

THE NATIONAL ASSEMBLY OF SEYCHELLES



THE FINANCE & PUBLIC ACCOUNTS COMMITTEE

REPORT ON THE FINDINGS OF THE AUDITOR GENERAL'S 2021 REPORT PUBLIC HEARINGS OF 2023

THE FINANCE & PUBLIC ACCOUNTS COMMITTEE is empowered to consider the accounts referred to in article 158(3) of the Constitution; report to the Assembly on any excess of authorised expenditure; propose any measure necessary to ensure that the funds of the Government are properly and economically spent; and examine the financial statements of any public or statutory body.

Powers

The Committee is a Standing Sessional Committee under Article 104 of the *Constitution*, the powers of which are set out in the *National Assembly Standing Orders, 2020* and *Part III of the National Assembly (Privileges, Powers & Immunities) Act, 2011*.

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Hon. Terence Mondon

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Hon. Sandy Arissol

Member

Hon. Churchill Gill

Member

Hon. Georges Romain

Member

Hon. Richard Labrosse

Member

Hon. Conrad Gabriel

Member

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EXECUTIVE SUMMARY

This Report cross examines 12 entities among the 20 that were summoned before the Committee based on the key audit findings of the 2021 Report of the Office of the Auditor General (OAG) submitted to the National Assembly in accordance with Article 158 (3) of the Constitution. All the entities that feature in the Report of the OAG were summoned on the basis of clarifying the discrepancies published, gathering evidence and proposing the implementation of corrective measures. This Report features the entities the Committee deems the findings and issues to be substantial in nature.

Findings in this Report presents each entity's relevant audit discrepancies and concerns from the OAG alongside a summary of the responses provided in the Hearings including a financial scrutiny analysis with recommendations.

Considerable discrepancies and deficiencies that warranted scrutiny were identified in the Report and during the Hearings. As a result, the Committee has identified the below major issues:

- i) *Percolated gaps in knowledge of laws and regulations, procedures and processes from the Accounting Officers and administrative employees.*
- ii) *Poor adherence to procurement regulations which also include ineffective internal control structures and mechanisms that promote transparency and accountability.*
- iii) *A lack of imperative record keeping to support financial transactions.*
- iv) *Inefficient asset management systems and monitoring and evaluation mechanisms.*
- v) *Delayed and unthorough oversight and scrutiny by the Ministry of Finance.*

The complete verbatim of each Hearing is kept and can be made available to any requesting member of the public and is available on the website of the National Assembly. The evidence submitted by each entity in response to the letters sent by the Committee is listed in the Annexes of this report.

In its role of oversight, the Committee holds the Executive accountable for its management of resources, efficiency in revenue collection, expenditure of public funds and proper accounting for state assets. Government spending is driven and directed towards achieving national objectives and delivering a better service to the public that is value for money. The Committee is regarded as a key component in the process of ensuring good governance, transparency, and accountability.

1. AUDIT FINDINGS OF THE ENTITIES

1.1 The Ministry of Finance, National Planning & Trade (pg5-20)

Concerns by different entities were flagged throughout the Hearings on their audit findings with concerns expressed on the financial internal mechanisms of the public financial management regulations and procedures spearheaded by the Ministry of Finance, National Planning & Trade. The Committee had the opportunity to enquire on the measures the Ministry has taken to address some of the audit issues highlighted in the 2021 Report. The FPAC conducted a public hearing examining the shortcomings on the payments of dividends, its monitoring, and the oversight of the Ministry on the SOE's and responses for each short coming is detailed below:

i) **Dividend Payments in Surplus & Not Paid in 2020** (pg7 – 2.14 & 2.15)

Key Audit Findings: The report revealed an exponential surplus against the revised estimation of dividends with an increase of R.68.4M received from SEYPEC and the Financial Services Authority respectively contributing a R.355.5M increase compared to the estimations. Comparatively, no dividends from the Land Marine Ltd, Ile Du Port Handling Services (IPHS) and the IOT were credited to the Consolidated Fund in 2021 despite the downward estimates of the two former companies. Dividends which were to be transferred to the Société Seychelloise D'Investissement Limited (SSI) were yet to be paid directly to Government upon the winding up of the company and this was pending upon the writing and finalisation of the Report.

Findings from the Hearing: The Ministry has done a 3-4 year projection working with the SOEs based off the assessments of their current and planned capital investments. The following companies were listed to be required to pay dividends; Nouvobanq, SEYPEC, Financial Services Authority, Seychelles Fishing Authority, the Central Bank of Seychelles, Seychelles Civil Aviation Authority, Seychelles Ports Authority, SSIL and its subsidiaries such as IOT, Cold Storage CCCS, Land Marine and Ile Du Port Handling Services (IPHS). The significant reductions to the dividends received in 2021 were due to the negative economic impacts of the COVID-19 Pandemic. The Ministry confirmed that the transfer of funds to Government from SSI that were pending in 2021 were paid. The Ministry confirmed that the Land Marine dividends were paid in July 2022, the IPHS and IOT were in April 2022 amounting to a total R46M payments¹. The delay from SSI was due to the change of signatories to the account of the said company and this was solved with the implementation of a temporary board to allow for the completion of the payment process.

The Committee enquired on the decision-making process in finalizing the amount of dividends recommended and if it is based on the actual performance and capital profit of each entity. The Ministry highlighted that the Government is represented on the boards of the SOE's to ensure participatory decision making in regards to the board recommendations of dividends to Government through the AGMs in line with the Companies Act, 2020. Further, the Dividend

¹ The percentage of shares of the Government are as follows: IPHS (40%), IOT (40%) and Land Marine 10%

Policy is used to guide the entities and the ministry of the correct process. The ministry establishes dialogues and reviews to ensure that the Government is receiving its substantial share of the dividends and this is monitored by the Ministry through the receipt and analysis of monthly financial statements and regular meetings with the representatives on/of the respective boards. Concerns are brought to cabinet for decision making.

As dividends are affected by the financial activities of the SOE's the Committee enquired on whether the Ministry has proper oversight to ensure the correct dividends are being paid and that the people of Seychelles are not losing out. The Ministry confirmed the receipt of financial statements, representation on the board, regular dialogues to ensure the necessary oversight. In addition to the above, regular estimations and assumptions are used to prepare the budgets for dividends, which includes an analysis of the financial statements and capital investment projections of the companies to set the barometer for the amount of dividends expected. If the capital investment is reviewed at mid-year review and there is an opportunity to request a surplus of dividends the Ministry can advise the Government to do so².

The Committee expressed concerns on the matter of Transfer pricing which could affect the bottom line and questioned as to whether the ministry looking further to ensure a return of revenue for the country through the dividends payments. The Ministry highlighted that the Seychelles Revenue Commission is an entity it is collaborating with to ensure oversight on the risks of transfer pricing this includes the release of regulations to ensure the SRC are equipped with the tools to investigate and gain information from other revenue commissions overseas to deepen its scrutiny.

Analysis:

- SOE's continue to perform a vital economic role in the country, and it is necessary that despite the guarantee of the autonomy of the boards, that the Government necessitates that it is still allowed to exert its authority at a strategic level through ongoing board evaluations and scrutiny of financial documents.
- Mitigation of the risks that can ensue to ensure the true dividends are being paid and contributing to the economy of the country.
- Ensure and determine the legality of the dividends with the necessary declarations and submission of financial statements.
- Regularly review whether the dividend policy is being adhered to and the necessary organizational and regulatory structures are carefully implemented and reviewed.
- Necessary oversight on transfer pricing risks is undertaken.
- If deemed necessary, new disclosures on distributable reserves be requested by way of regulations.
- the PEMC strengthen its auditing lines to ensure that the above-mentioned state controls are not substituted.³ This includes increasing the level of supervision and monitoring being

² The Dividend Policy states that to use the capital investment it has to be in line with the national strategy and plan which can mean the request of dividends is decreased based on the fiscal economic impact of the capital investment.

³ OECD (2015), OECD Guidelines on Corporate Governance of State-Owned Enterprises, 2015 Edition, OECD Publishing, Paris, <https://doi.org/10.1787/9789264244160-en>.

undertaken by the PEMC while ensuring the SOEs remain financially sustainable and not dependent on the national budget.

- ensure that the Public Enterprise Act, is being implemented more effectively to increase the level of good governance, accountability, and transparency,

1.2 The Department of Defence (pg23-26)

The Department featured in the Report of the OAG for the years 2019 and 2020 with repetitious audit findings and issues which have further been revealed in the Report for the year 2021. The findings reveal serious shortcomings in regard to internal procurement mechanisms and procedures, accurate and proper records keeping and asset management structures:

i) Goods & Services Non-Adherence to Procurement Regulations (pg23-24)

Key Audit Findings: In the Year 2020, out of the total expenditure of R125,857,336, an amount of R26,473,146 which represents 76 payments were processed without follow up on the proper procurement procedures and best practices. 15 payments were made without the seeking of three quotations totalling R708,916, 6 payments were lacking prior approval of the Procurement Oversight Unit totalling R8, 256, 206, 3 cases without the certification of invoices for payment totalling R262, 560 and payments in excess of the invoiced amount to a total of R30, 720. The lack of adherence to procurement regulations and processes is repetitious. 6 Procurements at the total of R8.2M were not approved by the Procurement Oversight Unit relating to the monthly servicing of the Dornier Aircraft and the maintenance contractor.

Findings from the Hearing: Taking into account the responses of the Department in the Report of the OAG⁴, the Committee enquired into why the necessary three quotations requirement was not followed for procurements below R50,000 due to the substantial amount of R26, 472, 146 which were not in accordance with procedures. The Department confirmed that the necessary procedures are now being followed and that if three quotations cannot be obtained an explanation will be provided. The Committee further questioned on what measures the Department has put in place to ensure it is getting a competitive price for its purchases in the absence of the request for the three quotations. The Department responded that there are instances in which purchases are extremely urgent or minor that it may not be practical to obtain three quotations and the Committee further enquired on the value for money for moderate to large procurements. It was highlighted that some commodities are rare and can only be sourced with specific companies in the region and that a system has been put in place to reduce discrepancies and non-adherence to procurement procedures.⁵ The Department has established a Vetting Committee which vets the need for procurements of goods above the cost of R50,000 and has a membership of both army officials and independent civilians. For purchases of goods above the cost of R250,000 a newly established

⁴ The Department responded in the Report highlighting the cancellation of the rent agreement in 2021, the establishment of a vetting committee and a procurement committee, an internal procurement system and that a procurement officer has been employed to mitigate against these issues recurring.

⁵ The Audit Manager confirmed that the purchases were material and the request for three quotations should have been actioned.

Procurement Committee review the needs and procedures. The Department stressed on the necessary remedies that has been implemented to address the above audit findings. The Department also confirmed that for the servicing of the Dornier Aircraft there is only one company that does this in India and it is contracted through direct bidding procedures and that parts have to be purchased at Dornier and no other company. It was highlighted in the Hearing that the correct procedure was for the POU to approve the direct bidding after receiving the justifications and this would have satisfied the auditor. The Department confirmed that new exemptions have been obtained to ensure this audit discrepancy does not come up again. This was further highlighted for the payments to contractors which were as below:

R130,000 to Indian Ocean Technical Services	For monthly maintenance of telecommunication equipment and systems in June and July of 2020 for the SPDF headquarters.
R1.8M to Master Global Logistics LC	For the payment of spares for fast response boats using 250hp and 350hp Yamaha
R276,660, 78, R285, 548,000 and R177, 896 to Hari Builders	For maintenance work at the Seychelles Defence Academy for sanding and removing of paint from existing paint, ground, first floor, ceiling, fixing doors and maintenance in ceiling, for unpaid VAT.

The Department confirmed that in the above instances the academy was used during the COVID-19 pandemic and urgent works had to be done. For construction works and maintenance works that have to be done by the Department the Seychelles Infrastructure Agency (SIA) is consulted and there is a project officer assigned to ensure compliance and review of the works necessary. There were omissions of signatures on invoices and this has been mitigated to ensure compliance.

Analysis:

- There needs to be a standard guidance for entities on the internal mechanisms it should establish to ensure that proper procurement regulations and procedures are followed for transparency and good governance across the public service by the Ministry of Finance.
- The Ministry should establish mitigative measures for entities to use during pandemics or crises for procurement.
- There should be a mechanism implemented whereby entities have a list of emergency service providers to ensure streamlining during emergency or urgent procurements.

ii) Store Records & Untraceable Bin Cards (pg)

Key Audit Findings: 3 purchases totalling R204,703 comprising of shoes, uniforms and blankets and miscellaneous items could not be traced and for the consumable store items costing a total of R99,997 could also not be traced to its respective bin card.⁶

⁶ The Department confirmed in Report of the OAG that new team has been appointed to organize and manage the store using computerized software. Notwithstanding, some missing bin cards were allocated and the remaining will be located to be provided to the auditor.

Findings from the Hearing: The Committee noted the Departments response in the Report of the OAG and enquired whether the Auditors have received the missing bin cards that had been allocated and this was not so. The Department admitted to the discrepancies and have implemented mitigative measures to manage the stores.

Analysis:

- Store management best practices and procedures should be implemented across the government to ensure efficient use of resources and value for money.
- The Ministry should ensure proper advisory mechanisms are provided to the government entities displaying challenges in stores management especially large entities with a relatively bigger amount of assets.

iii) **Discrepancies in Wages & Salaries** (pg24-25)

Key Audit Findings: The audit revealed that out of 9 cases, 8 had no Salary Input Forms especially for staff and soldiers appearing on the payroll, this includes post numbers on the nominal roll were not corresponding to the ones on the payroll analysis for 7 employees.⁷

Findings from the Hearing: The Department noted that this discrepancy has been dealt with and that all necessary procedures have been implemented to ensure the proper monitoring and payment of salaries. The Committee also enquired on the discrepancies on the nominal roll, referring to past accusations of ‘ghost employees on the payroll’ of the Department and that these discrepancies should have been addressed since 2018. The Department confirmed that the work has been undertaken to ensure all employees and soldiers appear on the payroll and the last additions were the 7 cases that were identified by the auditors.

