items out of 56 fixed assets, differed from that of the general ledger
 - Assets from other departments are also included in the FAR of the Department, but lacked reconciliation thereof.

14. Further, there was no evidence of having conducted a physical verification during the period under review and the action taken on any discrepancies noted.

15. *While agreeing, the management stated that such discrepancies arose due to lack of staffing. However, a complete exercise is on-going to verify and update the FAR to ensure that records are complete and accurate.*

Inventory

16. Audit verification of 29 consumable items obtained from the stores revealed the following:

- differences between actual quantity in store and quantity disclosed in the inventory register in respect of 16 consumable items;
- 3 consumable items namely a furniture polish, had not yet been updated in the inventory register;
- in 5 cases, consumable requisitions lacked approval of Head of Section; and
- a number of cartridges were dumped in the room thus risking their condition for use

17. *The reply stated that this is being properly maintained and verified.*

Transport Management

18. The Department had three vehicles. On verification, it was observed that there were discrepancies between actual mileage and the relevant records, in several instances, and further there was no evidence of monthly fuel consumption analysis prepared in respect of the vehicles for ensuring fuel efficiency.

19. *The Department stated in reply that this has been sorted out and better checks are carried out.*

Departments of Climate Change and Environment

Introduction

1. The Departments of Climate Change and Environment (DCCE), under the portfolios of the Ministry of Agriculture, Climate Change and Environment, are responsible for providing a clean, healthy and ecologically balanced environment, reliable, affordable and safe water and energy supply and build resilience against climate change and disasters.
2. An audit of the Departments was undertaken for the year 2021 to examine the accounts and records pertaining wages and salaries and revenue collections.

Wages and Salaries

3. The Departments had a workforce of one hundred and five (105) employees as per its December 2021 payroll analysis. Total expenditure towards their wages and salaries was R22,100,592 during the year. Audit revealed, in a number of cases, that the leave accumulation in respect of some employees was in excess of the upper limit of 42 days.
4. *The Department, in reply, stated that most of the staff have taken their leave with the exception of few. An exercise was conducted as at June 2022 and staff was again advised of their leave status and the staff have planned their leave.*

REVENUE

5. The Departments collect revenues from sale of animals and plants, publications and materials and land / road / environmental fees and fines. Total collection for the year under review aggregated to R721,195. Audit of the revenue cycle revealed the following.
6. ***Receipt book not physically sighted:*** From a sample of one hundred (100) receipt books, Audit was unable to physically verify one (1) receipt book with serial number 1629801-1629850. However, the collection from the said book had been banked of which the completeness of the amount could not be verified in the absence of the book.
7. *The Department, in reply, stated that the receipt book has not yet been located.*
8. ***Non-approval of rates, fees and charges being charged:*** Audit could find an approved document in support of the fees, rates and charges applied during the financial year 2021. The list of rates, fees and charges submitted to Audit via e-mail in an excel

spreadsheet did not provide evidence of an yearly review as prescribed by section 34 (b) (iii) of the PFMR.

9. *The Department, in reply, stated that for the past two years the Ministry has not done any revision because of COVID. And, the Department plans to undertake a comprehensive review in 2023.*
10. **Lack of evidence of periodic cash counts and reconciliation:** Accounting Manual 2020 provides for the Head of Accounts to ensure periodic cash counts and reconciliation of the cashbook analysis. However, there was no evidence of such periodic exercises being undertaken to ensure adequate controls over the cash collection.
11. *The reply stated that Public Accounts Management Section conducted an exercise in July 2022 and the Ministry has already identified the actions communicated to Ministry of Finance.*
12. **Difficulty in verifying accuracy of fees levied:** In the absence of adequate information provided on the receipts raised, Audit was unable to re-compute and confirm the accuracy of amounts collected in respect of thirteen (13) receipts totalling R92,253. Further, Audit could not verify the accuracy of fees charged in three (3) instances, totalling R23,150, in view that the types of revenue recorded as per the receipts did not feature on the list of rates, fees and charges submitted to Audit.
13. Audit is of the view that ad-hoc charging from clients may result in under/over collection of revenue. In future, the Department should ensure that the rates applied are as per the approved list of fees /rates /charges, and the relevant particulars are recorded on the receipts issued.
14. *The Department, in response, informed that they were designing a form whereby detailed breakdown of fees collected will be clearly indicated in conjunction with the revised fees for ease of audit trail. Furthermore, an internal policy will be drafted and circulated to staff. The reply further stated that non account staff are no longer collecting revenue.*

Follow up on issues raised in the Annual Report for 2018

Para, page, audit brief	Status
<p>Para 3.3, page 27 A total of fourteen (14) payments, totalling R44,400 disbursed to car hirers without agreement detailing the terms and conditions.</p>	Resolved
<p>Para 3.3, page 27 Payment voucher reference 020P210695 dated 18.05.2021 lacked documentation in support of the purpose of the lunch and the attendees.</p>	Resolved
<p>Para 3.3, page 27 Requisite minimum of three (3) quotes were not sighted in six (6) cases for a total value of R68,898 in respect to the repairs of vehicles.</p>	Still persistent
<p>Para 3.5, pages 28/29 Contractual obligation not settled.</p>	<i>The reply stated that the issue was finally resolved in September 2022, and Ministry has a credit of SR153,763 as overpayment to be offset.</i>
<p>Para 3.5, pages 28/29 Satisfactory receipt of items / services not evidenced.</p>	<i>Still persistent</i> <i>Reply stated that new procedures have been put in place .</i>
<p>Para 3.7, page 29 Cheques not issued to suppliers / service providers.</p>	Still persistent <i>Reply stated Ministry is yet to retrieve supporting documents on the payments.</i>
<p>Para 3.10, page 30 Loss of revenue due to stale cheques.</p>	A balance of R200,705 is still outstanding and there was no evidence of any follow up actions / attempts towards recovery <i>Reply stated that some suppliers were contacted and they agree to settle the amounts. Some are being treated as police cases.</i>
<p>Para 3.16, page 31 Receipt books not submitted to audit</p>	Still persistent <i>Reply stated that 7 out of 13 books have been found.</i>
<p>Para 3.19, page 31 Anomalies in revenue collection and banking</p>	Resolved

Ministry of Family Affairs

Introduction

1. The Ministry of Family Affairs, created in 2017, at the time of audit, had three departments under its portfolio, namely, the Social Affairs, the Family Affairs and the Poverty Alleviation. The mandate of the Ministry was to enhance social functioning at all levels of the society by promoting and supporting the functions and responsibilities of individuals and families.
2. In 2021, the Department of Family Affairs came under the reorganized Ministry of Family Affairs, Youth and Sports.
3. An audit of the Ministry was undertaken for the year 2020 with the principal objective of examining the accounts and records relating to expenditure, assets and transport.

Use of Goods and Services

4. Audit of the expenditure related payments showed that the Ministry effected a payment of R39,300 towards procurement of services of a co-ordinator for the "August holiday program" against an invoice of R14,500, thus resulting in an overpayment of R24,800. The payment was charged to "Other allowances" in the General Ledger (TIS).

Transport

5. The Department of Social Affairs had six (6) vehicles, of which the total fuel cost was R175,590 during 2020.
6. Audit noted from the logbooks that the Department was recording total mileage run and the value of coupons issued, however, the monthly fuel consumption analysis was not performed in respect of all vehicles.
7. *The Principal Secretary, in response, stated that the monthly fuel computation exercise would be performed to improve on the controls.*

Non-financial assets

8. During the year, the Ministry (all three departments) purchased assets costing R1,523,316. Audit examined a sample of ten items, totalling R1,346,965, in relation to the fixed assets register maintained by the Ministry and observed the following:
 - some assets, such as, laptops, air conditioners, Samsung A30s, chairs were not updated in the register;

- some vital particulars of assets, such as, voucher no, acquisition date, and purchase cost were not recorded in the register;
 - in several instances, asset identification numbers were not given to the assets;
 - there was no evidence of performing a physical inspection of assets under the control of the respective Departments.
9. *The Ministry, in response, explained that these assets were old assets transferred from their previous office at Victoria House and had been placed in storage. These assets are now being used in the offices at Unity House. Further, there were several instances whereby identification numbers affixed to the assets had peeled off.*

Ministry of Education

Introduction

1. The Department of Education under the Ministry of Education and Human Resource Development is mandated to build a coherent and comprehensive system of quality education and training, reflecting universal perspective and inculcating national values, which will promote the integrated development of all Seychellois.
2. An audit of the Ministry was undertaken for the year 2020 with the principal objective of performing adequate tests on the relevant accounts and records to ascertain compliance with the relevant rules and regulations in the conduct of its transactions.

Use of Goods and Services

3. Audit examined eighty-six (86) payments, each between R20,000 and R150,000, totalling R5,375,685, towards procurements and noted in seven (7) cases, totalling R268,687, there was no documentary evidence of obtaining the requisite quotations nor any evaluation of the procurement rates to establish their competitiveness and support the choice of the supplier /service provider selected. These procurements included car servicing, spare parts and hire, security locks and fencing works, etc.
4. *The management, in response, stated that retrospective approvals are given because in many cases responsible officers do not adhere to regulations and assigned works before seeking approval. To this effect, there is no option but to effect payment.*
5. **Payments not supported by requisite documents:** Although in most cases invoices and related supporting documents were sighted, in twelve (12) payments totalling R915,143, the documents attached were not adequate to support and justify their relevance to the Ministry's routine operations. Documents lacked included details in regards to particulars of the events and travels, reloading SPTC smart cards, external partners who were gifted with the books, etc.
6. *The management, in response, stated that some documents have been found and in the future, all relevant documents would be kept for audit purpose.*
7. **Avoidable expenditure:** Audit review of documents in support of a payment voucher (016P205727 dated 26.06.2020) in favour of a garage for R51,985 was inclusive of R5,916 towards penalty for delaying payment by two hundred and forty four (244)

- days. In the absence of additional information, Audit was unable to establish the basis for this payment and valid reasons for the penalty paid.
8. *The management, in response, stated that this was submitted to Accounts Section for payment in October 2019 and approved by the Head Teacher of Grand Anse Primary School where the vehicle is assigned. Upon receipt of payment, the Financial Controller noted that the requisite procedures as per the Procurement Regulations had not been complied with. There was only one quotation, which the school had sought directly from the garage. Furthermore, the school had insufficient funds as per their respective maintenance vehicle budget.*
 9. **Assets Register not updated:** Audit observed that sixty five (65) assets procured as per four (4) payment vouchers, totalling R124,350, could not be traced to the asset register. In the absence of a complete assets register, a physical verification also could not be carried out. The assets in question included ovens, electric cake mixers, blenders, microwaves pressure cooker, steamer, presser, dustbins, sewing machines, refrigerators and tables and are prone to misappropriations or thefts. Audit recommended that the management should ensure regular reconciliations of recordings of assets with invoices paid/ ledger, conduct physical verification of its assets as per the assets register in order to address the risk of misplacement / loss of assets, or non-accountability.
 10. *The management, in response, stated that delay in updating of the Master Register was due to constraints in manpower and volume of work by the existing staff. A position has been identified to assist the Asset Management Officer.*
 11. **Discrepancies in rental payments:** Audit examined a sample of forty two (42) leases maintained with nine (9) lessors for an aggregated sum of R4,932,726 and observed the following anomalies:
 - in seventeen (17) instances, the tenancy arrangements continued without renewal of the lease agreements with 3 lessors. It was informed that the renewal of the agreements had been processed, however, were still pending signatures at the time of the inspection (May 2021). In these cases, the monthly lease payments paid, ranging between R11,000 to 16,000, totalled R225,500;
 - in two (2) instances, Audit noted that rental payments totalling R176,500 were due, but could not ascertain whether the payments were effected to the lessors;

- Audit observed discrepancies between the amounts provided in the lease agreement with a lessor and the amounts paid as per the GL at R108,000, which was paid in 12 monthly sums of R9,000; and
- Audit noted monthly rent payments of R23,000 in respect of two employees, totalling R 264,0000. However, the relevant lease agreements were not found in support of these payments.

12. The management, in response, stated that the lease agreements have been prepared, however, not yet signed by the parties concerned because there has been revision in rates. Addenda to the contracts have been prepared and submitted to AG's Office for endorsement but unfortunately no response has been forthcoming. The Ministry is following up the matter with the office of the Attorney General.

13. Payments towards security services in the absence of a valid contract: Audit examined the contract for the provision of security service by a private agency and observed that it was valid only up to 30.04.2020. However, the monthly payments at R225,841 continued up to December 2020. These payments were stated to be mutually agreed as the contract validity ended in April 2020. Audit recommended that the security services be obtained under valid regular service contracts entered into by both parties of which the procurement is done in compliance with the relevant provisions of the Public Procurement Act, Regulations, etc.

FOLLOW UP ON ISSUES RAISED IN THE AUDIT MANAGEMENT LETTER 2020

Para, page and audit brief	status as of December 2021
3.3-3.9/Pgs. 1-4 Long outstanding dues of R3,620,676.	The observation persists, despite attempts to reduce the debtors' balances. Some cases referred to the Attorney General.
4.2/Pgs. 4-5 Procurements without obtaining quotations and prior authorization from POU.	The observation still persists.
4.12-16/ Pgs. 6-7 Subsistence allowance overpayments.	An update on the case reported is awaited.
4.17-21/Pgs. 7-8 Payment made on inadequate supporting documents.	Partly resolved; however, some payments made without the necessary supporting documents
4.28-39/ Pgs. 9-11 Discrepancies in board members honorarium monthly payments.	The observation still persists.
5.2-7/ Pgs. 11-14 Register of inventory not updated.	The observation still persists.

Risk and Disaster Management Division

Introduction

1. The Division of Risk and Disaster Management (the Division) was set up with the enactment of the Disaster Risk Management Act, 2014. The main function of the Division is to implement the National disaster risk management system in the country.
2. An audit of the Division was undertaken for the year 2020 and up to April 2021 with emphasis on compliance with financial rules and regulations in place.

Use of Goods and services

3. The Division incurred an expenditure of R.2,967,745 on procurement of "Goods and Services" during the period. The audit of the expenditure incurred revealed.
4. **Payments supported by incomplete documentation:** Audit observed that ten (10) PVs , amounts totaling R.230,759, did not have adequate supporting documents as per requirements of the Public Finance Management Regulations (PFMR). PFMR 63, in part ix, 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.
5. *The reply (27.10.2022) from the Department stated that (a) all purchase requests need to have 03 quotes or justification; (b) a list of items requested and proper invoice is needed for consumables; (c) all vehicles payments need to have works order; (d) bills like PUC, telephone, etc. are paid on monthly invoices and not on statement of accounts ;(e) payments for workshops/training will have lists of participants; and (f) all pick up and drop off of staff, which was done due to Covid, have been stopped.*
6. **Requisitions/meal orders not sighted:** During the period under review, the Division procured meals from five (5) caterers at a total cost of R.73,100. In the absence of a need assessment, meal order forms or requisitions, Audit could not ascertain whether the number of meals ordered were as per the assessed need, quantity agreed with the order and charged accordingly.
7. *The reply stated that proper order is send to caterer and for the payments, attendance form, invoice, reason for procurement and request letter is made available.*
8. **Incomplete fuel coupons register:** During the period of audit, the Division purchased fuel coupons for a total value of R.247,625. Audit scrutinised the fuel coupon register

and observed that information such as the name of the driver to whom coupons were issued and the signature of the receiver were not recorded in the register.

9. *The reply stated that (a) only the drivers will be allowed to take fuel and its part of his duty to make sure that all vehicles are being refueled when needed; and (b) he is also the only one signing for fuel.*

Non-Financial assets

10. The Division procured non-financial assets of value R.982,863 during the year 2020. The audit resulted in the following.
11. **Approval for asset write-off not sighted:** During the period 2021, two air-conditioning units were disposed of. The disposal form and related approval from the Ministry of Finance was not sighted to confirm the method of disposal and authorization obtained prior to the disposal.
12. **Incomplete Asset register:** The Division had not updated the asset register with most of the assets purchased during the period.
13. *The reply stated that (a) proper authorization is being sought prior to disposal from MoF for accountability; and (b) the Division has been making sure that for all purchases done, entry is also done accordingly.*

Seychelles Revenue Commission

Introduction

1. The Seychelles Revenue Commission (SRC) established under the Seychelles Revenue Commission Act, 2009 is responsible for administration of the revenue laws specified in the Schedules to the Act. SRC has two Divisions viz. the Tax Division and the Customs Division.
2. An audit of the accounts and records relating to the process of collection of revenue by the Customs Division of SRC was undertaken for the year 2021 with the objective to examine compliance with relevant rules and procedures. A follow-up review of the matters reported in previous audit Annual Reports was also undertaken to ascertain the action taken by the SRC.

Revenue Collection

3. A comparison between actual collections against revised estimates shows that the highest under-performance in terms of value were recorded under valued added tax (VAT) category where revenue collection was lower by R35.9m or 4% as compared to a revised estimation of R929.1m against actual collections of R893.2m. Further, six of the eight sub-categories under the different customs duties categories reported lesser collections by R28.5m or 23% as compared to a revised estimation of R96.8m against actual collections of R125.3m.
4. *The Management, in response, stated that imposition of the 25% increase in excise tax on motor vehicles as part of foreign exchange restrictions during the pandemic also cascaded to under collection of levy and VAT. The average consumptions of alcohol declined during the pandemic due to restrictions on social gatherings and there were restrictions on availability of alcohol given that shops were closing much earlier than the normal hours. Additionally, there were limited number of flights and passengers entering and leaving Seychelles, resulting in less demand for alcohol by hotels and guest houses.*

Unresolved ASYCUDA World related issues

5. Audit noted bills, totaling R61.4m (R54.2m for Seaport Cargo and R7.2m for Airport Cargo Office), owing to the SRC from 2013 to 31 December 2021 as per ASYCUDA

World. An unpaid bill is automatically created in ASYCUDA when a bill of entry (BOE) is registered and assessed but payment is not made.

6. Audit analysed the annual outstanding debts and observed that debts totaling R53.1m and constituting 86.6% of the total outstanding debts as at 31 December 2021 were due for over 3 years. As per the Seychelles Code of Civil Procedure "All causes and matters are extinguished for want of prosecution when no proceeding has been taken therein during three years." Hence, debts older than three years which have not been followed up may not be recoverable now.

Period	Airport Office	Seaport Office	Yearly total
2013	1,268,725.81	459,448.49	1,728,174.30
2014	889,423.47	5,995,218.29	6,884,641.76
2015	891,068.99	1,841,067.15	2,732,136.14
2016	779,182.91	353,309.51	1,132,492.42
2017	336,228.41	712,988.38	1,049,216.79
2018	75,486.18	39,538,966.05	39,614,452.23
2019	110,395.35	3,972,977.27	4,083,372.62
2020	35,038.99	137,046.27	172,085.26
2021	2,787,254.46	1,200,738.34	3,987,992.80
Totals	7,172,804.57	54,211,759.75	61,384,564.32

7. A closer look into the importer-wise debt composition showed that R39.5m for the year 2018, constituting 73% of the total unpaid sum of R61.3m, was related to one importer only, which upon verification of relevant records, an assessment of R26.9m was issued by the SRC. The importer has agreed to settle this sum by 31 December 2022 as informed by the SRC.
8. Further, 13 unpaid bills totaling R12.4m had either been sorted out or the cases referred to the SRC's Legal Unit for legal action as at 30 September 2022. Audit is of the view that longstanding unpaid bills may become irrecoverable with the passage of time.
9. *In response, Management informed that the process for reconciliation of these long outstanding debts is lengthy and continuous. A couple of officers in Customs have the added responsibility of reconciling these bills in the system and meeting with the relevant importers to clear outstanding balances. Furthermore, measures are being*

taken to recover outstanding bills from any tax refunds due, prepayment accounts, guarantees or against the release of goods being imported.