Analysis: Despite periodic oversight being carried out by the Office of the Auditor General, Accounting Officers, Administrative and Accounting staff should be capacitated to ensure they are compliant with regulations governing wages and salaries, including adherence to best practices.

iv) **Transport Management & Disparities in Records** (pg24-25)

Key Audit Findings: The audit brought to light that the fuel coupon register was not maintained relating with the purchase of 1872 fuel coupons at the value of R2,613,660 not accounted for. The audit further revealed deficiencies in the control of use of vehicles and fuel consumption. This also includes a further 24 fuel issues with 10 cases whereby the receipt was not signed by the drivers and an additional 2 fuel coupon books not sighted.⁸ Finally, there were disparities identified between the list of vehicles registered at the Seychelles Licensing Authority (SLA) compared to

⁷ The department responded in the Report that the salary input has been rectified, a salary input form has been introduced and implemented.

⁸ The Department replied in the Report that a double verification method has been implemented including the establishment of proper procedures of control on the use of vehicles.

the list of vehicles on the list of Vehicle and Heavy Plant Register maintained by the Department. The Department had 133 vehicles listed whilst the SLA had 125 listed.⁹

Findings from the Hearing: The Committee questioned on the audit findings and the Department confirmed that in 2020 the records were not provided but that for 2021 this has been rectified accordingly. All the records were rectified with all fuel coupons recorded and that this is kept with the accounts department. The procedure followed is that the person requesting signs the register and once the coupon is used and returned to accounts with the record of the transport number and date. The Department further confirmed that all staff and soldiers that appear on the payroll are working with the Department. The Department also further confirmed that all vehicles are now using the Seychelles Coast Guard petrol station whereas previously the vehicles were fuelled at the Victoria South Petrol Station. When the Victoria South station was being used the administrative personnel would visit the station every week in order to analyse the use of coupons against the mileage of the vehicles. The Committee further pushed the Department to make it known as to whether the 1872 missing coupons are still not being used by individuals that may have them in their possession. The Department confirmed that these coupons have already been used. In regards to the discrepancies in mileage there was a procedural confusion where drivers may not have been sensitized on the input in the mileage book and the log book which caused discrepancies in the records. This has been rectified by merging the two logbooks in one. The Committee suggested implementing a tracking system on vehicles as a monitoring procedure. The Department will return and possibly launch an investigation into the missing coupons and fuel books. The Department has also reconciled the disparities between its list and that of SLA and there is a requirement for the write off of certain vehicles.

Analysis:

- Robust measures should be undertaken to ensure officers that are required to use fuel mileage log books are trained and instructed on the best practices to do so in order to ensure records are kept and to reduce discrepancies.
- Proper internal monitoring mechanisms should be put in place to ensure the proper records are being kept.
- That further guidance be provided from the Ministry of Finance to large entities with a large fleet consuming using fuel coupons at different stations on the checks and balances that should be implemented.

v) **Mismanagement of Non-Financial Assets (pg26)**

Key Audit Findings: Assets worth R1,845,061 were not recorded in the Fixed Asset Register of the Department and the Write-Off Register was also not properly maintained. This includes no record of year-end assets verifications taking place despite claims that it has been done.¹⁰

⁹ The Department responded in the Report that an exercise has been done to identify vehicles that need to be written off and that the updated log will be updated both lists.

¹⁰ The Department responded that the assets register has been updated and is being maintained and that the year end verification was an oversight.

Findings from the Hearing: The Department confirmed that these discrepancies have been rectified and that post the COVID-19 pandemic the fixed asset register has been updated with the outstanding items it should feature. It was confirmed that the headquarters of the Department maintains the asset register for all the different units and branches. The Department will continue working on the discrepancies and work closely with the Office of the Auditor General to implement mitigative measures.

Analysis:

- The Ministry should ensure that officers in charge of maintaining the fixed assets registers are capacitated to know the correct procedures to ensure the assets of the Government are managed effectively and efficiently to prevent loss of value, complete loss of assets and implement tighter controls.
- Further oversight should be carried out internally as a best practice to ensure the periodic review of the management of the assets register.

1.3 The Department of Employment (pg27-32)

i) Shortcomings & Deficiencies in the Microsoft Access Database (pg27-28)

Key Audit Findings: The Microsoft access database to record all details on foreign workers is maintained by the Department and there were deficiencies identified in the manual insertion of information which revealed a lack of internal controls over users and a traceability of inputs and outputs as an audit trail. Invoices and receipts had no reference or link to the applications making the traceability tedious, lacking identification numbers, including no linkages to the GOP contracts. The system has shortcomings in that the deficiencies may lead to non-revenue collections or errors in revenue collection that will be too tedious to track and monitor.

Findings from the Hearing: The Department confirmed the internal use of the system for foreign workers applications which includes a processing fee and the invoice is raised in an entirely different system – the cashiers module and that these two systems did not link. The Department further responded in the Hearing that since the audit the Microsoft access has been amended with the possibility of inputting the invoice and receipt numbers for tracking purposes. The Department is further exploring outsourcing a digital system which has been approved in the budget.¹¹ The Department further confirmed that SR6.6M has been collected in 2022 for applications. The Committee suggested the fee of SR150 as processing fee be revised and further enquired if the Government Portal will ensure the proper tracking of GOP workers including ensuring revenue flow.

¹¹ The Department responded in the report that a new system is being developed in collaboration with DICT and the Ministry of Finance to implement a single software to mitigate deficiencies. To temporarily address the shortfall the invoice numbers were being added.

Analysis:

- A proper system with a traceability for inputs and outputs and a centralised monitoring system for users be implemented and monitored.
- that the fees be revised in an expedient manner to ensure increased revenue for the department after the fact that the new system is implemented.

ii) **Repatriation deposits not Reconciled with no List of Depositors** (pg28-29)

Key Audit Findings: The value of R442,181 was at Treasury as at 31.12.2021 with the last payment processed at the value of R6,000 in 2018. It was highlighted that the Department could provide reconciliation with a list of depositors to the account making the beneficiaries of the deposits in the account unknown.

Findings from the Hearing: In addition to the responses made in the Report¹², the Committee enquired on how the Department will proceed with re-payments of the deposits if there are no records of depositors. The Department highlighted those further discussions will have to take place with the Ministry of Finance on how to proceed. The Department further admitted that there are no records pertaining to the deposits and that the only way people are refunded their payments is through the person presenting a receipt of their payments as proof.

Analysis:

- Put in place an internal structures to monitor and address the deposit payments and claims to ensure that once the law was repealed in 2006 that proper documentation is used to prove their payments. To ensure genuine claimants receive their refunds.

iii) **Wages & Salaries deposits not substantiated** (pg29)

Key Audit Findings: The value of R1, 035, 312 as at 31.12.2021 whereby the necessary records to substantiate the balance were not provided. The deposits related to death benefits pending distribution to heirs after legal proceedings (25 cases) and was also to cater for funds received from employers whenever there are salary disputes with employees.¹³

Findings from the Hearing: The Department confirmed that indeed the deposits relate to death benefits and dispute settlements and that both processes have been stopped since 2022 with a law that was introduced concerning death benefits. The law introduced obligation of the employer to

¹² The Repatriation fees were being managed by the Ex-Employment services which has since become the Employment Promotion Division therefore there are no records of the deposits that date to the 1970s and 80's. The legal provisions enabling the depository has been repealed and the conditions of the existing payments being investigated further as the returning residents may claim their deposits.

¹³ The Department responded to highlight that the records were kept in individual case files however there has been no attempt to reconcile the balances. The first step would be to list the deposits relating to death benefits and the rest of the cases.

seek the heir of the deceased employee. The settlement cases are also now handled differently with the signing of legal documents and the Department no longer takes the role of mediation. The Department further highlighted the intense work that will ensue to reconcile the balances and is ongoing to be completed in 2023.

iv) **No Follow Up on Outstanding Invoices** (pg29-30)

Key Audit Findings: The audit revealed an aged debtors list from the cashier's module at the value of R581,650 with no reconciliation prepared or any remedial action taken by the Department to clear the outstanding balances. The Department acknowledged deficiencies in its internal processes and procedures due to the lack of written policies and to address this a procedure manual would be drafted to improve on the existing system in place. The Department made a further commitment to identify root causes, develop a corrective action plan and establish reporting mechanism.

Findings from the Hearing: The Committee enquired on the process for upfront payments and further details on the aged debtors list. The Department declared that there were discrepancies during the COVID-19 pandemic when staff had to work from home and as a result the Ministry of Finance introduced an online payment system in which the payments are mixed with other governmental payments and it is taking some time for the accountant to analyse the information for reconciliation of the balances. Lessons were learnt from the mistakes made during the pandemic and now before the online payments are made, the Department has to raise an invoice as a record. There are also debtors that appear on the list but have honoured their debt. The Debtors list dates back to 2020 and 2021 and the clients were making payments without the invoice being raised causing discrepancies in records management of the list. The Department has begun an exercise to decipher and match the outstanding invoices.

Analysis:

- That an urgent priority be given to the aged debtors list for the matching of the outstanding invoices and balances as agreed by the 31st December 2023.

v) **Payroll: No records and Overpayment of Overtime** (pg30)

Key Audit Findings: The audit revealed several cases of payments of overtime beyond the approved specific periods and without proper records being kept. ¹⁴

Findings from the Hearing: The Committee enquired for the reasoning behind the overpayment of overtime and expressed concerns on the lack of records. The Department confirmed that the proper processes are now being followed for overtime payments whilst explaining that there was

¹⁴ The Department confirmed that instructions have been provided to HR and Accounts to proceed with the payments of the overtime. The decision was taken to extend the overtime to allow government to collect as much revenue as possible from attestation of contracts,

an urgency for the overtime worked by the staff, to get through backlogs and to address a human resource constraint.

Analysis:

- The necessary job analysis should be undertaken in order to budget for additional positions to address the human resources constraints.

vi) **Goods & Services: Non-Compliance with Procurement Procedures** (pg30-31)

Key Audit Findings: The audit revealed that out of a sum of R9,316,757 there are 7 cases totaling R327,213 whereby the requisite procurement procedure of three quotations or open bids was not followed.

Findings from the Hearing: The Committee enquired on why there are only one supplier for the products and requested an elaboration on the process. The Department confirmed that the supplier of tonner is more responsive and is the only one that matches with the equipment used. This also includes the hand soap machine, of which only one supplier provides the necessary hand soap that fits into the equipment.

Analysis:

- That the department can launch an expression of interest to allow for flexibility of business and to adhere to the procurement regulations.

vii) **Fixed Assets: No Records of Assets & No Evidence of Physical Verification** (pg31)

Key Audit Findings: The audit revealed that a total of 20 instances at the value of R482,918 whereby new assets were acquired and not recorded in the register and the Department was not using a goods received note when acquiring the assets and documented evidence of the physical verification confirmed could not be produced.

Findings from the Hearing: In furtherance to the submissions made in the report ¹⁵ the Department further confirmed that a new system for assets management has been put in place as there were discrepancies using the old system. The Department, since 2022, has been updating the new database which is an ongoing procedure.

¹⁵ The Department informed the auditor that the discrepancies exist as a result of the old, fixed asset system and that discussions are underway with the Ministry of Finance and DICT to obtain a new system. The Old system is still being used as a way of cross checking when carrying out physical verification. The Department also confirmed that they are still updating the new database.

viii) **Transport: Mismanaged Records and Logbooks** (pg31)

Key Audit Findings: The number of kilometres travelled and the purpose of the journeys performed was not recorded in the relevant columns and the log book entries were not verified. This is across the fleet of 5 vehicles managed by the Department with a total of R1,013,018 spent on the operations which include fuel, insurances, licenses, repairs and maintenance.

Findings from the Hearing: In addition to the response provided by the Department in the Report¹⁶ it was confirmed in the hearing that a new system for the monitoring of fuel consumption is being introduced by the Government. The procedure of going to the petrol station with the logbook has been done away with and the monitoring system is digital. The Department further reassured the Committee that the correct logbook is now being used with a proper monitoring system in place.

Analysis:

- The Ministry of Finance should urgently look into implementing the necessary systems for entities to ensure the proper records are kept when managing fuel consumption and for the monitoring of their fleets. This is to ensure streamlining of systems used for tracking.
- The exploration of a unified system that enables real-time tracking of government fleet assets to aid in improving asset utilization, theft prevention, and optimizing fleet deployment.

1.4 The Department of Transport (pg. 33-35)

An audit of the Department was conducted for the years 2020 and 2021, revealing shortcomings in regard to internal procurement mechanisms, accurate and proper records keeping and assets management. The FPAC conducted a public hearing on Friday 7th of July 2023 examining the shortcomings of the Department; the responses are detailed below:

i) Goods and Services

Key Audit Findings: The audit revealed that a payment of R152,582 (dated 27.08.2021) towards remittance of withholding tax lacked verification. The amount assessed by the Seychelles Revenue Commission (SRC) was supported only by an assessment/demand letter (dated 11.03.2021) providing the amount demanded and broken-down to primary withholding tax (SR151, 857) and penalty surcharge of R70,144 totalling 222,001. The audit did not find any evidence of verifying with the demanding authority that the payment of R152,582 against the demand of R222,001 would settle the dues in full and there will be no future surcharges, interest, penalties etc. on the Department¹⁷.

¹⁶ The Department stated that it was using the wrong logbook and that this has been corrected.

¹⁷ The Department of Land's response in the report was that it has been confirmed that there is no further outstanding payments to be made and authorizing officers were informed of the stringent measures and checks in place before approving payments

Other audit findings in relation to goods and services include an overpayment of R8,611 made toward the repairment of a vehicle¹⁸. The audit also revealed a lack of monitoring of outstanding invoices and verification of invoiced amounts regarding payments of telephone bills¹⁹. It was also found that a cash payment of SR35,000 was made to a service provider toward the design and printing of 2000 ‘Certified Disc Stickers’, and alternative quotes were not found. The audit further revealed that Goods received notes (GRN), or other proper documentation was not found in four payments for a total amount of SR55,585, to confirm that the works or services were in the right quantity and in accordance with specifications.

Findings from the Hearing: Considering the department’s response to OAG regarding the lack of payment verifications, the Committee enquired into what justification was given to conclude that dues had been settled. The Department explained that the issue of payments is related to a consultancy work, funded by Common Market for Eastern and Southern Africa (COMESA), done with the company ‘*Creodev*’ to create a policy for maritime and to undertake a value chain analysis study for the operations of the Port. The Department found that the amount of money gained under the COMESA fund was insufficient for the work to be undertaken, thus the Seychelles Port Authority (SPA) contributed 1 million rupees toward the project to covering outstanding capital needs. The Department explained that the accumulation in dues was due to their belief that the work being funded would be exempted from taxes at the time and later received clarification that taxes needed to be paid. After communications with the SRC and the Ministry of Finance, National Planning, and Trade (MFNPT), the Ministry assured the Department that the payment of R152,583 settled the dues. This assurance made to the Department was given in writing.

The Committee also enquired into what the difference is in procedures now adopted for approval of payments and conducting checks prior to approving payments and how these were handled prior. The Department explained that for construction projects, the work done is assessed and payments are made based on evaluation of the progress of the project; this is then certified, sent to the MFNPT through accounts to make payments. The Department also stated that in terms of international projects, the procedure for payment is based upon the terms of the contract agreement. The Department further responded that employees who work with projects were informed that they are meant to be precise and are meant to maintain all necessary records for any transaction pertaining to projects.

The Committee enquired into the issue of the overpayment of SR8,611 for reparation of a vehicle. The Department responded that the payment was made due to the change in costs of reparation of the vehicle. The Department explain that this change in cost was due to the lack of available spares at the time, necessitating ordering of the parts, making them susceptible to fluctuating prices.

¹⁸ In the Report, the Department responded that there are better checks in place now.

¹⁹ The Department’s response in the Report was that the payment of telephone bills have been sorted out and the Department is better prepared to manage similar eventualities in the future.

The Committee enquired into the issue of the telephone bills which were unverified and incurred late payment charges and what has been put in place to verify the bills. The Department responded that the telecommunications company 'Airtel' was late in sending bills through the mail, explaining further that the Department employee responsible for processing the bills terminated their employment. Despite the changes in staff, the bills were still being sent to the previous employee's email address resulting in a lack of follow up. A proper handover of responsibilities was not made due to the Department lacking a permanent staff in Human Resources at the time. The Department explained that they now have a director for HR who works with the Accounts section to ensure that such issues are avoided in future. The Department explained that they expressed their concerns to 'Airtel' to establish the amount outstanding and to establish a mechanism to ensure that bills are sent on time, for payments to be made in a timely manner. The Department also established an internal procedure to follow-up with 'Airtel' to ensure that bills are sent on time, avoiding any late payment charges. The Committee also enquired into what grounds late payment costs were charged against the Department. The Department informed the Committee that these late payment charges are the conditions of 'Airtel'.

The Committee enquired on the non-compliance of procurement regulations regarding the 'Certified Disc Stickers' and whether other service providers could not be identified for compliance with procurement regulations. The Department explained that three quotes from three entities were sought, however only two responded and the urgency of the circumstances meant that the Department needed to proceed with the supplier they inevitably chose. The Department further explained that the procedure for procurement was known internally, however, a circular was also sent to ensure that all employees were aware of the procurement regulations.

The Committee enquired about the lack of GRNs and the cause of this shortcoming. The Department responded that there was a misplacement of the GRNs and a lapse of the officer responsible for keeping all the records and documentation. The Department explained the process of purchasing in that an LPO would be done based on a proforma invoice then either the goods will have been received through the LPO, then an invoice is received, and a final payment would be made. In such cases, the GRN would be attached to the payment. In cases where advance payment is necessitated prior to receiving goods, a GRN would be entered after this is complete in the GRN book and certified by the receiving officer. *The OAG stated that the GRNs, which have been found, are still outstanding and not been submitted to the OAG to which the Department responded that they would do the needful.*

The Department further explained that there is a cross checking mechanism through Accounts and HR who undertake the monitoring to ensure that the goods, which have been paid, are received and this is also verified by the requesting staff who informs admin who then enters this information in the system.

Analysis:

- A list of all projects which are tax exempted should be obtained from SRC to prevent a similar occurrence in the future.
- The department should ensure that disruptions caused by staff changes are addressed as soon as possible, including undertaking the appropriate handover procedures, to ensure that matters are managed accordingly, and similar incidents do not occur.
- The processing of bills should not be left to only one person as this creates weaknesses in instances where the primary contact point terminates their employment or is absent from work. One mitigative measure applicable is to ensure that this responsibility to process bills is handled by more than one person.
- There should be structures in place to ensure that the impact of public health restrictions such as those in place during the COVID-19 pandemic, are mitigated.
- In light of the changes in procurement regulations, internal mechanisms need to be robust to effectively ensure compliance. Entities should also ensure that employees are informed, up-to-date, and knowledgeable about any changes in regulations and policy to maintain compliance.

1.5 The Department of Environment & Climate Change

In 2021, an audit of the Departments was undertaken revealing shortcomings regarding accurate record keeping, internal procurement mechanisms as well as weaknesses in accounting procedures. The FPAC conducted a public hearing on Friday 14th of July 2023, examining the Department's shortcomings in relation to the findings of the audit. The audit findings and responses from the Public Hearing are detailed below:

i) Wages and Salaries

Key Audit Findings: The audit revealed that some employees were in excess of the upper limit of 42 days of accumulated leave days.

Findings from the Hearing: The Committee enquired about the accumulated leave of employees and the HR procedures regarding leave plans. The Department stated that an exercise was conducted in 2023, identifying three staff members with accumulated leave exceeding the limit and work is being done with the staff to receive a leave plan which would resolve the accumulated leave by December 2023.

In terms of procedures in place, all Heads of Divisions are encouraged to liaise with their subordinates in developing leave plans. The Department further stated that staff are notified of their leave days balance when it is seen to be approaching the limit.

Analysis:

- Entities should ensure that appropriate records and systems are in place to avoid having employees with excess leave.

ii) Revenue

Key Audit Findings: In regard to revenue that the Department collects²⁰, the total collection for the year under review amounted to SR 721,195. The audit revealed that in one case, it was not possible to verify a receipt book (serial number: 1629801-1629850)²¹. The audit also revealed that the list of rates, fees and charges submitted to the Audit via e-mail in an excel spreadsheet did not provide evidence of a yearly review as prescribes by section 34 b (iii) of the Public Finance Management Regulations (PFMR)²². The audit also revealed shortcomings in relation to non-approval of rates, fees, and charges being charged, lack of evidence of periodic cash counts and reconciliation²³ as well as difficulty in verifying the accuracy of fees levied²⁴.

Findings from the Hearings: The Committee enquired about the subject of the missing receipt book and the status of revision of fees. The Department replied that the physical receipt book remains unsighted, however, the Department is in possession of the copies of the vouchers from that receipt book. The Department explained that the revision of fees is an ongoing process. The Committee sought further clarification on the specific fees and fines in existence. The Department stated that fees and fines include:

- Processing fee associated with applications to light a fire
- Processing fee associated with applications for felling trees
- Line clearing
- Coco-de-Mer tag (one for a well-formed Coco-de-Mer, one for those which are broken or fragmented)
- A fee for people handling the Coco-de-Mer
- Authorisation for discharge fees
- Administrative fees for exportation
- Turtle breeder fees
- Cases of illegal tree felling
- Royalty fee for coco-de-mer

The Committee also enquired on the regularity of periodic cash counts and reconciliation. The Department have implemented recommendations highlighted in the exercise conducted by the

²⁰ Audit noted that the Department collects revenues from the sale of animals and plants, publications and materials and land/ road/ environmental fees, and fines.

²¹ The Department responded in the Report that the receipt book had not yet been located.

²² The Department responded, in the Report that for the past two years, the Ministry has not done any revision due to the COVID-19 pandemic, and the Department planned to undertake a comprehensive review in 2023.

²³ The Department replied in the Report that the Public Accounts Management Section conducted an exercise in July 2022 and the Ministry identified the actions communicated to the Ministry of Finance.

²⁴ The Department responded in the Report 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. The Department further stated that an internal policy will be drafted and circulated to staff and that non account staff are no longer collecting revenue.

Public Accounts Management Section. According to the Department, such recommendations include:

- Revenue collection on three specific days
- Centralisation of revenue collection,
- Transparency through a POS machine
- Verification process is conducted daily

The Committee enquired about the fee forms and how the shortcoming, with regards to the accuracy of fee levies, would be addressed in those forms. The Department explained that the design of the form collects more comprehensive information.

Analysis:

-Entities should digitise forms to facilitate records keeping.

iii) Follow up on Issues Raised in the Annual Report 2018

Key Audit Findings: The persistent issues are contained in the table below:

Para, Page, Audit Brief
Para 3.3, page 27 3 quotas were not sighted in six cases for a total value of R68,898 in respect to repair of vehicles
Para 3.5, pages 28/29 Contractual obligation not settled ²⁵ .
Para 3.5, pages 28/29 Satisfactory receipt of items / services not evidenced ²⁶ .
Para 3.7, page 29 Cheques not issued to suppliers/service providers ²⁷ .
Para 3.10, page 30 Loss of revenue due to stale cheques. Audit revealed that a balance of R200,705 is still outstanding and there was no evidence of any follow-up actions/attempts towards recovery ²⁸ .
Para 3.16, page 31 Receipt books not submitted to audit ²⁹ .

²⁵ The reply, in the Report stated that the issue was finally resolved in September 2022, and Ministry has a credit of R153,763 as overpayment to be offset.

²⁶ The response recorded in the Report is that new procedures have been put in place.

²⁷ The Department's reply in the Report is that the Ministry of yet to retrieve supporting documents on the payments.

²⁸ The Department's response in the Report was that some supplies were contacted, and they agree to settle the amounts, and some are being treated as police cases.

²⁹ The response in the Report is that 7 out of 13 books have been found.

There were also a number of resolved issues from the audit of 2018 which the Committee examined during the Public Hearing. These include:

- The 14 payments totalling R44,400 disbursed to car hires without agreements detailing terms and conditions.
- Payment voucher reference 020P210696 dated 18.05.2021 lacked documentation in support of the purpose of the lunch and attendees.

Findings from the Hearing: The Committee enquired about the 3 missing quotations or the six cases as well as the credit balance in relation to the contractual obligations. The Department explained that a manual was drafted and implemented in 2021 to assist them in internal procurement mechanisms. The Department further explained that the six cases with missing quotations are in relation to repairs of vehicles, the urgency of which necessitated the circumvention of the procedure requiring three quotations to be sought to avoid time delays. To tackle cases necessitating urgent repairs or services, the Department stated that they have approached certain suppliers to discuss credit facilities leading to certain contracts for suppliers ready to provide services for reparation of transport. In terms of transport fleets, the department explained that an exercise has been conducted to evaluate the state of the transports, age, and any recommendations on whether to replace or repair. This, according to the Department, will inform a budget exercise over three years in terms of the transport currently in the fleet.

In terms of contractual obligations, the Department explained that the overpayment highlighted by the auditor general was acknowledged. The Department further stated that a series of work was done with the Seychelles Pension Fund in order to rectify the issue. The overpayment was cleared however there was a balance of R153,763 which the Department used to offset outstanding invoices which had been put on hold. The Committee enquired about the lack of agreements with car hires found in the 2018 audit and how this was resolved. The Department explained that when car hires are sought, the Department ensures that there is a contract in existence and accounts staff ensure that payments which do not have a contract attached to them are not processed.

The Committee also enquired about the lack of supporting documentation regarding lunches and the procedures in place resolving this issue. The Department explained that there is a screening process and different steps that accounts officers take prior to making a payment. According to the Department, the accounts technician screens the document ensuring compliance with all procurement requirements (supporting documents, 3 quotations, signed IOF which is signed by the program manager, head of accounts, and the PS). If these documents are missing, the payments are put on hold and returned to the division to ensure that required documents are attached. Once documents are received by the head of accounts, they are again screened ensuring that all supporting documents are in order.

The Committee enquired about the procedures in place regarding receipt of items. The Department explained that, as part of the screening process, a certified receipt stamp is the official acknowledgement that a service is delivered, or goods are received. The final verification is being done by the head of accounts. The Committee also enquired about the issue of cheques not being issued to suppliers or service providers. The Department informed the Committee that there were 15 cheques at a value of R121,912 dated from 2011 to 2017. The Department further informed

that, to date, no supplier has come forward to request their payments based on their cheques and that there is an ongoing investigation on this subject. The Department further explained that there was also an issue of revenue collection where cheques have not been banked during the period 2011 to 2017 at a total value of R429,225. The Department stated that more than 50% of this amount has been recovered at R228,550 and the outstanding balance is R200,705. Out of discussions with suppliers, the Department informed the Committee that of the outstanding amount they will be able to collect around R150,000.

The Committee also enquired about the receipt books which were not submitted to the audit. The Department admitted that 6 are still outstanding, and they do not possess the numbers of the receipt books in order to trace.

Analysis:

-Records management is essential and entities should ensure that records are adequately maintained and tracked.