Status on action taken on previous audit reports

Audit brief	Status
<p>AR 20, Page 84, Para No. 2.2 to 2.3 Irregular use of receipt books at the Small Packets and Parcel Section at the Post Office</p>	Resolved.
<p>Page 84, Para No. 2.4 to 2.5 Cash box not properly secured</p>	<p>Observation persists.</p> <p><i>SRC explained that the necessary arrangements have been made for a more secure safe for the Parcel Section, Customs Post office. Arrangement is also being made for a more secured cubicle for the cashier for the safe handling of cash.</i></p>
<p>Page 84, Para No. 2.6 to 2.7 Revenue collected at the Post Office not adequately supported</p>	<p>Observations persists: <i>SRC indicated that with the cashiering service as above being extended to the Post Office, it will provide for segregation of duties from Customs officers, and should help ensure that the correct procedures are followed at all times.</i></p>
AR 19 Page, Para No.	
<p>Page 29, Para No. 3.3.19 to 3.3.21 Inefficient use of storage facilities.</p>	Resolved.
<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. Items physically in store not traced to the register.</p>	Resolved.
AR 18 Page, Para No.	
<p>Page 57/58, Para 3.116/119 Outstanding balances of amounts from importers.</p> <p>An ongoing reconciliation exercise on one importer, dating back to 2013, of BOEs raised in ASYCUDA against the importer's records is being undertaken by SRC.</p>	<p>Resolved.</p> <p>In-progress: the reconciliation has been completed and the importer has agreed to settle the R26.9m tax assessment in full by the 31 December 2022. The Legal Unit of SRC is in the process of drafting a Compromise Agreement for the settlement.</p>
<p>Page 59, Para 3.122</p>	<p>In-progress: As at 31.12.2021, dishonoured cheques Treasury ledger balance totalled R10.4m while SRC had a</p>

As at 31.12.2018, the dishonoured cheques <i>Treasury ledger balance</i> required reconciling and clearing of items.	balance of R12.6m. As per SRC records, there were 28 dishonoured cheques on hand amounting to R1.8m as at 07.10.2022. <i>SRC noted that review and update of the dishonoured cheques SOP is an on-going exercise.</i> <i>SRC informed that restrictions will be further placed on taxpayers owing Customs for dishonoured cheques and any refunds due for Tax returns will now also be retained and used to cover the dishonoured cheques.</i>
AR 17 Page, Para No.	
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).	Observation persists: <i>SRC informed that the upgrading of ASYCUDA project is ongoing and there is a possibility that extensions of time will be granted for completion of all elements under the project, including interest and penalties.</i>
Page 92, Para No. 250 No evidence of referral of cases from the Recovery Unit to the Enforcement Unit for further legal action.	Resolved: SRC has appointed an Enforcement Officer who is following up on Customs Debt. Status of the five cases previously reported are at different stages of follow up by SRC.
AR 17 Page, Para No.	
Page 92, Para No. 255 No evidence of write-off of irrecoverable debts.	In-progress: Legislation is expected to be submitted to the National Assembly before end of 2022.

Seychelles Revenue Commission - Tax Division

10. An audit of the accounts and records relating to the process of collection of tax revenue by the Commission was undertaken for the year 2021 with the objective to examine compliance with relevant rules and procedures.

Domestic taxes

11. The revenue collected by the Commission during the year 2021 from domestic taxes (R4.4b) reflected an increase of 9% over the collections in 2020 (R3.9b) and over the budgeted estimate of R 3.7b. The main streams of revenue collected by the Tax division include income and non- monetary benefits tax, business tax, and VAT. Audit observed as under.

12. **Income and Non-Monetary tax:** Income and Non-Monetary Benefits Tax (INMBT) is levied on the income of employees which is deducted at source by the employer and

remitted to the Commission. The collections totaled SR1.1b as INMBT during the year 2021.

13. ***Payroll analyses not submitted by taxpayers:*** Under the new Income and Non-monetary Benefits Tax system, an employer is required to lodge monthly payrolls electronically if it has in employment 10 or more employees, together with its monthly Business Activity Statement to the Commission. The examination of reports extracted from the Client Management System (CMS) for the year 2021, revealed that of 2412 entities, 694 taxpayers had submitted their payroll for each month, 689 employers had not submitted any payroll and 1029 employers had been submitting their monthly payrolls intermittently while 76 employers this category submitted their payroll for the month of December 2021 only.
14. ***Lack of verification of the payroll analysis:*** No evidence as to verification of the lodged payroll analyses by the Commission was noted which could result in incorrect or inaccurate income tax payments going unnoticed and hence under-collection of revenue.
15. ***Income tax payable as per payroll analysis and BAS differed:*** In 12 instances, the total income tax payable as per their payroll analyses differed from payments remitted to SRC based on the income as per the business activity statements (BAS).
16. *The Commission acknowledged the shortcomings and deficiencies observed and explained the reasons therefor informing that the steps necessary to address the issues flagged in the observation were underway. Further, education and awareness on requirements for INMBT are continuous and ongoing. The Commission has formed a new unit called the Examination and Analysis Unit (EAU) as part of its attempt to ensure that maximum taxpayers comply with their tax obligations. This is in addition to the review and examination of tax cases by our Audit team.*

Debtors

17. ***Increase in debtors:*** Total domestic debts as at 31 December 2021 was R1.1b which indicated an increase of R122m from the year 2020.

Tax Type	Balance 2021	Balance 2020	Variance -R
Objection	87,483,248	118,853,655	31,370,406
Write -off Cases	30,409,023	30,409,023	Nil
Revenue Tribunal	74,570,226	64,483,155	10,087,071
Prosecution	304,485,843	260,294,218	44,191,625
Able to pursue	624,915,175	525,796,825	99,118,350
Total	1,121,863,517	999,440,866	122,422,651

18. This debt was made up of R664m primary outstanding tax and R457m penalties. It may be noted that only about 55% of the total debt cases were able to be pursued. Audit is of the view that the Commission should review its processes over debt recovery and strengthen key controls in place to ensure timely recovery of outstanding taxes.
19. **Long outstanding write-off proposals:** Commission stated that they have proposed for the write off some cases amounting to R30m (over 20 years), as they are deemed irrecoverable. The Commission also stated that some amendments are also being proposed to the law relating to write off.
20. *The Commission, in response, informed that a lot of efforts have been made on debt recovery and a new SOP for the same has been introduced to ensure timely enforcement and prosecution. At present the whole process is manual which will be likely replaced in 2024 by the debt management system available on TMS, a digital case management system. Further, the number of years stated in the provisions of Section 186 of the Seychelles Code of Civil Procedures (SCCP) is 5 years, as per Article 2271 (1), except as provided in articles 2262. An amendment of legislation for write-off was under contemplation and an SOP for write-off of cases in line with the new legislation will also be brought in. The SRC has since August 2022 been meeting regularly on Fridays to review potential cases for write-off to ensure that for each case the submission is supported with the relevant documents.*

Follow-up on previous audit reports

Audit brief	Status
<p>AR 2020, Page 88, Para 2.11- R89,118 misappropriated by a Commission staff</p>	<p>The ex- staff of the Commission has agreed to pay the amount in full by 30 June 2023. Amount outstanding as at August 2022 was SR75,625.</p>
<p>AR 2016, Page 66, Para 11.22 - Longstanding balances for dishonoured cheques on the monthly reconciliations totalling R2,789,405 as at 30.06.2017</p>	<p>Correction for the misallocation for 2018, 2017 and 2016 has been done by Treasury. Adjustments of SR 4m has also been effected.</p> <p>As at 31-12-2021, the Treasury ledger balance in respect of dishonored cheque amounted to SR6,745,229 whilst the SRC ledger balance is at SCR2,460,314 thus resulting in a variance of SR4,284,914. SRC informed that an exercise has started for reconciliation of discrepancies.</p>

Seychelles Electoral Commission

Introduction

1. Article 115 of the Constitution provides that there shall be an Electoral Commission (the Commission) which shall perform the functions conferred upon it by the Constitution and any other law. It is responsible for the conduct and supervision of the registration of voters for facilitating true, fair and effective elections in the county and referenda, etc.
2. An audit of the Commission was undertaken for the year 2020 to test compliance with the relevant regulations, provisions of manuals and laws in conduct of its transactions and maintenance of records thereof with emphasis on wages and salaries, payments for goods and services and non-financial assets.

Presidential and Parliamentary Elections- 2020 Execution

3. The Commission conducted the Presidential and Parliamentary elections in October 2020 and incurred an expenditure of R18,849,175 on the conduct of these elections. The expenditure broadly included cleaning expenses, hire charges for vehicles, take away meals, fuel, water and other consumables. For the purpose, an amount of R500,000 was withdrawn in cash on 19.10.2020 from the election execution vote and disbursed to the polling stations.
4. After completion of the elections, the polling stations submitted expenditure details along with invoices and receipts and handed over the unspent cash back to the Commission. Based on these documents the Accountant prepared Expenditure Ledger in respect of each polling station. It was observed that 11 out of the 34 polling stations and the red cross society were yet to submit their details of the expenditure in respect of the cash advances totalling SR113,315 including the R9000 worth of fuel coupons to issued to the Red Cross Society, at the time of audit.
5. *The Commission, in reply, stated (26.10.22) that (a) only three stations out of 11 are yet to submit their expenditure details and documents for a sum of SR 12,700; (b) the Red Cross Society has informed that a water leakage has destroyed some documents including the fuel coupons for the value of SR9,000 and (c) the actual outstanding balance to date is at SR16,703, and it is still trying to recover the amount in question.*

Wages and Salaries

6. The Electoral Commission had a total number of 19 employees and incurred expenditure of R4,837,132 towards their wages and salaries in the year 2020. Audit inspection of the related payroll records disclosed that an approved scheme of service in this regards for the Electoral Commission was not in place. Audit is of the view that salary structures provide a framework for fair and consistent pay policy. A well-designed structure is vital to ensuring the retention of key employees, which in turn minimizes the cost associated with recruitment.
7. *The reply stated that the scheme of service is in completion stage, and it will be presented to the Commission for approval.*

Use of goods and services

8. The Commission incurred expenditure of SR3,829,434 on use of goods and services during the year 2020, against the budgeted amount of R 3,561,259, representing an overspending of 7.5%. Audit examined the relevant records and documents and observed that the year-end budgetary savings was not returned to the Consolidated Fund. Audit noted that the Commission had a cumulative total of SR 6,030,627 at the end of the year 2020 including a brought forward savings of R 1,264,779 from the year 2019.
9. *The reply stated that the funds were retained with the approval of Ministry of Finance for the forthcoming elections.*
10. The Commission incurred an expenditure of R628,465 towards printing and stationery, cleaning supplies, and other consumable items during the year 2020. However, the Commission did not use of the inventory system for the control of the items in use.
11. *The Commission, in reply, stated that the inventory system was not used due to a lack of training for the logistics officer.*
12. Audit also revealed that the requisite minimum 3 quotations were not obtained prior to procurement of common goods and services in respect of 15 payments totaling R431,265.
13. *The Commission, in reply, stated that right procedures in accordance with procurement regulations is being put in practice to obtain services of purchasing of goods and services.*

Non-Financial Assets

14. The Commissions acquired non-financial assets worth R257,087 during the year 2020. Audit inspection of accounting records relating to Non-financial assets disclosed the following.
15. ***Fixed asset register not maintained:*** The Commission did not maintain a fixed asset register to record its assets as such Audit could not ascertain and verify the value of the assets procured over the years, written off and actually available with the Commission.
16. *The Commission, in reply, stated that the Assets Register is being updated progressively.*
17. ***Physical verification of assets not carried out:*** As per Section 12.3 (g) of the Accounting Manual, accounting officers have to ensure physical verification of assets. However, the Commission did not undertake such a verification during 2020.
18. *The Commission, in reply, acknowledged the observation and stated that the exercise was not performed due to the logistic officer's lack of knowledge and experience, and it was done carried out in the 3rd quarter of 2021.*
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Ministry of Local Government and Community Affairs

Introduction

1. The Ministry of Local Government and Community Affairs is mandated to oversee the affairs of the 27 districts and empower the local communities. Its role is to deliver transparent, accountable and inclusive local services; provide and enhance community infrastructure and facilities, implement the Local Government Reform Programme and ensure good governance through citizens' engagement, inclusiveness and empowerment towards development.
2. An audit of the Ministry was undertaken at the Ministry's headquarters for the period from May 2020 to April 2021 with emphasis on the systems of revenue, payroll, procurement for works, goods and services, fixed assets and transport.

Revenue

3. The Ministry collects revenue from different sources such as, rental from its daycare centres, shops, tables, chairs and other facilities rented out by it, sale of tender documents and services rendered. A total of R262,345 was collected by the Ministry during the period under audit. Audit revealed the following.
4. **Shortcomings in collection:** Audit observed that the income received by DAs, such as, rent and sales proceeds were not duly supported by the descriptions of the items rented out, rates charged for and other requisite documents/details.
5. **Incomplete price list:** Audit was provided with a price list containing proposed rates for renting different facilities which did not include all facilities which were rented out by the DAs, for example, barber shops.
6. **Price/fees charged not approved:** Approval of the designated authority for the prices/fees on the list and actually charged was not sighted.
7. **Monthly rental for Day cares differ:** A scrutiny of the records provided in relation to 12 day care centres, revealed that while the price list indicated a monthly rental of R1,200 for the day cares, the fee actually charged varied between R1,000 -R5,500, details providing reasons for which were not sighted.
8. **Services on one-off basis not invoiced:** Audit was informed that services offered on one-off basis were not invoiced but only a receipt for the amount charged is issued to the clients by the DAs.

9. ***Remittances effected to Ministry by DAs lack reconciliation receipts issued:*** The Accounts Office only collect the funds from the DAs and issue a receipt for the total amount collected. It was informed that the receipts issued to clients, other records and information on the individual collections remain with the DAs. However, there was no mechanism in place to verify and establish accuracy of the amounts collected by different DAs.
10. ***Closure of the bank accounts:*** All 27 DAs had separate bank accounts. Upon closure of the bank accounts in March 2021, balances of 26 DAs, totaling R4,394,439, have been remitted to Treasury. Audit did not find a reconciliation of the transactions in these accounts with their respective banks statements.
11. *The Ministry, in response, informed that the necessary information relating to booking and collection by the DAs are available at the DA's Office. As regards the price list it is currently under revision, and 3 Day Care Centres have been tendered to ensure transparency but are not yet operational as their contracts are under finalization.*
12. ***Non-collection of long overdue debt:*** Audit observed that outstanding debtors reported by Management stood at R687,000, as at 30.04.2021, of which R630,500 were over 90 days. A review of the records indicated that arrears dates as far back as 2014 (for 2014 - R33,000, 2015 - R40,000, 2016 - R144,000, 2017 - R87,500, 2018 - R76,000, 2019 - R76,500), but there was no evidence of an actions taken to recover these debts. Further, some debtors availed the rental facilities regardless of the long outstanding dues not settled by them.
13. *The Ministry, in response, informed that it is currently seeking ways to ensure that existing tenants with arrears settle them timely and that other debtors are also chased for payments to ensure prompt payments. As regards CSB building, the Management informed that the MHILT had been informed that the cleaning service will be discontinued.*

Mobile phone agreements

14. Fifteen 15 mobile phones were acquired between the year 2015 to 2021. With regards to their usage, a list was provided showing the allocation of the phones to staff. However, it was not complete in that the usage limit was not updated and, also, some ex-staff appeared on the list. Further, there was no mobile usage agreements providing

for the mobile usage limit and the procedures for refund in case of excess usage. In regards to the mobile service agreements for the PS and the Minister, Audit noted that they did not contain a limitation on the usage.

15. The Ministry, in response, informed that it has implemented an agreement for mobile phone purchase, which it will further use to capture mobile usage limits.

Goods and Services

16. Audit examined 60 payments with their supporting documents and noted that (a) in 24 procurements, totalling R510,471, the requisite 3 quotations or the prior approvals of POU/approvals for resorting to direct bidding were not found and; (b) against the cost estimated by the Ministry at R84,725 for the works on office renovation at Baie Ste Anne Praslin DA, a contract was awarded for R140,161 and the relevant payment made in May 2020 without documenting the reasons for the difference between the estimates and the payment.

17. The Ministry, in response, informed that this was a procurement to replenish the emergency store. It further informed that necessary will be done to ensure that a proper system is implemented to monitor levels and replenish accordingly.

Field Technicians payroll paid under goods and services

18. Audit noted payments totaling R4,678,545 stated as 'DA Maintenance services' which, related to payroll of Field Technicians, who were transferred from the Community Development Department following the downsizing of public servants in 2008. It was observed from the payroll analysis that post numbers for some of the field technicians were not indicated. Further, the employees contracts and personal files or any records were not provided to audit for verification of their job descriptions, employment terms and conditions. Furthermore, Audit noted an increase of Field Technicians from 82 to 85 during July to December 2020, which was contradictory to the aim of downsizing.

19. The Ministry, in response, informed that Field Technicians were being paid under goods and services therefore did not form part of the Ministry's Nominal Roll. However, action was taken to revise their service agreements and to restructure the Ministry. Accordingly, posts have been advertised and interviews conducted to recruit 66 staff under a new service agreement.

Security services

20. The audit of 18 contracts for the security services and payments made thereon revealed that actual payments in respect of all 18 security firms were in excess of what was provided for in the respective contracts. As per the relevant contracts, a total of R 1,878,025 was due but R 1,945,933 were actually paid during the period 2018 to 2020, resulting an excess of SR67,908. Further, the contracts, which expired on 31.01.2020, were not valid at the time of audit in 2021 despite continuation of the services.
21. The Ministry, in response, informed that when the service was tendered it was without VAT, but later the service provider were informed by SRC that they are VAT registered and therefor the amount has to be grossed up by 15% . Furthermore, on two occasions there has been increase in minimum wage announced nationally and was instructed by the Central Procurement Section of Procurement Oversight Unit to adjust the contract sum of the security providers. Management provided documents relating to minimum wage adjustment and VAT certificates to substantiate the differences. Management also informed that the Security services are being revisited to assess more cost effective options.

Fixed Assets/Inventory

22. The Ministry maintained the fixed assets register using the Asset Management Software. However, Audit noted that the DAs offices, where most of the assets are located, were not using the software. Audit examined a sample of 43 items from the Fixed Asset Register (FAR) for physical verification and observed as below:
- for 7 items, the locations of the asset were not the same as stated in the register;
 - for 8 assets, locations and identification numbers were not updated in the register;
 - 34 fixed assets were not labelled, as such, could not be traced back to the register;
 - 17 items acquired during the period under audit, were not entered in the register;
 - 23 assets were sighted on the register, but not in the general ledger.
23. *The Ministry, in response, informed that due to the Ministry restructuring, staff are continuously changing office and that they are in the process of updating and tracking all fixed assets in all offices. Further, it will ensure proper tracking of the asset movements.*

24. Furthermore, the audit revealed that 3 vehicles not in good working condition, for more than a year, were yet to be repaired or disposed of at the time of the audit.
25. *The Management informed that it was looking to write-off the vehicles since the repair cost was beyond economical use of the vehicles.*
-

Industrial Estate Authority

Introduction

1. The Industrial Estates Authority (IEA), established in 2013, is mandated to implement policies and strategies of the Government in relation to industrial estates and micro enterprise premises and monitor the performance of their development.
2. An audit of the Authority was undertaken for 2021 to test check accounts and records relating to payroll, revenue collection, payments for goods and services, transport, non-financial assets and the inventory.