1.6 The Ministry of Education (pgs41-44)

The 2021 audit of the Ministry revealed lack of evidence and documentation for the procurement of goods and services, gaps in adequate justifications for payments, avoidable expenditures due to penalties, an asset register that is not regularly updated, serious discrepancies in rental payments and the absence of a valid contract for the payment of security services. The FPAC conducted a public hearing on Friday 7th of July 2023, examining the Ministry's shortcomings in relation to the report. The audit findings and responses from the Public Hearing are detailed below:

i) **Goods & Services: Lack of adherence to Procurement Procedures** (pg41)

Key Audit Findings: The report revealed that out of the 86 payments totaling R5,375,685 towards the procurement of car servicing, spare parts, security locks and fencing works, 7 cases at the value of R268,687 were acquired with no evidence of the procurement requirements for quotations or evaluations of procurement rates to establish their competitiveness.

Findings from the Hearing: Despite the response of the Ministry present in the Report³⁰ the Financial Controller in the hearing provided details on the 7 cases which included a refund which was processed as a direct procurement for a retreat which involved the specialisation of a facilitator, Mr. Robert Ah-Weng of whom was the only specialist that could have delivered the specific training at that time. The Committee enquired on the technicalities of the retrospective approvals of which the Ministry responded with the fact that new procedures have been put in place to ensure the same mistakes are not repeated.

Analysis:

- A review of the use of retrospective approvals be undertaken to determine its scope and to implement restrictions on its regular use.
- Ensure proper monitoring and decision-making protocols are put in place, including the necessary checks and balances.

ii) **Payments not supported by requisite documents** (pg41)

Key Audit Findings: The audit findings revealed that 12 payments totaling R915,143 did not have the adequate document to justify their relevance to the Ministry's routine operations. The documents lacking included details on particulars to the Ministry's events and travels, reloading, SPTC smartcards, and external partners who were gifted with books.

Findings from the Hearing: In the Report³¹ the Ministry responded and in the hearing it was further highlighted that there were inefficiencies in keeping the relevant documents. The Ministry has stressed on keeping the necessary documents with staff which includes obtaining the necessary approvals. It was further confirmed that the necessary approval protocols have been put in place

³⁰ The Ministry declared that the retrospective approvals are provided in many of the cases and responsible officers do not adhere to regulations and assigned works before seeking approvals providing no option but to effect payment.

³¹ The documents were found and in future all relevant documents will be kept for audit purposes.

with an emphasis on the traceability of records. It was revealed by the auditor that a 50% payment amounting to R570,000 was processed to a stationary shop with a lack of indication to the types of purchases to be done. It was highlighted that the payment was in line with the contract for books which once delivered the full payment was effected. The auditor further revealed the below payments:

R14,600	Paid to a travel agency without an invitation letter documented
R19,835	additional payments to the STC conference room with the particulars not found,
R31,364	SPTC Smart Cards with lack of approved list of individuals benefitting from the cards and the amount per individual.
R14,250	Payment to Eden Bleu hotel for a dinner hosted by the Minister with the Renesans team with a lack of documented particulars.
R15,750	payments to Chanterelle bookshop for corporate gifts amounting to R15,750 missing details and receipts of gifts.
R14,250	Payments to Sky Blue Car Rental without justifications for the period of rental.
R35,700	Pam's Catering Service for a HRD Teacher Day Committee for snacks however there was a lack of attendees list to the ceremony
R113,000	Payments for SPTC reloading with a lack of details of the total amount recharged per student.
R18,030	Payments for the sowing of curtains with no location specified.

The Ministry expressed an understanding of the discrepancies and reassured the Committee that a different approach and practice is being undertaken to ensure the necessary controls and regulations are followed.

Analysis:

- That the necessary internal controls and record keeping procedures are maintained and put in place to ensure efficiency across the Ministry, as well as to mitigate the loss of funds.

iii) **Avoidable Expenditure for a Penalty** (pg41-42)

Key Audit Findings: The audit report examined documents in support of payment vouchers in favour of a garage at the value of R51,985 of which R5,916 was due to a penalty payment for a delay of 244 days of payment to the garage.

Findings from the Hearing: In the Report the Ministry responded to state that procurement regulations had not been complied with and in the hearing further details were provided. The Ministry confirmed that the surcharge was due to a serious delay in payment for the work done by the garage on the vehicle on Praslin. The Ministry sought the assistance of an SPTC staff to certify that the necessary works were done on the vehicle, which was urgently fixed, and delayed the actual payment. The Ministry has gone through great efforts to regulate the management of its fleet of vehicles, but it was also highlighted that the vehicles have depreciated and requires regular maintenance.

Analysis:

- The necessary adherence to procurement regulations and procedures.
- That the necessary internal controls be implemented to ensure the efficient and transparent management of the fleet of the ministry.

iv) **Asset Register Not Updated** (pg41-42)

Key Audit Findings: The Report provided detailed information on 65 assets procured as per 4 payments totaling R124,350 could not be traced on the asset register and physical verification 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 which are prone to misappropriations/theft.

Findings from the Hearing: In the Report the Ministry responded³² with a reasoning and the Committee made further queries on the findings. The Ministry admitted to its weaknesses in assets management and reassured the Committee that certain structural reforms have taken place to address these weaknesses which includes training teachers and staff on how to keep the necessary records and the creation of a unit within the ministry dedicated to managing the assets. The Ministry was encouraged to provide the auditors with the necessary information regarding the location of the assets.

Analysis:

- Regular reconciliations of recordings of assets with invoices paid/ledger.
- Regular physical verifications of its assets as per the assets register in order to address risks of misplacement and theft.

v) **Discrepancies in Rental Payments** (pg42-43)

Key Audit Findings: The audit report examined 42 leases maintained with 9 lessors at the value of R4,932,726 with anomalies present. There were 17 tenancy arrangements which continued without a renewal of the lease agreement with 3 lessors, even with pending signatures with payments totaling R225,500. There were 2 instances whereby rental payments amounting to R176,500 were due but could not be ascertained whether they were effected to the lessors. There were discrepancies observed 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. Auditors further noted monthly rent payments at the value of R23,000 in respect of two employees totaling R264,000 however the lease agreements to that effect were not found to support these payments.

³² The discrepancies in the asset register were due to constraints in manpower and the existing volume of work by the staff and that a position has been identified to assist the Asset Management Officer.

Findings from the Hearings: The Ministry claimed to be following up with the Attorney Generals Office for the revision in rates and contracts. The Ministry acknowledged the discrepancies in the report and highlighted the measures to address the weaknesses present. The pending signatures of the lease agreements were due to the COVID-19 pandemic and upon instructions from the Ministry of Finance the landlords were approached to considered offering a lower rent and an addendum was drafted by the attorney generals office to add to the lease agreement however the documents were not accepted by the signatories but there was only a gentleman’s agreement.

Analysis: text

vi) **Payments Towards Security Services in the Absence of a Valid Contract (pg43)**

Key Audit Findings: The report revealed that a contract which made provisions for a security service by a private agency which was valid up to 30.04.2020. The audit finding examined that monthly payments amounting to R255,841 continued up to December 2020 despite the expiration of the contract although it was mutually agreed that the payments would continue.

Findings from the Hearing: The Ministry is reviewing all the security services contracts to ensure compliance and to bring them up to date. This work is being carried out with the Ministry of Finance and the POU to ensure the necessary challenges are addressed. There is also an analysis on the cost effectiveness of the cost of the services.

Analysis:

- Security services should be paid for and obtained under a valid contract entered into by both parties. And done in compliance with public procurement regulations and laws.

1.7 The Seychelles Revenue Commission

Audits of the accounts and records related to the process of collection of revenue by the Customs Division of SRC and the Tax Division of SRC was undertaken for the year 2021. The FPAC held a public hearing examining the audit findings of the audit on Friday 7th of July 2023. The issues revealed by the audit and responses from the SRC during the Public Hearing are detailed below.

PART ONE: CUSTOMS DIVISION

i) **Unresolved ASYCUDA³³ World Related Issues**

Key Audit Findings: The audit noted bills totalling R61.4m owing to the SRC from 2013 to 31 December 2021 as per ASYCUDA World:

³³ **Note:** The **Automated System for Customs Data (ASYCUDA)** is a computerised customs management system that covers most foreign trade procedures. It handles, manifests and customs declarations, along with accounting, transit, and suspense procedures – source: ASYCUDA, accessed at: <https://asycuda.org/en/about/#:~:text=The%20Automated%20System%20for%20Customs.accounting%2C%20transit%20and%20suspense%20procedures.>

- R54.2m for Seaport Cargo
- R7.2m for Airport Cargo Office

An unpaid bill is automatically created in ASYCUDA when a bill of entry (BOE) is registered and assessed but a payment is not made. The audit revealed that R53.1m, 86.6% of the total outstanding debts as at 31 December 2021, were due for over 3 years. Debts older than 3 years which have not been followed up on may be irrecoverable, as per the Seychelles Code of Civil Procedure which states that:

“All causes and matters are extinguished for want of prosecution when no proceeding has been taken therein during three years”.

The debts are detailed in the table below:

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
Total	7,172,804.57	54,211,759.75	61,384,564.32

Audit further revealed, in analysing the importer-wise debt composition that R39.5m for the year 2018, was related to one importer, which upon verification of relevant records, an assessment of R26.9m was issued by SRC and the importer had agreed to settle this sum by 31 December 2022. 13 unpaid bills totalling R12.4m had either been sorted or cases referred for legal action by 30 September 2022³⁴.

Findings from the Hearing: The Committee enquired about the audit findings, particularly about debt cases of over three years, meaning that prosecution would not be an option. The SRC explained that assessments are conducted to verify taxes to be collected on consignments in accordance with the bill in the system. In certain instances, upon verification, the consignment may be greater than what was declared on the bill, after which a post entry amendment is done on the bill and the client must pay the difference. The SRC explained that in instances where post entry adjustments are made on unverified transactions and the client has already gotten their consignment, it is harder to chase up the clients for any difference in money owed and that this may have occurred frequently during the 2013 to 2018 period.

The Commission explained that they now ensure that follow ups are done with clients who need who have any outstanding debt when adjustments are made. Clients are given the opportunity to make payments within periods of a week or a few days. The Commission also stated that, if a client refuses to pay any outstanding debt, their next consignment would not be released until they clear any debts. Other actions, include pursuing a court case against the client or pursuing the agency which made the client's bill given that in customs transactions, both the agency and the importer are responsible for declarations. Thus, if the difference in transactions is as a result of the wrong documentation being presented, both the importer and agency are responsible for the error discovered after post audit.

The Committee enquired about whether there is a possibility of the error being a result of the Customs division, where a client has incurred a greater customs bill than they are supposed to. The SRC replied that there could be instances where a client has disputed the claims that they need to pay a greater bill after adjustments. If the client has agreed to pay the difference, they could continue their argument disputing the greater bill, and should the conclusion be that the SRC is at fault, the Commission is obligated to refund the client for their overpayment.

The Committee enquired about the status of the assessment of R26.9m issued by the SRC to one importer. The Commission informed the Committee that the importer settled the dues in December 2022. The Committee further enquired about the 13 unpaid bills at the value of R12.4m and the status of reconciliation. The Commission explained that a first bill of the receipt 30704 has been settled and the reconciliation process of a second bill is being done. The SRC further informed the Committee that the importer has provided additional information for the reconciliation process,

³⁴ The Management's response in the Report is that the process for reconciliation of long outstanding debts is lengthy and some officers in Customs have the added task of reconciling these bills in the system and meeting with the relevant importers to clear the outstanding balances. The Management further responded that measures are being taken to recover outstanding bills from any tax refunds due, prepayment accounts, guarantees or against the release of goods being imported.

and it is expected that once that process is complete, the Commission will be able to collect the total dues owed on that bill.

The Committee enquired about the status of improvement of ASYCUDA. The Commission informed the FPAC that work is being done to improve the system in line with the aspirations of the country to digitise and the SRC are receiving support of the EU under the 11th TDF. The Commission stated some of the improvements which include allowing e-payments to be made. The Commission also informed of e-manifest which allows the information from manifest³⁵ to be directly transmitted to the SRC's system electronically. SRC also explained that there is the excise module which has been rolled out and the courier management module which will be rolled out.

Analysis:

-The recovery of debt should be done within the three-year period as per the Seychelles Code of Civil Procedure. The entity should ensure that mechanisms in place are adequate to enable the timely recovery of debt.

ii) Status on Action Taken on Previous Audit Reports

Key Audit Findings: The audit included the status of actions taken to address previous shortcomings from previous audit reports. These include:

Audit brief	Status
AR 20, Page 84, Para N0. 2.2. to 2.3 Irregular use of receipt books at the Small Packets and Parcel Section at the Post Office	Resolved
AR 20, Para 84, Para N0. 2.4 to 2.5 Cash box not properly secure	Observation persists. 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.
AR 20, Para 84, N0. 2.6 to 2.7 Revenue collected at the Post Office not adequately supported	Observations persists. 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

³⁵ Manifest: A collection of documents, including forms, such as the cargo declaration and annotated bills of lading, that lists and describes the cargo contents of a carrier, container, or a warehouse. Source:

	correct procedures are followed at all times.
AR 19 Page 29, Para N0. 3.3.19 to 3.3.21 Inefficient use of storage facilities	Resolved
AR 19, Page 29-30, Para N0.3.3.22 to 3.3.24 No periodic physical verification of items in hand.	Resolved
AR 19 Page 30, Para N0. 3.3.24 to 3.3.30 Items recorded as received not physically located in the warehouse. Items physically stored in store not traced to the register.	
AR 18 Page 57/58, Para 3.116/119 Outstanding balances of amounts from importers. 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.	Resolved 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.
AR 18 Page 59, Para 3.1.22 As at 31.12.2018, the dishonored cheques Treasury ledger balance required reconciling and clearing of items.	In-progress: As at 31.12.2021, dishonored cheques Treasury ledger balance totaled R10.4m while SRC had a balance of R12.6m. As per SRC records, there were 28 dishonored cheques on hand amounting to R1.8m as at 7.10.2022 ³⁶ .
AR 17 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	Observation persists ³⁷ .

³⁶ The Commission responded: SRC noted that review and update of the dishonored cheques SOP is an ongoing exercise and informed that restrictions will be further placed on taxpayers owing Customs for dishonored cheques and any refunds due for Tax returns will now also be retained and used to cover the dishonored cheques.

³⁷ The Commission responded informing that the upgrading of the 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.

Revenue Administration Act, 2009, Section 41(1).	
AR 17 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 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.

Findings from the Hearing: The Committee enquired about the status of the five cases previously reported at different stages, which was a follow up from the Auditor General's Annual Report 2017. The SRC explained that, for the first case a compromise agreement has been signed with the taxpayer and the second case, a compromise agreement has also been signed along with a pledge to cover both current and judgement debt. The SRC further informed that the 3rd case is closed, and with regard to the 4th case the attempts have been made to recover outstanding debt by the legal unit. In terms of the 5th case, the Commission explained that the client is paying the outstanding dues in instalments.

The Committee enquired about the issue of dishonoured cheques and the status of the work of reconciliation between SRC and the Treasury. The Commission responded that there are two components in this issue, customs and tax. SRC explained that, in terms of tax, when there are cases of dishonoured cheques, the payment that the person has made is reversed in the system, thus becoming classified as a debt and further pursued as one. The taxpayer that has given the dishonoured cheques also becomes 'blacklisted' so the Commission knows not to accept cheques from them and they are encouraged to make use of other methods of payment such as cash or online payments. In terms of the ASYCUDA system, payments cannot be reversed in the system, however, the taxpayer is 'blacklisted' and the Commission does not accept cheques from them. In addition, the SRC explained that if there are refunds in terms of tax, this is used to offset against the payments on the customs side. Providing an update, the Commission stated that, as at the 28th of June 2023, in outstanding cheques there are 5 cheques which are dishonoured at a value of R132,479 and on the side of customs there are 27 cheques which are dishonoured at a value of R2m.

In relation to the dishonoured cheques, the SRC explained the disparity in Treasury ledger balance as the amount shown is R10.4m which is higher than the current value of R2m. The SRC stated that reconciliation is being done on pending adjustments and cases which will be submitted for write-off to the Ministry for Finance for those which have long outstanding cheques. The SRC explained measures being taken to avoid issues of dishonoured cheques in the future, such as the e-payment which will mean that payments will be made electronically thus reducing use of cheques. Another measure being taken is that the SRC is encouraging taxpayers to put money into their pre-payment account which allows some time for cheques to clear as their bills are cleared against the account. The Commission further stated that they also take a bond security which is covered by insurance or a bank for taxpayers who are managing a private bonded warehouse.

Analysis:

-Reconciliation and clearing of items on the treasury ledger need to be conducted as this issue will continue to appear in future audits.

PART TWO: TAX DIVISION

i) Domestic Taxes

Key Audit Findings: The audit revealed that revenue from domestic taxes was R4.4 b, an increase of 9% over collections in 2020 which was R3.9b and over the budget estimate of R3.7b. The audit observed revenue collected by the tax division from its main streams (income and non-monetary benefits tax, business tax, VAT) as under. The audit also revealed that payroll analyses were not submitted by 689 employers, a lack of verification of payroll analysis and the income tax payable as per the payroll analysis and BAS differed³⁸.

Findings from the Hearing: The Committee enquired about the measures that SRC is putting in place in order to capture the necessary information in terms of payrolls. According to the Commission, to address the challenges in terms of the online payroll system where not all are able to submit their payrolls a new portal system for submission is being created. Sensitisation has also been done to encourage people to submit their payroll. Work is also being undertaken with the Seychelles Pension Fund to ensure once a payroll is submitted to the SRC, this information is shared with the SPF to avoid duplication and avoid any variance in information shared to both entities. The Commission have also set up an Examination and Analysis Unit (EAU) which complements the audit unit, in ensuring that assessments of payroll submissions and declarations are done in a comprehensive manner.

Further elaborating on the work of the audit unit, the Commission explained the functions of the payroll unit within the SRC's return processing unit which capture the payrolls sent by email or

³⁸ The Commission's responded, acknowledging the shortcomings and deficiencies observed and that there were steps being taken to address the issues flagged in the observations. In addition, the Commission also responded that education and awareness on requirements for INMBT are ongoing. The Commission also 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 the Audit team.

hardcopy through manual processing. The SRC have a manual database facilitating a follow-up process, and clients are advised when there are issues discovered in their declarations. The Commission are also ensuring that clients are informed of their obligations to update all the information provided to SRC when changes occur. The Committee enquired about the status of the collection of income and non-monetary benefits tax which, according to the audit amounted to R1.1b for the year 2021. The SRC informed the Committee (Year-to-Date (June 2023)), the collection is R541.64m against the original forecast of R547m which indicated an underperformance of around R6m against the forecast.

Analysis:

-There should be more education and outreach for taxpayers regarding the payroll systems and how to submit their payrolls. This will ensure that employers are aware of the way the systems operate and their responsibilities with regard to submissions of payrolls.

ii) Debtors

Key Audit Findings: The audit observed revealed an increase in debtors as the total domestic debts as at 31 December 2021 was 1.1b which indicated an increase of R122m from the year 2020. It was noted that the debt was made up of R664m primary outstanding tax and R457m penalties, and only about 55% of the total debt cases were able to be pursued. Some cases amounting to R30m over 20 years have been proposed for write offs as they are deemed irrecoverable³⁹.

Findings from the Hearings: The Committee enquired about the issue of timely recovery of taxes and the measures that the Commission has put in place to address to collect as much of the debt as possible. The Commission explained that there may be cases where the Commission has made assessments in terms of debts and these may be objected to, in which case the assessment would be return to the appropriate unit to review which may mean that collection cannot be made. Debtors may also put the case forward to the revenue tribunal or appeal to the court further prolonging the process of debt collection as the repayment will be on hold. The Commission informed the Committee that they have revised their Standard Operating Procedures (SOPs) and have a new strategy implemented at the beginning of 2023 regarding debt collection. The Commission also explained that there will be a new debt management system which will facilitate timely follow-ups and improve case management. The Commission also explained that, with the implementation

³⁹ The Commission's response, recorded in the Report was that efforts have been made on debt recovery and a new SOP for the same has been introduced to ensure timely enforcement and prosecution. At the time of writing, the process was manual and likely to be 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 be brought in. The SRC has since August 2022 been meeting regularly to review potential cases for write off to ensure that for each case, the submission is supported with relevant documents.

of the new online system, a taxpayer will be able to view their entire account and be able to view their outstanding debts.

The Commission informed the Committee that the value of disputed assessments is R87m. One of the strategies the Commission has put in place in cases where assessments are disputed is to put in place a percentage of money to collect from the debtor whilst awaiting the results of the dispute. The Commission informed the FPAC that their legal team, with assistance from the Attorney General's (AG) office have drafted an agreement which requires debtors to make a commitment to their payments. This commitment may involve restrictions on debtors' possessions or pledges on properties and assets. Furthermore, the Commission explained that, upon meetings with the AG's office, cases of debt amounting to less than R500,000, R200,000, and R100,000 repayment will be enforced within one year, and will proceed to prosecution if the debt is not settled. In addition, the SRC's legal officers will be receiving training from the AG's office to build their capacity to stand in court. Other strategies implemented by the Commission include the signing of MoUs with other government institutions to facilitate the exchange of information and improve debt recovery. The Commission also explained that training of staff is ongoing.

The Committee enquired cases currently under prosecution for debt which in 2021 was at a value of R304,485,843 and R260,294,218 in 2020. The Commission informed the Committee that there are 60 people involved in the cases for prosecution. The Commission also informed the Committee that the value of cases where there have been objections amount to R240m in 2023.

Analysis:

-Tax and fees collection is essential in generating public revenue and should be a key priority in a country's development as it provides capital essential for investments in people, infrastructure, services as well as incentives. The implementation of the new debt management system facilitating timely follow ups and improving case management can only benefit recovery of taxes. Such strategies, implemented effectively and efficiently, should largely improve tax recovery.

iii) Follow-up on Previous Audit Reports

Key Audit Findings: The audit exercise also conducted a follow up on previous findings, gaining a status of previously identified shortcomings. One persistent finding is contained in the table below:

Audit Brief	Status
AR 2020, page 88, para 2.11 – R89,118 misappropriated by a Commission staff	The ex-staff of the Commission had agreed to pay the amount in full by 30 th June 2023. The amount outstanding as at August 2022 was R75,625.

Findings from the Hearing: The Committee enquired on the follow up from previous audit reports. The Commission informed the Committee that the amount outstanding in relation to misappropriated funds is now R61,625 and the Commission have had discussions with the ex-staff to increase the payments.

Analysis:

-To avoid misappropriation of funds, robust preventive measures should be adopted including strict internal controls, policies, and procedures. Comprehensive training on ethical behaviour and prevention of such practices should be provided for employees.

1.8 Ministry of Local Government & Community Affairs (pgs57-61)

The audit revealed that the Ministry has serious shortcomings in revenue collection, un-invoiced services, discrepancies in fees and charges, lack of reconciliation of receipts, non- collection of long overdue debts, the lack of mobile phone agreements for phones allocated to staff, including the lack of adherence to procurement regulations, short comings in the payroll under good and services and assets management. The FPAC conducted a public hearing on Thursday 17th August 2023, examining the Ministry's shortcomings in relation to the report. The audit findings and responses from the Public Hearing are detailed below:

i) Unsupported documentation, Incomplete & Not Approved Price Lists (pg)

Key Audit Findings: The audit report revealed that out of the R262,345 collected by the Ministry during the audit period, there were shortcomings whereby the income received by the DA's such as rent and sale proceeds were not duly supported by proper descriptions. This also included an incomplete price list of proposed rates for renting different facilities such as a barber shop, the approved designated authority for the prices/fees on the list and actually charged not sighted.

Findings from the Hearing: The Committee highlighted the lack of supporting documentation for the income received by the DA's , the incomplete price lists and lack of approval for the prices/fees charged. The Ministry clarified on the use of the local government infrastructure in different districts that are rented out to individuals to provide services to the community. The Ministry further clarified that the differences in rental charges is due to the differences in the size of the building and specificities such as aircon facilities. The Ministry confirmed that there are 2 barber shops – one at Beau Vallon and 1 at Baie Lazare and explained the infrastructural reasons for the differences in prices. It was further noted that during the audit period the price list was being compiled and the price list was finalised early 2023.

Analysis:

- Internal documentation is crucial to ensure uniformity, fairness, and correct revenue collection. That the ministry periodically ensure the price list is being adhered to.
- The Ministry of finance should assist in guiding MDA's to ensure the best market prices is being charged for the benefit of revenue collection for the government.

ii) Unsupported documentation, Incomplete & Not Approved Price Lists (pg)

Key Audit Findings: The audit report revealed that documents scrutinized in respect of 12 daycare centres that while the price list indicated a monthly rental of 1,200 per day, the fee actually sighted varied between 1,000 to 5,500 without valid reasons documented. Services paid for on one off basis were not properly invoiced for the amount charged

Findings from the Hearing: During the hearing, the Committee questioned the variances in the rental fees for the different daycare centres to which the Ministry responded by clarifying that this is due to the sizes of the rooms, the capacity of children the centre can cater for and the services available. The Ministry further confirmed that the rental fees list has been revised with the lowest rent being R3,000 and not R1,200 like previously mentioned – during the revision the fee of R1,200 was increased and the highest rental fee is R12,000. The Committee enquired on the total revenue collected by the Ministry through the rental to daycare centres and the total sum of R90,000 was confirmed to be collected monthly. The Committee further enquired on whether the individuals renting the space for the operations of the daycare have a contract and the Ministry confirmed that two-year lease agreements are signed between the Ministry and the daycare operators. The Committee further enquired on the selection/tender process for the daycare operators to which the Ministry provided clarifications on the process which involves a POU tender process and then meeting the criteria of IECD first and foremost.

Analysis:

- Importance of having a system in place to maintain records in an efficient manner.
- Management should periodically review its adherence to standard operating procedures and accounting regulations.
- Increase transparency of the tender/bidding process for the daycare operator, implementing a customer satisfaction survey, periodical reviews of the services to allow fairness.

iii) Services on One-Off Basis Not Invoiced (pg)

Key Audit Findings: The report revealed that highlighted that the services offered on a one-off basis were not invoiced with only a receipt for the amount charged is issued to the clients by the DA's.

Findings from the Hearing: The Committee enquired on what the services rendered were on a one-off basis and the Ministry confirmed that it is when an individual reserves the community centre and pays in advance to use the centre to provide a service. The Ministry confirmed that the approval for the rental fees for the community centre is provided by the management team in consultation with the DA's and a price list has been finalized. The Ministry confirmed that invoices are not provided due to the fact that the centre is booked and paid for face to face and a receipt is provided. The Committee enquired on the internal oversight and mechanisms in place that ensure the proper usage of receipts books. The Ministry confirmed that one receipt book is used, and that the internal accounting unit makes unannounced visits to the centres to scrutinize documentation

and ensure adherence to the rules and regulations. There is also a policy of all the revenue collected being banked on the same day as much as practicable.

Analysis:

- Strengthen the internal policy for the checks and balances of District related revenue collection by cash.

iv) Lack of reconciliation for Remittances Effected by the DA's (pg)

Key Audit Findings: The report revealed that the funds collected by the DA's which include receipts issued to clients, other records and information on the individual collections are kept with the DA however there is no evidence of a mechanism in place to verify and establish accuracy of the amounts of collected by the different DA's.