Revenue

3. ***Cashiers' Module not used effectively:*** Principally, the Authority collects revenue from the long-term leases relating to industrial estates and through the management of premises and sheds rented out to micro-enterprises in 9 different locations, comprising of 98 tenants. For the period under review, the Authority collected R5,712,486 from rent of SME's buildings/workshops and R15,792,739 for its long term leased land and buildings. The Authority uses the Cashiers' Module for issuing invoices for each individual debtors and issuing receipts upon payment thus automatically updating the relevant records. Audit revealed that although the cashier's module is in use, the Authority was maintaining the debtors' records in a spreadsheet whereby a statement of account for each debtor is maintained and up-dated manually. This excel spreadsheet is also used to update the aged debtor listing. The Management informed that the Cashiers' Module was only used for only raising invoices and issue of receipts for the payments received at the SRC counter. No receipts are issued for funds received through BKTRs to match against the invoices raised.
4. *The management, in response, stated that until recently, the Authority was not, provided with a permanent staff for the accounts receivables. An accounts staff was, deputized, once a week with a rotation every 3 months. With this kind of arrangement and discontinuity, the revenue was, not managed properly. Since an, invoice register was not maintained and staff was not provided with proper training on cashiers' module, discrepancies arose in the cashiers' module. The discrepancies noticed included duplication of invoices, invoices raised on wrong clients and not according to clients' lease agreement and bank transfers received were not, matched with invoices.*

- In addition, the cashiers' module being used by IEA was outdated. In its reply (25.10.22) the management stated that from January 2022, the Authority is currently issuing receipts in the cashier module for all bank transfer received.*
5. **Debtors with credit balances:** Out of 86 debtors' records examined, Audit noted that, in 8 instances, the debtors statement revealed credit balances, thus these instances were not included on the aged debtors listing. A credit balances may arise due to any invoices not recorded on the debtors' statement or prepayments by clients.
6. *The management, in response, stated that the prepayments cannot be included in the aged debtors' listings, as the balance will distort the total debtors balance. The reply stated that the credit balances are currently being maintained in a separate database. Additionally, the prepayments is recorded in the client's respective statement of accounts.*
7. **Procurement of Property Management Software:** Audit sighted a contract agreement signed on 10.12. 2021 with one supplier to develop a property management software (PMS) to administer leases and debt management in their entirety for a consideration of R240,000 excluding VAT. This amount comprised R200,000 for core licence for use of the PMS, R30,000 for its customisation to fit customer's requirements and R10,000 for installation and training. A scrutiny of the contract agreement, relevant records and documents revealed the following:
- there was no documented need assessment with details of the requirements and the expected solution to the problems through the software;
 - in making advance payments, the Public Procurement Regulations (PPR)132 conditions for advance payments were not followed;
 - inordinate delay in the implementation of the system in that it was expected to go live by the end of December 2021, however, still under implementation at the time of audit in 2022; and
 - the agreement did not make provisions for payments linked to deliverable milestones, and indicated that the fee was to be paid fully on the signing of the contract. Additionally, there were no provisions for penalty for delays or breach of contract, indicating a need for legal vetting.

8. *The Authority, in response, stated that on a thorough review of the cashiers' module several deficiencies were observed. Many consultations were made with related parties, such as, Ministry of Finance, DICT, Minister of MIEI, cabinet of Ministers and Procurement department to seek ways to improve the IEA revenue system. IEA received the approval of all related parties to purchase the property management software as the one used by PMC as upon review of the system we identify that the programs are similar to what IEA need. The reply stated further that the final payment amounting to SR120,000 is currently on hold until system is complete. The main source of the delay was from the DICT who was trying to integrate the cashier module invoice component in the PMS. IEA targets to fully implement the software by the 1st January 2023.*

Goods and services

9. The Authority incurred a total expenditure of SR6,188,466 towards goods and services. Audit examined 51 payments and observed the following:
- 3 payments, totaling R113,745, were made on the basis of expired contracts for renting office and garbage collection;
 - in 7 instances, the payments towards procurement of goods and services, totaling R328,600, were without the requisite minimum three quotations; and
 - Authority made a payment of R95,000 on 02.02.2021 to an individual against a handwritten invoice (without a TIN) dated 16.12.2020 from a contractor for levelling of road at 'Clinton Maritime Academy'.
10. *The Authority, in response, agreed that (a) the contracts had expired; (b) purchases were on emergency basis and; (3) since the contractor did not have a business bank account, payment was effected in his own personal account. However, we do advise our client to create their business banking account. The reply stated that presently, IEA has no expired contracts. All contracts have been renewed with the Procurement Unit Approval.*

Status of action taken on matters reported in AR2018

Page, Para ref and audit brief	Status
70, 3.164, Undocumented inter-entity transfer of clients files	Observation persists
70, 3.165, Clients file maintenance system deficiencies	Resolved
70, 3.166, Debtors' records not reliable	Observation persists
71, 3.168, No system in place for lease review	Observation persists
71, 3.169, Debtors list lack reliability	Observation persists
72, 3.174, Incomplete revenue collection records	Observation persists
73, 3.177, Conflict of interest	Resolved
74, 3.179, Questionable payments	Resolved
74, 3.181, Damaged vehicle	Resolved
75, 3.184, Transport allowance	Resolved
75, 3.186, Incomplete register	Fixed Asset Register updated.
75, 3.187, Asset in the custody of ex- CEO	Resolved

Office of the Mayor of Victoria

Introduction

1. The role of the Office of the Mayor of Victoria is to turn Victoria into a vibrant town and provide efficient and effective services for its security, safety and upkeep, and to engage the community for furtherance of the country's socio-economic development in line with its values. The Office seeks out partnerships with local actors and twinning arrangements with cities worldwide to improve and develop Victoria.
2. An audit of the Office of the Mayor of Victoria was undertaken for the years 2020 and 2021 (up to November) to examine the accounts and records relating to payroll, revenue, payments for goods and services, transport management and non-financial assets.

Commemorative book sale

3. To celebrate 240 years of the anniversary of Victoria, it was decided to print 1,000 copies of the commemorative book. The book was printed in 2018 in London at a cost of GBP 9,256 which was met by the Ministry of Finance. The price of a copy of the book was fixed at R500, and for its sale a number of outlets were identified. Some copies of the book were also given to domestic and overseas delegates free of cost in the form of gifts. Audit observed the following.
4. ***Proceeds from sale of the Book not realised:*** By the close of the year 2021, a total of 466 copies had been distributed to sales outlets with a potential revenue of R233,000 and 375 copies were issued free of cost as gifts leaving the balance of 159 copies in the Office. However, the amount of sales collection was SR108,000, against the expected R233,000, leaving an outstanding balance of R125,000 yet to be collected from the concerned sales outlets.
5. Furthermore, the Office on 14.02.2019 raised an invoice (001/2019) for SR100,000 to Seychelles Island Foundation for the issue of 200 copies of the book. However, the invoice still remained outstanding at the time of the audit.
6. *The Office, in reply, stated (27.10.2022) that (a) the write-off approval from Ministry of Finance was received for SR100,000 in July 2022; and (b) to date a sum of SR11,000 is outstanding for collection from Museum.*

Goods and services

7. Audit examined 81 payments, totalling SR4,173,873, in relation to their records and observed the following:
8. **Procurements without three quotes:** In 29 instances of payments towards procurements of goods and services, totalling 274,110, the requisite minimum three quotations were not sighted in evidence of ensuring competitive rates.
9. **Procurements by direct bidding:** Audit examined supporting documents attached to PV038P210151 dated 31.10.2021, including an invoice (number OBK0823) dated 27.08.2021 for USD42,343 from an overseas supplier and a Memo dated 27.08.2021 requesting for approval of the Accounting Officer to pay a deposit of 30% (USD12,703) equivalent to SR179,694. The exchange rate sheet attached indicated that the average trading rate of the USD was R13.93, as such the Rupee equivalent of the invoiced USDs was R589,952. For a procurement of this value, the prescribed method is open bidding. However, the method adopted was direct bidding for which prior approval of Procurement Oversight Unit (POU), as required, was found not to have been sought.
10. *It was explained by the Office to Ministry of Finance that the decorations were ordered directly from a factory in China, as facilitated through the Twinning relationship with the City of Guangzhou, China and that these needed to be waterproof for outdoor and industrialised use, which were not available locally. Further, the locally available decoration was of inferior quality, not meant for outdoor use and more expensive also. The reply (27.10.2022) further stated that the Office is now following the procedures.*
11. The Ministry of Finance, however, informed that the retrospective approval may be sought, pending which the signed and approved payment requests were being sent to Treasury which would act only after receipt of the feedback from POU. However, Audit noted that the payment was effected on 25.11.2021 without seeking the approval of the POU.
12. *The Office, in reply, stated that a letter was written to POU on 18.02.2022 requesting for setting of a threshold for procurements below SR100,000. The verbal reply from the POU was that for procurements below SR50,000, three quotations are to be sought.*

- The POU, however, could not provide a list of authorized suppliers, as requested by the Office.*
13. ***Need assessment not documented:*** Audit noted, in 33 instances, totaling SR754,148, that the need/necessity for the purchase of the items in question was not assessed or documented for justifying the purchases.
14. *The Office, in reply, stated that in 2022, the procedure was followed and approval was given by POU for direct bidding under Section 63 of the Act.*
15. ***Shortcomings in processing of procurements:*** For the payment of SR13,802 as per invoice dated 11.12.2019 for transportation and levelling of aggregates at the water front garden, Audit did not find a work order or an acknowledgement by the entity to confirm that the work was successfully completed as planned. The invoices in attachment indicated that 15,700 tons of aggregates were purchased.
16. In the case of purchase of toners, it was noted that all purchases, amounts totaling SR50,834, were from a single source. Further, there no inventory records being maintained for these items. Similarly, for the tea and cleaning items costing SR26,009, there was no inventory being maintained.
17. *The Office, in reply, stated that (a) due to the weather condition whereby the place was flooded with water for the opening of La Passerelle; and (b) as for toners, the procedures are being followed now.*
18. ***Payments under lapsed security contract:*** Audit observed monthly payments of SR24,363, involving an annual liability of SR292,366, to a security firm, for which the last contract agreement was for the period 2017-2019. Despite monthly payments, the contract has not been renewed nor has a new contract been drawn up for signing.
19. *The reply stated that the Office would prefer to have confirmed post of security officer at the Office, and further it has written to POU regarding the matter and received no reply up to now.*

Non-financial assets

20. The audit of the fixed assets register revealed the following:
- four new assets purchased during the period under review, totalling SR36,940, had not been up-dated in the Fixed Assets Register (FAR), albeit those assets was physically sighted;

- in most cases, identification number was either not allocated to assets or the numbers assigned were not recorded or matching with recordings in the FAR;
- fourteen assets, totalling R315,117, for which approval was granted to write off were still featuring on the FAR with no indication that they had been written-off; and
- outdoor lighting equipment for decorations (costing SR732,847 in 2021) were not indicated in the fixed assets register or in any inventory.

21. The Office, in reply, stated that (a) the FAR has been updated; (b) bin card being done for the Christmas decorations; and (c) regarding the fourteen assets, DITC will be contacted to remove the assets on the system.

Seychelles Bureau of Standards

Introduction

1. The Seychelles Bureau of Standards (Bureau), established as a body corporate under the Seychelles Bureau of Standards Act, 2014, promotes standardization in industry and commerce.
2. An audit of the Bureau for the years 2017 to 2020 was undertaken, and the matters relating to the year 2020 include the observations below.

Income

3. The Bureau collects income from various services delivered at the Main Office and the Fish Inspection and Quality Control Unit (FIQCU). Audit reviewed the records of income collected and observed the following:
 - Bureau had not performed monthly reconciliation between the Quickbook and the ledger during the year under review, resulting in differences between the two;
 - daily collection at the yearend was not deposited to the bank promptly;
 - accumulated debtors stood at R1,424,226 as at 31 December 2020, of which R542,331 (38%), was outstanding for periods exceeding 90 days from issue of the invoice; and
 - at times, the revenue vouchers were not supported by the relevant receipts issued.

Payments for goods and services

4. The Bureau incurred an expenditure R8,732,917 on goods and services during the year 2020. Audit verification of some fifty-seven (57) payments, totaling R698,207, revealed the following:
 - in two (2) instances, Good Received Notes were not signed by the preparer and, in four (4) cases, GRNs were not issued in acknowledgement of goods received costing R38,177; and
 - in seven (7) instances of overseas purchases, totalling R475,258, there was no evidence of performance of requisite checks by Accounts personnel on the GRNs to confirm the receipt of goods, despite being an integral part of the control procedure.

Fixed Assets

5. The Bureau purchased non-financial assets worth R434,328 during the year 2020.

Audit examination of eight (8) payments, totaling R201,127, revealed the following:

- in instances, the payments were incorrectly classified to non-financial assets and repairs and maintenance accounts, thus over/under stating the value of non-financial assets;
- the Bureau did not obtain alternative quotations in two (2) instances, relating to the purchase of air-conditioning units and office chairs;
- the Fixed Asset Register (FAR) provided for audit was not up to date; and
- a physical verification of the assets has not been performed during the last 4 years.

Seychelles Heritage Foundation

Introduction

1. The Seychelles Heritage Foundation (the Foundation) was established under the Seychelles Heritage Foundation Act, 2006. The role of the Foundation is to identify, conserve and promote the cultural heritage of Seychelles; encourage broader public participation in activities designed to promote the cultural heritage of Seychelles.
2. An audit of the Foundation was undertaken for the year 2020 with emphasis on compliance with the provisions of laws and regulations which are applicable to its financial matters.
3. The reply from the Executive Director stated (02 November 2022), in general, that they confirm facts and figures and they were satisfied with the responses provided by the entity which was known as SHF at that time.

Payroll

4. Audit recalculation of leave pay owing to two (2) former personnel upon their resignation, applying the criteria stipulated in the Procedures Manual to the Public Service Order (PSO), revealed a total overpayment of R. 3,139.
5. *The Foundation, in response, acknowledged the overpayments and stated that it would ensure compliance with relevant procedures. Further, the recovery action for the overpaid amounts has been initiated.*

Payment for Goods and Services

6. The Foundation incurred expenditure totalling R3,385,573 on procurements of goods and services. The audit revealed that the Foundation effected five (5) payments, totalling R.102,400, to a contractor for providing landscaping services (felling/cutting of trees and site cleaning). Two (2) of the payments, totaling R. 73, 900, were effected in the his name while the remaining three (3), totaling R.28,500, were drawn in favour of his business name.
7. Audit recommended that the Foundation should ensure that all payments are consistently issued on the business /supplier name indicated on invoice/quotations, etc. to avoid future claims and tax avoidance.

8. *The Foundation, in response, assured to ensure that all payments would be consistently issued on business name as shown on the invoice.*

Non-Financial Assets

9. The Foundation incurred expenditure totalling SR63,830 on procurement of non-financial assets during the year 2020. Audit examined a sample of five (5) payments and observed that the Fixed Asset register was not updated with eleven (11) assets purchased during the year 2020.
10. *The Foundation, in response, stated that out of the 11 assets, 9 items fall under acquisition of artefacts, which are old traditional items, e.g. traditional furniture. The necessary has been done to enter the asset in the fixed asset register. The two remaining items was an omission on the part of the officer, and the register has been updated.*

Income (suspense Account)

11. During the year under review, the Foundation collected rental and other income totalling R 1,176,670 as recorded in the Treasury Information systems (TIS). The audit of a sample of 34 debtors' invoices and receipts revealed the following.
12. ***Overdue debtors balances:*** In 28 instances, totalling R494,309, outstanding debts had accumulated for periods exceeding 90 days. Furthermore, in 13 instances Audit did not sight any follow up action taken by the Foundation for recovery of the outstanding dues. It was, however, noted that debts due for a period exceeding 90 days had reduced from R.615,406 in 2019 to R494,309.08 in 2020, a reduction of R.121,097 (about 20%).
13. The debtor's position was found inconsistent with the debt recovery policy issued on 29.05.2021 which states "all business customers to Seychelles Heritage Foundation must pay their accounts in full on the due date. Any business customer which fails to pay the Foundation on the due date will be issued with relevant reminders. However, from the documents made available, no review of the position of debtors at the Board/higher management level was sighted.
14. *The Foundation, in response, stated that some of the debtors made late payments, while others are old debts of tenants, totalling R.136,518, that are no longer occupying the premises. The Foundation lawyer has been advised to take up the matter legally with the respective clients.*

15. Subsequent to audit, it was informed that debts totalling R59,477 would be written off as approved by the Ministry of Finance.
16. **Debtors balance not credible:** Audit re-computed the debtors balance as at 31.12.2020 which was compared to receivables balance compiled by the Foundation. This resulted in a variance of R.97,542 between the two records, after considering the audited opening debtors balance from 2019. One of the variances noticed was high at R136,518. Further, Audit compared the Receivables balance in the Statement of Accounts against the Account Receivable Schedule (break down) provided by the Foundation as at 31.12.2020, and noted a difference of R.36,725 between the two records.
17. *The Foundation, in response, stated that the balance that Accounts provided was outstanding as at 31 December 2020, whereas the 'Peach Tree' software at times compiles all the debtors without taking into consideration the one month in advance policy, meaning the debtor will appear on 1st January rather than in the calculation of 31 December 2020.*
18. **Bad debts not written off:** Audit scrutiny of the Debtors records revealed that there were a number of debts amounting to R.216,675 which have been outstanding for more than 5 years. From the documents made available, it is not clear if the outstanding amounts will be recovered as most of these debts were from past tenants.
19. *The Foundation, in response, stated that it would consider alternative ways to recover long outstanding debts, and also seek for write-off authority from Ministry of Finance after considering all other possibilities.*

Seychelles Maritime Safety Authority

Introduction

1. The Seychelles Maritime Safety Authority, previously a Department under the Ministry of Transport, was established under the Seychelles Maritime Safety Authority Act and became operational effective April 2020. The Authority is mandated to administer, regulate, co-ordinate and oversee maritime affairs.
2. An audit of the Authority was undertaken for the period from January 2020 to July 2021 with emphasis on the systems of revenue, payroll, procurement of goods and services, fixed assets and transport.

Revenue

3. The Authority collects revenue from a wide range of sources including the fees for issue of licenses for ships, operating license for ferries, dive centres, dive operators, and all other commercial water sports activities, license and certification of marine surveyors and the registration of ships. Although the Authority has installed the Cashier Module, it had not yet been put to use at the time of audit. Instead, the Authority maintains a cash book in excel for recording/updating the revenue collected by the Accounts section. A scrutiny of the records revealed the following.
4. **Unrealistic budget estimates:** Audit analysis of the revenue collection indicated that the collection of fees was significantly low when compared with the figure budgeted in respect of all the years under review (2019, 2020 and 2021). The trend of revenue collection was erratic as actual receipts constituted only 68%, 24% and 41% percent of the budget estimates provided for 2021, 2020 and 2019 respectively.
5. *The reply stated that the over-budgeting was due to anticipation in the revision of fees that was under drafting as well as the licencing of hire craft still under the Seychelles Licensing Authority. The reply further stated that the fees are now being finalised and revised fees should be applicable by the second quarter of 2023.*
6. **Revenue collection not supported:** Audit noted that in 33 revenue vouchers, totaling SR2,602,645, the attached supporting documents lacked the requisite summary of remittance, invoices/receipts, etc. For example, the revenue voucher number 005R210073 dated 29.01.2021 for a total of SR1,219,273, the Authority could not provide a breakdown of the amount.