Findings from the Hearing: The Committee enquired on the audit findings from the report questioning the checks and balances on the reconciliation of the receipts and records. The Ministry confirmed that duplicates of receipts are kept as a record with the accounts department. It was further clarified that the Office Managers in the district offices are charged with collecting the revenue and individuals can choose whether to pay with the Office Manager, District Administrator or the Ministry's accounts department to facilitate the rentees with payments and the districts issue the invoices therefore the payments usually go through the districts. The Ministry confirmed that there is an internal system for reconciling the payments and categorising them. The Committee further enquired on the concerns of the audit in regards to the safe keeping of cash in the districts and the Ministry highlighted the deficiencies that has been identified and that the concerned districts were instructed to buy cash boxes with a lock and key whilst others use a safe. The Ministry further highlighted that this is a mechanism that should be improved.

Analysis:

- Streamline revenue reconciliation and records keeping for rental payments to increase accountability and transparency.
- Secured safe to be used in the districts to keep cash secure should be a standard norm with the necessary internal controls.

v) Closure of Bank Accounts (pg)

Key Audit Findings: The report revealed that all 27 DA's had separate bank accounts and upon closure of those accounts in March 2021, the balances of 26 DA's accounts totaling R4,394,439 have been remitted to treasury. The discrepancies are that reconciliations of the transactions of these accounts with their respective bank statements were not found.

Findings from the Hearing: In addition to the Ministry's response present in the Report⁴⁰ in the Hearing the Ministry confirmed that the reconciliations have been done and the necessary documents collected from the banks especially with reconciling documents of the Baie St Anne district which was banking with Absa. The Committee also enquired on which projects' funds are transferred to the 'rollover funds' and put in the suspense account and the Ministry confirmed that for the year 2023 there are projects that have rolled over to the year and are in a suspense account – 3 suspense accounts in total, 2 being for projects and one for the national day activities. The National Day suspense account totals R27,000.

Analysis:

- Ensure streamlining by making treasury the singular account used.

vi) Non-Collection of Overdue Debts (pg)

Key Audit Findings: The audit highlighted that outstanding debtors as at 30.04.2021 stood at the sum of R687,000 with R630,500 were overdue by 90 days. The arrears date as far back as 2014 as below with no evidence of action taken to recover the dues.

2014	R33,000
2015	R40,000
2016	R144,000
2017	R87,500
2018	R76,000
2019	R76,500

Findings from the Hearing: The Ministry responded in the Report⁴¹ and provided further clarifications during the hearing. The Ministry made concerted efforts to recover the dues by writing letters and providing strict time frames for the repayment which has been partially successful, and the unsuccessful cases have resulted in the tenants being removed and may necessitate legal action in the near future. The Ministry confirmed that it has sought legal advice from the attorney general's chambers. The Committee enquired on the internal mechanisms that the Ministry has put in place to mitigate the risk of overdue payments by more than 90 days and years. The Ministry responded by clarifying that if a payment has not been effected after two months the necessary processes are undertaken to inform the tenant and demand the dues. It was also confirmed that reconciliations are carried out every month in the districts.

Analysis:

- Include enforcement clauses in the lease agreements to mitigate the risk of debts and delayed payments.

⁴⁰ The Ministry clarified that the necessary information relating to booking and collection are available at the DA's office.

⁴¹ The Ministry informed that a remedy is being sought to ensure the existing tenants with arrears settle them and that other debtors are chased for payments.

vii) Non-Enforcement of Mobile Phone Agreements (pg)

Key Audit Findings: 15 mobile phones were acquired between the year 2015 to 2021 allocated to staff. The list of allocations was not complete in the usage limit which was not updated, with ex-employees appearing on the list. No mobile phone agreements for the mobile usage limits and procedures for refund in case of excess usage were evident. Audit noted that in regards to the mobile phone service agreement for the PS and Minister, it did not contain a limitation on usage.

Findings from the Hearing: In the report the Ministry responded⁴² and in the hearing the Ministry confirmed that it has shifted telecommunications company and now employees have unlimited usage.

Analysis:

- Ensure the proper internal controls are implemented to ensure the enforcement of agreements.

viii) Goods & Services Procured Without Adherence Quotation Regulations (pg)

Key Audit Findings: The report revealed that out of the 60 payments that were examined, 24 procurements totaling R510,471 did not have the requisite 3 quotations or prior approvals for resorting to direct bidding. The cost estimated by the Ministry for the office renovation of the Baie St Anne Praslin DA at R84, 725 resulted in a contract awarded at the value of R140,161 with a lack of documentation for the reasons for the difference between the estimates and the payment.

Findings from the Hearing: In the report the Ministry responded⁴³ and in the hearing provided further information on the audit findings. The Ministry responded that for the awarded contract of R140,161 there was an evaluation committee that approved it after one contractor responded to the tender. It was confirmed that this project was a remedial one which involved construction and renovation. The Ministry further highlighted that since the audit findings, an independent vetting committee has been established to ensure the proper procedures are followed. The Ministry confirmed that for small remedial projects direct bidding is carried out as they concern smaller work in the districts and section 63 (2) (b) of the Procurement Act, 2018 is followed for urgency whereby at times obtaining 3 quotations delays work that is necessary to be carried out. The Vetting Committee consists of an independent person, a representative from Accounts, from the Seychelles Infrastructure Agency and certain management members.

Analysis:

- That a proper reporting and reasonings for variations be drafted and documented by the Vetting Committee.

⁴² The Ministry confirmed that it has implemented an agreement for mobile phone purchase and it will be further used to capture mobile usage limits.

⁴³ The Ministry informed that the procurements were to replenish the emergency store, and further noted that the necessary will be done to ensure the proper system is implemented to monitor the levels and replenish accordingly.

- The lowest bidder does not necessarily mean the value and high quality of the work and that this should also be considered when providing justifications.

ix) Contradictions in Field Technician Payroll (pg)

Key Audit Findings: The Report noted payments totaling R4,678,545 stated as DA Maintenance Services which related to the payroll of field technicians who were transferred from the community Development Department following a downsizing of public servants in 2018. It was observed from the payroll analysis that post numbers for some of the field technicians were not indicated. Employees contracts, personal files and records were not provided to the auditors. It was noted that an increase in field technicians from 82 to 85 which is contradictory of the downsizing.

Findings from the Hearing: The Ministry provided a response in the report⁴⁴ and further elaborated on the audit findings in the hearing. The Committee enquired on the role of field technicians and questioned the discrepancies revealed in the report. The Ministry confirmed that the role of field technicians was absolved and replaced with General Assistants/Assistants due to the discrepancies and deficiencies it posed. It was further noted that the General Assistants/Assistants are on normal contracts and have been placed on the nominal payroll of which there are 60 employees in those positions.

x) Excess Payments for Security Services & Invalid Contracts (pg)

Key Audit Findings: 18 contracts for security services were examined and payments made thereon which revealed an excess of payments of what was provided in the respective contracts. A total of R1,878,025 was due but R1, 945, 933 was paid during the period 2018 to 2020 resulting in an excess of R67,908. Some contracts had expired on 31.01.2020 and were not valid at the time of the audit in 2021 despite the continuation of services.

Findings from the Hearing: The Ministry confirmed that there are currently no active contracts with any security firm and that the decision was made to stop outsourcing this service. The Ministry has recruited its own security officers of whom are on the nominal roll. The Ministry had to pay a 15% VAT Tax due to the fact that the firm were not VAT registered until after the tender process had been completed. The Committee questioned the numbers provided that related to the tax and the adjustment of the minimum wages. The Ministry further clarified that previously the selection of the firm was not transparent which is why the contract were terminated in consultation with the POU and the Ministry recruited its own security officers. The Ministry further confirmed that by proceeding in this way an annual saving of R8M is recuperated.

Analysis:

⁴⁴ The Field technicians were being paid under goods and services therefore did not form part of the Ministry's nominal roll. Actions have been taken to revise the service agreements and to restructure the Ministry with 66 staff under the new service agreements.

- Carry out a cost benefits analysis, The Ministry should continue evaluation the value for money in recruiting its won security officers to ensure an evidence based decision is taken in the next few years.
- Internal mechanisms to ensure contracts are valid when payments are effected.

xi) Fixed Assets Not Registered & Lack of Use of Management Software (pg)

Key Audit Findings: The audit revealed that District Administrator (DA) offices where most assets are located were not using the software. In addition, in a sample of 43 items, there were 7 whose locations were not the same as stated in the register, there were 8 assets who locations and ID numbers in the register, 34 were not labelled thus could not be traced to the register, 17 acquired during the period under audit were not updated and 23 assets were not sighted⁴⁵.

Findings from the Hearing: The Ministry admitted to certain deficiencies in its fixed asset management processes of which is currently being reviewed and work on. The necessary work is being undertaken collectively to ensure the records are updated and the assets accounted for especially within the different districts.

Analysis:

- Periodic reviews and analysis of assets in the different districts to ensure efficient oversight.

1.9 The Industrial Estates Authority (pgs62-65)

i) Cashiers' Module Not Used Effectively (pg62-63)

Key Audit Findings: The audit findings in the report revealed that the authority collects revenue from the long-term leases in 9 different locations comprising of 98 tenants, and for the period under review, the authority collected R15,792,739. Further revealing that no receipts were issues for funds received through the BKTRs to match the invoices raised.

Findings from the Hearing: In addition to the response provided in the report⁴⁶, the authority provided further clarity during the hearing. Albeit admitting the disorder in the cashier module being used and the decision made to cease using it and to establish a proper debtors list, an invoice register and the statements of the clients. As a result the authority started from scratch in an excel sheet. The authority further highlighted the issue of having a secondment accountant was not consistent and did not promote continuity of the finances of the authority and as a result the

⁴⁵ In the Report the Ministry responded that the restricting and staff continuously changing office and that they are in the process of updating and tracking all fixed assets in all offices.

⁴⁶ Until recently the authority was not provided with permanent staff for the accounts receivables. An accounts staff was deputized once a week with a rotation every 3 months which resulted in the mismanagement of the revenue. As of January 2022 the authority is currently issuing receipts in the cashier module for all bank transfers received.

authority has managed to employed someone full time. It was confirmed that 99% of the records have been updated and a new software will soon be used.

Analysis:

- Ministry of Finance should do periodic reviews of the efficiency of staff on secondment at different departments.

ii) Debtors with Credit Balances (pg63)

Key Audit Findings: Out of the 86 debtors records examined, the audit noted that there were 8 instances where the debtors statement revealed credit balances, and were not included in the aging debtors listing.

Findings from the Hearing: The Authority provided a response in the report⁴⁷ and further stated the discrepancies in the cashier module and the fact that some clients wanted to pay in advance resulted in the authority having a separate list for the advanced payments. The authority further provided information on the debtors list and confirmed that in 2021 the debtors was R30M and as of July 2023 the debtors has decreased to R11.7M. Below is the number of debts recovered:

2020	R11.2M
2021	R21.5M
2022	R29M
July 2023	R13.5M

The authority has taken the necessary measures to introduce repayments plans for the debtors and to contact them, in addition to the consideration of legal proceedings to recover the revenue. The authority confirmed that the Attorney General's office is assisting with the debtors. The Committee further enquired on how the authority is backing up its information and records and it was confirmed that a server had been purchased with the primary aim of backing up information and records.

Analysis:

- There should be periodic oversight on debtors and the enforcement of payments plans

iii) Lack of Documentation of Procurement of Property Management Software (pg63-64)

Key Audit Findings: The audit highlighted that the development of the property management software (PMS) to administer leases and debt management at the value of R240,000 excluding VAT. The report further revealed that there was no document need assessment with details of the

⁴⁷ The repayments cannot be included in the aged debtors listing as it will distort the total debtors balance. The credit balances are maintained in a separate database and the repayments recorded in the clients respective statement of accounts.

requirements and the expected solution to the problems through the software; Public Procurement Regulations 132 conditions for advanced payments were not followed for same; delays in the implementation and the agreement did not make provisions for payments linked to deliverable milestones and no provisions for penalty for delays or breaches of contracts indicating a need for legal vetting.

Findings from the Hearing: In the report the authority provided a response⁴⁸ and further clarified in the hearing after being questioned. The authority further revealed that the software was purchased to solve the deficiencies and issues faced with the cashiers module in collaboration with DICT. The contract for this software was signed with Space95 and which stipulated a 50% advanced payment, which was honoured. The delays faced with updating the system were due to the human resources constraints at DICT and the heavy workload require to upload the necessary data into the system before carrying out the tests.

Analysis:

- Place value for money at the centre of implementing and purchasing softwares.
- Ensure bidding processes are followed for competitive prices and softwares types.

iv) Lack of Documentation of Procurement of Goods & Services (pg64)

Key Audit Findings: A total expenditure of R6,188,466 was incurred towards goods and services of which 51 payments were examined by the auditors. The Report revealed that 3 payments totaling R113,745 were made on the basis of expired contracts; 7 instances totaling R328,600 were without the requisite minimum three quotations and a payment of R95,000 were made against a hand written invoice without a TIN to a contractor for the leveling of the road at 'Clinton Maritime Academy'.

Findings from the Hearing: The response of the authority in the report⁴⁹ made certain agreements to the audit findings. In the hearing the authority reiterated that the contracts had expired and no longer have the same contract and have moved buildings. The authority now ensures it has contracts with service providers. The purchases that did not adhere to the customary rule of obtaining 3 quotations was done as emergency purchases due to heavy rainfall and flooding, as well as an urgent survey of which overtime had to be paid as per the following amounts: R56,280, R22, 395 and R108, 437. The Authority highlighted that the rates of the surveyors for their overtime in writing which included drone mapping and other services. The Committee inquired into how the market value of the payments can be assessed. The authority requested budget to employ a surveyor and the processes are underway in collaboration with the Ministry of Land Use

⁴⁸ Consultations were made with the Ministry of Finance, POU and DICT after deficiencies were observed through a review of the cashiers module. Approval of all parties was obtained to proceed with the property management software as the one used by PMC and that the final payment amounting to R120,000 is currently on hold until the system is complete.