7. *The reply stated that as from 2022 all revenue vouchers raised are supported by invoices, receipts and remittances. Furthermore, all documents are filed properly and promptly to facilitate locating when required.*
8. **Outstanding cheque:** As per the data base on VAM, dishonoured cheques relating to the Authority, totaling R37,541, included an amount of SR22,680 dating back to 2017 for which they did not have the relevant information.
9. *The reply stated that the outstanding balance is now at Sr21,704 and this relates to a total of 6 cheques dated for over 10 years. SMSA has requested to write off this balance from Ministry of Finance.*
10. **Shortcomings in the cash book and invoice register:** Audit examination of the cash book, invoice register, etc. revealed the following:
 - the receipt numbers were not recorded in their sequential order in the cashbook, thus rendering it incomplete;
 - 45 receipt numbers were recorded as cancelled in the cash book, but the reasons for the cancellation were not stated. Further, in 6 cases included in the 45, the original cancelled receipt was not available for verification; and
 - Audit did not find entries in the cash book in respect of the 19 receipt numbers, thus, could not ascertain whether these had been issued, cancelled or disregarded.
11. **Shortcomings in invoice register:** Audit examination of the invoice register maintained with all revenue invoices raised revealed the following:
 - invoices are raised in an excel file by overwriting the existing invoice by the next invoice. The soft copies of the overwritten invoice are not always maintained;
 - In view of the above, invoice numbers are easily duplicated in some cases, for example, 21674 and 21650 were duplicated in the manual invoice register; and
 - some 230 invoices were missing in the invoice register. From the records made available to Audit, it could not ascertain whether these 230 invoices were issued or the numbers were not used in invoicing.
12. *The reply stated that the Cashier Module has already been installed and is operational since the 25 of January 2022. Since invoicing, receipting and reporting for banking is automated the records are in order. Cash book is being well maintained for the year 2022.*

13. *As for the invoicing, the reply stated that SMSA is still raising some manual invoices. The authority deals with a lot of international based companies who have been incorporated in Seychelles and those companies are not listed in the system. SMSA has recommended that the system is merged with financial services authority to include all international based companies who have been incorporated in Seychelles. All invoices being raised manually in 2022 are in sequential order, updated in the invoice register and are also being filed separately.*
14. **Vessels annual tonnage renewal fees database not updated:** The Authority maintains an excel spreadsheet for annual tonnage license fee. Upon review, it was observed that the spreadsheet provided to Audit was not up to date with renewal fees paid. Hence, it could not be ascertained whether all the vessels registered in Seychelles were operating on fully paid licenses.
15. *The management, in response, informed that the Authority has only recently created the database as a means to keep track of the annual tonnage being collected pending the implementation of an electronic system, in collaboration with DICT, in order to better maintain and track payment for the annual tonnage vessels. Such system will flag up when renewal as well as annual tonnage are due.*
16. **Rent deposit not refunded:** From a debtors' list provided it was observed that a refund of rental deposit of R12,000, paid for an apartment for a staff, was to be collected from the landlord on vacation of the apartment. There was no document or information available with the Authority to indicate as to when the deposit was made, the tenant, etc.
17. *The management, in response, stated that the Authority is facing some challenges to recover the said amount in view of the lack of cooperation from the landlord claiming lack of proper documentation that went missing over the years. The Authority will seek the approval from the Ministry of Finance for possibility of writing off the said amount from SMSA's debtor's list.*

Goods and Services

18. Audit examined 80 payments relating to the procurement of goods and services and fixed assets and observed as under.

19. **Procurements lacking needs assessments:** A documented needs assessment was not sighted in respect of 54 payments totaling R1,507,826.
20. **Procurements without quotations:** The requisite minimum 3 quotations were not obtained nor the requisite prior approvals from approvals authority/POU for resorting to direct bidding obtained in respect of 26 payments totaling R614,519.
21. **Basis for selection not clear:** Payments totaling SR131,226, made as per the existing contract for the IT support, was not supported by documents for providing the basis for selection of the supplier and competitiveness of the rates paid. Further, payments totaling SR119,133 were made towards purchase of concrete sinkers without documentation of the justification for the selection of the supplier and the competitiveness of the rates applied.
22. *The management, in response, informed that POU approval is sought although not always obtained for items below SR150,000 as it is informed that it is within the threshold of the entity and procurement method may be approved internally. Additionally, the Authority is in the process of improving its procurement process. It further informed that a new needs assessment form has been implemented to be attached to the requisition and payment voucher. The reply further stated that SMSA drafted its own internal procurement policy of which POU had no objections.*

Fixed Assets

23. The Authority procured non-financial assets worth SR1,115,308 in 2020 and SR48,537 up to July 2021. It has implemented the Asset Management Software designed by for maintaining the fixed assets register (FAR). Audit observed that the FAR was not complete in terms of the requisite pertinent information nor updated with the assets procured during the year. The other deficiencies noted were as detailed below:
 - fixed asset identification numbers were not updated in FAR in respect of 34 fixed assets, totalling R444,769, making it difficult to trace the assets back to the register;
 - fixed asset acquisition cost and locations were not updated in FAR in respect of 6 fixed assets, totalling SR126,741, 5 of which were purchased in 2019/2020;

- seven fixed assets totaling SR75,912, posted in the General Ledger, were not recorded in the FAR . On the other hand, 5 fixed assets totaling to SR15,778, though entered in the FAR, could not be traced in the General ledger;
- R53,350 paid vide PV005P200996 dated 11.12.2020 for the purchase of filing cabinets and office chairs as per the general ledger, was recorded in the fixed assets register as SR85,877, which included some single line items with nil value.

24. *The management, in response, informed that the needful has been done for the period under review.*

Transport

25. Audit reviewed the fuel coupon register and noted that fuel coupons worth SR65,600 were not recorded in the fuel coupon register and that only the fuel coupons issued are recorded in the register. Further, the following discrepancies were noted in the fuel coupons register:

- fuel coupons were not issued in their sequential order; and
- six fuel coupons worth R600, numbering 0412314, 0412315, 0412316, 0564741, 0564742 and 0564760, were not recorded in the fuel coupon register.

26. An examination of the log book of GS9541 revealed the following:

- there was no record of the mileages done from 77508 to 77510, 80253 to 80280, 80369 to 80389, 82676 to 82679, 83012 to 83021, 83040 to 83087;
- there was no record of the opening mileage or closing mileage on 16.12.2020, 26.01.2021, 19.02.2021, 24.02.2021, and 02.07.2021; and
- the monthly fuel consumption analysis was not prepared.

27. *The management, in response, stated that the necessary procedures would be implemented.*

Seychelles Qualifications Authority

Introduction

1. The Seychelles Qualifications Authority (SQA) set up under the Seychelles Qualifications Act, 2005 is entrusted with the responsibility of developing and implementing a national qualifications framework, to regulate all matters relating to qualifications in the country and guide all providers of education and training on the standards and conditions that need to be met to operate, and for learners to be certified.
2. An audit of the Authority was undertaken for the year 2021 with emphasis on use of goods and services, wages and salaries, revenue, transport and non-financial assets. A follow-up on matters raised in the last report issued in 2017 was also undertaken.
3. The Authority's reply (27 October 2022) stated, in general, that upon receipt of the final audit report, SQA developed an action plan addressing the recommendations of the report to ensure their implementation.

Use of Goods and Services

4. The Authority's expenditure on use of goods and services was R2,696,216 during 2021. The audit of forty-five (45) payments totalling R308,839 effected towards procurements, office running, transportation, repairs and maintenance revealed the following.
5. **Absence of three quotations:** In eleven (11) payments, totalling R85,116, the requisite minimum three (3) quotations were not obtained to ensure competitiveness of the prices paid.
6. *The CEO, in response explained that due to the size of SQA it is not always easy and feasible to obtain three quotes especially due to lack of staff to shop around for competitive prices.*
7. **Lack of approval on invoices:** In thirteen (13) cases, totalling R65,418, certification of the attached invoices by the CEO was not evidenced nor was there any evidence of performance of requisite checks or GRNs before making payments.
8. *The CEO and Administrative Officer were of the opinion that their current practice was sufficient when effecting payments, however, after discussion with them they agreed to do the needful.*

9. **Original invoice not found:** In four (4) cases, totalling R50,850, Audit did not find the original invoices or sales receipts, and the payments were released on the basis of a pro-forma invoice, etc.
10. *The CEO, in response, stated that as of now they are ensuring that an original invoice or a sales receipt is attached with all payment vouchers when processing payments.*

Non-Financial Assets

11. In 2021, the Authority spent a total of R109,210 on acquisition of 20 non-financial assets, which included furniture, printing and IT equipment. Audit examined the procedures and controls over non-financial assets and noted the following:
12. **No evidence of physical verification of assets:** The year-end physical verification of assets was not performed, or if undertaken, the evidence of the same was not kept. Further, seven assets including wooden computer desks, filing cabinets, photocopier, refrigerator totalling R33,950 were not physically sighted.
13. *The Authority, in response, stated that they are updating their Fixed Asset Register and they will undertake a complete verification on all their assets.*
14. **Write-Off Register not maintained:** Audit noted that thirty-two (32) assets disposed of during 2021 were not recorded in the write off register since the same was not maintained.
15. *The management, in response, acknowledged the observation and stated that the steps are underway for provision of a write-off register in the Asset Management Software for which identification number to all these assets would be created for the system to permit their postings in the computerised register, completion of which was expected by October 2022.*

Wages and Salaries

16. The Authority had fourteen (14) employees on its payroll for December 2021. Audit examined certain personnel records (9) observed the following:
17. **Leave balance in excess of forty-two days:** In case of 3 of the sampled employees at higher levels, leave balances were 56 to 62.5 days well exceeding the stipulated ceiling of forty-two (42) days.