⁴⁹ The contracts had expired; the purchases were on an emergency basis; since the contractor did not have a business bank account it was effected in his own personal account. All contracts have been renewed with the Procurement Unit approval.

and Housing. The Committee expressed concerns on the payment into the personal account of the contractor and that this sorted to ensure that prior to engaging with a service provider the authority ensures that the declaration of the business account is carried out.

Analysis:

- Pandemic oversight and procedures for emergency purchases.
- Ensure bank account details are provided prior to engaging in services, purchasing of goods and services to ensure legality of payments and to ensure non-payments into personal accounts.
- Ensure market value of services by providing analysis and consulting the Ministry of Finance if need be.

v) **Persisting Audit Issues** (pg65)

Key Audit Findings: Below is the table which revealed the persisting audit issues:

Undocumented inter-entity transfer of client files
Debtors records not reliable
No system in place for lease review
Debtors list lack of reliability
Incomplete revenue collection records

Findings from the Hearing: The Committee highlighted the persisting audit issues and press the authority for feedback. The authority highlighted the non-usage of the cashiers module of which all the records has gone into an excel system. The authority reconstructed the master list from scratch in order to ensure the records are reliable and up to date. The new software being implemented will ensure the persisting issues are solved and that the debtors records are being addressed.

Analysis:

- That the authority seek the advice of the OAG to classify the debtors and seek productive methods to increase the reliability of the records.

1.10 The Office of the Mayor of Victoria

An audit of the Office of the Mayor of Victoria was undertaken for the period 2020 up to November 2021. The FPAC held a public hearing examining the findings of the audit on Friday 14th of July 2023. The issues revealed by the audit and responses from the Office of the Mayor of Victoria during the Public Hearing are detailed below.

i) **Commemorative Book Sale**

Key Audit Findings: The audit revealed shortcomings in relation to the sale of books to celebrate 240 years of the anniversary of Victoria. According to the audit, 1000 copies of the book was made, printed in 2018 in London at a cost of GBP 9,256 which was met by the Ministry for

Finance. The price of a copy of the book was fixed at R500 and sales outlets were identified. The audit found that proceeds from the sale of the book was not realised; by the end of 2021 a total of 466 copies has been distributed to outlets with a potential revenue of R233,000 and 373 copies were issued for free as gifts given to overseas and domestic delegates, leaving 159 copies in the Office. The amount of sales collection, as the audit found, was SR108,000 against the expected R233,000 leaving an outstanding balance of R125,000 to be collected from outlets. In addition, the Office raised an invoice (001/2019) on 14.02.2019 for SR100,000 to the Seychelles Island Foundation (SIF) for the issue of 200 copies of the book but the invoice was outstanding at the time of the audit⁵⁰.

Findings from the Hearing: The Committee enquired about the audit findings, seeking clarifications on the sale of commemorative books. The Office replied that in terms of the outstanding balance of SR125,000, in the year 2022 they have collected SR20,700 from sale outlets. The Office provided a status on the sale of the books stating that there is an amount of SR7500 which is still outstanding from Antigone bookshop there are 20 copies at the Museum shop at the value of SR10,000 outstanding. There are 76 copies at the value of SR38,000 which are at the Office of the Mayor which have not been sold.

The Office also explained upon raising an invoice for SR100,000 to SIF for 200 copies of the book, they discovered that it was SIF who had paid for the printing of the books and not the Ministry for Finance. The Office then requested a write-off for the Ministry for Finance which was approved. The Committee enquired further about the payment of books made by SIF and whether ownership of the books was signed over to SIF. The Office explained that they were unaware that SIF had paid for the printing of the book directly to the publisher. The Office stated that all the necessary procedures on their side were followed and the fault creating confusion would be on the side of SIF and the Ministry for Finance. It was noted that the Auditor General's office is not aware concretely, that the ministry of finance did not pay the books and that SIF settled the publishing of the book. The Committee further enquired about the amount of revenue collected from the sale of the 800 books remaining after those 200 issued to SIF. The Office informed the Committee that, since publication, the Office has collected roughly SR150,000 from sale of books.

Analysis:

- The revenue from the books should be accounted for in the auditor general's report and should not just be going into the consolidated fund without being accounted for.
- The auditor general should draft a separate paragraph on recouping the cost of printing the books.
- The ways in which the Office of the Mayor accepts benevolent acts or 'donations' should be assessed, because it results to the Office of the Mayor being accountable when audit issues arise. There should be proper procedures and policies regarding donations or similar acts to ensure that it is carried out correctly and does not result in audit issues.

⁵⁰ The Office's response in the Report stating that (a) the write-off approval from Ministry for Finance was received for SR100,000 in July 2022; and (b) to date a sum of SR11,000 is outstanding for collection from Museum.

-Since the books were not given as a donation from SIF and not documented as such, the ownership of the books is in question given that the Ministry for Finance did not pay them. The Office should enter discussions with the SIF regarding this issue.

ii) Goods and Services

Key Audit Findings: The audit examined 81 payments totalling SR4,173,873 and observed several shortcomings. In 29 cases of payments, totalling R274,110 towards goods and services the minimum of three quotations were not sighted. Audit also revealed an instance of procurement by direct bidding for a value of R589,952, rather than the prescribed method of open bidding for a procurement of such value. The audit also revealed that approval for direct bidding from the Procurement Oversight Unit (POU) was not sought⁵¹. The Ministry for Finance informed that retrospective approval may be sought, pending which the signed and approved payment requests were being sent to the Treasury which would only act after receipt of feedback from POU. However, the audit found that the payment was effected on 25.11.2021 without the approval of the POU⁵².

The audit also revealed shortcomings in relation to the documentation of needs assessments in 33 instances totalling SR754,148⁵³. Shortcomings were also discovered in the processing of procurement for the payment of SR13,802 for transportation and levelling aggregates at the waterfront garden, the audit found no work order or acknowledgement by the entity that the work was completed as planned. Furthermore, it was noted that all purchases of toners totalling SR50,834 were from a single source and no inventory records were being maintained for these items. Inventory records were also not being maintained for tea and cleaning items totalling SR26,009. Further shortcomings observed were with regard to monthly payments of SR24,363 involving an annual liability of SR292,366 to a security firm for which that last contract agreement was for the period 2017 to 2019 and despite monthly payments the contract has not been renewed, now has a new contract been signed⁵⁴.

Findings from the Hearing: The Committee enquired about the shortcomings revealed by the audit in terms of goods and services. In relation to the 29 payments where 3 quotations were not sighted, the Office clarified that they had received approval for direct bidding to procure Christmas

⁵¹ The Ministry for Finance explained that the decorations were ordered directly from a factory in China, facilitated through the Twinning relationship with the City of Guangzhou, China and that these needed to be waterproof for outdoor use and these were not available locally. Further, the locally available decorations were of inferior quality, not meant for outdoor use, and were more expensive. The reply stated that the Office is now following procedures.

⁵² The Office's response in the Report is that a letter was written to the 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 should be sought. The POU, however, could not provide a list of authorised suppliers, as requested by the Office.

⁵³ The Office replied in the Report stating that the procedure was followed and approval was given by POU for direct bidding under Section 63 of the Act.

⁵⁴ The Office's response in the Report is that they would prefer to have confirmed posts of security officers at the Office, and further it has written to POU regarding the matter and received no reply up to now.

decorations elaborating on the Twinning relationship with the Guangzhou city in China. The Office explained that the supplier was chosen because they were reliable, the high quality of their products, and the unavailability of such products on the local market. The Committee enquired about the delay in seeking the retrospective approval. The officials from the Auditor General's office clarified that when the audit was completed and exit meeting was held on the 16th of February 2022, after which the Office sought retrospective approval from the Ministry for Finance.

The Committee enquired about the maintenance of inventory and the progress of efforts made in that line. The Office explained that toners are being purchased at different sources. The Committee also sought further clarifications on the issue of contract with the security firm. The Office explained that the Office had a contract with the security firm 'Sentinels', however following instructions from the Ministry for Finance to review the security firms in different departments, the Office came to the agreement that the security officer there would remain at the Office. However, the Office still do not have a contract with the security firm. The Office informed the Committee that discussions have been had with the Ministry for Finance however, the contract is still not sorted.

Analysis:

-Retrospective approval of procurement should be sought in instances where the procurement is of an urgent and sensitive nature.

-In terms of the contract issue with the security firm, the Office should draw up short term agreements to support the payment toward the firm until the final contract is drawn.

1.11 Seychelles Heritage Foundation

An audit of the Seychelles Heritage Foundation was undertaken for the year 2020. The FPAC held a public hearing examining the findings of the audit on Friday 14th of July 2023. Particular emphasis was placed on compliance with the regulations of financial matters. The issues revealed by the audit and responses from the Seychelles Heritage Foundation during the Public Hearing are detailed below.

i) Payroll

Key Audit Findings: The audit's recalculation of leave pay applying the criteria stipulated in the Procedures Manual to the Public Service Order (PSO) for two former personnel revealed an overpayment of R3,139⁵⁵.

Findings from the Hearing: The Committee enquired about the status of the recovery of the overpayment. The Foundation responded that as at May 2022, the former employees were written to and letters were posted on the 26th of February 2022 however, no effort has been made by the

⁵⁵ The Foundation's responded acknowledging the overpayments and stated that it would ensure compliance with relevant procedures. The Foundation also stated that the recovery action for the overpaid amounts has been initiated.

employees to refund the Foundation. The Foundation that they will follow up with the employees and establishing contact with them.

Analysis:

-Adequate effort should be made to resolve this overpayment and following up with the former employees.

ii) Payment for Goods and Services

Key Audit Findings: The procurement of goods and services amounted to SR3,385,573. The audit found that there were 5 payments totalling SR102,400 to a contractor for provision of landscaping services. The audit revealed that 2 of the payments totalling SR73,900 was effected in his name whilst the remaining 3 amounting to SR28,500 were drawn in favour of his business name⁵⁶.

Findings from the Hearing: The Committee sought clarification on the issue revealed by the audit in regard to payments made to a contractor which were issued inconsistently. The Foundation stated that the payments were made at different times and the inconsistency was an oversight. The Foundation informed that they are now following procedures.

Analysis:

-The audit recommended that the Foundation ensure that all payments are consistently issued on the business / supplier's name indicated on invoice/quotations, to avoid future claims and tax avoidance.

iii) Non-Financial Assets

Key Audit Findings: The Foundation incurred costs totalling SR63,830 on procurement of non-financial assets during the year 2020. A sample of 5 payments were examined and the audit observed that the FAR was not updated with 11 assets purchased in 2020⁵⁷.

Findings from the Hearing: The Committee enquired about the status of updating the FAR. The Foundation informed the Committee that all 11 assets have been updated into the register and all fixed assets are updated.

Analysis:

⁵⁶ The Foundation responded in the Report assuring that all payments would be consistently issued on the business name as shown on the invoice.

⁵⁷ 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 Foundation further stated that the necessary has been done to enter the asset in the FAR and the 2 remaining items was an omission on the part of the officer and the register has been updated.

-The FAR should be accurately updated in a timely manner. As stated above, the Foundation's response was that the register is now updated and stated in response to the audit in the report that there were two omissions on the part of the officer responsible. Although human error may occur, a lack of appropriately maintained records in relation to fixed assets is a recurring issue across government entities. Adequate training and human resources should be allocated to ensure that these records are maintained, and human error is reduced to a minimum.

iv) Income (Suspense Account)

Key Audit Findings: During the year 2020, the Foundation collected rental and other income totalling SR1,176,670 as recorded in the Treasury Information Systems (TIS). A sample of 34 debtors' invoices and receipts revealed several shortcomings. In 28 instances amounting to SR494,309, outstanding debts had accumulated for over 90 days. In 13 instances, the audit did not sight any follow-up action taken by the Foundation for the recovery of the outstanding debt. The audit also revealed that the debtor's position was inconsistent with the debt recovery policy issued on 29.05.2021, that states that all customers to the Foundation must settle their accounts in full on the due date and the customer will receive reminders. From the available documentation, the audit noted that no review of the position of debtors at the Board/higher management level was sighted⁵⁸. After the audit, it was informed that debts amounting to SR59,477 would be written off as approved by the Ministry for Finance.

The audit also found that the debtors balance was not credible. The audit, after considering the audited opening debtors balance from 2019, discovered a variance of SR97,542 between the debtors' balance as at 31.12.2020 and the receivables balance compiled by the Foundation. One of the variances noticed was high at SR136,518. The 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 SR36,725 between the 2 records⁵⁹. Audit also examined the debtors' records, observing that there were a number of debts amounting to SR216,675 which have been outstanding for more than 5 years. The audit could not conclude that these debts are recoverable from the documents made available as they were from past tenants⁶⁰.

Findings from the Hearing: The Committee enquired about the challenges the Foundation is facing in regard to recover outstanding debts. The Foundation stated that, during the 2020/2021 period financial hardships meant that kiosk vendors were not collecting as much revenue. The Foundation stated that repayment plans have been made with kiosk vendors, however some have

⁵⁸ The Foundation responded stating that some of the debtors made late payments, while others are old debts of tenants totalling SR136,518, that are no longer occupying the premises and the Foundation lawyer has been advised to take up the matter legally with the respective clients.

⁵⁹ The Foundation responded to the audit stating that the balance that the 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.

⁶⁰ The Foundation responded stating that it could consider alternate ways to recover the long outstanding debts and seek for approval of write-offs from the Ministry for Finance after considering all possibilities.

been unable to complete them. The Foundation stated that there are 3 kiosk vendors which account for 80% (at a value of SR272,000) of the outstanding debt and they have been duly followed up with. The Foundation also stated that there is one kiosk vendor of the 3 accounting for 80% of the debt, where a trade-off agreement (valued at SR75,000) with them may be possible as they have products that the Foundation can use, and this may be a way to offset their debt. The Foundation further informed the Committee that they have written the Ministry for Finance for approval of this agreement. The Foundation explained that the 2nd of the 3 kiosk vendors has agreed to pay back their debt. The Foundation explained that the 3rd kiosk vendor is not following the repayment plan and the Foundation is considering a more severe action. The Foundation stated that the outstanding debt balance as at July 2023 is SR375,000.