18. *The CEO, in response, attributed reasons for leave accumulation to staff shortage, which despite requests is not addressed by the MOF and stated that leave balances under 42 days would be ensured.*
19. **Authorisation for deductions not found:** Deductions were noticed from the salaries of the 5 sampled employees for which letters of authorisation from these employees were not sighted in their respective personal files.
20. *The Administrative Officer stated that when these employees were transferred from MOE they did not receive any copies of letters of authority for their deductions as Treasury only matches their payroll with that of Ministry of Education (MOE).*

Follow-up on 2017 Management Letter observations

Audit brief	Status in 2021
Use of Goods and Services	
4.1 Absence of three quotations.	Persistent
4.2 Payment voucher authorised by beneficiary of funds.	Resolved
4.3 No evidence of satisfactory receipts of service	Resolved
4.4 No evidence of invoices stamped as paid after processing payments	Persistent
4.5 Line account feature in Treasury records but not in the Authority's general ledger	Resolved
5.1 Banking of Revenue Collected delayed.	Resolved
6.1 Accumulation of leave beyond prescribed limit.	Persistent

Tax and Customs Agent Board

Introduction

1. The Tax and Customs Agents Board (the Board), established under Section 80 (1) of the Revenue Administration Act, 2009, is mandated for the registration and regulation of tax and customs agents.
2. An audit of the Board for the period January 2019 to September 2021 was undertaken with emphasis on revenue collection & administration and expenditures relating to wages and salaries, use of goods and services and non-financial assets.

Revenue

3. The Board collects revenue in the form of registration fees from customs agents, tax agents and as appeal fees relating to the Revenue Tribunal. As per the Treasury ledger, a total of R112,858 was collected during the period under audit (January 2019 to September 2021). Audit examined the records and documents relating to receipts and observed the following.
4. **Missing receipt book:** This examination revealed that four receipt books had been issued to the Board on 30 November 2016 but only three receipt books were physically sighted. The whereabouts of the fourth receipt book (1194101 to 1194150), which should ideally be an unused receipt book, was not known at the time of the audit.
5. *The Board, in response, acknowledged that the whereabouts of the 4th receipt book was unknown as there had always been only the 3 receipt books in their possession.*
6. **Revenue not banked promptly:** In 24 cases, Audit noted delays in banking of the collected revenue. This may result in misappropriation, fraud or theft of the revenue collected.
7. *The Board, in response, explained that the main factors resulting in the delays in banking of revenue were attributable to the ex-Administrative Assistant not having access to the Treasury Information System (TIS) to raise the relevant revenue vouchers during the absence of the Office Administrator who was on maternity leave.*

Use of Goods and Services

8. The audit review of the relevant records revealed that during the period under audit, a total of R949,284 was paid as board fees to 11 Board members and a Secretary. It was

noted that the Secretary, who was on maternity leave from January to May 2020, was also paid R5,380 during the period.

9. *The Board, in response, stated that overpayment was made as the Secretariat was unaware that the allowances should discontinue during maternity leave. The Board reassured that they will strengthen controls in place.*

Imprest

10. As per the Treasury general ledger, the Board was assigned with a petty cash of R1,000. However, upon inquiry Audit was informed that there was currently no physical cash in existence under its ownership. Through verification of available documents provided to Audit, it was noted that there had been mismanagement of petty cash arising years back, letter dated 24 October 2014. Consequently, the Board has been operating without petty cash since 2014. Audit sighted a latest email (dated 22 September 2021) exchanged with Treasury regarding this issue which remains unresolved to-date.

Follow up of prior year audit matters

AR 2019 Page, Para No., audit brief	Status
Page 32, Para No. 3.4.4 to 3.4.6 Cash collections totalling R17,500 not banked. Agreement made for settlement of this sum in 7 instalments of R2,500.	Resolved.
Page 32, Para No. 3.4.7 to 3.4.8 Applications received not recorded in the register.	Resolved.
Page 33, Para No. 3.4.9 to 3.4.10 Revenue collected not promptly banked.	Persist
Page 34, Para No. 3.4.15 to 3.4.17 Board members not remunerated as per Remuneration Policy and Framework	Resolved, except for overpayment of Board Secretary.
Page 34, Para No. 3.4.18 to 3.4.21 Fixed Asset Register not maintained. Physical verification of assets not performed.	Resolved.

Tertiary Education Commission

Introduction

1. The Tertiary Education Commission (TEC), established under the Tertiary Education Act 12 of 2011, is responsible for recommending policies and plans for the development of tertiary education.
2. An audit of accounts and records of the TEC was undertaken for the year 2021 with emphasis on wages and salaries, use of goods and services and transport management.

Use of Goods and Services

3. The audit examination of thirty four (34) payments, totalling R93,557, revealed that:
 - in seven (7) instances, an evidence as to satisfactory receipt of the goods and services procured, was not recorded;
 - Commission's Board comprised of seven members including the Chair and Vice Chairperson. Letters appointing them to the Board was for a period of three years effective 15 October 2018. By December 2021, the board was still in office past its tenure valid up to 14 October 2021.
4. *The reply stated (24.10.2022) that the Board continued under the guidance from the Minister. The board continued simply because both it and the management of TEC was not conscious that the end of tenure of the Board had come and gone. When the CEO discovered that, he brought it to the attention of the Minister who advised him to write a letter (to the Minister) for approval of the write off of the board payments which had been made after the end of their tenure. This was to do simply with the overpayment and we argued in our letter that the board had remained active beyond its mandate. Note that Board members have started paying their arrears.*

Follow up on previous audit findings

Para, page, Audit brief	Status
Para 5.11/Page 3: Prescribed format not used for recording Fuel Coupon.(management letter of 2020)	Resolved. The Commission has implemented the use of form RF-001 – fuel coupons register.

Agency for Social Protection

Introduction

1. The Agency for Social Protection was set up under the Agency for Social Protection Act, 2011 repealing the Social Welfare Act, 2008. The main functions of the Agency include administration of social assistance and payments of benefits in accordance with the Social Security Act, 2010 to persons having insufficient means.
2. An audit of the accounting records and documents of the Agency was undertaken for 2021 to examine the accounts and records in relation to various benefits and approved programmes administered by the Agency during the year.

Retirement Pension

3. The Agency made payments totaling R796,103,521 towards retirement benefits during the year. An examination of relevant documents and control procedures performed on a sample of 90 new applications for retirement benefits revealed the following.
4. **Letters of qualification not signed:** In 2 instances, the authorization letter, informing the applicants of the approval granted to receive retirement benefit payment, was not signed by the Benefits and welfare officer, prior to inclusion of the applicants on the payroll. This deficiency may lead to the possibility of effecting payments to ineligible beneficiaries.
5. Audit recommended that a checklist of procedures to be undertaken may be initiated and completed prior to inclusion of beneficiaries in the payroll.
6. *The ASP stated, in reply, that going forward the management will ensure that copies of signed letters will be placed on file. However, it is important to note that all applicants receive the original and signed letter of qualification.*

Home Care Benefits

7. The Agency provides the assistance of a caregiver in households to help the recipient with his/her daily living activities following a health assessment of the recipient and means-testing assessment of his/her immediate household members. During the year under review, the Agency effected payments, on an average, to 3782 home carers per month and a total amount of R285,135,921 during the year, inclusive of employer's pension contribution. Audit performed checks on a sample of 72 applications and observed as under.

8. ***Recipient files not sighted:*** Despite audit requests, fifteen files were not produced for audit inspection. As a result, Audit could not confirm eligibility of the home carers for the payments effected to them. Audit recommended that the Agency may consider maintaining scanned copies of files to address the issue of files misplacement.
9. *The Agency, in response, explained that this is a recurring issue inherited whereby files for applicants/recipients were missing or duplicated and stated that the Agency is doing its utmost to resolve this problem, which is still in progress. The reply further stated that with the gradual re-assessment and implementation of WHODAS all files will gradually be reviewed and updated.*
10. ***Applications lacked requisite supporting documents and information:*** On verification, it was observed that 4 applicants' files did not contain all required documents in order to process further the carer application. In the absence of documents such as bank account details and copy of ID, Audit could not ascertain if the payments were effected to correct persons.
11. Audit recommended that the Agency should verify all required documentation to ensure that the applicant care giver meet all requirements.
12. *The Agency, in response, stated that a verification process has been put in place in September 2021 and, henceforth, they have been updating files with relevant information.*

Welfare Payments (Social safety net)

13. On average, the Agency paid 800 claimants per month totaling R.21,840,436 during the year under review. This sum was in the form of cash/bank transfers and in kind mainly through direct payments to PUC and issue of STC cards to recipients. It is to be noted that effective April 2021, cash payments were effected at the counter for the first payment, after closure of the payroll and one off payments relating to medical, unemployment and other reasons. All subsequent payments were through bank transfers or in kind. Audit revealed a difference of R1,259,871 between the general ledger and the payroll reports for the year, which may have resulted from cash payments. Audit is of the view that the Agency should perform monthly reconciliations between the two records to ensure that there are no unexplained differences.

14. *The Agency while noting that it does not work with a single payroll for processing payments, stated that the reconciliation is being done when provisional payroll is being reviewed.*

Orphan Benefits, semi orphans and abandoned children

15. The Agency paid benefits to, on average, 800 orphans, semi-orphans and abandoned children and a total of SR12,908,972 during the year under review. A scrutiny of the payroll and beneficiaries' records through a sample of 8 amendments relating to backdated payments revealed that the payment of orphan benefits to a beneficiary in May 2021 was overstated by SR1,300, as was detailed in the management letter.

16. *The Agency stated in reply that it will contact the recipient for a refund and proof will be forwarded to OAG's office.*