Analysis:

-The Foundation should undertake a proper assessment of the trade-offs to ensure that the debt being offset is being valued correctly against the amount owed.

1.12 Tax & Customs Agent Board

An audit of the Tax and Customs Agent Board was undertaken for the period between January 2019 to September 2021. The FPAC held a public hearing examining the findings of the audit on Wednesday 16th August 2023. Emphasis was placed revenue collection, and administration and expenditures in regard to wages and salaries, goods and services and non-financial assets. The issues revealed by the audit and responses from the Tax and Customs Agent Board during the Public Hearing are detailed below.

i) Revenue

Key Audit Findings: The audit found that a total of SR112,858 was collected during the period of review (Jan 2019 to Sept 2021). Upon examining records and documents, the audit revealed several shortcomings. The audit noted that only 3 out of 4 receipt books issued to the Board in November 2016 had been sighted⁶¹. The audit also noted delays in banking the collected revenue in 24 cases⁶².

Findings from the Hearing: The Committee enquired on the issue of the missing receipt book and its whereabouts. The Board explained that the 4th receipt books could have been issued to the previous board and the new board took over with only 3 receipt books and were not aware that there was meant to be 4. The Board attempted to locate the 4th receipt book but were unsuccessful. The Board further explained that all receipts which have been issued in the review period were done so from the 3 receipt books in possession of the Board and there is no indication that any receipts had been issued from the 4th book.

⁶¹ The Board replied to the audit stating that the whereabouts of the 4th receipt book which was missing was unknown as there had always been only 3 receipt books in their possession.

⁶² The Board responded to the audit explaining that the main factors resulting in 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.

The Committee also enquired about the issue concerning delays of banking collected revenue and how the situation is being handled. The Board responded that the systems of making payments has changed as all payments are being done at the Ministry for Finance and they are responsible for receiving and banking money. The Board informed the Committee of amendments to the Revenue Administration Act where the board can revise the registrations every 5 years.

Analysis:

-The banking of collected revenue should occur in a timely manner as delays may result in misappropriation, fraud, or theft of the revenue.

-The Board still needs to account for the money being collected as revenue and reconciliation processes between their records and those of the ministry for finance. The Board should also assess how they are recording these payments.

ii) Use of Goods and Services

Key Audit Findings: The audit revealed that during the period under audit, a total of SR949,284 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 SR5,380 during the period⁶³.

Findings from the Hearing: The Committee enquired about the overpayment to the Board secretary. The Board explained that board fees for the two entities, the Tax and Customs Agent Board and the Revenue Tribunal, are paid under one budget line. The officials from the Auditor General's office explained that in accordance with Board policy, Board members and secretary do not get paid on maternity leave.

Analysis:

-The issue of payment whilst on maternity leave should be properly assessed.

iii) Imprest

Key Audit Findings: Upon inquiry the audit was informed that there was currently no physical cash in existence under the ownership of the Board despite the Treasury general ledger showing that the Board was assigned with a petty cash of SR1,000. The audit noted that, upon further examination of available documentation, there had been a mismanagement of petty cash arising years back, letter dated October 2014 and the Board has been operating without petty cash since 2014. Audit found an email dated 22nd September 2021 exchanged with Treasury regarding this issue which remains unresolved to date.

⁶³ The Board replied to the audit stating that the overpayment was made as the Secretariat was unaware that the allowances should discontinue during maternity leave. The Board reassured that they would strengthen controls in place.

Findings from the Hearing: The Committee enquired about whether the Board is currently using petty cash. The Board informed the Committee that petty cash is not in use.

Analysis:

-The officer responsible for bookkeeping should send the Board records to ensure that members are up to date and reconciliation can be done.

2. CONCLUSION

*'Governments with poor accounting practices are unable to make fully informed decisions about the allocation and use of scarce resources.'*⁶⁴

Serious Lack of Adherence to Procurement Regulations & Procedures

Under a review of the 2021 report, an analysis has shown an estimation of payments at the value of **SR17,122,449** which were effected across the entities in contravention with established best practices, procurement procedures and with the proper and necessary documentation. The discrepancies vary as below:

- Lack of documentary evidence of obtaining requisite three quotations as per procurement procedures, at times total unfulfillment of the procedures;
- Absence of justifications and clear basis for selections;
- Inadequate documentation to support and justify the relevance of the purchases;
- Absences of needs and documents assessments;
- Non-adherence to prescribed methods of bidding which also includes payments made on expire contracts;
- Unsigned goods received notes and no evidence of checks undertaken by accountants;
- Shortcomings in processing procurement and establishing agreements accordingly.

Mismanagement of Fixed & Non-Financial Assets

Under a review of the 2021 report, under assets management and the fixed asset registers an analysis has shown an estimation of assets worth **SR7,443,188** which were as per the below;

- Not recorded in the fixed asset register;
- Lack of records and documentation on acquisitions, identification numbers, identifiable location and acquisition codes;
- Lack of reconciliation;
- No evidence of physical verifications and year-end verifications that have been carried out;

⁶⁴ World Economics, 'Government Accounting', Ian Ball & Gary Pflugrath, 2012

- Vouchers that could not be traced to the asset register;
- Lack of write-off verifications and records.

Concerning Discrepancies in Fleet Management & Fuel Coupons

An analysis of the Report in regards to fuel coupons and the value of fuel consumption not properly recorded amounts to an estimation of the value of **SR3,314,380**. The discrepancies involve:

- Employees misusing and mishandling logbooks;
- No records of fuel consumption and misused logbooks;
- Discrepancies between mileages and records;
- Fuel coupon books not registered and tracked;
- Loss of coupons.

There are clear discrepancies and mismanagement that has occurred over the years that has had an impact on the expenditures and financing across Government. The ultimate caveat relates to the internal structures, accounting practices and need to imperatively train accounting officers, administrative and accounting officials. A thorough and serious review of internal procurement, assets management and oversight procedures should be reviewed in order to mitigate losses and ongoing mismanagement that have been identified.

- *End of Report* -

ANNEXURE

List of Evidence Requested

The Finance & Public Accounts Committee (7 th Assembly)		
Requested Evidence from the Hearing of Friday 7 th July 2023		
Hearing Details		Details of Evidence Requested
From	Time Slot of Hearing	Hard copy
Department of Land Transport	0900hrs-1000hrs	<ol style="list-style-type: none"> 1. Copy of Letter from the Ministry for Finance regarding the consultancy, which says there is no more outstanding payments to be made 2. Value Chain Analysis Study on the Operations of the Port 3. Documents pertaining to the details of the transport that was in the Garage 4. A Sample of the Excel system used as the Mechanism for Monitoring Expenses and Bills 5. Full Report on the Process Concerning the procurement of the 'Certified Disc Stickers' 6. (OAG) The Goods Received Notes referred to in point 11 of page 34 of OAG 2021 report are to be sent to the OAG
Department of Employment	1000hrs-1145hrs	<ol style="list-style-type: none"> 1. Hard Copy of costs of fees of Dep. Employment 2. How much the Government Collects from Processing Fees in Employment Applications Annually 3. Information on when the SCR150 fee for applications was last revised keeping in mind the rising costs of processing and other fees 4. (OAG) The OAG to Conduct a more in-depth Work Concerning Fleet Management 5. Quantification of the output of overtime in terms (no log book)
Department of Defence	1150hrs-1330hrs	<ol style="list-style-type: none"> 1. Transport Fuel Coupons and Procurement of non-military services (to be followed up on with the OAG) 2. Details of the Procurement and Vetting Committee: <ul style="list-style-type: none"> - Composition of the Committee - The Committee's Terms of Reference 3. The Financial Comptroller to assist the Department to Compile a Document for the FPAC in Relation to the Material Procurement which is part of the 2021 OAG Report
Ministry of Family Affairs (social affairs)	1430hrs-1500hrs	<ol style="list-style-type: none"> 1. (OAG) OAG will follow up with Social Affairs in regard to the Overpayment of R24,800 towards procurement of services and wrongly charged to "Other allowances" in the General Ledger (TIS)

		<ol style="list-style-type: none"> 2. Write off Register 3. (OAG) Management Letter sent to Family Affairs to be sent from OAG
Ministry of Education	1500hrs-1545hrs	<ol style="list-style-type: none"> 1. Copy of the Payments not supported by requisite documents in referred to in point 5 of page 41 of the 2021 OAG Report 2. Information on travel expenses 3. (OAG) OAG to write to the Ministry to provide the OAG with the information it requires to resolve outstanding issues
Seychelles Revenue Commission	1600hrs-1730hrs	<ol style="list-style-type: none"> 1. Response to the OAG Report in regard to the recovery and outstanding debts recovered (Sending FPAC the figures)

The Finance & Public Accounts Committee (7 th Assembly)		
Requested Evidence from the Hearing of Friday 14 th July 2023		
Hearing Details		Details of Evidence Requested
From	Time Slot of Hearing	Hard copy
Dep. Environment & Climate Change	1015hrs-1115hrs	<ul style="list-style-type: none"> - Copies of receipts and vouchers from the misplaced Cash Book (given during Hearing) - Copy of form and rates (given during Hearing) - Value of the Department's current transport fleet. - Amount represented by the 6 still outstanding receipt books (OAG) Number of the receipt books mentioned from the 2018 reports – OAG will check which documentation which raised this point in 2018 audit to send to the department to trace. - Management letter from OAG
Industrial Estates Authority	1135hrs-1230hrs	<ul style="list-style-type: none"> - Debtors List (given during Hearing) - List of court cases for debts - Aging Debtors List & New Debtors List - In writing provide the details of the features of the lease property management software, the cost of the software and what the lease property management software system can do. - Rates for after-hours work from MLH invoices regarding drone mapping, subdivisions, cadastral (Received).
Office of the Mayor	1315hrs-1430hrs	<ul style="list-style-type: none"> - SIF Payments - Publication cost of books received during the hearing. - (OAG) To have a separate paragraph based on recouping the cost of printing the books. - Response from Finance requesting write off (received during hearing)

		<ul style="list-style-type: none"> - Management Letters (received during Hearing) - Direct Bidding for Security Services (received during hearing) - Procurement Committee Goods and Services regarding installation and removal of Christmas decorations (received during hearing) - Response to OAGs Report (received during hearing)
Heritage Foundation	1500hrs-1535hrs	<ul style="list-style-type: none"> - Total of what the total fixed assets amounted to. - Documentation where permission was sought from the Ministry for Finance regarding the trade-off of debts for vendors. - Information on the management of assets and how they are maintained.

The Finance & Public Accounts Committee (7 th Assembly)		
Requested Evidence from the Hearing of Wednesday 16 th of August 2023		
Hearing Details		Details of Evidence Requested
From	Time Slot of Hearing	Hard copy
Ministry of Finance, National Planning & Trade	0900hrs – 1030hrs	<ul style="list-style-type: none"> - Total collected from the guaranteed profit from Indian Ocean Tuna Limited (IOT) with details of the total amount that the Government has gotten from the guaranteed profit and total amount the company has gotten) – (Timestamp: 10.04) - Total dividends collected from IOT in 2019 - Information on whether the businesses in which the Government owns shares have revised the salaries of their Seychellois workers to reflect the 10% increase. – (Timestamp: 10.05) - Assessment done in the agreement (what is in the agreement & what is being re-negotiated (IOT) (Timestamp 10.10) - Commercial agreement (maybe in an in-camera meeting (Timestamp: 10.10))
Ministry of Finance, National Planning & Trade	1045hrs – 1200hrs	<ul style="list-style-type: none"> - Copy of the evaluation of the vessel (Timestamp: 11.01) - Policy of auction (Timestamp: 11.02) - List of the 19 accounts closed in 2022 (Timestamp: 11.28) - Report of internal audit (Timestamp: 11.48)

The Finance & Public Accounts Committee (7 th Assembly)		
Requested Evidence from the Hearing of Thursday 17 th of August 2023		
Hearing Details	Evidence Received During Hearing	Details of Evidence Requested

From	Time Slot of Hearing		Hard copy
Ministry of Local Government & Community Affairs	0900hrs – 11.30hrs	- Facilities Fee Management Policy	<ul style="list-style-type: none"> - Evidence of payments made by the Baie St. Anne day-care centre for the period of September 2021 to October 2021, to certify there are no longer any outstanding payments due. <i>(Timestamp: 09.34)</i> - Information regarding the incident of certain districts having 2 receipt books. <i>(Timestamp: 09.40)</i> - Documents and procedures regarding the random checks performed by the accounts section and the number of random checks performed by the Accounts section in 2022. <i>(Timestamp: 09.41-09.44)</i> - Collection, year-to-date on all revenue streams and balances of all four accounts. <i>(Timestamp: 10.04)</i> - Details of payments made through the National Day suspense account. <i>(Timestamp: 10.25)</i> - List of projects are going to be covered under the suspense accounts for projects. <i>(Timestamp: 10.26)</i> - The list of usage limits on mobile phones. <i>(Timestamp: 10.45)</i> - Procurement letter of appointments of members on the internal procurement committee. <i>(Timestamp: 11.25)</i> - How many remedial works were carried out during the past 6 months and how they were awarded (Those which were SCR25,000 +). <i>(Timestamp: 11.26)</i> - Documents regarding the 15% VAT in respect of payments for security services. <i>(Timestamp: 11.37)</i> - Cost-benefit analysis on the system of in-house security personnel. <i>(Timestamp: 11.41)</i>

			<ul style="list-style-type: none"> - Details on the 3 vehicles and its auction (how much was collected in auction) (<i>Timestamp: 11.50</i>) - Insurance on vehicles (what coverage is being used). (<i>Timestamp: 11.50</i>) - Rentals – send criteria for rental of centers. (<i>Timestamp: 11.52</i>)
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